



Perception vs Reality

Description

For-Profit Corporation vs POA Structure

By [Lloyd Sherman](#), December 5, 2020

Today I want to explore my thoughts on why we have a recurring issue of who is really in charge of the Village and why conflicts arise or why our boards might be perceived as dysfunctional. Please bear with me as there will be some generalizations likely made that can be challenged. This is coming from having seen first hand what happens both with the hiring of a manager (GM) to run the POA and the perceived direction of board members' campaign promises and becoming ineffective.

So, let's start with how I operated as a manager in the corporate world. I didn't start my career as a manager, but largely due to being in the right place at the right time, I arrived in that capacity in 1974 (not including my leadership role while in the Navy). So, my experience in the corporate world of management spanned the next 35 years until I retired the first time. I left the corporate world as a Senior VP and Division Manager of a Fortune 500 company. Any of this sounding familiar to some of you out there who may have followed a similar path? I learned early on that using a dictatorial type of approach didn't work and so I developed a philosophy of including my direct reports in the decision-making process. However, I always told them that as I would be held responsible for decisions made, they needed to understand I was asking for their input but that I would make the ultimate decision. What I loved most about being in management was my superiors laid out what they expected of me and I had the freedom to operate pretty much independently as long as I was achieving the goals and objectives that had been laid out. Of course, they expected to have periodic reports, but for the most part I was able to operate without interference. The further up the food chain I went, the fewer layers of expectations were placed upon me. In my final role in the corporate world, as long as I was returning the financial results needed or required, I operated autonomously. Pretty sweet and I wouldn't be surprised if others with management experience don't have similar types of experiences, including anyone coming into the Village as a General Manager. So, regardless how much you have explained to them about the structure within the POA, they still come with their expectation of how they are going to operate.

So here is where the disconnect starts. The POA is not a corporation like those from which most of us came from.

The POA is set up as a non-profit mutual benefit corporation, owned in this case by the property owners. Our structure and Bylaws have “**The Board**” as the body responsible for the legal and financial matters of the organization. So, the first disconnect comes from the likely expectations of the person coming in to manage the operations. Their expectations are likely those of a board in private for-profit standpoint where boards are really just advisors. The property owner’s perspective is that they vote for and elect people they expect to be running their organization. This in all likelihood, has set up the first opportunity for conflict.

These disconnects and conflicts start presenting themselves in the form of pushback from management or staff on the involvement of the board members in their day-to-day activities. So, for those board members who have the aptitude, knowledge, and will to fix things they see lacking or in need of change, the conflict escalates. This results in information being shielded from board members, committees, and property owners. Any request for information at a detailed level is viewed as an attack on staff and that they are not capable of doing their jobs.

You can’t expect a body of seven people (or any number for that matter) to have all the skills and background necessary to carry out their full responsibilities, so committees are formed. These committees operate under the guidance and direction of the board, and as such are delegated the responsibility to perform the necessary due diligence and provide recommendations and advice to the Board to assist in carrying out their duties. These committees are formed primarily of property owners, who also came from backgrounds in the area of expertise for which the committee was formed. Should these committees be restricted in what information they can gather, or where their recommendations are ignored, or worse, opposed by management and staff? Doing so just disenfranchised not only the committee but the property owners as a whole. After all, these committees are an extension of the board’s responsibility.

And so, the result is potentially the largest disconnect and conflict we have because management and staff wind up shielding or potentially not providing the full information and use the **interference in operations** as their shield. No board member should accept that as it is the board that is ultimately responsible. This aspect alone basically renders the board and committees somewhat useless, or at the least ineffective.

So now, let’s move to the board and what I have observed over the past couple of boards and in particular, the current one. Part of the issue has been explained above; however, it isn’t really the biggest problem, IMHO. New board members enter the picture with no real understanding of what will be expected of them. They have their ideas and convictions and have every intention to follow through with them. However, what they discover is that this position requires a lot of work, and the 80/20 rule kicks in. Most of the work is done by 20%, and for those without a sound work ethic and/or strong conviction, it becomes easier to abdicate their responsibility unwittingly. Those who stick by their guns place a target squarely on their back. Those who don’t have the will or where-with-all, basically, again unwittingly, wind up going along to get along.

So, in summary, without realizing it, we have basically set up the perfect storm that is riddled with conflict and controversy. Is there a solution? Maybe, but unless mindsets change, I don’t see how. How

many GM types do we have in the Village who are willing to serve on a board with the kind of commitment that is necessary? How many people run, who have no clue and will not be able to contribute to the workload? Lots of questions but few answers.

The one thing I am convinced of now that wasn't part of my thinking process when selecting a new manager is that we should never again hire an outsider. We need a manager who knows the Village, knows how this POA operates, and how our organization operates differently than the corporate world. Then we need to do a better job vetting candidates for the board and having levels of qualification to run other than being a property owner in good standing. That is not a qualification to be responsible for a \$40 million operation. And because we have basically been doing the same thing for the last 20 years and expecting a different result, the first priority and board led activity should be a deep dive into each and every amenity and operation and in hindsight, should have been done before consideration was given to hiring an outside manager. After all, isn't the deep-dive concept what most people seem to run on?

As always, these are simply my observations and thoughts and are only meant to stimulate discussions and hopefully, positive action. I understood a long time ago that you open yourself up for criticism when you put yourself out there. However, I am always happy to discuss my views and even debate them as necessary.

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