



## Field Guide: **What to do With Unacceptable Monitoring Reports**

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Boards monitor policy to find out whether their expectations are being met. A board needs to respond to an unacceptable monitoring report appropriately in order to fulfill its fiduciary responsibility to the co-op's owners. When the General Manager's monitoring doesn't meet the board's expectations the board needs to give clear direction to the Manager.

### **Why do we monitor policy?**

Boards that use written policy to delegate authority to their General Manager need to check to be sure that they understand what is being done with respect to the expectations they have set. Requiring the General Manager to provide an interpretation of the board's policy and data demonstrating the status of efforts to achieve the board's expectations in the form of a monitoring report ensures that the manager is accountable and the board is informed.

### **“SIT” on it! Severity-Implications-Trends**

When evaluating noncompliance of any kind, a board should use the “SIT” algorithm. How severe is the noncompliance? What are the implications of the noncompliance? How does this noncompliance fit with other events? Is there a trend the board should be aware of? The answers to these questions will help inform the action that board may (or may not) need to take. If the noncompliance is severe, has implications that could harm the co-op, or is part of a lengthy trend of noncompliance, the board should take decisive action to address the noncompliance.

### **What if the report is not submitted or is incomplete?**

Failure to submit a report or failure to submit a complete report leaves the board without information entirely. This kind of noncompliance is by its nature severe, and if a trend develops has potentially serious implications. Boards will want to be reasonable, of course, in excusing missing reports or information, but must be vigilant and watch for the development of a trend. A lack of information is in this case, information itself. Keep track of late and incomplete reports (see Tip below).

### **What if the report reflects an unreasonable interpretation of board policy?**

If the board rejects the manager's interpretation of its policy, the manager needs to change the interpretation to be acceptable to the board. The board then needs to decide when to monitor



that policy again. If the board feels the information in the monitoring report and or discussion of the monitoring report was sufficient to acquaint the board with the General Manager's general performance with respect to the subject matter, the board may choose to wait until the next regularly scheduled monitoring. However, if that scheduled monitoring is far in the future, or the interpretation missed the mark by such a degree that the board is without information at all about whether its expectations have been met, it would be wise to monitor that policy again at an upcoming board meeting with the GM's revised interpretation.

### **What if the data isn't clear, or is not sufficient to determine compliance or non-compliance?**

Reject the report. Schedule a revised report within a reasonable timeframe that allows the GM to accumulate the needed data and the board to remain diligent in its oversight duties.

### **What if the report consistently shows noncompliance?**

Noncompliance alone doesn't make a report unacceptable. The point of monitoring is so that the board knows what is going on with the cooperative. An acceptable report can show noncompliance and still contain a reasonable interpretation of board policy supported by adequate data. Boards should be aware, however, that, consistent and substantial noncompliance can signal a problem with General Manager performance. Boards should insist that all reports that show noncompliance include a correction plan, demonstrating an understanding of the causes of the noncompliance, and including a plan for getting on track.

### **What if a monitoring report is late?**

Postpone acting on the report. Then act on it as with any other report.

What if the reports are getting better but still not good enough? How does the Board support the GM's improvement? Reject the report, then accept a revised report if it is an improvement. Include in the notes related to the report requests for improvement made by the board as a whole. Be sure the GM knows about resources available.

### **Tips**

- Always use the decision tree to work through monitoring report decisions. (See resources, below).
- Be self-reflective as a board: use inadequate monitoring as a wake up call to the board. Has the board set the right policy? Are there problems with GM performance?
- Keep an annual chart of monitoring reports received, and actions taken by the board as a tool to use in the General Manager's annual performance evaluation. (A sample of this chart is available in the "Acting on GM monitoring reports" ORW materials.)



## Questions for Reflection

- What role does monitoring have in the board's fulfillment of its fiduciary responsibility?
- How serious is a failure in monitoring to the board's ability to fulfill its fiduciary responsibility?
- How does the board give constructive and meaningful feedback to its manager to support improvement?
- How does the board decide when the monitoring failure is serious enough to warrant replacement of the manager?

## Resources

Decision Tree for Acting on General Manager Monitoring Reports <http://cdsconsulting.centraldesktop.com/cbld/doc/3154572>

Monitoring the Manager: An Episode of the Accountability Zone, by Mark Goehring in Cooperative Grocer # 123 March-April 2006 <http://www.cooperativegrocer.coop/articles/2009-01-21/monitoring-manager>

Evaluating the General Manager, by Mark Goehring and Carolee Colter in Cooperative Grocer # 143 July-August 2009 <http://www.cooperativegrocer.coop/articles/2009-07-02/evaluating-general-manager>

Monitoring Report Templates in the GM Monitoring Support section of the CBLD Library <http://cdsconsulting.centraldesktop.com/cbld/doc/6565444/w-GmReportSupport>

A board's duty: Determining What is Reasonable by Thane Joyal in Cooperative Grocer #138 <http://www.cooperativegrocer.coop/articles/2009-01-19/boards-duty>

Acting on GM monitoring reports ORW in CBLD Library <http://cdsconsulting.centraldesktop.com/cdsvideo/doc/5564629/w-ActingOnGmMonitoringReports>