

Soybean Board Buys In To Strategic Allocation of Resources

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Though the United Soybean Board of December 2003 was sophisticated in its strategic planning processes, its 64-member Board completing intense exercises in visioning, action planning and evaluation at each of its three board meetings a year, something was going wrong.

Rumblings were growing about the traditional budgeting process. The “hall talk” was getting more animated. Was the Board really strategic if its budgeting did not allocate money by priority strategies? Did the Board really have control of the resources or did control lie with a small group of politicians or the vocal statesmen?

The United Soybean Board stood at a crossroads, realizing intuitively that longstanding cultural procedures would have to change for the organization to truly reach the next stage in the strategic allocation of more than \$40 million a year in marketing and promotion on behalf of soybean farmers.

At that time, the budget was completed by a Budget & Finance Committee of five to six members who estimated upcoming revenues, reviewed committee requests and historic allocations, formulated a budget and presented to the Board. With an occasional scuffle over dollars on the floor subject to the plea of a statesman at the microphone, the budget would find its approval. The discussion at the close of 2003, with the Board turning its attention strongly to the importance of its approach to strategic planning, was pretty simple. It was time to put its money where its planning had been. No longer would the Board be satisfied with an approach to budgeting based only in historic allocation or committee requests.

Staff and consultants, working with a member committee, began working to find a solution to the challenge laid out by the Board. They looked to meld budgeting with the Board’s strategic planning processes and to invent a consensus-based process of budgeting that involved the entirety of the Board’s 64 members. But, as one Board member challenged, processes needed to guarantee budgeting would not become a “food fight” on the floor of the Board during business sessions.

The process became one of discovering a methodology for the full Board to participate in the budget discussions in an orderly way, to get quality information and to give their input. Ultimately, the working group decided on electronic keypads to capture the Board’s input on a series of discussion points which drive the budget. Utilizing specially designed allocation model, Board members vote on the Drivers for their priority strategic issues, giving them budgetary weight as they vote. Drivers, chosen by the Board for their relevance, include measures like the openness of the environment, the strategic importance of the issue, the Board’s ability to impact the issue, and the potential return on investment. There are five of these drivers at the strategic level. Each was very specifically defined in writing, explained, and adopted

by the Board. Each was also given a weight. The Board had the opportunity to vote with their keypads, scoring each of these drivers at five specifically defined levels. For example, in the “Strategic Importance” category, the Board would choose from five levels ranging from describing if the issue is of strategic importance to the industry segment it represents and talking in depth about what that means. It is important to note that the voting is used both to make direct adjustments to the budget allocation and to provide the Board with feedback so they can use the information to make manual adjustments.

The Board also uses the voting technology along with dialogue-and-deliberation to set anticipated revenue levels for the organization. Along with written information received in advance from industry sources, the Board fully discusses the revenue information and utilizes the electronic systems to reach consensus on the revenue factors. This has given the full Board a better understanding of the factors at work and resulting in greater buy-in for the process.

In developing the formula, there was a lot of discussion around what role history should play. For example, should historic funding of a budget category have a heavy weighting or no weighting? USB built in the historic funding levels, including the staffing and overhead costs, in order to give the overall program greater stability. The historic funding (program funding, staffing and overhead) now combines with the Board’s voting on strategic and tactical prioritization to generate a final budget. Once the preliminary budget has been generated, the Board has the ability to make direct adjustments to individual strategies or tactics. The staffing and overhead are allocated to the individual strategies and tactics under which they are generated, so the Board is actually aware of what a strategy costs to fulfill.

Going back to the question of historic allocation of resources, the Board considers the constraints annually, allowing the percentage the budgets can move up or down for the formula. In the last three years, the Board has chosen a conservative plus or minus 10%. Interestingly, on the floor, it has also asked to see the budget with no constraints for the purpose of discussion. The benefit of utilizing history, rather than zero-based budgeting, is that it affords management and leadership some level of stability in planning. However, it is limiting in truly adopting a strategic approach in planning. Using the technology at hand and the allocation model gave the Board the ability to see the data without the constraints at any time, and to take advantage of greater intellectual challenges and opportunities that data could afford.

The keypad technology was integrated into small and large group discussions on the strategic issues to punctuate the voting processes. It also allowed the Board, as appropriate, to gather information from outside groups (affiliates, peer groups, industry, academia) to provide as input in our planning processes or as a service to those groups. Important to the success of the process was the creation of written “briefs” on the strategic areas, which are updated for each meeting on the information related to the action to be taken. These briefs are provided in complete workbooks two full weeks prior to each Board meeting.

Equally important was the Board’s commitment to stay current on the written material and its demand not to repeat written material during the course of the shortened Board meetings, which the Board also mandated. It was critical in our Board’s culture that the entire Board be able to see all the input into the

budget, so each of the figures (i.e. revenues, administrative costs, unallocated funds, etc.) are all approved by the full Board step-by-step to assure understanding and transparency. The use of voting technology has allowed the meetings to move faster and integrate processes that once were more time consuming.

While many Boards budget once a year, the United Soybean Board's integrated planning and allocation process is year-round and Board members remain very involved at all levels. The three meetings are generally dedicated to strategy, tactics and evaluation, respectively, with general business at all. With keypads always in Board members' hands, the respective questions and "drivers" on the budget change in accordance with the task at hand. In February of each year, the Board is setting its strategic direction for the next year. In July, it is confirming its budget and its tactics. In December it evaluates its impact on the last year and does visioning.

In February and July, the Board's votes on issues of strategic priority serves to allocate its budget. The Executive Committee then reviews that budget to see if there are any other recommendations to be made to the Board, and presents the final budget to the Board. The Board has their own data from earlier in the meeting in front of them, any changes the Executive Committee made, all in the form of a final budget. It is in their hands in the form of an integrated strategic plan and budget. The Board has the ultimate approval.

The voting also generates full color reports, rich in information, the data indicating areas for further dialog of the full Board or respective committees. The Board made a move to adopt the model of dialogue-and-deliberation, though with minimal success. The move from Robert's Rules and parliamentary procedure to one of dialog, with such a large board, has met with mixed success. The Board has gone to a process in which the dialog-and-deliberation process is utilized in specific parts of the meeting, announced and facilitated in order to help the Board learn and understand the process.

The initial introduction of the strategic allocation technology to the Board was popular, the members wholeheartedly accepting the new budget format, which was led by a strong and dynamic new chairman of the Board. The strongest comments of support came from members of the Board who believed in the consensus-led data and its resulting budget. In such a large Board, some Board members said they had never before felt a sense of vesting in the budget, whereas in the new system they felt a hands-on commitment to the process. Counter to that, non-supporters came from the ranks of those that felt they had lost power or resources in the system that built a broader democratic process. Within the Board, they began a process which would result in erosion of support which would cycle over the next three years, although ultimately, the Board would continue to support the model and its precepts.

The integration of the new technology has not been without its bumps. As any cultural change, it faced its challengers. The biggest change was the seeming shift of power from the committees to the full Board, and from the power brokers to the full Board. Several modifications of the model have been made to address political concerns of the Board, yet the core of the intent remains intact. The strategic allocation of resources remains consensus driven, in the hands of the 64 Board members.

Cutlines for Accompanying Graphics:

StoryMap on Implementation (PDF)

This graphic describes the process the United Soybean Board underwent in implementing the new process into the many facets of the board's operations. The storyboard helped the staff and volunteers visually to understand what was happening and to see what was coming up in terms of changes to meetings.

Budget/Summary Report/Allocation Worksheet (PowerPoint)

The Board provides input on the price and utilization of the upcoming soybean crop electronically which ends up being the new budget. The second step is the accumulation of the Board's electronic voting on Strategic Drivers which produces a Summary Report and ultimately a preliminary budget allocation. When the Board sees the Allocation Worksheet, it engages in dialogue and can make any final adjustments to its budget on the floor.

Schematic of Board Meetings (PowerPoint)

The Board is in a constant and active state of strategic planning. But generally the visioning begins in December with strategies determined in February along with a preliminary budget. The tactics and a final budget are determined in July. In December, the prior fiscal year is evaluated against the goals, strategies and tactics of the Board.

(Note: USB is on an Oct. 1 Fiscal Year)