

Acting on GM monitoring reports

An online CBL200 series course, Mastering the Fundamentals
Provided as part of the CBLD program

www.cdsfood.coop/cblD

Webinar: April 2, 2008

Recorded for later use by registered participants

Related files are available (link shown on next page)

Presented by Mark Goehring

Special thanks to CBLD team and special guests!

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Files available at

<http://cdsfood.centraldesktop.com/actingongmmonitoringreports/>

registration is required for access <http://cdsfood.centraldesktop.com/cbld/>



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Overview of today's session

- Accountability
- Expectations / Policies
- Seeing the whole cycle
- Monitoring frequency / the calendar
- Acting on Monitoring reports: using the decision tree
- A couple examples to demonstrate the use of Operational Definitions/ Interpretations and data
- The GM Evaluation

Setting the stage for the Accountability Chain

COOPERATIVE

An organization or enterprise owned by and operated for members for the purpose of producing some common benefit / value

ACCOUNTABILITY

The quality or state of being accountable

ACCOUNTABLE

Giving a justifying analysis or explanation to prove a trust is fulfilled or an obligation is met

The Accountability Chain

Member/owners

Board

GM

Operations

Value produced for members/owners



1. Have Expectations

And write them down

2. Assign Authority

Also known as delegation

3. Check

We're going to need some information here

A good practice as a director and board is to always ask:

What have we already said about this?

Because just maybe you'll discover that the board has written down some expectations in this area...

POLICY TYPE: BOARD-MANAGEMENT DELEGATION

(FROM THE CDS/CBLD SAMPLE POLICIES)

3.0. GLOBAL GOVERNANCE-MANAGEMENT CONNECTION

The board's sole official connection to the operational organization, its achievements, and its conduct will be through the General Manager.

3.1. UNITY OF CONTROL

Only officially passed motions of the board are binding on the GM.

3.2. ACCOUNTABILITY OF THE GM

The GM is the board's only link to operational achievement and conduct, so that all authority and accountability of staff, as far as the board is concerned, is considered the authority and accountability of the GM.

3.3. DELEGATION TO THE GM

The board will instruct the GM through written policies that prescribe the organizational ends to be achieved and describe organizational situations and actions to be avoided, allowing the GM to use any reasonable interpretation of these policies.

3.4. MONITORING GM PERFORMANCE

Systematic and rigorous monitoring of GM job performance will be solely against the only expected GM job outputs: organizational accomplishment of board policies on ends and organizational operation within the boundaries established in board policies on Executive Limitations.

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Systematic and rigorous monitoring of GM job performance will be solely against the only expected GM job outputs: organizational accomplishment of board policies on ends and organizational operation within the boundaries established in board policies on Executive Limitations.

POLICY TITLE: 3.4. MONITORING GM PERFORMANCE

(FROM THE CDS/CBLD SAMPLE POLICIES)

Systematic and rigorous monitoring of GM job performance will be solely against the only expected GM job outputs: organizational accomplishment of board policies on ends and organizational operation within the boundaries established in board policies on Executive Limitations.

Accordingly:

1. Monitoring is simply to determine the degree to which board policies are being met. Information that does not do this will not be considered to be monitoring information.

POLICY TITLE: 3.4. MONITORING GM PERFORMANCE

(FROM THE CDS/CBLD SAMPLE POLICIES)

Systematic and rigorous monitoring of GM job performance will be solely against the only expected GM job outputs: organizational accomplishment of board policies on ends and organizational operation within the boundaries established in board policies on Executive Limitations.

Accordingly:

2. The board will acquire monitoring information by one or more of three methods: **(a) by internal report, in which the GM discloses interpretations and compliance information to the board;** (b) by external report, in which an external, disinterested third party selected by the board assesses compliance with board policies; or (c) by direct board inspection, in which a designated member or members of the board assess compliance with the appropriate policy criteria.

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(FROM THE CDS/CBLD SAMPLE POLICIES)

Systematic and rigorous monitoring of GM job performance will be solely against the only expected GM job outputs: organizational accomplishment of board policies on ends and organizational operation within the boundaries established in board policies on Executive Limitations.

Accordingly:

3. In every case, the board will judge (a) the reasonableness of the GM's interpretation and (b) whether data demonstrate accomplishment of the interpretation.

[Note: The GM's interpretation remains the basis for judgment if the external report or direct inspection monitoring methods are used.]

POLICY TITLE: 3.4. MONITORING GM PERFORMANCE

(FROM THE CDS/CBLD SAMPLE POLICIES)

Systematic and rigorous monitoring of GM job performance will be solely against the only expected GM job outputs: organizational accomplishment of board policies on ends and organizational operation within the boundaries established in board policies on Executive Limitations.

Accordingly:

4. In every case, the standard for compliance shall be any reasonable GM interpretation of the board policy being monitored. The board is the final arbiter of reasonableness but will always judge with a “reasonable person” test rather than with interpretations favored by board members or by the board as a whole.

POLICY TITLE: 3.4. MONITORING GM PERFORMANCE

(FROM THE CDS/CBLD SAMPLE POLICIES)

Systematic and rigorous monitoring of GM job performance will be solely against the only expected GM job outputs: organizational accomplishment of board policies on ends and organizational operation within the boundaries established in board policies on Executive Limitations.

Accordingly:

5. All policies that instruct the GM will be monitored at a frequency and by a method chosen by the board. The board can monitor any policy at any time by any method but will ordinarily follow the schedule outlined in the Board Annual Calendar.

POLICY TITLE: 3.4. MONITORING GM PERFORMANCE

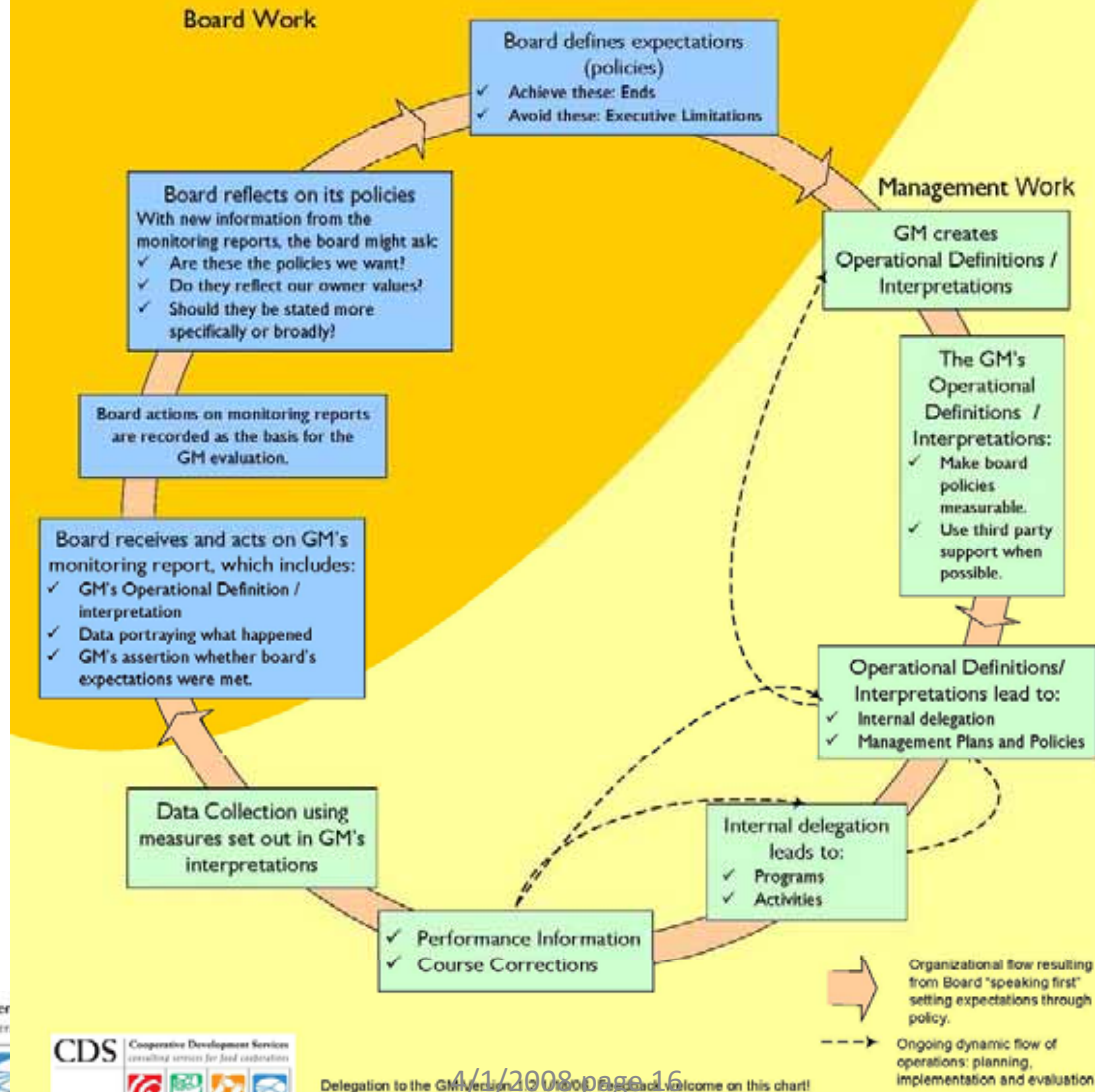
(FROM THE CDS/CBLD SAMPLE POLICIES)

Systematic and rigorous monitoring of GM job performance will be solely against the only expected GM job outputs: organizational accomplishment of board policies on ends and organizational operation within the boundaries established in board policies on Executive Limitations.

Accordingly:

6. The Board's annual evaluation of the General Manager, based on a summary of monitoring reports received from August 1 through July 31, will be completed by September (dates for example only). The Board will make its decisions concerning the evaluation, the employment contract, and compensation adjustment no later than November.

The Board's Delegation to the General Manager



Sample monitoring schedule

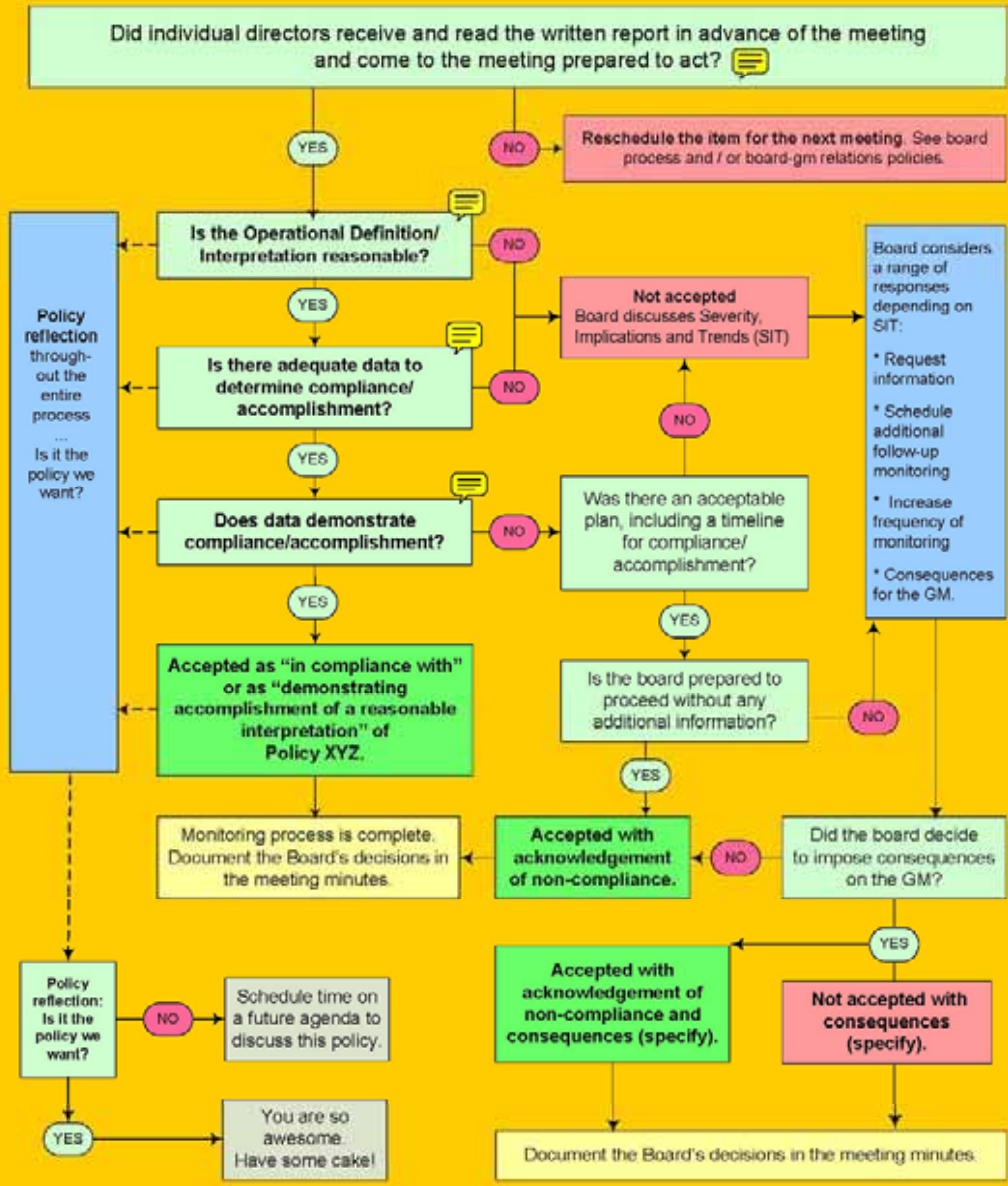
Policy	Method	Frequency	Month
Ends	Internal	Annually	Feb
Global Limitation	Internal	Annually	Feb
Financial conditions and activities	Internal	Quarterly	Feb, May, Aug, Nov
	External	Annually	Nov
Planning	Internal	Annually	Nov
Asset Protection	Internal	Annually	Nov

Treatment of consumers	Internal	Annually	May
Treatment of staff	Internal	Annually	Oct
Compensation and benefits	Internal	Bi-Annually	Oct of odd-numbered years

Communication and support to the board	Internal or Direct	Annually	July
Board logistical support	Internal or Direct	Annually	July

	Link w/ Members	Enact Policy	Assure GM performance/ Monitoring	Board Perpetuation and Development	Board Self-Evaluation / Monitoring
Related Policies	D 7 Relationship to Members; B 9 Membership	D1.2 Governing Style; D2. Board Job Description	C4. Monitoring GM Performance; D2.2 Board Job Description	D1.2 Governing Style; D2.4 Board Job Description; D8.1 Cost of Governance	D1.2.2 Governing Style
Activities	<i>Activities include annual meeting, reporting to members, learning what values are held by members.</i>	<i>Activities include annual re-exploration of Ends, review and revise or add to existing policies.</i>	<i>Activities include receiving and taking action on monitoring reports from the general manager; compiling monitoring data into annual GM review.</i>	<i>Activities: update the board's yearly calendar (G3.1), budget, recruitment, training and orientation of new directors</i>	Evaluate the Board's Performance
January	Member appreciation day		B6 Communication and Support to the Board	Recruit board candidates	G5 – Directors Code of Conduct
February	Develop Annual Member linkage plan		B4 Financial Conditions	Board retreat	
March	Quarterly Linkage event		B10 Environment	Recruit board candidates	G6 – Board Committee Principles
April	Review member equity and benefits		B1 Staff Relations	Recruit board candidates	M& M1– Unity of GM linkage
May		Discuss Ends Policy	B3 Planning B4 Financial Conditions	Recruit board candidates	M2 & M3 – Accountability of GM & Delegation to GM
June	Quarterly Linkage event	Discuss education needs related to ends Policies	B8 Customer Service and Value B9 Member Relations	Start board budget Board Training: CCMA Conference	G7 – Cost of Governance
July	Member appreciation day	Develop plan for annual Ends consideration	Ends	Discuss board budget	G8 Relationship with Members
August	Plan annual meeting		B4 Financial Conditions	Set board budget	M4 – Monitoring GM performance
September	Quarterly Linkage event Plan Annual Report to members including board compliance with M & G policies		B2 Compensation and Benefits	Mail election packets	G1 – Governing Style
October	Annual Membership Mtg		B5 Asset Protection B7 Management Continuity	New board members elected, Appoint officers, committee/task force chairs	G2 - Board Job Description
November			B4 Financial Conditions	Orientation of new Board Prepare and adopt annual Board development plan	G3 – Agenda Planning
December	Quarterly Linkage event			Update Board Calendar	G4 - Chairperson's Role

Decision Tree for Acting on Internal Monitoring Reports from the General Manager



The monitoring questions for individual directors...
(right off the Decision tree)

Is the operational definition/ interpretation reasonable? (yes/no)

- How does the GM know if an expectation has been accomplished?
- What data will be used to demonstrate accomplishment of the specific board expectations being reported on?
- Why that methodology and data? Is there support for this approach?

The monitoring questions for individual directors, cont...
(right off the Decision tree)

Is there adequate data? (yes/no)

The data presented directly relates to what is called for in the GM's operational definition/interpretation.

Does data demonstrate compliance/ accomplishment? (yes/no)

Since we have data and a context to consider the data this question should be straightforward.

At the board meeting...

Chair asks for a motion affirming:

- the reports have been read, directors have come prepared to act
- that the reports provide both
 - a reasonable operational definition/interpretation of the policy
 - data to support an assertion of compliance of that interpretation.

Let's look at a practical example...

At the board meeting... in the event of a report that needs

Samples for use in meeting minutes:

- The board accepted the GM's internal monitoring report for its Financial Conditions and Activities policy...

... finding it to include reasonable operational definitions/interpretations, and evidence to support the GM's assertion of compliance.

... except for item 2.4. The board accepts the explanation for non-compliance with this item and the commitment to achieve compliance by MM/DD/YYYY.

... except for item 2.4. The board found the interpretation to be unreasonable and in need of further development. Follow up monitoring is scheduled for MM/DD/YYYYY.

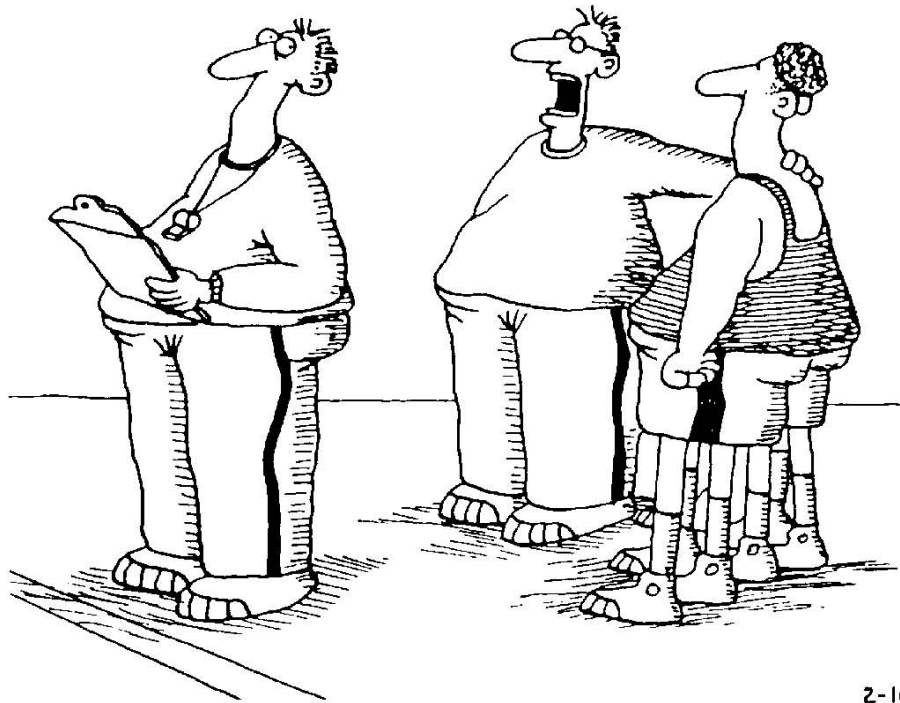
... except for item 2.4, where it found the GM to be in non-compliance. (disagreeing with the assertion) Compliance is required by MM/DD/YYYY. Follow up monitoring is scheduled for MM/DD/YYYYY.

The board rejected the GM's internal monitoring report for its Financial Conditions and Activities policy finding it to include unreasonable operational definitions/interpretations, and/or lack of evidence to support the assertion of compliance. Follow monitoring is scheduled for MM/DD/YYYY.

Let's look at a practical example...



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2-10

“Our troubles are over, coach. I found us a
7-footer ...”

OPERATIONAL DEFINITIONS

VIEWGRAPH 2

Sample operational definition and data

L5.3 The GM shall not allow liquidity, or the ability to meet cash needs in a timely and efficient fashion, to be insufficient.

Operational Definition / Interpretation:

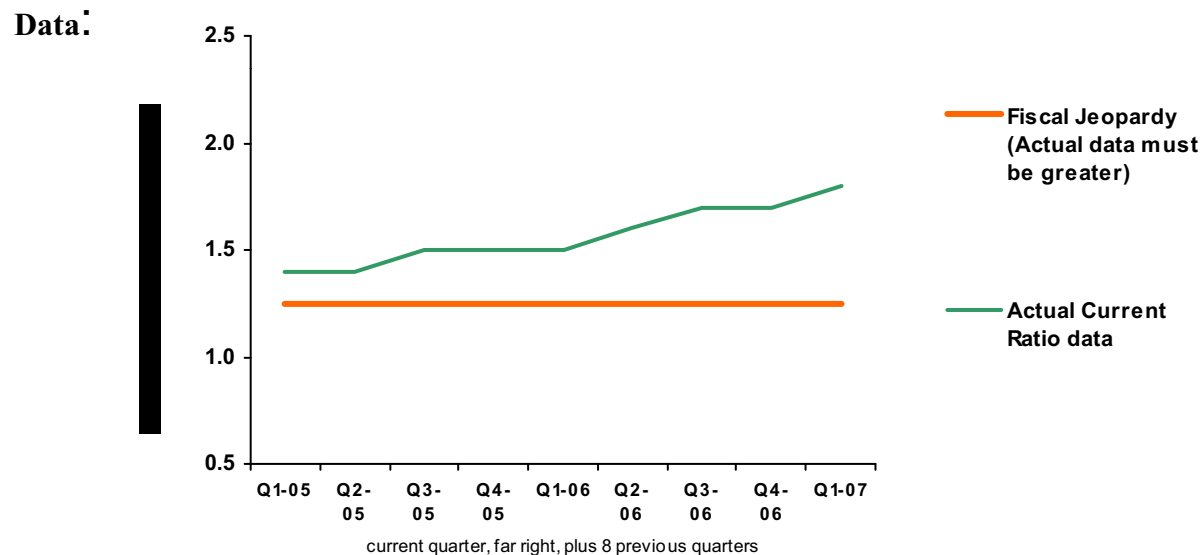
The Current Ratio is a commonly accepted measure of liquidity.

The benchmark for Current Ratio is set at 1:1.25, a level set by NCGA and co-op managers using CoCoMiniCube to demonstrate adequate liquidity. 1:1.25 is also the level required in our loan agreement.

Data used is Current Assets to Current Liabilities from the attached balance sheet.

Actual data (green) must be above the red line for compliance.

Liquidity measured with Current Ratio



Note: rolling 9 quarters provides two full years of historic context plus allows for the current quarter to be seen in comparison to two other versions of the same quarter. Compliance is based on current data only.

Compliance determination: Yes

Sample operational definition of an Ends policy

Board stated Ends policy:

- Because of all the efforts of our cooperative we will have:

A community hub centered on cooperative commerce for the benefit of a members and consumers of the greater Timbuktoo region produced at a sustainable cost.

- As part of this hub, we will have

» **Access to locally and regionally produced food**

The Board said it wanted:

- **Access to locally and regionally produced food**

GM operational definition / interpretation:

As an element of being a community hub we will have in place

- increased access to locally and regionally produced food
- short term and long term strategies to measure locally and regionally produced food

Short term: Years 1 and 2

- **Systems to measure sales based on origin.**

Compliance will be achieved if by the end of Year 1 the cooperative has the ability to generate sales data based on origin of product.

GM operational definition / interpretation, continued:

Short term gains via three existing outlets (low hanging fruit, you might say)

1) Sales in our store of fresh produce produced locally and regionally

Compliance will be achieved if by using the following simplistic measures we demonstrate that focus was applied and progress achieved:

of local and regional food producers represented in the store

of local and regional food products

Total sales volume of local and regionally produced food (when data is available)

2) Local Community Supported Agriculture (CSA) programs provided by area farms*

Compliance will be achieved if by using the following simplistic measures we demonstrate that focus was applied and progress achieved:

of CSAs in the region

of CSA subscribers

Total sales volume via CSAs

*We cannot take responsibility for the success and growth of CSAs and the Farmers Market, but we can offer the support of a strategic partner and thereby include the success in the marketplace within the scope of meeting the Ends policies of our cooperative.

Long term: The beginning... Years 1 -5

Partner with the university extension service and learn how to optimize relationship between local and regional food producers and the cooperative.

- Compliance will be achieved if new knowledge on optimizing the relationship between local and regional food producers is integrated into operational planning for Years 3 and beyond.



Ends	Data	Does data indicate compliance?	Are we on track to long term accomplishment?
Internal systems to measure sales based on origin			
Do we have ability to measure sales based on origin of product.	Yes. Adjustments were made to existing POS database to allow for custom fields.	Yes	Yes
Focus and progress on in-store sales of fresh produce produced locally and regionally			
# of producers	XXX	Simplistic, but yes	Yes.
# of products	XXXX	Simplistic, but yes	
Total sales	Not available	N/A; Ready to start	Yes. Tracking of trends begins next period.
Focus and progress on CSA strategic partnership			
# of CSAs	XXX baseline data and relationships established	Yes	Yes.
# of CSA subscribers	XXX baseline data and relationships established		
Total sales	Not available		Yes. Trends tracking will begin with next season.
Partnership with university cooperative extension service			
Learning to optimize relationship	Yes. Team is developing new section for Business Plan 2010.	Yes	Yes



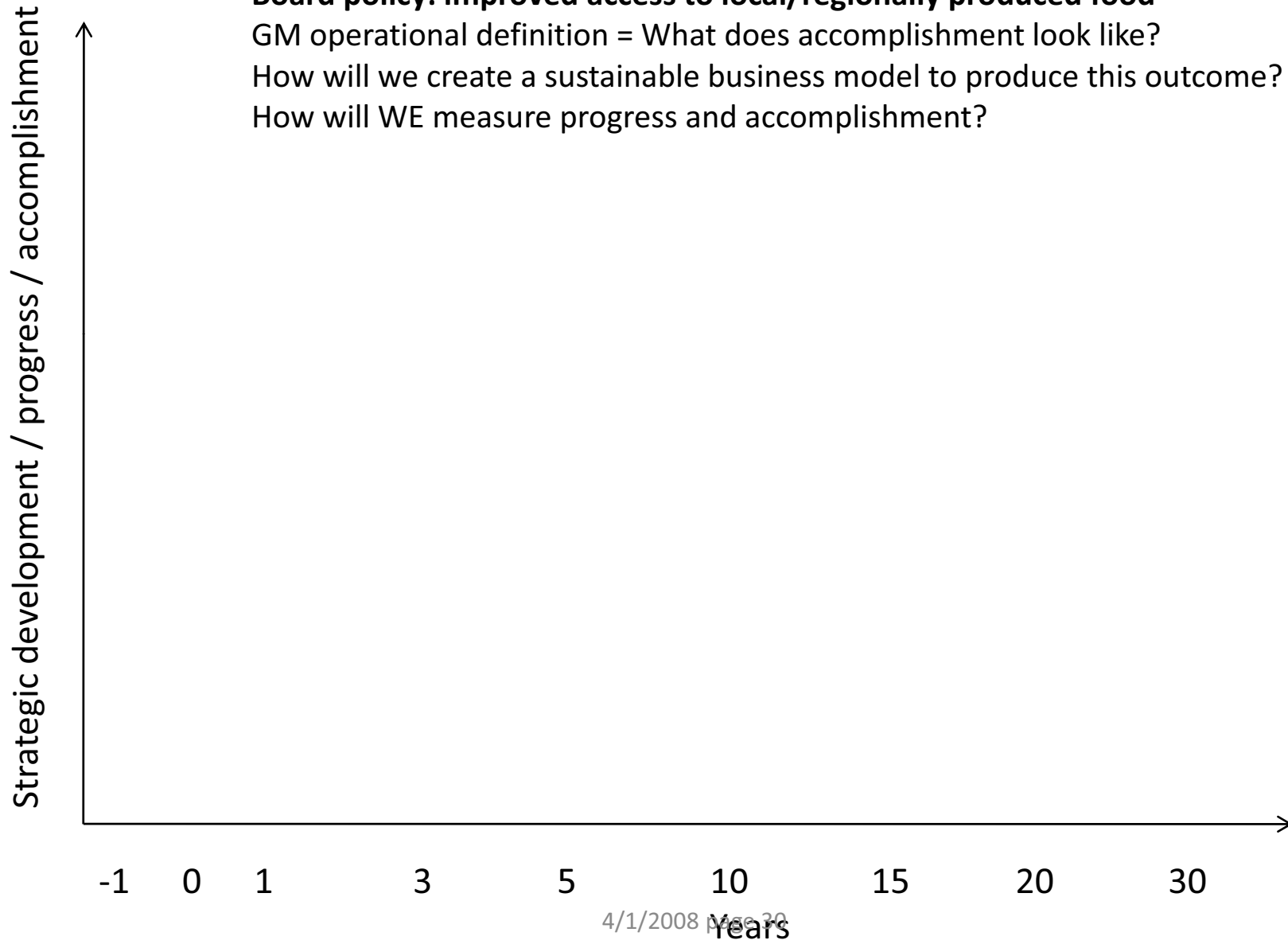
GM worksheet for strategic threads of accomplishment over time

Board policy: improved access to local/regionally produced food

GM operational definition = What does accomplishment look like?

How will we create a sustainable business model to produce this outcome?

How will WE measure progress and accomplishment?



General Manager Monitoring Report Compliance
for Monitoring under Policy D4. Monitoring General Manager Performance
 Sept 20XX to August 20XX

Policy Name	Scheduled Date of Monitoring	Actual Date of Monitoring	Reports Submitted on Time?	Evaluation of Monitoring Reports			If No, Indicate Severity	Action Taken	Comments
				Reasonable Interpretation?	Data Provided?	Compliant?*			
Ends	12/1/2005	12/7/2005	Yes	Yes	Yes	5Y/0N		The manager was recognized for the high quality data included in the report.	
Global L. Global Executive Constraint	1/1/2006	1/11/2006	Yes	Yes	Yes	No	Minimal Impact	None	Referred to L3 and L7
L1. Member Service and Value	12/1/2005	12/7/2005	Yes	Yes	Yes	9Y/0N			
L2. Treatment of Staff	10/1/2005	10/5/2005	Yes	Yes	Yes	8Y/1N	Minimal Impact	None	GM explained missed review of short-term employee
L3. Compensation and Benefits	10/1/2005	10/5/2005	Yes	Yes	Yes	3Y/1N	Medium Impact	None	The co-op did not provide health insurance to all eligible employees on time
L4. Treatment of Members	3/1/2006	3/1/2006	Yes	Yes	Yes	7N/0N			
L5. Financial Condition	2/1/2006	2/1/2006	Yes	Yes	Yes	12Y/0N			
	5/1/2006	5/3/2006	Yes	Yes	Yes	9Y/2N	Minimal Impact	Accepted with consequences: Board heard managers plan to correct item L5.6 and requested written update on L5.6 next month.	L5.6 Not timely on two bills; L5.8 Late on first sales tax filing
	8/1/2006	8/2/2006	Yes	Yes	Yes	10Y/1N	Minimal Impact	None	L5.6 Paid 7.26 in late fees this month
	11/1/2005	11/2/2005	Yes	Yes	Yes	12Y/0N			

Policy Name	Scheduled Date of Monitoring	Actual Date of Monitoring	Reports Submitted on Time?	Evaluation of Monitoring Reports			If No, Indicate Severity	Action Taken	Comments
				Reasonable Interpretation?	Data Provided?	Compliant?*			
L6. Budgeting/Financial Planning	2/1/2006	2/1/2006	Yes	Yes	Yes	3Y/0N			
	5/1/2006	5/3/2006	Yes	Yes	Yes	3Y/0N			
	8/1/2006	8/2/2006	Yes	Yes	Yes	3Y/0N			
	11/1/2005	11/2/2005	Yes	Yes	Yes	4Y/0N			
L7. Asset Protection	2/1/2006	2/1/2006	Yes	Yes	Yes	6Y/1N	Minimal Impact	Accepted with acknowledgement of non-compliance. The Board accepted the manager's detailed plan for compliance.	L7.5 was adopted in January this year. By February, the GM has not completed the necessary steps to reach compliance.
L8. Communication and Counsel to Brd	9/1/2006	9/6/2006	Yes	Yes	Yes	10Y/1N	Minimal Impact	Accepted with consequences. Board requested additional monitoring in December.	L8.1 Provided a few meeting packets a few days before meeting
L9. Executive Succession	4/1/2006	4/5/2006	Yes	Yes	N/A	3Y/0N			

*NOTE: Compliance measured by each subcategory of the policy (eg, 4Y/1N = 4 sub-policies compliant, 1 not compliant)

Memo

TO: _____ Co-op Board of Directors

FROM: _____, Secretary

DATE: XX/XX/XXXX

RE: Ends and Executive Limitation Monitoring Reports ____ – ____

CC: _____, GM

In my role as Secretary of the Board, I have confirmed that the Board received all monitoring reports for the policy sections Ends and Executive Limitations in a timely manner from the General Manager, _____. The records show that all monitoring reports were accepted by the Board, and that the General Manager was found to be in compliance with board policies during the period _____ through _____ .

Please see table attached.