

Dealing responsibly with operational concerns


By Michael Healy

Directors who are diligently trying to fulfill their fiduciary duty regularly notice things within their co-op that may be cause for concern – or at least worth asking about. At the same time, these same directors want to honor the Board’s clear delegation to the GM and that GM’s professional judgment. How can responsible directors do both? This Field Guide will outline an approach that opens a clear path through what can sometimes be a thorny dilemma.

Everything here assumes that your Board has already established clear guidelines for roles and responsibilities, and has an effective system for delegating responsibility to, and holding accountable, your GM. In addition, this Field Guide begins with an assumption that the Board and all directors are disciplined and have no substantial trouble abiding by the Board’s agreements. In part, this means that each director is able to distinguish between personal concerns or agendas and those of the GM, Board or whole co-op. Given that your Board agreements should not stifle helpful and important conversations, here are some ideas to help you address the concerns that periodically come to directors’ attention.

What can an individual director do when you have or hear concerns?

- First, consider simply submitting a suggestion for the suggestion box. This approach rises from recognizing that not every concern should be a Board-level concern; sometimes you may serve your co-op best by purposefully keeping the small stuff small.
- If you believe that your concern may be something that the Board could or should address, then a next step would be to review the Board’s policies to see what the Board has already said about this topic – and then to review the GM’s most recent monitoring report to see if and how the GM has already addressed the issue. This approach helps reinforce the idea that the Board is proactive: you aren’t there simply to react to events, and you have already said something about this topic. By also reviewing the GM’s latest report on that policy, you may be able to save yourself and others a lot of time if you find that the GM is already aware of and dealing with this concern.
- If the first two steps haven’t provided any answers, then try talking with your Board president about your concerns. An experienced and thoughtful president can help you think through the issue and put it into context.
- Depending on your own personal skills – your ability to communicate carefully and respectfully – and your Board’s and your own relationship with the GM, you may be able to approach your GM with your questions and concerns. The key is to remember that you don’t have any authority in this conversation. You’d just be a concerned



director expressing a personal opinion about a situation or asking questions to gain more knowledge about the situation. These sorts of conversations can be tricky, so step into them prudently. Be respectful of the GM's time; don't abuse your position on the Board by assuming that the GM can or should devote undue attention to you and your concerns. And don't forget that it is best to address only the GM with your concerns or questions; even though you may tell someone that you're not speaking or acting with authority, most employees will still see you as a member of the Board and will not be able to distinguish you the person from you the director.

After following the suggestions above, what if you believe this is a Board-level issue?


- You can ask your Board president for some time at an upcoming Board meeting. Remember that the president has been charged with setting meeting agendas, and he or she must allocate time according to the Board's priorities. Your president cannot and should not plan Board meetings according to the various "concerns of the moment," but if you've done some of the previous steps, you may be in a better position to convince the president that this topic is worth some agenda time. If your president does not agree that this topic should take up meeting time, you can either ask the entire Board to override that decision, or you can take this as your cue that your concern may not really be something that should be taken up by the whole Board.
- If you do have time on a Board meeting agenda to present your concerns/questions, consider this your opportunity to bring the entire Board into the conversation and to give them a chance to think about what the next steps might be. Though there's no one right way to present concerns, a generally acceptable approach could be
 - take a few minutes to explain your concerns
 - explain why you believe this is or should be a Board-level conversation
 - offer some reasonable options that the Board could consider
 - don't expect the Board to make any particular decisions about the concerns, except maybe a general yes/no about whether the Board is willing to put some more time into it.

If the Board decides this is really what they need to spend time on because it is more important than the already-established priorities, then it's time to fit this work into one or more future Board meetings.

- If the Board decides they don't want to put any time or attention into this topic, you have at least had the opportunity to raise fellow directors' awareness of the issues. Again, don't miss the cue: this may be the right time to stop pushing the question. You can still address your concerns and questions when the relevant policy next gets monitored. Though it can be frustrating to wait, a regular cycle of policy monitoring works to ensure that a Board will deal with everything that matters at some point in your annual cycle. Each report provides an opportunity to raise questions anew – or to learn that the concerns have actually been addressed already at an operational level.

What if the whole Board decides to take further action?

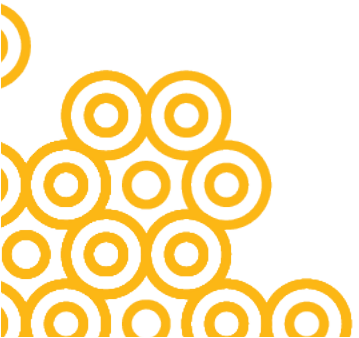
- The Board can formally ask your GM to report to the Board about the situation that caused the concern. This sort of account can be presented orally or in written form; it is a
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formal presentation, but is intended to provide information rather than to monitor policy. You can use this approach as a stand-alone strategy; following the FYI report, the Board can let the matter rest. Or you can begin here as a way to gather enough information to decide if any of the following approaches makes sense in this case.

- The Board can schedule a “safe strategic conversation” as described in the “Cooperative Strategic Leadership” article. Agree in advance that the conversation is not about passing judgment, exerting authority or making decisions. Allow time for directors to ask questions and for the GM to explain his/her understanding of the issue – its level of seriousness, what has already been done and whether there is any plan for addressing the concern. This sort of “safe” conversation can be satisfying for both directors and the GM, building alignment and understanding through the respectful exchange of perspectives and ideas. This type of communication is informal, expansive, and relatively inexpensive in that it doesn’t typically require a lot of extra resources of time and energy to implement (though it may need to be managed carefully). Its focus is not on ensuring accountability but on *increasing alignment, building mutual understanding and nurturing of the Board / management relationship*. It’s a great place to start!
- The Board can make this a Board education topic. The Board could gather information from operations (probably from your GM, but perhaps also from an HR manager or other knowledgeable folks) as well as from other outside sources so you can better understand how other co-ops or grocery stores or local businesses address this issue.
- The Board can monitor the policy either during the regular cycle or at some sooner time. Monitoring is the most formal of these options, and should be done using the same good process the Board always uses. Because producing monitoring reports requires a fair bit of operational resources, monitoring is always a balance between the Board's "need to know" in order to perform their fiduciary function, and the cost of gaining that knowledge. Following a monitoring process, the Board then makes a decision about compliance; in the case of non-compliance, the Board then makes further decisions dependent upon the severity, implications and trends indicated by the monitoring report.
- The Board can write new policy to address the concern. This sort of solution as a first step tends to be less helpful and more frustrating for everyone involved because it does not build alignment and common understanding in the same way that a safe strategic conversation can do. Remember that policy is an expression or communication of expectation from Board to management. It is also a very specific type of expression – a "hard" or formalized way to communicate, with *ensuring accountability* as its main feature.

Inherent in each of these approaches is a balance of cost versus value. The suggestions in this Field Guide are presented loosely in order of lowest to highest cost; you, your Board, your GM and your co-op will probably benefit when you try the lowest cost options before proceeding to something more intensive.





Questions for Discussion:

- How has your Board responded to operational concerns recently?
- When have you (individually or collectively) found success using “less expensive” options, and when have you found that a “more expensive” option was necessary? What factors distinguished each scenario?
- Identify one or more current concerns or issues. Try talking through the range of responses for a particular issue. What would make for a satisfying outcome?
- How would you describe your Board culture when it comes to responding to individual directors’ concerns?

