



Columinate

Catalysts for Common Good

Field Guide: GM Reporting During an Expansion Project

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Boards delegate to their GM the task of effectively managing the co-op's operations, which requires a clear system of accountability to ensure the GM is doing this job well. How can a board and GM maintain this system of delegation and accountability during the more risky and busy time of an expansion project? How can the board be sure that good financial management continues during expansion? How can the GM present information to the board to demonstrate this performance?

Solid Foundation

It is important that your board maintain an effective system of delegation and accountability at all times. Before embarking on an expansion project make sure you have a complete and up-to-date set of governing policies, and that you have a good system in place for monitoring those policies. It is also important that the board and the GM discuss and develop a shared understanding of the planning and feasibility of the expansion project. Just as at any other time in the life of your co-op, the board and GM should discuss, document and monitor what you expect from your GM to ensure effective accountability.

More Important Than Ever

Even though the board and GM may be extra busy during expansion, this is no time to set aside your good monitoring and communication practices. In fact, it is more important than ever to be aware of the additional factors specific to expansion that could place your co-op at risk. During (or in preparation for) expansion the board and GM should communicate especially clearly about Ends, Planning and Budgets, Asset Protection, Financial Condition, and Communication to the Board.

Every board is concerned with operational and financial management, and with producing desired outcomes on behalf of its member-owners. These concerns are the same whether your store is doing an expansion project or not. So if you have good guiding policies to begin with, an expansion project does not necessarily mean you need to write new or different policy specific to expansion.

Focus and Frequency

What will change is the focus and frequency of communication from the GM to the board. The GM is accountable for ensuring the success of the expansion project in addition to regular store operations, so the GM will need to provide specific expansion information in addition to regular monitoring reports. The board's duty to monitor the GM's performance does not change, it only requires more information provided in a slightly different way.

FYI Updates

Your Communication to the Board policy probably already states the board's expectation for the GM to keep the board informed. A GM can provide useful and important information to the board through monthly FYI updates that highlight both high-interest items (communications to members, staff and public; environmental issues; etc.) and key indicators that the project is progressing as planned. These updates are not policy monitoring reports and do not require any action by the board.

Sample Report

On the following pages you'll find a sample of the key indicators section of an FYI update. This part of the report is particularly useful because it uses existing policy as a context and because it is intended to help the board to sleep well at night: as long as the "red flags" are still down, the GM has demonstrated that the project is on track. The GM can provide updates about those other high-interest items mentioned above in another part of the FYI report.

Questions to Consider:

1. How do your existing policies guide expansion projects?
2. What strengths and/or weaknesses do you see in your existing monitoring reports and FYI updates?
3. What has your board and GM already done to build shared understanding? What more can you do?

Additional Resources:

Columinate Library: <https://columinate.coop/library>

- Online Recorded Workshop: [Board Role in Expansion](#)
- Monitoring report templates in the [GM Report Support section](#)

Gessner, Bill, and Mary Courteau. Expansions and Relocations. Northcountry Cooperative Foundation, 2000. (http://www.cgin.coop/toolbox/re_pub)

Sherwood, Art. "[Cooperative Strategic Leadership.](#)" Cooperative Grocer, Nov-Dec 2011.

SAMPLE REPORT

Notes to this sample report

1. Thanks to Kari Bradley and Alex Gyori for the original reports on which this sample is based.
2. All the specific information and numbers in this sample report are here just for illustration purposes. Each manager should create indicators that make sense for your co-op and your project.

EXPANSION PROJECT “KEY INDICATORS” UPDATE

FYI – No action needed

REPORT DATE, *SEPTEMBER 15, 2012*

NOTE: This is a special monthly update report on the co-op’s financial condition during expansion, in response to the board’s global B1 policy: “the General Manager shall not cause or allow the development of fiscal jeopardy.” This special update will be provided to the board until the co-op has successfully opened the doors in our new location. The report is designed to address the critical factors of the project that would raise board concern if not properly managed.

Attachments: Actual to budget comparison: Balance Sheet & Income/Expense Statement

With respect to the actual, ongoing financial conditions and activities, *the General Manager shall not cause or allow the development of fiscal jeopardy....*

Interpretation:

For the sake of this special expansion report, fiscal jeopardy will be indicated if we encounter any of the key indicators (or “red flags”) that I enumerated in the expansion plan presented at the December 2011 board meeting. In that meeting, I identified those “red flags” as

- Significant changes from the original Sources and Uses budget
 - If we either don’t raise the expected funds we need (Sources), or spend more than anticipated (Uses), then we could run into trouble. So we will both want to fully fund all identified Sources in the project budget, and maintain enough of our budgeted contingency fund to carry us through completion of the project. Our initial contingency budget was 10% of the total project cost so we should maintain at least that level of contingency funding.
- Significant delays in completing the project
 - Delays can lead to cost overruns and/or loss of sales if customers get frustrated with the inconvenience. While minor delays are par for the course with this sort of project, I will be concerned if those delays push our planned store opening date back more than 6 weeks.
- Significant underperformance in ongoing store operations
 - Sales and net income provide the best high-level indication of store operations. I will still monitor these as part of the regular Financial Conditions reporting, but will also monitor them somewhat differently during the expansion project. First, I will monitor them on a “rolling quarter” rather than “calendar quarter” basis. Second, I will want both

sales and net income to meet our FY budget projections, not just the benchmarks indicated in the regular monitoring report.

- Working capital (current assets – current liabilities) below \$200,000
 - Before we began this project, we maintained at least \$200,000 in working capital to support current operations. We will use lots of cash to pay for the project, but that cash should primarily come from the funds we raise specifically for this expansion. We don't want to jeopardize the health of our current business, so we'll need to continue to maintain this minimal amount of working capital.
- Any other unexpected or major challenges
 - This is a catch-all category about events or information that could potentially lead to difficulty with the “red flag” issues mentioned above – even though the event or information hasn't yet actually caused problems with those indicators.

Operational Definitions

1. All Sources (income) will funded on schedule.
2. The contingency balance will be at least 10% of the remaining construction costs to completion of the project.
3. Planned store opening date is no more than 6 weeks behind our original projection of February 15, 2013.
4. Sales will be at or above budget for any rolling quarter
5. Net income will be at or above budget for any rolling quarter
6. Working capital (current assets – current liabilities) will be above \$200,000
7. Unexpected or major challenges are managed so they don't interfere with successful project completion

Data:

1. Sources Budget

Date	Sources below budget	% difference from original budget	Notes
7/31/12	Member Loans	10%	We're behind on loan campaign. See attached plan for improvement.
8/31/12	Member Loans	6%	Improved. Should be on track next month.

2. Contingency Allowance (based on \$200,000 original contingency allowance – 10% of the total project budget)

Date	Current Contingency Balance	Construction Balance to Completion	% Contingency Remaining
7/31/12	\$195,000	\$1,900,000	10.3%
8/31/12	\$100,000	\$1,000,000	10%

3. Construction Schedule

Date	Original Projected Completion Date	Current Projected Completion Date
8/31/12	February 15, 2013	February 15, 2013

4. Sales

Rolling Quarter	Budgeted Sales	Actual Sales
June-August	\$3.55 million	\$3.62 million

5. Net Income

Rolling Quarter	Budgeted Sales	Actual Sales
June-August	\$3.55 million	\$3.62 million

6. Working Capital

Date	Capital
6/30/12	\$225,894
7/31/12	\$268,942
8/31/12	\$271,017

7. Other challenges/surprises

Though we expected to be done by now, we're still working out final lease details with the property owner. I'm confident we'll have this all wrapped up by this time