Research Series on Director Skills
Gap Analysis: Paper 3 of 4

Identifying the Most Important Director Skills

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Jody Herchenbach, Ph.D.
Assistant Professor, Agribusiness and Economics
University of Nebraska - Kearney

Brian Briggeman, Ph.D.
Professor and Arthur Capper Cooperative Center (ACCC), Director
Department of Agricultural Economics
Kansas State University

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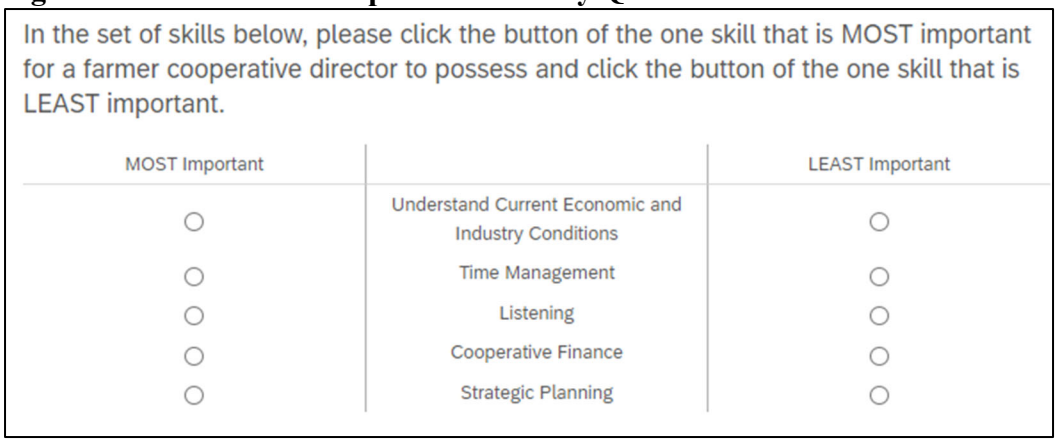
In looking at the changes in the cooperative landscape over time, local cooperatives have consolidated and built new infrastructure while offering a growing variety of services and operating across broader geographic areas, including, for some, operating in multiple states. Due to these significant changes, directors of farmer cooperatives need to ensure they have the appropriate skills to lead and make decisions within this evolving industry. Recent research conducted by Herchenbach (2022) identified the following 11 key skills for farmer cooperative directors to be engaged and knowledgeable: (1) cooperative finance; (2) cooperative governance and policy; (3) communication; (4) time management; (5) understand current economic and industry conditions; (6) ask critical and constructive questions; (7) strategic planning; (8) networking; (9) listening; (10) teamwork and (11) leadership. The previous fact sheet identified skill gaps among new and current directors. The biggest director skill gaps fell in the following areas: Asking Critical Questions; Strategic Planning; Cooperative Finance; and Understanding the Current Economic Environment and Industry Conditions.

In this fact sheet, we will discuss how the most important skills for directors were identified and will rank them from most important to least important.

To find the key skills, a survey was created and distributed to CEOs/GMs and directors of farmer cooperatives from across the Plains and Midwest States. One part of the survey had respondents choose the most important and least important skill from a list of 5 skills. This scenario was then repeated 11 times with the list of 5 skills presented changing each time. A sample question from the survey can be seen below in Figure 1.

Figure 1: Director Skill Importance Survey Question



In analyzing the results, a score was assigned to each skill. Each skill appeared a total of 5 times in the 11 questions. If the skill was chosen as the most important in that set of 5 skills, the skill was given a value of '1'. If the skill was chosen as the least important in that set of 5 skills, the skill was given a value of '-1'. If the skill was not selected as most or least important, the skill was given a value of '0'.

With these assigned scores, each skill was examined as to how many times it was selected as most important (score of +1) and how many times it was selected as least important (score of -1) which we used to calculate the skill's average score, ranging from +5 to -5. Remember that each

skill appeared 5 times. So, if everyone in the survey selected a skill as most important each time it appeared, then its average score would be +5. Conversely, if everyone selected a skill as least important each time it appeared, its average score would be -5. Thus, a score closer to +5 indicates our survey respondents found that skill to be very important. A score closer to -5 indicates the skill is not as important. The average scores for each of the 11 skills are shown in Table 1 below.

Table 1: Average Skill Scores from Most Important (+5) to Least Important (-5)

Skill	Entire Sample (161 total)	Director Responses (98 total)	CEO/GM Responses (63 total)
Ask Critical & Constructive Questions	1.73	1.83	1.57
Strategic Planning	1.58	1.42	1.83
Understand Current Economic & Industry Conditions	1.52	1.56	1.46
Cooperative Finance	0.81	0.98	0.56
Communication	0.60	0.71	0.41
Leadership	0.33	0.01	0.83
Listening	0.09	0.19	-0.08
Teamwork	0.00	0.06	-0.10
Cooperative Governance & Policy	-0.29	-0.41	-0.10
Networking	-2.72	-2.69	-2.76
Time Management	-3.65	-3.66	-3.62

Both director and CEO/GM respondents identified the top 3 skills as (1) Ask Critical and Constructive Questions; (2) Strategic Planning; and, (3) Understand Current Economic and Industry Conditions. Each of these skills had an average score over 1.5. Cooperative Finance and Communication were both close to a score of 1, which also places these skills of higher importance compared to the remaining six skills.

Our sample of directors and CEOs/GMs also agreed on the not as important to least important skills. With an average score of -3.65, Time Management was identified as the least important skill. Networking was next with a score of -2.72. Listening and Teamwork each had an average score of 0, which suggests very few respondents selected these two skills as either most or least important (i.e. they were not selected often). Finally, it is interesting to note that while Leadership's average score for the entire sample was lower, CEOs/GMs selected it far more often than directors given the average scores were 0.83 and 0.01, respectfully. Potentially, CEOs/GMs are signaling directors to continue to develop their board leadership skills.

The next step in our analysis was to assign a relative importance score to each skill. An econometric model was estimated to derive these scores, which allowed us to compare each score relative to another score. For example, Table 2 shows that Ask Critical and Constructive Questions had a relative importance score of 18.5% and Time Management is 0.9%.

In other words, Ask Critical and Constructive Questions is more than 18 times as important relative to Networking. The rank order of the 11 skills from most important to least important is shown in Table 2.

Table 2: Relative Skill Importance Scores

Skill and Rank	Importance Scores
(1) Ask Critical & Constructive Questions	18.5%
(2) Strategic Planning	15.8%
(3) Understand Current Economic & Industry Conditions	14.2%
(4) Cooperative Finance	11.2%
(5) Communication	10.7%
(6) Leadership	7.9%
(7) Listening	7.3%
(8) Teamwork	6.5%
(9) Cooperative Governance & Policy	5.8%
(10) Networking	1.3%
(11) Time Management	0.9%

It is clear to see that the top 5 director skills as listed in Table 2 are significantly more important, based on the survey responses, than the other 6 skills. For example, Communication is 1.35 times as important as Leadership so efforts could be made to increase the skills in that area. Focusing on developing the top 5 skills listed in Table 2, would be the best use of time, energy and effort for a new or current director.

In summary, this research identified the most important skills for farmer cooperative directors to possess in order to be effective, engaged and knowledgeable as they work together for the cooperative. It is important to note that each of these eleven skills are important. Our aim was to push further and determine which skills were deemed of higher importance. Through these presented results, we were able to rank these skills in order from most to least important. In our next and final fact sheet in this series, we will combine the results from the first three fact sheets into a Skills Priority Matrix, which can be used as a tool for cooperatives to evaluate individual director skills as well as the entire board's skill set.

References

Herchenbach, J. (2022). *Skills gap analysis of farmer-owned cooperative directors and its connection to the agricultural landscape* [Unpublished doctoral dissertation]. Kansas State University. Accessible here: https://krex.k-state.edu/dspace/handle/2097/42379