

Evaluating the General Manager

BY CAROLEE COLTER AND MARK GOEHRING

A board evaluating the general manager (GM) of a food co-op...now there's a process that directors should be able to describe, defend, celebrate and appreciate with little or no ambiguity or hesitation. In a recent online recorded workshop on GM evaluation, Thane Joyal and Carolee Colter laid out these four learning objectives for the workshop and five key principles of management evaluation:

- Speak with one voice.
- No surprises.
- Make the rules at the beginning, not the end.
- The GM's performance = the co-op's performance.
- Give positive reinforcement where it's due.

An effective GM evaluation flows from an effective board process. The board's expectations for itself should be written down as the basis for the board's agreements about how it will conduct itself when evaluating the GM.

Here are two examples pulled from our Cooperative Board Leadership Development (CBLD) sample policies. (See the resources sidebar at the end of this article for a link.)

Policy Type: Board-Management Relationship

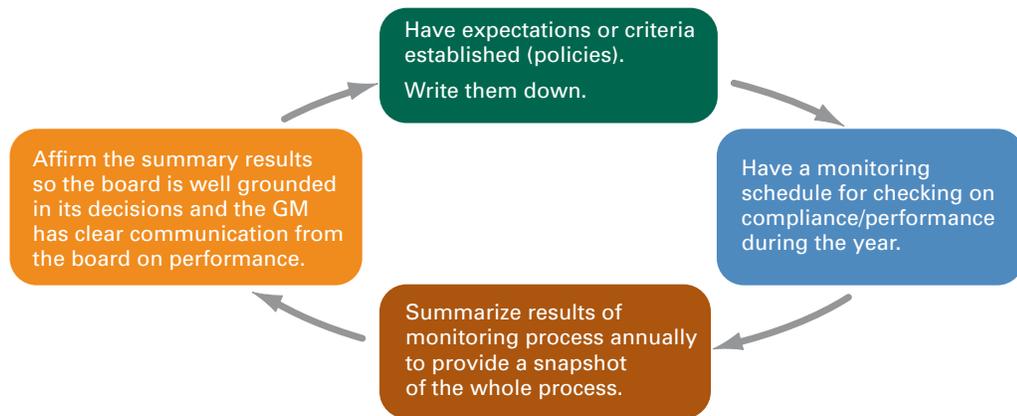
Policy Title: D.2—Accountability of the GM

Last Revised: CBLD Template November 2008

The general manager is the board's only link to operational achievement and conduct.

2.1. The board will view *GM performance as identical to organizational performance* so that the co-op's accomplishment of board-stated ends and avoidance of board-proscribed means will be viewed as successful GM performance

FIGURE 1 An overview of the GM evaluation process



Policy Type: Board-Management Relationship

Policy Title: D.4—Monitoring GM Performance

Last Revised: CBLD Template November 2008

The board will systematically and rigorously monitor and evaluate the GM's job performance.

D.4.6 The board's annual evaluation of the general manager, based on a summary of monitoring reports received from ___ (date) through ___ (date), will be completed by ___ (date). The board will make its decisions concerning the evaluation and the employment contract no later than ___ (date). The board will conclude the GM compensation process no later than ___ (date).

Four steps

There are four steps to the GM evaluation process (Figure 1):

- Have expectations, or pre-established criteria, a.k.a. policies. Write them down.
- Have a monitoring schedule for checking compliance and performance during the year.
- Summarize results of monitoring process annually to provide a snapshot of the whole process.
- Affirm the summary results so the board is well grounded in its decisions and the GM has clear communication from the board on his or her performance.

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For fun and to practice, check each of these four steps against the key principles of management evaluation shown earlier, and see which principles apply to each step in the process.

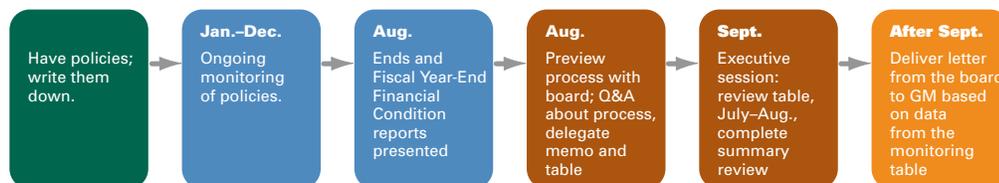
Have the policies that you want and need

Monitor your policies with rigor and reasonableness! Summarize your decisions using an Annual Monitoring Table like the sample in Figure 3 so that it's easy to see an overview of board actions. This table is a key tool and, with it, the directors do not have to remember, guess, or use their own personal records to see a clear presentation of board decisions relating to the GM evaluation. Be lazy, be smart...keep this table updated during the year! ▶

Key principles of GM evaluation

- Speak with one voice
- No surprises
- Make the rules at the beginning, not the end
- The GM's performance = the co-op's performance
- Give positive reinforcement where it is due

FIGURE 2 Be able to describe your process in advance



Sample timeline for a co-op with fiscal year July 1 – June 30, and board elections in October.



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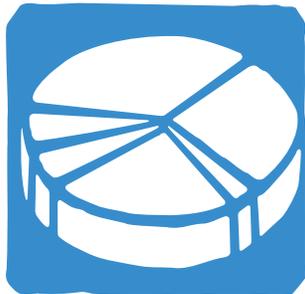
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◀ ■ Designate someone to produce the “official record,” providing the Monitoring Table (see Figure 3) and a memo to the board. A month before the meeting where the summary of board decisions will be reviewed (August in our sample time line), take time in the board meeting to preview the whole process. We suggest a color-coded process map (like Figure 1) and a linear one that shows the process in chronological order (like Figure 2).

At the next meeting (September in our time line), the directors receive the table and a memo that reads something like this:

TO: _____ Co-op Board of Directors

FROM: _____, Board Secretary

DATE: xx/xx/xxxx

RE: Ends and Executive Limitation monitoring reports ___–___ (dates)

CC: _____, GM

In my role as Secretary of the Board, I confirm that the attached Annual Monitoring Table accurately reflects the board’s decisions made on monitoring reports from the period July 1, xxxx–June 30, xxxx.

Please see tables attached.

The Annual Monitoring Table (Figure 3) basically includes the information that is the GM evaluation: the board’s decisions that have been recorded while monitoring compliance/performance of board’s policies during the year. While the table includes the information, the board should take time in this meeting, usually in executive session, to review the information it has accumulated. Following the executive session, we suggest the board present a letter to the GM summarizing its findings.

Following are four different scenarios for a GM evaluation. Each would have its own Annual Monitoring Table and corresponding letter from the board. Showing all four complete tables here would take too much room, so we have summarized the data for each and provided highlights of the boards’ letters. (See the sidebar below for a link to a workshop presented May 5 by CLBD, with close-up views of the actual Annual Monitoring Tables for each scenario.)

Related Cooperative Grocer articles

Setting a Process for General Manager Compensation

By Mark Goehring and Carolee Colter

Issue #134, January–February 2008

www.cooperativegrocer.coop/articles/index.php?id=778

Monitoring the Manager

By Mark Goehring

Issue #123, March–April 2006

www.cooperativegrocer.coop/articles/index.php?id=653

A Board’s Duty

By Thane Joyal

Issue #138, September–October 2008

www.cooperativegrocer.coop/articles/index.php?id=832

CBLD Library Resources

<http://cdsconsulting.centraldesktop.com/cblD/Library>

GM Evaluation: online recorded workshop, including examples of monitoring tables referred to in this article.

Acting on GM Monitoring Reports: online recorded workshop

Setting a Process for GM Compensation: online recorded workshop

CBLD Sample Policies: scroll down to “Charts, sample policies and other aids”

FIGURE 3: Annual Monitoring Table

Policy Name	Scheduled Date	Actual Date	Evaluation of Monitoring Reports				Compliant?*	If No, Indicate Severity	Action Taken	Comments
			Reports Submitted on Time?	Reasonable Interpretation?	Data Provided?					
Ends	AUG	8/15/2009	Yes	Yes	Yes	YES			The manager was recognized for excellent progress and the high-quality data included in the report.	
Global Limitations / Global Executive Constraint	JAN	1/15/2009	Yes	Yes	Yes	YES				
B4 – Membership Equity and Benefits	DEC	12/15/2009	Yes	Yes	Yes	YES				
B6 – Staff Treatment and Compensation	OCT	10/15/2009	Yes	Yes	Yes	YES				
B5 – Treatment of Consumers	DEC	12/15/2009				YES				
B1 – Financial Condition and Activities	FEB	2/15/2009	Yes	Yes	Yes	YES				

SAMPLE LETTERS

These four sample letters from four co-ops each begin with a very brief overview of the table. The actual table is included for only the first hypothetical scenario, Golden Grains.

All is well at Golden Grains!

The table for Golden Grains is the example shown in Figure 3. In this high-performing co-op, the board accepted all monitoring reports during the year with a determination of compliance. Now the board takes the opportunity of the GM’s evaluation to give positive reinforcement for a job well done.

Congratulations. As you already know from the Annual Monitoring Table, the board decided that you were in compliance of all board policies during the period July 2007–June 2008.

The progress reported in the Ends report was fantastic!

In addition, we appreciate the extra effort you put into keeping the board informed of important developments via the “FYI—no action needed” reports in our meeting packets.

We appreciate the effort you put into our successful board/GM relationship.

Overall, we are more than satisfied with your performance this year!

But all is not well at Bear Market

Here the board is well aware of the GM’s non-compliance. On Ends, Financial Conditions, Planning and Asset Protection reports, the Annual Monitoring Table showed either noncompliance or monitoring reports not accepted by the board. Notes on the table stated “Action plans yielded no results,” “Retained earnings eroding,” and “Severe noncompliance issues.”

As you know from the Annual Monitoring Table, the board agreed with you that you are out of compliance on Financial Condition and

Asset Protection policies. In addition, the board did not feel adequate progress was made on the Ends policies.

Six months ago, you submitted plans which, if realized, would have brought you back into compliance with the Financial Condition policies and contributed toward compliance on the Ends policy.

The data in your recently submitted monitoring reports on Financial Condition have shown little or no improvement. The financial situation of the co-op is continuing to deteriorate, and you have not come up with a plan that effectively addresses the situation.

The board has decided to place you on 90-day probation effective today. If terms of probation are not met you will be subject to termination. See attached terms of probation.

Sometimes the GM evaluation is the catalyst for the board to realize it’s been asleep at the wheel—or at least that it has been too passive about asking the GM for what it wanted over the past year. Here are two scenarios where the board “wakes up and smells the coffee.”

The board wakes up at Wake Up Co-op

Like at Golden Grains, the board at Wake Up Co-op accepted all monitoring reports during the year. During the review meeting, however, this board realized the Ends report that they accepted was very weak. The letter reflects their role in the relationship and informs the GM of its expectation for improvement.

As you know from the Annual Monitoring Table, we have accepted all of your monitoring reports, including the Ends report at our August board meeting.

In reviewing the Ends report that we accepted, we see now that it provided inadequate interpretations and data for us to rely on to fulfill our accountability obligation. The board

accepts responsibility for its previous decisions but does want you to know that we’d like to receive a midyear report on our Ends policies in February.

In February, we expect to see improved thinking about delivering on our Ends, including specific goals that you intend to measure for demonstration of accomplishment. The Planning report is also due in February, and in that report we expect to see a clear connection between plans and Ends, as called for in our board policy on planning.

The monitoring reports on the other policies were satisfactory. We appreciate your efforts on those and your continued service to the co-op!

Letter from the board: Smell the Coffee Co-op

At this co-op, the GM had submitted reports for Financial Conditions, Emergency GM Succession (two months late) and Member Equity and Benefits (two months late), but no other policies. Even with no report, the board voted to find the GM out of compliance with Communication and Support to the Board.

The board found it difficult to complete your evaluation. As you know, your evaluation is based on an ongoing monitoring process based on board policies. Even though no Board Communication and Support report was submitted in August, the board found you out of compliance with that policy.

As you know, the Annual Monitoring Table shows that, with the exception of Financial Conditions, you failed to submit the required monitoring reports or submitted them well past the scheduled date.

The board has revised the monitoring schedule and attached it for your review. In advance of the deadline for the next meeting packet, please inform the board chair of any modifications to this new schedule you feel are necessary. ■>

FIGURE 4: Timetable: Five-Year Cycle for Setting Compensation with GM Evaluation*

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JULY	AUG	SEP	OCT	NOV	DEC
The board has an effective, rigorous and reasonable process for monitoring GM compliance/performance—August–October.												
ALL								Board previews evaluation process; memo and table delegated to secretary for Aug.–July.	Board has executive session, affirms board decisions, frames letter to GM.	Letter delivered to GM, follows board policies and evaluation principles.		
The board thinks strategically about GM compensation and has an effective GM compensation process—January–August.												
1	Board previews compensation process.	Strategic conversation #1 takes place.	Strategic conversation #2 takes place.	Board approves RFP, gives to GM.			GM presents compensation proposal.	Board acts on compensation proposal.				
2									Any annual triggers for pay are triggered.			
3			Board reviews RFP.	Board approves RFP, gives to GM.			GM presents compensation proposal.	Board acts on compensation proposal.				
4									Any annual triggers for pay are triggered.			
5	Board previews compensation process.	Strategic conversation #1 takes place.	Strategic conversation #2 takes place.	Board approves RFP, gives to GM.			GM presents compensation proposal.	Board acts on compensation proposal.				

◀ In six months, we will review your progress on submitting reports according to the revised schedule. Until that time, your evaluation will remain incomplete and your compensation will remain as is. We suggest you get some help on your monitoring reports!

Finally...

In the January–February 2008 *Cooperative*

Grocer, we proposed a process for setting GM compensation. Since that article was published, many co-ops have started using this process with good results.

In the timetable chart (Figure 4, above) we show how the annual GM evaluation process fits into the longer five-year cycle for setting GM compensation described in our earlier article. ■

* Sample timeline for the GM evaluation and GM compensation processes for a co-op with fiscal year July 1 – June 30, and board elections in October.

The summary evaluation cycle is August–July so as to include the most recent Ends and Year-end Financial Conditions reports, and to allow conclusion prior to the new board being seated. Alternatively, the compensation plan could run January–December, with two-year terms.

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