

Research Series on Director Skills Gap Analysis: Paper 2 of 4

Existing Skill Gaps

ACCC Fact Sheet Series – Paper #19

February 21, 2023

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

Thank you to our sponsors who provided funding for this research: CoBank, CHS, ProValue Insurance and Pride Ag Resources. Also, thank you to the group of state cooperative council leaders from Kansas, Nebraska, Iowa, South Dakota, Oklahoma, Texas and Missouri who helped circulate and promote our survey data collection.

Boards of directors are integral to company performance. Therefore, it is important to identify and assess the necessary skills for directors to be engaged and knowledgeable. In our last fact sheet, we identified 11 key skills for farmer cooperative directors to possess: cooperative finance; cooperative governance and policy; communication; time management; understand current economic and industry conditions; ask critical and constructive questions; strategic planning; networking; listening; teamwork and leadership. In this fact sheet, we will identify skill gaps among new and current directors. Identifying the gaps allows us to see which skills might need more attention within training programs.

In January 2022, 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 was a skills assessment that estimated a potential skill gap for new incoming directors. To estimate this gap, respondents were asked to rate their skill level on a scale of 1 to 5, where 1 represented no knowledge or understanding of the skill and 5 represented extensive understanding of the skill. The midpoint 3 reflects an intermediate skill level or an adequate understanding of the skill.

Estimating the skill gap required asking directors and CEOs/GMs slightly different questions. For directors, they were initially asked to rate their own skill level when they were new to the board. This rating is the 'new' or baseline skill level for each of the 11 skills presented. Then, each director was asked to rate their 'current' skill level for all 11 skills. To estimate the skill gap for directors, the difference between 'current' and 'new' skill level was calculated. CEO/GM respondents completed a similar set of questions except they were asked initially to rate the skill level of the average 'new' director coming onto their board. Then, they rated the skill level of their average 'current' director. The skill gap is again estimated as the difference between 'current' and 'new' skill level.

To analyze the results, we computed the average gap score given for each skill for the entire sample, director respondents only, and CEO/GM respondents only. These results are presented in Table 1 below. All 11 skills show a positive gap for new directors coming onto the board. This means that directors increased their skill level for all skills from when they were new to the board of directors. For the entire sample, the largest skill gaps are seen for Cooperative Governance and Policy and Cooperative Finance, and the smallest skill gaps are seen for Time Management and Listening. Furthermore, the estimation of these skill gaps does reveal that directors improve their skill level from less than adequate, below a 3 rating, to at least an intermediate or adequate skill level rating of 3 or higher. This result applies to all director skills except for one, Strategic Planning.

Table 1. Average Director Skills Gaps

| Skill | Entire Sample (174 total) | Director Responses (109 total) | CEO/GM Responses (65 total) |
|---|------------------------------|--------------------------------------|-----------------------------------|
| Cooperative Governance and Policy | 1.4 | 1.5 | 1.1 |
| Cooperative Finance | 1.3 | 1.5 | 1.0 |
| Strategic Planning | 1.0 | 1.1 | 0.8 |
| Understand Current Economic & Industry Conditions | 0.8 | 1.0 | 0.4 |
| Ask Critical & Constructive Questions | 0.7 | 0.8 | 0.6 |
| Networking | 0.7 | 0.8 | 0.3 |
| Teamwork | 0.5 | 0.6 | 0.5 |
| Communication | 0.5 | 0.6 | 0.4 |
| Leadership | 0.5 | 0.6 | 0.4 |
| Listening | 0.4 | 0.5 | 0.3 |
| Time Management | 0.4 | 0.5 | 0.1 |

The Strategic Planning skill gap provided some interesting differences between director respondents and CEO/GM respondents. Directors stated their skill gap was 1.1, which implies a significant improvement in this skill area. CEOs/GMs stated the improvement of new directors was not quite as high, reporting a skill gap of 0.8. However, both groups do agree there is a positive improvement in the skill, Strategic Planning.

Additional insights into the Strategic Planning differences are found in the average skill rating scores used to calculate this particular skill gap. The average scores are broken down by director respondents and CEO/GM respondents in Table 2 below. Director respondents' average 'current' skill rating for Strategic Planning was 3.7 and 'new' skill rating was 2.6 for a gap of 1.1. CEO/GM respondents' average 'current' skill rating was 2.9 and 'new' skill rating was 2.1 for a gap of 0.8. So, directors stated that their 'current' skill level was nearly a full 1-point rating above CEOs/GMs assessment of directors. And, directors felt their skill level was above adequate, while CEOs/GMs did not. A potential reason for this discrepancy is the definition of Strategic Planning. CEOs/GMs might have viewed Strategic Planning as an ongoing process that is reviewed more times than the monthly board meeting. Regardless, Strategic Planning is an important skill, but care must be given when delivering an educational training on the role directors play in the cooperative's strategic planning process.

| Skill | Directors - Before | Directors - Current | Skill Gap | CEO/GM - Before | CEO/GM - Current | Skill Gap |
|---|-------------------------------|--------------------------------|----------------------|----------------------------|-----------------------------|----------------------|
| Cooperative Governance and Policy | 2.0 | 3.5 | 1.5 | 2.0 | 3.1 | 1.1 |
| Cooperative Finance | 2.0 | 3.5 | 1.5 | 2.0 | 3.0 | 1.0 |
| Strategic Planning | 2.6 | 3.7 | 1.1 | 2.1 | 2.9 | 0.8 |
| Understand Current Economic & Industry Conditions | 2.7 | 3.7 | 1.0 | 2.9 | 3.3 | 0.4 |
| Ask Critical & Constructive Questions | 2.9 | 3.7 | 0.8 | 2.8 | 3.4 | 0.6 |
| Networking | 2.6 | 3.4 | 0.8 | 2.9 | 3.2 | 0.3 |
| Teamwork | 3.1 | 3.7 | 0.6 | 3.0 | 3.5 | 0.5 |
| Communication | 3.0 | 3.6 | 0.6 | 2.7 | 3.1 | 0.4 |
| Leadership | 3.0 | 3.6 | 0.6 | 2.7 | 3.1 | 0.4 |
| Listening | 3.3 | 3.8 | 0.5 | 3.3 | 3.6 | 0.3 |
| Time Management | 3.1 | 3.6 | 0.5 | 2.9 | 3.0 | 0.1 |

Table 2 shows another interesting difference in the skill, Understanding Current Economic and Industry Conditions. Directors stated that their average skill gap was 1.0, while CEOs/GMs stated the average skill gap of directors was 0.4. One reason for this difference is that directors rated their average ‘new’ skill level at 2.7, which was lower than the CEOs/GMs average ‘new’ skill level of 2.9. This finding implies that training is needed for new directors to better understand the current economic and industry conditions.

The results also show some similarities across director respondents and CEO/GM respondents. First is the agreement that there is a noticeable gap for new directors in Cooperative Governance and Policy and Cooperative Finance. Director responses and CEO/GM responses lead to average gaps of at least 1. Also, directors note having a significantly larger gap in these two skills. This result suggests that new directors need to seek out educational opportunities to improve their knowledge of Cooperative Governance and Policy as well as Cooperative Finance.

Another similarity is that both directors and CEOs/GMs agree that there is not a large gap in the director skill levels of Listening and Time Management. Clearly these are important skills for a farmer cooperative director. However, from a training and educational programming perspective, not much time is needed to devote to improving these skills as the gap is small.

In summary, this research identified potential skill gaps for directors when they are new to the farmer cooperative board. Future training programs can be developed using these results. However, more information is needed to ensure director training focuses on those skills that are the most important. In our next fact sheet in this series, we will connect the skill gaps to those skills that are the most important for farmer cooperative directors via the Skills Priority Matrix.

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>