

Governance

A Toolbox for Directors of Natural Food Co-ops

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Introduction

In the fall of 1996, over 200 directors of natural food co-ops were surveyed for a project funded by Northcountry Cooperative Development Fund and the National Cooperative Bank Development Corporation. The goal of this joint project was to provide enhanced assistance to borrowers. By directly contacting board members, the survey aimed to reach a critical mass of its target audience. Since directors are key players in the success of any cooperative venture, the survey's goal was to uncover common issues at the board level. Knowledge of these issues would help focus this toolbox in the areas of leadership and governance training.

The survey had two primary goals:

- Allow directors to reflect on their work and identify training needs.
- Identify gaps in existing training opportunities.

Survey questions dealt with board systems, planning, financial controls, board/manager relations, and membership issues. The responses were informative and provoking, and revealed themes that were repeated in co-ops of all sizes. **Most noteworthy, the survey clearly showed that board members want to succeed as leaders, but felt they lacked necessary tools and training to be most effective.**

Directors had the same concerns at all stores, regardless of store size. Areas of dissatisfaction tended to be similar: for example, successful nominations and recruitment received the lowest satisfaction scores. On the other hand, most directors indicated high levels of confidence in their managers.

Directors were generally candid about their leadership performance: "We need to recognize that the board should provide some expertise in certain areas for the successful leadership of the co-op" (\$1 million store). "The board has lacked strong internal leadership" (\$4.5 million store). "Board members are conscientious, but not adequately trained" (\$1.5 million store). A number of comments identified leadership issues: "There is a strong tendency to just accept what the General Manager gives the board, rather than for us to be the leaders, experts, or even evaluators" (\$1 million store). "We are fortunate to have an experienced manager who encourages board development" (\$4.5 million store).

When asked whether systems such as by-laws, mission statements, meeting minutes, and management reports are in place, most directors indicated satisfaction. However, when asked to assess their levels of comfort in using these systems, they were less confident. For example, most directors indicated that they receive timely, accurate, and regular financial reports, but said that they needed training to interpret those reports and benchmarks. Most directors said that their co-op has a clear statement of purpose, or mission, but few of them understand the market forces that their co-ops are operating in. Getting "up to speed" as a new director seems to take at least a year, but few boards conduct an orientation for new board members.

The challenge for cooperatives is to provide effective and innovative training that helps directors figure out how to keep in touch with members, and use their collective wisdom to provide effective leadership.

This manual is a collaborative effort among cooperative board trainers, directors, managers, and co-op business associations. Best practices were borrowed from cooperatives, non-profits, and conventional corporate businesses, presenting a comprehensive framework for building an excellent board of directors.

A Word About Policy Governance®

Many cooperatives are adopting and using the Policy Governance® model, a system of board leadership developed by John Carver. The Policy Governance® system focuses the board on leadership by fulfilling the board's primary responsibilities of linking with owners, guiding the cooperative through setting policies, and controlling the co-op through monitoring of its policies. Policy Governance® is a value-based leadership system, which clarifies the responsibilities of the board and management. The model challenges some traditional board functions and activities, but the intention of Policy Governance® is no different than the traditional board's objective: to lead, control, and guide the organization.

Whether or not your board is using Policy Governance®, you can benefit from use of this toolbox. In some cases, the material has been written for use by governance and non-governance boards. In other cases, where a Policy Governance® board would significantly differ in its approach, a separate section is included as a sidebar. This workbook is not intended to be a full discussion of Policy Governance® or how it works. To learn more about Policy Governance® read:

1. "Boards That Lead: Policy Governance for Cooperatives" by Ann Hoyt, page 20, *Challenges to the Cooperative Board of Directors*, published by Cooperative Grocer in 1996.
2. "Using Policy Governance to Improve Board Leadership" by Marilyn Scholl, page 20, September/October 1998 issue of *Cooperative Grocer* magazine.
3. *Boards That Make a Difference: A New Design for Leadership in Public and Non-Profit Organizations* by John Carver, published by Jossey-Bass, 1990.
4. *Reinventing Your Board: A Step by Step Guide to Implementing Policy Governance* by John Carver and Miriam Mayhew Carver, published by Jossey-Bass, 1997.

Two indispensable strategies for board development are:

1. Seek support and advice from other cooperative board members.
2. Enlist outside professional help.

Serving As a Director Is a Challenging and Rewarding Volunteer Effort

The ideal board should:

- Do its homework
- Be informed
- Be supportive of management
- Maintain a sense of balance between needs of members and staff
- Be aligned, work in the same direction
- Exhibit trust and maturity
- Be full of energy and ideas
- Be honest and consistent
- Develop a mechanism for discussing internal governance and accountability
- Have the courage to nominate extraordinary candidates

Notes from 1996 CCMA panel of managers on "The Ideal Board of Directors."

While appointment or election to a board is an honor, board members have important legal and fiduciary responsibilities that require a personal commitment of time and skill. In addition, your organization must commit resources to ensure on-going training and development at the board level. How does the board encourage individual directors, and at the same time create an effective, enduring team that is prepared to guide the co-op successfully through both threats and opportunities?

A wealth of information has been written about board functions and director roles and responsibilities. You can obtain this information from cooperative and non-profit development organizations, local libraries, extension offices, bookstores, local business associations, and the Internet. In addition, there are many professional board trainers, each with his or her personal style and opinions about what works best. Hiring just the right trainer for your board depends upon how clearly you can identify and communicate your training needs.

Northcountry Cooperative Development Fund, with support from the National Cooperative Bank, Development Corporation and Cooperative Grocers Association, Northeast (CGANE) has designed this toolbox to assist you in identifying areas of strengths and weakness in your board operations. In addition, this toolbox will help you decide how to allocate and prioritize resources for additional board development. It does not replace professional board training, but may help you make the best use of outside board trainers as you set about developing the leadership of your cooperative.

This toolbox draws on the works of many cooperative professionals, from trainers and consultants to directors and managers. They have generously shared some of their best practices, examples, and worksheets. You are welcome to use any of this material in its entirety, or as templates for creating your own materials.

How To Use This Toolbox

This manual covers some of the fundamental practices common to all effective boards. It begins with basic job descriptions of the board, board committees, and general manager. It contains ideas for running effective board meetings, and for creating concise and informational manager reports. Providing clear direction and supportive comments to your manager is a prime board function and one that is too often ignored. Sample job descriptions are included, along with schedules for manager evaluations. As a tool for board development, you'll find a format for evaluating board competency. Finally, in the event you want to pursue further research, a variety of resource materials are listed.

CHAPTER 1 – ROLES AND RESPONSIBILITIES OF BOARD AND MANAGEMENT

Although authority and overall responsibility lies with the board, a great deal of decision making is delegated to management. Hiring and supporting the best management possible is necessary, for it is impossible for the board to be both board and manager.

Conflict and ambiguity between board and management roles will always exist. However, an understanding of general areas of responsibility will help you avoid unnecessary conflict. This knowledge will also help you deal with conflict when it does arise, recognizing that conflict is a healthy element of a growing organization.

When reviewing board and management responsibilities, you will notice that some roles could reasonably fall on one side or another. To avoid damaging conflict, it is essential that the board and management reach agreement on definition of these roles.

Clarifying Roles and Responsibilities of Board and Management

Board of Directors	Management
<ul style="list-style-type: none"> • Is accountable to members, defining objectives, policies and goals within the constraints of mission and cooperative principles • Has a fiduciary responsibility to protect the members' assets • Ensures a meaningful linkage to the membership • Provides vision and ensures a clear statement of mission • Plans for the future by: <ul style="list-style-type: none"> o Determining the value and commitment of resources o Assessing the consequences and limits of the co-op finances and vision • Determines goals, policies and member benefits • Approves budget and financial policies • Evaluates management, setting performance standards and evaluating progress towards goals • Assures and plans for management and board succession • Determines structure, responsibility, behavior and performance evaluation of the board of directors • Is a resource for members and represents the co-op in the community 	<ul style="list-style-type: none"> • Is accountable to the board, defining operating objectives, goals and policies within the constraints of board vision • Acts to carry out and manage the board's vision • Participates in long range planning • Decides how objectives will be achieved • Sets operational policies, including personnel policies • Prepares budgets, business and marketing plans for board approval • Implements procedures to obtain goals and objectives. • Monitors, reports and recommends member benefits • Participates in setting of policies and standards • Provides board with information for monitoring policy, and for decision making • Assures key personnel succession • Develops job descriptions, performance standards, and compensation and benefits for staff • Is a resource for the board, providing relevant up-to-date information

Sample Board Job Descriptions

Sample Board of Directors Job Description

Title: Board of Directors
Reports To: Cooperative Members
Supervises: General Manager or Chief Executive Officer (CEO)
General Statement: The Board of Directors is an elected body responsible for overseeing the affairs of the co-op on behalf of the co-op's owners (its members). The board's authority extends only to decisions made by the board as a whole; individual board members have no authority outside of a board meeting, except as delegated by the board as a whole. Only members in good standing may serve as directors of a cooperative. Works to achieve the mission of the Co-op. Provide overall direction for the co-op on behalf of its membership. All other responsibilities support this responsibility.

Specific Statement: The board's primary function is to be legally accountable for the actions of the cooperative. The board ensures the long-range security and viability of the co-op by overseeing its operations and planning for its future. The board makes decisions in the best interests of the co-op and its membership.

Specific Responsibilities:

1. Work with management to establish the co-op's long-term purpose and goals; approve annual and long-term objectives, goals and performance targets; monitor progress toward goals and objectives.
2. Define the General Manager/CEO's responsibilities and goals. Hire and evaluate the GM/CEO. Approve the GM's compensation package.
3. Approve capital and operating budgets; ensure adequate capitalization and profitable operations; approve major changes in assets. Monitor financial position, indicators and resources.
4. Set major corporate (non-operational) policies and performance standards. Monitor compliance with policies.
5. Select and retain outside auditors, legal counsel, and other advisors as needed.
6. Contribute to a positive public image for the co-op. Represent the co-op to its business community and in legal actions.
7. Make sure that the co-op adheres to all relevant laws, including its Articles of Incorporation and by-laws. Prepare and approve by-laws changes as needed.
8. Ensure adequate communication to members; report to members at least annually.
9. Perpetuate a strong board through recruitment, contested elections, training and on-going professional development. Appoint directors to fill vacancies and select board advisors.
10. Set up board committees and ensure efficient, effective board operations and systems.
11. Authorize other items as required: for example, banking arrangements, employee benefits, plans, and insurance coverage.
12. Perform all other responsibilities of a board of directors.

By Karen Zimelman; revised September 1996

Sample Board of Directors Job Description Policy Governance Model

Under Policy Governance, the board's job description comes from the belief that a governing board exists on behalf of the members who legally and morally own the organization. The board is accountable to the cooperative's members. To be accountable, the board makes sure that the organization achieves what it should while avoiding what it should not. Therefore the board defines, delegates and monitors but does not "carry out" the co-op's work. Specifically the board has these four responsibilities:

1. Link with owners
 - a. To discover who they are and what they need
 - b. To report to members on what has been done on their behalf with their money
2. Enact written policies to guide the cooperative by debating, deciding and declaring the board's values in these four areas:
 - a. Ends - Why does the co-op exist? What benefits should we provide for which people at what cost?
 - b. Executive limitations - What situations should be avoided?
 - c. Board-management relationship - How does the board relate (delegate, empower, evaluate, compensate, support) the board's only employee, the general manager?
 - d. Board Process - How shall the board conceive of and do its work?
3. Assure performance by monitoring compliance with policies
4. Dream the future - The above tasks are designed to emphasize the board's focus on the future. Policies should state plans for perpetuation of the board and management. Ends policies should guide management's strategic plan to perpetuate service to members.

Characteristics of good board members working under policy governance

People who are good at problem solving and organizing are important to any organization. However, board members need to focus on the purpose and results of activities more than solutions and actions. Good board members working under the policy governance framework have the following characteristics:

- Commitment to the ownership and to the specific mission area. Commitment to those in whose name the mission is created is more important than commitment to the current mission, since the mission can be changed by the board.
- Propensity to think in terms of systems and contexts. People who focus on parts are useful to the organization, but the board needs people who are drawn to the harmony of the whole.
- Ability and eagerness to deal with values, vision, and the long term. Looking beyond systems to the values upon which they are based, and planning tomorrow's values.
- Ability to participate assertively in deliberation. Characteristics described above allow for potential, but potential must be realized through active participation.
- Willingness to delegate, to allow others to make decisions. Board members must be willing to share power with each other, but must be able to delegate to the staff.
- Ability to start and end every deliberation with the standard of what is right.

CHAPTER 2 – COMMITTEES

Committees are established to help the board do its work, not to help the staff or management do its work.

The board's time and energy is valuable. To ensure the most effective utilization of both the board and committee member's time, make certain that your committee members:

- Know their committee functions.
- Keep minutes and records.
- Plan succession for new members.
- Actively recruit new members to serve.
- Know the difference between what the committee does, what the board does, and what management does.

Many co-ops grew up with working boards. Working board directors usually split their time and energy between volunteering in the store, serving on the board and committees, and trying to build equity capital. Often, providing labor was easier than finding the cash. Committees were frequently established to do the work of both management and the board. As the co-ops grew, tasks become more specialized, and the roles of board and management also became more specialized.

Most board committees now exist mainly to provide research, prepare policy recommendations, and consider implications of board decisions. Committees receive member input, study problems and issues chosen by the committee or assigned by the board, and suggest motions to the full board.

The board of directors creates and controls all committees. The board as a whole authorizes and determines the boundaries for committees, and in some cases, the committees are defined in the co-op's by-laws.

Typically, boards set up three or four committees. Standing committees usually include, but are not limited to Executive, Finance, Membership (sometimes referred to as Marketing), and Nominating. Review and update the committee job descriptions periodically in order to meet the needs of your growing cooperative.

Regardless of the function, all committees work under the same guidelines. For example:

Title: Name of the committee

Purpose: What do you expect the committee to accomplish?

Term limits: Is this a standing committee or one formed to address a specific issue?

Composition: Who, and how many can sit on this committee?

Authority: Does this committee have the power to delegate or act on an issue, or are they commissioned to study and recommend actions to the board?

Responsibilities: A specific list of tasks or actions that are assigned to the committee.

Reporting methods, timelines: The board should expect regular progress reports on the committee's activities.

Defining Committees

The board of directors annually elects officers who make up the Executive Committee. The board president acts as chair of the Executive Committee, which may be empowered to make certain decisions between board meetings, and often performs management review and negotiations. Board officers frequently find themselves on more than one committee.

Sample Executive Committee Job Description

I. Board Recruitment and Orientation

- Assigns Nominations Committee
- Conducts board orientation for new directors
- Ensures regular board training

II. Board Evaluation and Accountability

- Ensures that the board evaluates itself annually
- Acts to address any problems with committee structure or functioning

III. Long-Range Planning

- Coordinates long range planning process, including establishment of priorities for the co-op. Bring proposals for long range planning process to the Board
- Develop annual board calendar and other planning documents as needed

IV. Board Management

- With the assistance of management, prepare board meeting agendas
- Act to keep board efforts focused and future oriented

V. Policies

- Develop, evaluate and review conflict of interest and other policies affecting all board members, submitting recommendation to the board as necessary

VI. Board/General Manager Relationship

- Lead the hiring and supervision of management
- Plan and implement annual general manager evaluation

Policy Governance[®] suggests that committees are sometimes unnecessary, can detract from effective board leadership, and can confuse the relationship between the board and the general manager. These principles should guide committee work in boards that use Policy Governance[®].

1. Committees should exist only to assist the board with its job, and never to involve themselves in the job of the staff.
2. No committee should get between the manager and the board. The manager works for the full board, and is never answerable to an individual, sub-group, or committee.
3. The best function for committees is to prepare the board for decision making. Committees can do this effectively by:
 - a. Providing or organizing board education. For example, the Finance Committee is of more service to the board if it teaches the full board how to understand and analyze financial statements than if it does these tasks for the board. Finance committees can help the board understand the financial implications of its decisions. Board members are no more or less responsible for a financial decision if they understood it or not, or if they served on the Finance Committee or not.
 - b. Gathering, organizing, and presenting information on various alternatives to help the board make a decision.
4. Standing committees are often designed to assist the general manager with management functions. Finance, marketing, and operations are all responsibilities that the board delegates to the manager. If a board committee interferes with (by attempting to help) the manager carrying out these functions, then the board cannot hold the manager accountable for the results in these areas.
5. If the manager desires assistance from individuals or subgroups, he/she can always request it. But then it is a management committee, and does not report to the board or shield the manager from accountability.
6. Create any needed committees for as long as the job the committee is needed, but no longer. Be clear what the committee is responsible for and what resources they have available to do their job.

Membership Committee

The Membership Committee typically consists of non-executive committee board members, a staff person, and at least one member-at-large.

Sample # 1 – Membership Committee

I. Keep members informed about the co-op, its activities, plans, and requirements

II. Heighten awareness of the co-op in the community

- Assist Member Service Coordinator with event implementing

III. Member recruitment

- Formulate plans and policies for recruiting new members
- Plan and implement membership drives
- Identify potential new members

IV. Member benefits

- Review member benefits
- Propose policy changes to the board of directors
- Review working membership structure and program staying informed with legal aspects of a working member program

V. General membership meeting

- Provide leadership in organizing the annual co-op membership meeting
- With the Executive Committee, assign meeting roles to directors
- Locate site and publicize the event according to the Co-op's By-laws

VI. Policies

- Evaluate and review policies governing members' responsibilities
- Submit recommendations regarding policies to the full board as necessary

VIII. Perform other duties as assigned by the Board

Mississippi Market Board of Directors, 1996

Sample #2 – Membership Committee

Type: Standing

Purpose: To act as the board's oversight body in matters related to the cooperative's membership systems and structure – especially membership recruitment, investment, communications, administration, and co-op education. To act as a resource for the co-op's Membership Director and staff.

Specific Duties:

1. Review and monitor key indicators in the membership area, especially new members, investments and repurchases, percentage of sales to members, percentage of members voting, etc. Advise Membership Director in planning to manage trends in these areas.
2. Help design membership recruitment programs and events and assist as needed.
3. Assist in planning educational programming on cooperatives. Help carry out those programs, as needed.
4. Assist, as needed, in coordinating the co-op's community representation and participation in local events such as parades, races, festivals, etc.
5. Assist the Membership Director in planning and coordinating membership functions such as the annual meeting, social functions, surveys, elections, etc.
6. Hear appeals and grievances made by members related to the handling of their memberships and make recommendations to settle those grievances.
7. Working with the Membership Director, research and make presentations to the board on policy matters and other issues related to membership (e.g. changes to required investment, member benefits, repurchases, etc.) as requested by the board.

Chair: As appointed by the Board President.

Committee Make-up:

Size: 3 minimum; 9 maximum

Composition: At minimum, one board member and two members-at-large. The Membership Director will serve as staff member to the committee.

Meetings: The committee will meet as often as deemed necessary for its functions. A yearly committee meeting schedule will be included with the annual board calendar.

Budget: The committee's budget will be included with the budget of the Membership Department.

Prepared by Karen Zimelman and Marilyn Scholl. Revised October 1998

Finance Committee

Members of the Finance Committee typically include the board treasurer, management, one or two other board members, and often, members at large.

Sample #1 – Finance Committee

I. Provide financial oversight of the co-op

- Oversee and review financial performance and profitability
- Review quarterly financial statements and report to full board
- Review operating and capital budgets and make recommendation to Board
- Review contracts
- Recommend and arrange for annual audits or reviews
- Approve significant deviations from budgets

II. Policies

- Develop and recommend appropriate financial policies
- Submit new or changed policies to the board for approval

III. Investments

- Review strategies for investments and long range financial planning

IV. Member investments and benefits

- Review member equity status and provide reports to the membership about the resources and obligations of the co-op
- Review and advise on cost of member benefits including discount structures
- Review and make recommendations to the board on profits distribution

V. Conduct regular meetings

VI. Perform other financial duties as assigned by the Board

Mississippi Market Board of Directors, 1996

Sample #2 – Finance Committee

Purpose: Review and analyze financial information that is to be presented to the board of directors. Consider and pass on financial motions that ultimately must be approved by the board of directors.

Specific Duties:

1. Review and comment on capital appropriations, budgets, balance sheets, income statements and other financial reports before they are offered for board information or approval.
2. Assure that the financial information conveyed to the board is sound and adequate and in support of the corporation's capital and operating needs as projected.
3. With management's help, develop targets for financial ratios to maintain a sound financial position.
4. Review corporate financial policies and procedures. Offer financial advice to management, as appropriate.
5. Assure that financial data and analysis are made understandable to the board.
6. Review and recommend to the board for approval policies on dividends, patronage refunds and loan interest rates.
7. Review management's recommendations for the selection of the firm to be employed as the co-op's independent auditor.
8. Review the report of the audit or review and forward any recommendations on the findings and observations in the report to the board.

Drafted by Karen Zimbelman, June, 1988

Nominating Committee

Members of the Nominating Committee typically include board members who are not up for re-election, a staff liaison, and members at large.

Sample #1 – Nominating Committee

- I. Plan and oversee an annual evaluation of the board's performance.
 - Make recommendations to full board about training needs.
 - Identify skills and experiences needed for effective board performance.
- II. Submit a list of candidates for the board of directors.
 - Screen all candidates for office to ensure membership status and qualifications.
 - Recommend a slate of candidates to the full board.
- III. Provide opportunities for membership to learn about the issues and candidates.
 - Ensure that issues and opportunities facing the co-op are communicated to the membership.
 - Present candidates to the membership through forums, articles, or special mailings.
 - Encourage members to vote.
- IV. Ensure that the election process conforms to co-op by-laws and state laws.
- V. Collect elections results and announce results at annual meeting.
- VI. Set orientation of new directors before the next regular board meeting.
- VII. Arrange for new board members mentors when needed.

Sample #2 – Board Development Committee

Purpose: To recruit and nominate candidates with excellent qualifications, skills and experience for the board of directors and other member governance bodies. To establish a nominations process that is consistent with requirements for candidate skills, and to ensure a contested election. To supervise and coordinate elections and the training and development of co-op leadership.

Specific Duties:

1. Present recommendations for, and discuss with the board of directors, guidelines on the desired minimum number of candidates and specific required skills and experience.
2. Develop an annual election timeline that allows for nomination by committee and by petition, all within the timeframe of an approved election schedule.
3. Supervise the production of a background packet of materials to be provided to all prospective candidates. The packet will include instructions, background on the board, a timetable, application, petition, and member endorsement forms.
4. Make nominations and oversee communications with candidates and potential candidates.
5. Receive and validate petitions from members seeking independent nomination.
6. Prepare questions and guidelines for candidate statements, and supervise any communications regarding board elections to members.
7. Supervise nominations and election processes to ensure all election deadlines are met.
8. Recruit and appoint members to participate on additional member advisory groups (for example, on committees) as needed, per guidelines set forth by committees and the board.
9. Identify training and professional development activities for the board.
10. Recruit and make recommendations on candidates to be appointed to fill board vacancies.

Composition: The committee shall be made up of at least two directors who will not be seeking re-election in that year. Appointments are by the board chair.

Reporting: The committee will make regular reports of its progress and activities at board meetings. At the conclusion of the election, the committee will prepare a reference file for future committee members.

Blooming Prairie Warehouse Inc., September, 1993

CHAPTER 3 – BOARD PERFORMANCE STANDARDS

Providing a clear description of the work of the board and committees will not ensure clear, harmonious decision making when it comes time to vote. The human elements that make up the working relationship between directors are often critical factors in both the satisfaction one takes away from a board meeting, and the effectiveness of board decision making.

Co-op directors are usually volunteers who spend many hours away from family, work and recreation in order to serve as co-op leaders. We ask of lot of board members. We urge full participation from all of our directors, thereby ensuring a variety of opinions and thinking styles. We assume that all directors have the co-op's best interests at heart, but individual motivations are complex and often deeply felt. Finally, we aim to achieve agreement when making decisions. At times, harmony seems a tall order!

Speaking with one voice is sometimes a board's biggest challenge.

While it is valuable to have many opinions expressed at a board meeting, it is critical to leave the meeting speaking with one voice. Board members are expected to support the group decision (not just one's own views), and if you are in the minority, it can be difficult to accept the wisdom of the group.

Well-run meetings invite full participation and effective decision-making.

Making prudent decisions on behalf of the entire membership requires a degree of patience and cooperative spirit. An efficient meeting should not entail making hasty decisions. Make sure that each director has the opportunity to become involved in the discussion before voting. If directors don't have sufficient information for making a decision, take the time to get more information before a vote is taken.

The president of the board must be familiar with parliamentary rules to conduct an effective meeting. Some informality is acceptable at board meetings, but informality should not be confused with being undemocratic or sloppy. Formality tends to expedite business, aid communications, and bring more order to board meetings. Nevertheless, the president must decide how much informality to allow.

Adopt agreements for ethical behavior and conduct.

Consider adopting working agreements that set guidelines for ethical behavior and conduct. The following statements of agreement clearly state expectations about how the board will conduct business. Adhering to these guidelines may provide a degree of legal protection for directors in case of a lawsuit related to the boards actions or decisions.

Statement of Agreement or Directors of Cooperatives

Code of Ethics

The Board of Directors adopts the following Code of Ethics to clarify any uncertainty that may exist regarding the authority exercised by the board or individual directors. This Code of Ethics is proposed to create greater unanimity and closer coordination between directors, and among directors, management, and employees. To that end, as a co-op director I agree:

Authority The board's authority is limited to overseeing the affairs of the cooperative in a manner deemed beneficial to the cooperative as a whole. To discharge the board's authority, we are employing a manager to be responsible for the overall and day-to-day management of the business. The manager acts under direction by the board. We are also responsible for carrying out other duties as provided by the bylaws or by general or specific corporate laws.

Limits to Authority

Each director's individual authority is limited to the rights and authority of an individual member of the cooperative, except when the board is in formal meeting. No individual director may take action on behalf of the cooperative unless explicitly delegated that authority by action of the board. No individual director has rights to information that is not made available to all directors.

Managerial Authority

The responsibility of the manager, as described in the bylaws or in the board-generated job description, is to manage the affairs of the cooperative. The manager shall employ, supervise, and discharge all employees, agents, and laborers, and engage in all negotiations and discussions on behalf of the cooperative, as deemed necessary by the manager or as directed by the board.

Disagreement

While an individual director may disagree with a policy approved by or action taken by the majority of the board, the dissenting director will support that policy or action as being the considered judgment of the board. An individual director shall have the right to present evidence and argument to the board for further consideration, provided the presentation is in a manner consistent with the board's practices.

Confidentiality

All directors will maintain confidentiality as needed to protect the co-op's interests and financial viability. Directors shall not discuss disputed or confidential corporate actions, policies, or issues with co-op members, employees, or the general public unless all directors agree to disclose such information. All issues related to personnel, real estate, market strategy and goals, pending litigation, and financial status will be considered sensitive issues, subject to confidentiality, unless or until the board as a whole approves full disclosure.

Professional Conduct

Directors serve as representatives of the cooperative. Directors shall conduct themselves in a manner that fosters confidence and reflects positively on the co-op, its members, and its staff. The board respects the rights of directors, staff, and members to communicate their ideas free from interruption and intimidation. All directors shall disclose any economic conflicts of interest.

As a co-op director, I agree to abide by this Statement of Agreement. I agree that if, in the opinion of the majority of co-op directors, I have violated the letter or spirit of this agreement, I shall resign my position on the board immediately, and shall not cause continued disruption to the co-op and the co-op board.

Signature

Date

Prepared by Karen Zimelman

Statement of Agreement or Directors of Cooperatives

Code of Conduct

As a co-op director, I pledge to do my best for the co-op and will:

- Devote the time needed to fulfill the responsibilities of the position.
- Attend all regular and special board and committee meetings.
- Be prompt, attentive, and prepared for all board and committee meetings.
- Contribute to and encourage open, respectful, and thorough discussions by the board.
- To enhance board understanding and cohesiveness, attend and actively participate in the board's training sessions and annual planning retreat.
- Consider the business of the co-op and its members to be confidential in nature.
- Disclose any personal or organizational conflict of interest in which I may be involved, and refrain from discussing or voting on any issues related to that conflict.
- Be honest, helpful, diligent, and respectful in my dealings with the co-op, with other directors, and with the co-op's management, staff, and members.
- Refrain from becoming financially involved or associated with any business or agency that has interests that are, or could be perceived to be, in conflict with the co-op's interests.
- Work for continued and increased effectiveness in the co-op's ability to serve its member/owners.
- Be a team player and agree to abide by the majority action of the board, even if it is not my own personal opinion.
- Present the agreed-upon view of the board of directors, rather than my own, when I speak on behalf of the co-op to employees, members, shoppers, and the general public.
- Refrain from asking for special privileges as a board member, and from interfering with management's authority.
- Work to ensure that the co-op is controlled in a democratic fashion, and that all elections are open, fair, and open to the participation of all members.
- Strive at all times to keep members informed of the co-op's status and plans, and of the board's work.
- Continually seek opportunities to learn more about the co-op and its operations, and about my responsibilities as a board member.

As a co-op director, I agree to abide by this Statement of Agreement. I agree that if, in the opinion of the majority of co-op directors, I have violated the letter or spirit of this agreement, I shall resign my position on the board immediately, and shall not cause continued disruption to the co-op and the co-op board.

Signature
Zimelman

Date

Prepared by Karen

Legal Duties and Responsibilities of the Board of Directors

A deliberate and well-documented decision is likely to be upheld. A hasty and ill-conceived decision will not withstand judicial scrutiny.

For additional information on Board duties and responsibilities, see *Challenges to the Cooperative Boards of Directors*, published by Cooperative Grocer, 1996.

Directors of a cooperative business have the same legal responsibilities as directors of any other corporation or business. Because of the unique nature of cooperative business, however, board members must attend to some additional duties. Unlike investor-owned businesses that are often focused solely on making a profit, co-ops operate profitably in order to meet the needs of their members. Directors must ensure that the members are educated about cooperatives, and about their rights as members. The board has an official responsibility to communicate with member-owners about the financial health of the organization, and about the plans and vision of the board.

Directors of the co-op are legally responsible for careful, honest decision making. Some co-ops have chosen to indemnify, or insure their directors against liability. Your Articles of Incorporation may have wording to limit or eliminate director's personal liability in some areas, but a court will still examine some general areas of director activity to determine accountability. Directors may still be personally liable for self-dealing or personal behavior. Think about areas in which you, as a director, may have a conflict of interest, particularly when it comes to areas of voting. Good financial policies and regular monitoring will provide the best protection. General legal guidelines about your responsibilities as a director can be found in your state statutes.

Issue Generally Governed by State Guidelines

Directors must make decisions based on careful examination of reliable information including:

- Accurate, complete and timely financial information
- Current and objective market information
- Regular and comprehensive membership information, such as member surveys, percent of sales to members, membership growth, and participation in elections.

Directors must be diligent in monitoring the affairs of the co-op by:

- Regular and active participation in meetings
- Understanding and reviewing financial information
- Receiving and understanding reports and other information from accountants, attorneys, auditors and consultants
- Monitoring management activities
- Monitoring committee activities

Directors must operate in good faith

- Directors must keep the affairs of the co-op confidential until they are officially released to the membership
- Directors must make full disclosure about personal business dealings that may conflict with the co-op, and abstain from any discussion or vote on possible contracts.
- Directors must not benefit more than any other members by their dealings with the co-op.
- Directors must act as any prudent person would in similar circumstances.

Unless the board or individual directors have clearly breached any of these guidelines, personal director liability is unlikely. Your board process and records will indicate to the courts whether the activities and decisions of the board have been appropriate, prudent, and in the best interest of the co-op. It is in your own best interest to make sure that your board records are complete, and that your process has been professional.

CHAPTER 4 – DESIGNING A BOARD INFORMATION SYSTEM

Too often, board information is incidental information. Although such material is useful for maintaining an overall impression of the administration of the organization, it is not specific or substantive enough to help board members make decisions or monitor success of carrying out the co-op's mission. It is the managers responsibility to make sure the board receives relevant and accurate information.

Establishing a System

Establishing and maintaining a board information system is the joint responsibility of the board chairperson, board members, management, and staff. The board should discuss what information it needs to do its job, how often it wants this information, and in what form it needs the information. Given this board feedback, the staff can establish the content, format, and frequency of information they will provide the board.

Characteristics of Good Board Information

Barry S. Bader, a consultant and author specializing in hospital governance, identifies seven guidelines for developing effective board information:

1. **Concise.** Is the information communicated as quickly or as briefly as possible?
2. **Meaningful.** Is the information presented in relationship to a significant factor, such as a goal set by the board, past performance, or comparative data?
3. **Timely.** Is the information relevant to the current agenda?
4. **Relevant to Responsibilities.** Does the information help the board or board committee discharge its responsibilities?
5. **Best Available.** Is the information the best available indicator of the situation or condition being described? Can better information be provided?
6. **Context.** Is it clear why this information is important?
7. **Graphic Presentation.** Could the information be better presented graphically than in words?

Agenda and Board Meetings Under Policy Governance[®]

A board's purpose and agenda will be based on its job description. Too much board time typically is spent hearing and discussing reports about past activities. Under Policy Governance[®], organizational activities are monitored against policy criteria, but the monitoring reports are rarely discussed at meetings unless the data shows policy non-achievement or violation.

The policy governance board will spend much of its meeting time in education and preparation for fewer, but more significant decisions. Each meeting agenda will be planned as a single but integrated part of an ongoing job.

Sample agenda

1. **Call to Order**
2. **Minutes** - Approval of minutes of previous meeting
3. **Monitoring Affirmation** - Board members affirm that they have received and read monitoring reports submitted since last meeting.
4. **Linkage with Owners** - Discussion of new members. How has our membership changed? Lead by GM and Member Services Director.
5. **Ends** - Discussion on needs of consumers. Lead by ad hoc committee on gathering information on consumer trends.
6. **Next Meeting**
7. **Self Evaluation**
8. **Adjournment**

Types of board information

Management consultant John Carver describes three types of board information:

- Decision information is used to make decisions, such as establishing selection criteria for management. It looks to the future and is not designed to measure performance.
- Monitoring information enables the board to assess whether its policy directions are being met. It looks to the past and provides a specific survey of performance against criteria. An example is an annual review of the organization's strategic plan.
- Incidental information is for the general information of the board and not related to board action. Committee reports frequently fall in this category.

Basic Ingredients and Timetable for the Board Packet*

Sample Board Manual

- Table of Contents
- List of directors with phone numbers and addresses
- Vision/Mission Statement
- Brief history of the co-op
- Market overview: Who do we serve?
- Recent survey data

Legal Documents

- Copy of articles of incorporation/by-laws
- Copy of membership application and member benefits
- Copy of member loan documents

Descriptions

- Chart of organization
- Board job description
- Committee job descriptions
- General manager job description

Policies

- List of policies
- Current adopted policies
- Drafts of proposed policies

Board and Committee

- Minutes of the last four board meetings
- Director development plan and budget
- Most recent board evaluation

Budget/Financial

- Last two quarterly reports
- Year-end statements
- Last three months of statements
- Operating budget and capital budget
- Budget assumptions
- Last three management reports

Planning and Publications

- Meeting dates
- Planning calendar
- Annual Report
- List of "Who's Who" in the co-op community

Everyone arrives at the board meeting with a desire to participate and be productive. The time spent at these meetings is valuable and board members want to use it wisely. It helps if everyone is working toward the same goals. Organizing the basic information about your co-op and making sure everyone has easy access to that information can save research time and help to quickly clarify some simple questions.

Some co-ops provide a three-ring binder for each new board member. This method helps directors keep the flow of information organized and accessible. A staff support person, committee chairs, board chair, and management should be asked to review the manual contents to make sure all relevant information has been included. Once you have created the Board Manual, directors only have to update it with the most recent minutes and reports.

4 - 7 days before each board meeting, send:

- Agenda
- Minutes
- Information about issues for discussion
- Educational opportunities
- Financial information
- Committee reports
- Management reporting categories summarizing current activities. Label them "No Action Required."
- Notice of next meeting, including date and place

At least two weeks before the board meeting at which it is discussed:

- Annual budget
- Audit report
- Strategic plan

When appropriate:

- Updated material for board handbook
- Advance copies of publications, brochures, or promotional material
- Significant published articles about the organization

Quarterly:

- Financial report

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What Is the Real Purpose of a Board Meeting?

The purpose of a board meeting is to:

- Exchange information between the board and manager
- Evaluate current operations with the manager
- Continue education about the membership: How has it changed from last year?
- Plan communications with membership
- Make decisions on current topics
- Prepare short-and-long term plans
- Envision the future

Always keep the membership in mind!

Most of the board's work transpires during the board meeting. A well-planned agenda, comfortable surroundings, and competent facilitation draws out the best in people.

Planning the board meeting is a major responsibility of the board chair in partnership with the general manager

The board chair meets with the general manager before the board packets go out in order to set the agenda, and to review items that may need special attention.

"Robert's Rules of Order" are a time-proven tool for meeting process. You don't have to be a parliamentary whiz to use basic concepts that help you stick to an agenda and finish the meeting in an hour or two. The example shown on the following page summarizes the most commonly used parliamentary procedures. Adopting these, even informally, can often help at times when discussions stray from the business at hand, or when conflict becomes stressful.

The Agenda

In order to conduct business in an efficient manner and stay on task, it is important to allot a time limit for each agenda item. Some agenda items need to be voted on at the meeting, in which case you may include suggested wording for the motion in the agenda. Doing so can help focus discussion on the point at hand. The agenda usually consists of these main sections:

- Roll call
- Approval of agenda
- Approval of minutes
- Approval of new members and retiring members
- Old business - Committee reports and recommendations. These may be presented as a motion in the agenda, especially if items were held over from previous meetings. *Warning!* These items may be a potential time trap.
- New business - Typically, new business items are assigned to committees, or to staff for further study or recommendations. Action on them does not have to happen at the meeting where the topic is introduced.

Written reports from management and committees are always included in the packets. Reports enable board members to be up to date on all activities, and prepare them to discuss, ask questions, and make decisions.

Rules of Order for Board Meetings

Motions that occur frequently

Process	Following parliamentary procedure, one says:	Do you need a second?	Is it debatable?	Can it be amended?	What vote is needed?
Introduce business	"I move that..."	Yes	Yes	Yes	Majority
Motion by committee	"Finance committee moves..."	No	Yes	Yes	Majority
Suspend further consideration of an issue	"I move to table the motion."	Yes	No	No	Majority
Postpone discussion for a certain time	"I move to postpone the discussion until..."	Yes	Yes	Yes	Majority
Amend a motion on the table	"I move to amend the motion by..."	Yes	Only if motion is	Yes	Majority
End a debate and amendments	"I call the question."	Yes	No	No	2/3
Give closer study to something	"I move to refer the matter to the _____ committee."	Yes	Yes	Yes	Majority
Adjourn a meeting	"I move that we adjourn."	Yes	No	No	Majority

Motions that occur occasionally

Process	Following parliamentary procedure, one says:	Do you need a second ?	Is it debatable?	Can it be amended?	What vote is needed?
Protest breach of conduct	"I rise to a point of order."	No	No	No	No vote
Vote on a ruling of the chair	"I appeal the chairs decision."	Yes	Yes	No	Majority
Suspend rules temporarily	"I move to suspend the rules so that..."	Yes	No	No	2/3
Avoid considering an improper matter	"I object to consideration of this motion."	No	No	No	2/3
Request information	"Point of information."	No	No	No	No vote
Take up a previously tabled matter	"I move to take from the table..."	Yes	No	No	Majority
Reconsider an action	"I move to reconsider the vote on..."	Yes	Yes	No	Majority

Board Meeting Process

A well-facilitated meeting makes all the difference between feeling energized or drained by a meeting. Strong facilitation helps all members to participate equally. Drawing out the opinions of each board member while keeping on track can be both enlivening and tricky. Although leading a board discussion is usually the chair's job, facilitation may be assigned to any person who has a knack for watching the clock, the agenda, and encouraging everyone to participate in discussions.

You should allow time at the end of each meeting for a meeting evaluation process. The evaluation will give the board chair or facilitator an opportunity to expose items that directors are reluctant to discuss during the meeting. Encouraging board members to give feedback can improve teamwork and make the job of being a board member fun. All board members have the responsibility to help make meetings effective.

Planning Responsibilities of the Board Chair

- With assistance from the manager, create the agenda.
- Set the meeting date, time, and agenda time points.
- Start on time, stay on task, end on time.
- Invite participation, actively listen to all participants.
- Keep the mission and goal of the cooperative in mind.

Responsibilities of Individual Board Members

- Be on time.
- Read the packet before the meeting, and be prepared to participate in the discussion.
- Consider the issues, and call the chairperson with questions before the meeting.
- Participate fully, question, and learn.
- Take risks and share your thoughts.
- Actively listen, with respect.
- Cooperate, keeping in mind the co-op's goal and mission.
- Refer to the Code of Ethics and Code of Conduct.

Remember that meeting minutes are legal documents of the organization!

If the co-op is ever involved in a legal dispute, complete and accurate board minutes are extremely important. Most state statutes require that meeting minutes be maintained and filed in a safe place. At a minimum, minutes should include:

1. The date and place of the meeting
2. The kind of meeting
3. Names of board members present and those absent
4. A record of all formal actions taken at the meeting, and whether the action carried or lost

After minutes have been approved "as read" or "as circulated," the secretary should sign and date the minutes, and a copy should be maintained in an official minutes book.

Effective Meeting Rating Form

After each board meeting, ask board members to rate the meeting in the following categories.

I. On Track

1 | _____ 2 | _____ 3 | _____ 4 | _____ | 5

The meeting lacked focus or dwelled on trivia.

The meeting was orderly and followed an agenda.

II. Participation

1 | _____ 2 | _____ 3 | _____ 4 | _____ | 5

A few members dominated the discussion.

Everyone contributed ideas and took part in the discussion.

III. Listening

1 | _____ 2 | _____ 3 | _____ 4 | _____ | 5

People often talked at once and members failed to listen to one another.

One person talked at a time, and members listened respectfully.

IV. Shared Leadership

1 | _____ 2 | _____ 3 | _____ 4 | _____ | 5

Few people did anything to keep us on track.

We shared leadership, and everyone took responsibility for staying on task.

V. Results

1 | _____ 2 | _____ 3 | _____ 4 | _____ | 5

We could have achieved better results by working independently.

We achieved better results by working together.

Management Report

The contents of a written management report should answer six fundamental questions:

1. What happened (during the period)?
2. How does what happened compare to what happened last year in the same period?
3. Why was there a difference between what happened the last time and what happened this time?
4. How does what happened compare to what was expected to happen?
5. How does what happened compare to what will happen in the future?
6. If the results are less than projected, what is management doing today to make sure things are different tomorrow?"

Challenges to the Cooperative Board of Directors, "Management Reporting," Rick Stewart, 1996.

Board members must receive clear and concise information from management. Management reports guide activities of the board. Generally, you can expect the manager to report in key areas with one sentence if things are going well, two or three if going better than expected, and a paragraph or more when they are worse. You can expect management reports to cover cause, effect, and solutions for areas that are currently problematic. However, none of these should be discussed or acted upon at the meeting.

The reports that board members can expect to see regularly should include information on: financial performance; personnel issues and labor as a percent of sales; promotional and marketing activities; membership related issues; legal and regulatory issues; industry trends; and, widespread cooperative activities.

An outline of the manager's report could look something like this:

Operations

- Need to replace security system
- Progress on new register system

Personnel

- New membership coordinator
- Employee of the month incentive program

Membership

- Plans for upcoming membership drive
- Marketing cooperatives at the downtown festivals

Legal

- Health inspection
- Lawsuit over slip and fall case

Industry

- Product out of stocks everywhere
- Local competition expanded natural foods

Cooperatives

- Added investment in co-op loan fund
- Credit union is interested in marketing to our members

Financial Report

- Quarterly Balance Sheet, Income Statement
- Key ratios
- Written assumptions and explanation

Financial Analysis

Financial analysis is not a precise science. Directors need to understand many different monetary relationships and trends in order to evaluate performance and plan for the future, make decisions on approval of loans and asset expenditures, evaluate management, member dividends, discounts, and benefits, and make long-range plans. In addition, financial information is used as a tool for manager-board and board-member accountability. It is a rare occasion when all board members are comfortable interpreting the financial statements.

The main sources of financial information are the Balance Sheet and Income Statement. Other statements include Sources and Uses (capital) reports and Cash Flow Analysis. Key indicators such as sales, customer counts, sales per customer, and sales growth compared to the previous year provide essential guideposts when viewing the whole financial picture. The Financial Toolbox in this series provides you with detailed explanations of all these reports. It is very important that you fundamentally understand the bottom line of the organization, because you are responsible for protecting your member's assets.

What can you expect to see in the financial reports from management, and when?

Monthly – Directors can expect summary figures and key indicators as part of management's routine reports. On monthly statements, the cost of goods sold is estimated based on sales and purchases. When a physical inventory (product count) is completed, the actual financial performance is most accurately reported.

Quarterly – Unless your co-op is facing especially trying times – such as the loss of your general manager, a recent expansion, or an unexplained cashflow loss – it is advisable to review financial statements on a quarterly basis. Quarterly, you should expect to receive an Income Statement and Balance Sheet with a thorough review and analysis by management. The Income Statements should show the following to allow directors to measure performance against historical performance and projected goals:

- Comparison of actual to budgeted results for the period.
- Current year-to-date (YTD) results compared to last year's YTD results.
- Current YTD results compared to budgeted YTD results.

The next two pages explain most of the common ratios and benchmarks that may be used to analyze your business. Unless your co-op is having problems, it is not necessary to use all of them.

These common ratios and benchmarks should be included in the quarterly reports:

- Gross profit
- Labor margin
- Inventory turnover

- Sales trend
- Working member discounts
- Debt to equity

- Current ratio
- Net income

These measurements are particularly useful when they show comparisons to the previous quarter and same period last year.

For detailed information on how to read financial statements, see the "Financial Management" toolbox produced by Northcountry Cooperative Development Fund and National Cooperative Bank Development Corporation.

Ratios and Benchmarks

Ratios are like the lab reports you get from your doctor; they present different ways of viewing the health of the whole business and can help to focus board and management attention. There is no single ratio that will tell you everything about the financial health of a business. Therefore, you need to look at a number of internal relationships and external comparisons before drawing conclusions about your co-op. Ratios are usually presented quarterly.

Benchmarks are standard reference points, identifying the range within which most profitable stores in the same business operate. There may be valid reasons for a store to operate within different ranges; for example, your store is currently too small and you are planning an expansion; you've just expanded into a large space and anticipate rapid growth; your product mix is very different from most natural food stores (you sell mostly health and beauty products, or you have a large restaurant); your labor force is mostly working members; you have a large restaurant or deli with many employees. Make sure that you are able to document these differences!

Each year the *Cooperative Grocer* magazine publishes a survey of retail operations. This survey is an excellent source for comparisons with other co-ops. You will find the most recent survey in the Appendix of this manual. The following are a few of the most common ratios and benchmarks, expressed in terms of Productivity Measures that measure operational performance, or Solvency Measures that measure a business's ability to satisfy its debt. **You should refer to the starred (*) measures each quarter.**

Productivity Measure

Benchmark

Gross Profit

Gross Profit is what is left of each sales dollar after you have paid for the cost of the product sold. It is a benchmark of success in terms of pricing and delivery to customers. The Gross Profit provides the dollars to cover all of the other expenses and make debt payments, improve the property or equipment, and so on.

33 to 36%

Formula:
$$\frac{(\text{Sales for Period}) - (\text{Cost of Goods Sold for Period})}{\text{Sales for Period}}$$

Labor Margin *

Reflects the percentage of each sales dollar that goes to all labor related costs, including working member discounts. This ratio reflects the second largest expense in a business, particularly cooperative food stores. To control this expense you must pay special attention to: part-time vs. salaried wages; number of hours worked; employee discounts; competitive insurance costs; workman's compensation insurance claims history; unemployment insurance costs for turnover; and, working member discounts. If your co-op has high sales in service departments, such as a deli or bakery, your labor will be slightly higher, but these kinds of departments have high margins to cover high labor needs. The board should see excellent gross profit results for a high labor figure.

22 to 23%

Formula:
$$\frac{\text{Total Labor Costs for Period}}{\text{Sales for Period}}$$

* To view the latest benchmarks for stores in your sales range, see the most recent July-August issue of *Cooperative Grocer*.

Productivity Measure

Benchmark

Gross Margin * Minus Labor (MML)

Rather than looking at Margin and Labor independently, MML offers a better method of comparing your store's performance with other co-ops. MML measures the margin remaining, after Labor, for use in covering all other expense. It enables you to make a consistent comparison between your co-op and other stores that may have a different focus or product mix. For example, if your store has a service deli, you would expect that both your margin and labor may be higher than the benchmarks, but the MML should stay in the range of the benchmark.

Formula: (Gross Margin) – (Labor as a Percentage of Sales)

10 to 14%

Inventory Turns*

Measures how many times you sell your inventory in one year. This benchmark usually covers your total inventory, but can be calculated in the same way for each department within the store. If a store has a substantial portion of sales in health and beauty aids or supplements, the turns will be fairly low. If, on the other hand, the store has a lot of perishable items (as in a deli or bakery), the turns will be quite high. Produce should turn every few days, with total turns over 100 per year! Very high total store turns may indicate an out-of-stock problem, or result in high associated labor costs required to keep those shelves full. Very low turns may indicate a cash flow problem, and lots of "dead" or spoiled inventory on the shelves and in the back room.

Formula:
$$\frac{\text{Annual Cost of Goods Sold}}{\text{Average Inventory}}$$

6 to 15

Sales per Paid Labor Hour

As a productivity benchmark, this value is useful because it eliminates the variables of pay rates and benefit levels when you analyze labor costs. You can examine department efficiency by using this formula. Generally, a high figure is better. Too high, and your store might be understaffed for your level of sales. Too low, and your store may be overstaffed.

Formula:
$$\frac{\text{Total Sales for the Period}}{\text{Total Pd. Labor Hours (including working members)}}$$

\$53 to \$60

Sales Trend *

Shows sales compared to a prior period. It is a benchmark of growth that is key to every other major plan or strategy of the cooperative. It is important to compare this figure to your budgeted figure as well. A high number may indicate a rapid growth market segment, which presents its own problems like inventory planning, staffing, sales space, and product merchandising. A low figure may indicate a mature market, or even a declining market if inflationary price adjustments are considered. If your store has minimal competition, a slightly lower figure may be acceptable.

Formula:
$$\frac{\text{Current Year's Sales}}{\text{Prior Year's Sales}} - 1.00$$

20–40%
expected after
an expansion;
10–20%
expected for a
young store;
3–10% expected
for a mature
store.

* To view the latest benchmarks for stores in your sales range, see the July–August issue of *Cooperative Grocer*.

Productivity Measure

Benchmark

Sales per Square Foot per Year *	Indicates how effective your store space is. Since rent and occupancy rates are generally fixed expenses, this is a critical measure. A high figure may indicate that it's time to consider an expansion, or a move. A low figure may mean you've just moved into a larger space, or that you are underutilizing an expensive resource. A low figure means generating additional sales is crucial!	\$300 to \$1,000
	Formula: $\frac{\text{Annual Sales}}{\text{Retail Square Feet}}$	
Member Discounts*	Shows the impact of discretionary policies that benefit your membership. (Note: Working member discounts should not be included here, but rather should be included in Labor.) It's important to track member discounts because these are profits that are distributed before a profit is declared, and the board needs to know the impact the discount structure has on income and cash flow. <i>Board support is needed to control this expense!</i>	1.0 to 1.5%
	Formula: $\frac{\text{Working Member Discounts}}{\text{Sales for Period}}$	
Occupancy, Governance, and Admin Expenses to Sales	Measures how much of each sales dollar is used to keep the doors open, and keep the members informed and satisfied. This summary usually includes governance expenses like annual meetings, director costs, financial and audit costs, rent, advertising, insurance, and maintenance on buildings and equipment.	Occupancy: 3.5 to 5% Governance: 0.4 to 0.6% Administrative: 1.0 to 1.1%
	Formula: $\frac{\text{Occupancy, Governance, or Admin. Expense for Period}}{\text{Sales for Period}}$	
Net Income *	Shows how effectively your business is being run. It is a key measure of earning capacity, which is necessary for expansion or diversification plans. Reflects the overall efficiency of your operation.	0.6 to 2.6% <i>Should be between 2% and 4.5% before taxes and patronage refund.</i>
	Formula: $\frac{\text{Net Income After Taxes and Other Expenses}}{\text{Sales for the Period}}$	
Debt to Equity	Tells creditors how much of their money is on the line, relative to what the member-owners have at risk. This is a favorite ratio with bankers and lenders. Generally, a high number indicates that creditors have a lot more at risk than the owners and therefore are more likely to have a stronger voice in what may or may not be done in the cooperative. A really low number, on the other hand, may indicate that the board is too conservative, and should look at some expansion or service improvement for the members.	\$0.40–\$1.00, or \$0.50–\$1.50 of creditor money for each \$1.00 of member equity
	Formula: $\frac{(\text{Current Liabilities}) + (\text{Long Term Liabilities})}{\text{Equity}}$	

* To view the latest benchmarks for stores in your sales range, see the July–August issue of *Cooperative Grocer*.

Productivity Measure

Benchmark

Current Ratio *	Measures your co-op's ability to pay its debts. Indicates how quickly cash and other current assets (like inventory) can be used to pay the current claims of creditors. Generally, the higher the better, but a figure that is too high may indicate lack of business assertiveness or positioning in the marketplace, or that you have been saving money to make a strategic move. Formula: $\frac{\text{Current Assets}}{\text{Current Liabilities}}$	1.3 to 5.0
Quick Ratio	Similar to but more conservative than the Current Ratio, the Quick Ratio excludes inventory from current assets because inventory cannot be quickly converted to cash. It measures the cash, liquid investments and current accounts receivable that will cover current liabilities of the business. The Quick Ratio indicates how capable the business is of meeting creditors' demands. A higher figure is generally better, but too high a ratio may mean too conservative of an operation, which may not provide members with needed services or products. Formula: $\frac{\text{Cash} + \text{Liquid Investments} + \text{Receivables}}{\text{Current Liabilities}}$	0.5 to 1
Sales to Total Assets	Measures the investment required to generate sales income. It indicates both the adequacy and productivity of all assets combined. Formula: $\frac{\text{Annual Sales}}{\text{Total Assets}}$	3.0 to 4.5

* To view the latest benchmarks for stores in your sales range, see the July–August issue of *Cooperative Grocer*.

CHAPTER 5 – RECRUITMENT AND BOARD DEVELOPMENT

Most cooperatives use some type of Nominating Committee to identify candidates for the board of directors. Nominating Committee members can have a tremendous impact on the direction the cooperative takes. Therefore, the selection of members to serve on the Nominating Committee is extremely important.

The Nominating Committee's job demands more than meeting for coffee and suggesting a few candidates for the board. Committee members should study the strengths and weaknesses of the cooperative, and select candidates that will help the board address the co-op's needs.

Do not wait until the last minute to begin the nominating process. A successful nominations process requires good communications among the committee, board, and staff, a realistic timetable, and on-going recruitment throughout the year.

Do you recall how you were recruited to the board of your cooperative? What are some of the things you wish you would have known ahead of time? What was exciting about the idea of serving on the cooperative board? Build on your experience, and do a little informal preliminary recruiting. Remember the last time you were working with your banker and she mentioned how much she loved the co-op? Call her up and ask her out to lunch. Fill her in on the co-op happenings, and tell her about the vision of the board for future projects. Then ask her to serve on the board. Tell her what a great asset she would be to the co-op. If she turns you down, try again next year.

The sample nominations calendar in this section gives some guidelines on how the nomination process could work. The Nominations Committee can be a standing committee or an ad-hoc committee (see Nominating Committee, sample job descriptions). Don't forget, though, that the job of board development is the work of the entire board!

A good starting point for the nomination process is a review of the current makeup of your board.

An annual board self-evaluation helps the Nominating Committee identify areas of strength, along with areas that need strengthening. Using a list like the one on the next page can be helpful in targeting members with particular skills.

Characteristics of Candidates

People who are good at solving problems and organizing activity are important to any organization. However, board members need to focus on the purpose and results of activities more than solutions and actions. Board members who work well under the policy governance framework have the following characteristics:

1. Commitment to those in whose name the mission is created is more important than commitment to the current mission, since the mission can be changed by the board.
2. Propensity to think in terms of systems and contexts. People who focus on parts are useful to the organization, but the board needs people who are drawn to the harmony of the whole.
3. Ability and eagerness to deal with values, vision, and the long term. The board must look beyond systems to the values upon which they are based, and continuously develop tomorrow's values.
4. Ability to participate assertively in deliberation.
5. Willingness to delegate, to allow others to make decisions. Board members must be willing to share power with each other, but delegate responsibility to the staff.
6. Ability to start and end every deliberation with the standard of what is right.

Qualifications for Directors

When nominating an individual for election to the board, the nominating committee or co-op member should consider these qualities in a prospective director:

<p>I. Personal Characteristics</p> <ul style="list-style-type: none">A. Integrity and good characterB. Courage to resist pressures from special interest groupsC. Inquisitive mind, with ability to ask good questionsD. Community leader, capable of working with peopleE. Ability to analyze and use good judgmentF. Good formal or informal education backgroundG. ProgressiveH. Ability to express ideas clearlyI. Ability to be perceptive and forward lookingJ. LoyalK. Emotionally stableL. Constructive and energetic <p>II. Business Characteristics</p> <ul style="list-style-type: none">A. Successful in managing personal businessB. Knowledge of industryC. Active interest in cooperative affairs as a memberD. Ability to organizeE. Ability to evaluate managerial potential and performanceF. Knowledge and understanding of finance and ability to read financial statementsG. Ability to relate information to the affairs of the cooperative	<p>III. Member Characteristics</p> <ul style="list-style-type: none">A. Presently supporting the cooperative in both voice and patronage of its products, programs, and serviceB. Willing to promote and safeguard the cooperative's interests among members and the publicC. Able to represent the membership on an impartial basis for the good of and in the best interest of the cooperativeD. Avoid affiliation with any enterprise that is in competition with the co-opE. Willing to attend regularly scheduled and special meetings of the board of directors, and be willing to attend director training institutes or seminars that will aid in keeping well-informed on matters affecting the cooperative
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Adapted from USDA Rural Development Rural Business and Cooperative Service

Recruiting Board Candidates

The Nominations Committee will perform its job best if it sets up a calendar and assembles a packet of materials to send to prospective board candidates. An introductory packet will allow candidates to reflect on their ability to commit to the responsibility of a board position, and determine whether they are still interested in a leadership role. Some elements of this packet may include:

- **Eligibility** – The legal description of membership in the co-op, and the legal expectations for directors. (Note: Directors are required to be legal members.)
- **Composition and Terms** – Size of the board, how elected, the lengths of terms of office.
- **Board job description**
- **Board policy statements** – If any
- **Meetings** – Lists board meeting dates and times, how long the meetings last, a schedule of up-coming meetings, and processes used in meetings.
- **Committees** – Descriptions or names of committees, their structures, meeting dates, times, and frequencies, and policy statements (if any)
- **Compensation** – Member discounts, reimbursable expenses, etc.
- **Candidate filing information** – Candidate statement deadline, photo, member forums, etc.
- **Nominations committee members** – Names and telephone numbers of who can answer questions about the election.

The Nominating Committee interviews prospective candidates for three important reasons:

1. A candidate will have the opportunity to discuss in more depth some of the issues facing the co-op. An interview can reveal personal strengths or weaknesses that may not be apparent in a written response. Remember that the committee has the responsibility to bring forth the best possible candidates.
2. The Nominating Committee brings a candidate up to date on the workings of the board, answers questions about the mission and values of the co-op, and helps the candidate decide if being a director for the next few years is *really* what they would want to do. (It is a hardship to lose a director in mid-term. If someone leaves because of a clash of values, or lack of understanding of the co-op, there may be an emotional price to pay for all directors.)
3. Finally, not all applicants need to be placed on the ballot. It can be difficult for some directors to accept the practice of endorsement, in the belief that endorsement dilutes the democratic process. Endorsement does not restrict a member who chooses to run for the board. It does send a message to the membership that the board recognizes its own strengths and weaknesses, and is actively seeking new members with skills that will improve the board's work product. Members can still run by petition. Check with your state law for the correct number of petitions needed to place a name on the ballot.

The single most important job of a board is to ensure ongoing, effective leadership. The board accomplishes this goal by recruiting and nominating strong candidates.

Suggested questions for potential candidates:

1. Please summarize your previous co-op experience.
2. Summarize your business experience.
3. Why do you want to serve on the board of directors?
4. What do you believe are the primary challenges facing the co-op?
5. What insights, skills, and experience do you possess that will help the co-op meet these challenges?
6. Are you committed to the mission of the organization?
7. Can you contribute the time necessary to be an effective board member?
8. Can you place the cooperative's purpose and interests above professional and personal interests when making decisions as a board member?

Candidate responses may be published in the newsletter, or posted in the store for members to read. If space in the newsletter is a consideration, make sure that you get approval from the candidates if you need to edit responses!

Nominations Committee Sample Work Plan

(Months are tied to your co-op's fiscal year.)

<p>Month 1</p> <ul style="list-style-type: none"> • New nominating committee meets • Chose committee chair • Review elements of work plan • Begin calendar draft 	<p>Month 7</p> <ul style="list-style-type: none"> • Screen all applications for nominations • Follow up call to potential candidates to encourage participation (running) and answer questions
<p>Month 2</p> <ul style="list-style-type: none"> • Finalize work calendar (or use this one with dates added) and present to the board • Write article for co-op publication (newsletter) about the Nominations Committee and work plan 	<p>Month 8</p> <ul style="list-style-type: none"> • Determine if there are enough qualified candidates. Last minute solicitations if necessary • Notify candidates about deadline for printed material
<p>Month 3</p> <ul style="list-style-type: none"> • Write and distribute to staff and board a request for names of potential board applicants • Conduct self-evaluation of board or ask board for input on qualities to target when soliciting candidates 	<p>Month 9</p> <ul style="list-style-type: none"> • Candidate statements/pictures and ballots to be ready for layout and printing • Mail ballots and information to members by the end of the month
<p>Month 4</p> <ul style="list-style-type: none"> • Publish a notice, asking persons interested in applying for the board to contact a member of the committee • Review board evaluation for strengths and weaknesses • List committee members in article. Cover elements of interest about the board • Start to compile packets for mailing to interested persons 	<p>Month 10</p> <ul style="list-style-type: none"> • Remind members to vote • Members return ballots • Ballots tallied • Collect results of elections • Annual Meeting – Announce results
<p>Month 5</p> <ul style="list-style-type: none"> • Determine how many positions will be open • Contact all incumbents who are up for re-election • Call persons identified by the staff and board as potential candidates, and ask if you can mail packet of information 	<p>Month 11</p> <ul style="list-style-type: none"> • Conduct orientation of new board members with Executive Committee • Create agenda for board packets
<p>Month 6</p> <ul style="list-style-type: none"> • Deadline for incumbents to declare to Nominating Committee their intent to seek re-election • Mail packets to interested persons 	<p>Month 12</p> <ul style="list-style-type: none"> • Agenda item for board: Select Nominating Committee for the upcoming year. Should not include any incumbents

Remember: All balloting must be done within constraints of existing co-op by by-laws or policy.

CHAPTER 6 – BOARD ORIENTATION

The best way to become familiar with the co-op when joining the board as a new director is through an orientation session. Generally, the board chair and general manager conduct the orientation, but it may be helpful for other board members to attend as well.

Below is a sample outline of topics to include in an orientation. Providing board manuals for the new members will make it easy for them to follow the orientation and bring them up to speed in a timely fashion. The orientation agenda and the board manual layout are similar. You can use the board manual as an outline for the orientation, as the manual will contain current working documents.

Participating in an orientation requires a time commitment from everyone, but it's time well spent. Have some fun with it. An orientation will increase the overall comfort level for both new and old board members. Most importantly, a separate orientation session will drastically decrease the amount of time you spend on orientation topics at your regular board meetings.

Consider implementing a mentor system with new directors for the first few months, pairing each new board member with a seasoned director.

The orientation is a perfect opportunity to welcome new directors. They have made the commitment to the co-op, and are ready to contribute and be productive in their new roles as directors.

Sample Agenda for a Board Orientation

Materials available at the orientation should include past minutes and manager's reports.

1. Introductions

2. Vision/mission statement

3. Organizational responsibilities

- Organization chart
- Board job description
- Committees structure and responsibility
- General manager job description

4. Articles of incorporation/by-laws

- Brief explanation of governing system
- Legal duties

5. Planning documents

6. Policies

- Current adopted policies
- Drafts of proposed policies

7. Budget/financial

- Fiscal calendar
- Quarterly reports
- Balance sheet
- Income statements
- Operations budget and capital budget
- Budget assumptions

8. Planning and publications

- Board planning calendar
- Long range planning
- Annual report to membership
- Membership and benefits of membership and board responsibility

9. Cooperative principles

10. Board operational procedures (For example, what if I miss a meeting?)

CHAPTER 7 – LONG RANGE PLANNING

- **What is planning?**
- **Why is it important?**
- **Who is responsible for planning, and what does a successful plan look like?**

Every organization needs a strategic plan to ensure that members' investments are used wisely, to provide direction for management, and to anticipate the future (not just react to it). To be successful, you must first know where you want to go, and then you can figure out how to get there.

- ⇒ A plan helps the co-op prepare for changes in the environment in which it operates.
- ⇒ A plan states goals for the organization, and outlines the strategy for achieving those goals.
- ⇒ Without a plan, it is unlikely that the co-op will fulfill its mission.
- ⇒ A plan helps the board and management take a proactive instead of reactive position.

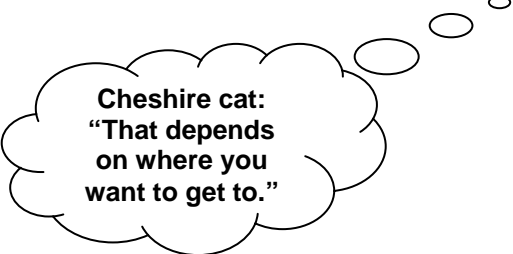
Many books and articles describe how best to do strategic planning. Our purpose in this toolbox is to present a description of the six fundamental steps that must be taken in the strategic planning process. These steps are not the only recipe for creating a strategic plan, and other sources may recommend entirely different steps or variations of these steps. However, the steps describe the basic work that needs to be done. Thoughtful and creative planners will add spice to the mix or elegance to the presentation in order to develop a strategic plan that best suits their co-op.

Get Some Help!

Because planning is one of the major responsibilities of the board, each director must be able to focus fully on results of the planning process. As a board member facilitator, it is difficult to participate in a discussion when you are watching the clock, taking minutes, worrying about the agenda, and managing group dynamics. An outside facilitator can handle all the meeting tasks, and can help guide the creative work of the group to a timely finish.

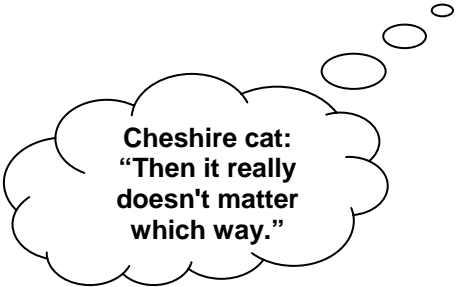
Don't sell yourselves short on time! When done properly, planning can be a long process.

Alice:
*"Would you tell me, please,
which way I ought
to go from here?"*



Cheshire cat:
*"That depends
on where you
want to get to."*

Alice:
*"I really don't
much care where."*



Cheshire cat:
*"Then it really
doesn't matter
which way."*

A mission statement describes the what, why, and how of an organization's work

Purpose – Why does the organization exist, and what does it seek to accomplish?

Business – What is the main method or activity through which the organization tries to fulfill this purpose?

Values – What are the principles or beliefs that guide an organization's members as they pursue the organization's purpose?

The vision statement paints an image of success

Whereas the mission statement summarizes the what, how, and why of an organization's work, a vision statement presents an image of what success will look like. With mission and vision statements in hand, an organization has taken an important step toward creating a shared, coherent strategic plan.

For example, the mission statement of the Support Centers of America is as follows:

"The mission of the Support Centers of America is to increase the effectiveness of the nonprofit sector by providing management consulting, training and research.

Our guiding principles are: promote client independence, expand cultural proficiency, collaborate with others, ensure our own competence, and act as one organization.

We envision an ever-increasing global movement to restore and revitalize the quality of life in local communities. The Support Centers of America will be a recognized contributor and leader in that movement."

Copyright (c) 1994-95 Support Center, 706 Mission Street, 5th Floor, San Francisco, CA.

Step 1 – Articulate Your Mission and Vision

The goals and decisions made by the board on behalf of the organization should be driven by the mission statement. Is your current mission statement still appropriate for your cooperative? Does your mission statement still define the membership? Does it give the co-op room to grow and adjust to current conditions? Does it point out a clear, exciting future for your co-op?

An organization's ability to articulate its mission indicates its focus and purposefulness. The board must update the statement, when appropriate, keeping within the boundaries of the co-op's articles and bylaws. After updating your mission statement, start using it. Put it up in the store. Publish it in your newsletter. Read it at meetings. Be proud of it!

Elements of a Powerful Mission Statement

- It uses 'results' terminology. It speaks to the change being sought, not the activities engaged in.
- It is succinct. Long mission statements indicate a lack of clear focus and resolution.
- It is generated from leadership. The whole board and key management are actively involved in determining the mission. Input from staff and members is desired.
- It is based in reality. The mission is persuasive, ubiquitous and widely embraced.
- It allows for vertical integration. Mission must be the theme and backdrop of every part of the co-op. It connects all jobs and ties together all activities.
- It is future oriented. Focus is on the future, not the present or the past.

Marilyn Scholl for Mississippi Market

Revising a mission statement can turn an organization around. The interest, energy, and research it takes to revise this guiding statement can bring new life into the co-op, and new commitment from staff, board and members. Examine the mission statement on a regular basis, but be wary of changing it too often. A mission statement that changes every few years may be poorly envisioned and poorly written. Frequent changes may reflect power struggles within the membership, a lack of leadership on the part of the board, or a failure to involve stakeholders when defining core values.

When reviewing your mission statement, begin by asking: 'How will the world be different because of our business activities as a co-op?'

- Who are we?
- Who do we serve?
- What is our reason for being?
- What needs do we exist to fill?
- How do we respond to those needs?
- What values and philosophy shape what we do and how we do it?

The following page contains a few examples of powerful mission statements.

Sample Mission Statements

Outpost Natural Foods

Vision Statement: We envision a world united by cooperative economies and driven by a shared concern for the health and well being of the planet and its inhabitants.

Mission Statement: Outpost Natural Foods Cooperative offers consumer ownership of a community resource for food, products, services, and information which promote healthful living.

Values Statements:

- We believe that the cooperative business structure is the most effective way of meeting consumer needs.
- We believe all individuals should be treated with respect. Outpost Natural Foods exercises honesty, fairness, and integrity in all relationships with our diverse community of employees, customers, and suppliers.
- We believe in a fair, diverse, and supportive workplace that provides open employment and opportunities.
- We believe that exceptional customer service will contribute to an outstanding shopping experience.
- We believe that informed choices made by consumers have a far-reaching impact on the local and global community.
- We are committed to providing educational services and resources to enhance consumer awareness.
- We honor the earth by supporting and promoting environmentally responsible products and business practices, and sustainable agriculture.
- We believe the health of the planet depends on the health of its inhabitants.

H.B. Fuller Company

The H.B. Fuller corporate mission is to be a leading and profitable worldwide formulator, manufacturer, and marketer of quality specialty chemicals, emphasizing service to customers and managed in accordance with a strategic plan.

Co-Opportunity Consumer's Co-op

Basic Beliefs/Values Statements

- We believe that consumer ownership, through a democratic cooperative structure, provides the optimal business format to meet our members' needs.
- We believe the consumption and use of natural products produced in an ecologically sound manner promotes optimum personal and planetary health.
- We believe employees are integral to the success of the co-op and strive to treat them in an ethical and respectful manner, which includes fair compensation in a supportive work environment.

Mission Statement: Our purpose is to operate cooperatively owned retail business providing high quality natural products, which offer the value to our customers.

Driving Force: We are a market driven company, consistent with our orientation and emphasis on natural products and beliefs.

Whole Foods – Duluth

Whole Foods Community Co-op is committed to providing its members, patrons, and community with the highest quality nutritious whole foods, and is committed to the products and practices which make positive changes in the life of its community and environment.

Puget Consumer Co-op

Mission Statement: We are a cooperative dedicated to healthful foods, nutritional awareness, and environmental responsibility through the products we sell and the services we provide.

Values Statements

- We value a diverse product line, which emphasizes quality, nutrition, organic growing methods, and an optimum selection of healthful products.
- We value increasing health and nutrition awareness through education of members and staff.
- We value courteous, responsive service to members.
- We value conducting our business as a financially sound consumer cooperative. We value consumer, staff, and community trust and participation.

Basic planning tips

- Start with the general and move to more specific issues and strategies.
- An outside facilitator can be very helpful.
- Write down your goals, keeping the statements short and compelling.
- Set a timeline for achieving goals.
- Review progress frequently. Even if you don't stick tightly to your timelines, just reviewing them keeps everyone working in the same direction.

Successful planning is a collaborative effort. It is important to recognize that people have different thought processes and dynamics. As you set the stage for planning, you need to think ahead, communicate thoroughly, and be prepared to work with different styles. Commit to the "process" at each stage, learn all you can, and have fun.

Step 2 - Identify the Opportunities and Challenges

Identify both the opportunities and challenges that exist in your organization and marketplace.

Step 3 - Collect Information

Accurate information is the key to a successful plan. Off-the-cuff planning on serious issues is a recipe for disaster, so considerable effort should be given to gathering information. Gathering the right amount of information is something of a balancing act. Gathering too much data can be used as an excuse to do nothing since information is seldom complete. To avoid stalling, emphasize only the critical or vital information. Use the following criteria in your information gathering process:

Create an accurate picture of your internal conditions

- Current financial situation
- Ratios and benchmarks
- Historical information about the co-op
- Operational performance as it stands today
- Governance performance as it stands today
- Staffing resources and competencies

Create an accurate picture of your external conditions

- A current member survey or market study
- A profile of your membership
- The market forces affecting your co-op
- A description of your competitors
- Threats or opportunities presented by your competitors
- Economic conditions of the community in which you operate
- Social forces that impact your community
- Current technology: what do you need to be current?

Step 4 - Develop Goals, Strategies and Objectives

Because plans are complex and usually involve financial or human resources, putting them to work is no easy matter. It takes a great deal of effort over a long period to keep any plan in motion. Create a timeline or calendar, charting the organization's goals, the results you aim to achieve with these goals, and who (board or management) is responsible for achieving them.

Board/management roles are critical as you develop an action plan and implement the plan.

Steps 5 and 6 on next page

What are some of the products of a long-range plan?

- Sense of direction
- Identifiable goals
- Clear statement of purpose and values that are shared by key leaders
- Annual business plan
- Marketing plan
- Less crisis management
- A proactive business that is able to anticipate and respond to changes in the market

Step 5 - Communicate Your Plan to the Staff, Membership, and Community

Board and management have different roles in planning. The board focuses on improving organizational performance by: identifying issues, opportunities and trends; setting general goals; developing a range of contingency plans while considering the co-op's actual and potential role (mission); and assessing the implications of present and future decisions.

Management collects and submits the data that presents the issues, opportunities and trends, and participates in discussions and plans to implement. Management is responsible for carrying out the plan by translating goals and objectives into budgets and work plans, and maps the course of action to be taken to meet the goals set by the board.

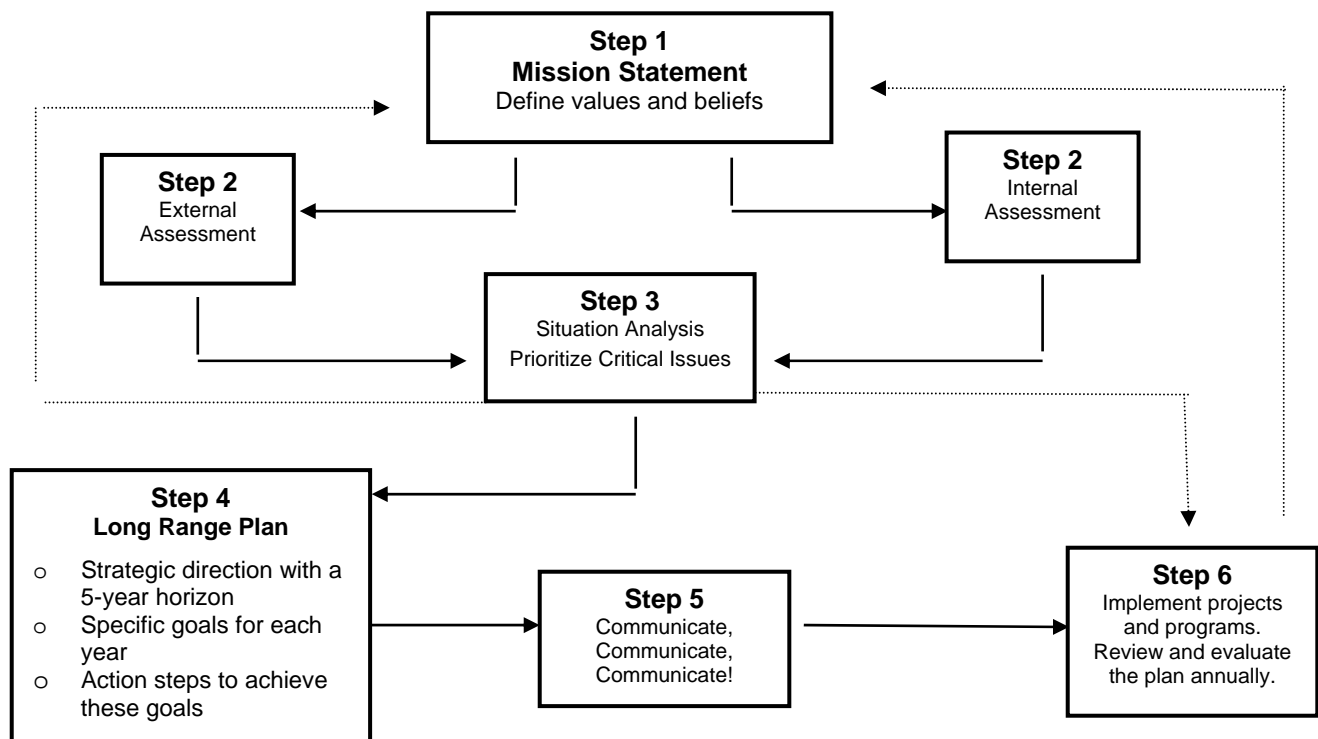
Keep all participants up to date through your newsletter, general membership meeting, staff meetings, or other vehicles of communication. You do not have to communicate all the details, but you do need to outline your activities.

Step 6 - Monitor Progress

As soon as a plan is complete, things inevitably change that affect the plan. Monitoring is important, not only to deal with change, but also to keep the plan on track. Should things go seriously amiss, go back to Step 1, and begin by reviewing your mission. On the other hand, if the plan is working, leave it alone.

Many boards monitor the progress of the plan by revisiting on a regular basis the calendar created with the plan, asking: Are we on track? If not, why not? Are we ahead of the plan?

Simple Long Range Planning Model



CHAPTER 8 – MEMBERSHIP: THE COOPERATIVE DIFFERENCE

“Member involvement at the co-op—other than shopping there—has been disappointing. People seem too busy with work and family to be involved.”

Comment of a director from a store with sales of \$250,000

Does the board really know what members want?

Effective leadership requires linkage with your membership, with other community leaders, and with the greater cooperative community. Staff and management have daily contact with members, and promote the co-op to non-member shoppers. Most directors, however, have few opportunities to regularly connect with members. Boards tend to look inward, toward the manager and other board members, for reality checks. But as a recent survey points out, directors do not feel effectively linked to their members.

As a director, how do you assess the needs and philosophy of the membership while making sound business decisions? At what point do you make a decision based on the needs of the business versus the needs of the members?

Your normal contact with membership may be limited to complaints. To get a real sense of member needs, you'll have to dig deeper. You'll need information from satisfied members, non-member shoppers, and community members who don't shop at your store. You may be surprised at what you hear, and you may get some great ideas for the future of your co-op.

Linking with your membership is a critical board function. Allocate the following resources to honor your commitment:

- Staff (Membership Coordinator)
- Board time
- Money (budgeting for member activities)

One of the best ways to link with members is through surveys

Successful cooperatives take the time and dollars to conduct thorough and comprehensive surveys of their membership. Members are generally excited to see the co-op asking them what they want. It is also wise to do surveys that include your non-member customers. How else will you find out why they shop at the co-op but don't become a member?

Special issues, such as expansion or relocation, may warrant use of focus groups

Focus groups are an excellent source of direct member and non-member feedback. Focus groups also provide an opportunity for you to present the issues on the table to a small group before taking to the membership at-large. Focus groups do not, however, provide you with objective feedback. Nevertheless, you will get deeper, richer data about specific issues from this type of survey. We strongly recommend that you use a third party professional if you decide to conduct a focus group.

Rights (Powers) of Members

- **Amend the articles of incorporation and the bylaws**

- **Elect and if necessary, remove directors**

Directors must be carefully selected and oriented. The member-owners must be informed about director responsibilities and the special qualifications needed to serve as an effective trustee. Too often, directors are elected on the basis of popularity, or to honor someone, rather than choosing qualified candidates. Directors must be capable of using their decision-making ability, and of supporting the entire board on decisions, even if consensus was not reached.

Elect directors who will represent the entire membership in developing objectives for the cooperative. Acquainting members with the types of decisions a board must make will lead to more effective election of directors.

- **Dissolve, merge, or consolidate the cooperative or form a joint venture with others**
- **Examine annual reports**

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Responsibilities of Members

- **Hold directors accountable**

Require elected directors to operate the cooperative according to the articles of incorporation and bylaws, and hold directors and officers liable for damages to members.

- **Provide necessary capital**

The members are the owners of the cooperative. Each member should provide his proportionate share of "risk" capital.

- **Patronize the cooperative to the fullest possible extent**

Maximum benefit occurs only when each member provides maximum patronage.

- **Keep informed**

Members must understand the nature and purpose of the business as well as the operations and methods of organization. Members must have all the facts to make intelligent voting decisions.

- **Maintain the cooperative**

Members must continue support during adverse conditions, recruit new members, offer constructive criticism to directors in official meetings, abide by majority rule, and serve on committees and boards when elected or requested.

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CHAPTER 9 – MANAGEMENT EVALUATION

General Manager Evaluation – Policy Governance

Under policy governance, the board's expectations of the general manager will have been defined in its policies.

- All board policies will be monitored on an ongoing and scheduled basis.
- The manager's performance is synonymous with the co-op's performance. The manager's job is to ensure organizational performance while achieving specific goals and avoiding specific activities.
- The board could annually summarize the year's monitoring reports and give the manager an overall opinion of performance, but such opinion should NEVER be based on any criteria other than the expectations set out in policy.
- Management evaluation is about performance and NOT about personality or style. The board must define, within its policies, what performance it expects, and then monitor performance to ensure compliance. Once the board has clearly stated its expectations, the monitoring reports indicate compliance.

Be Careful of Staff Input

No manager can please every staff member. At times the manager has to do unpopular things to carry out the goals set for her/him by the board. Staff doesn't always understand all details of the board's expectations of the manager. While it's valuable for the board to solicit staff feedback on the co-op workplace, such a survey should be implemented separately from the manager's evaluation.

Beware of the tendency for staff evaluators to self-select based on the intensity of their negative feelings. A person with a keenly felt dissatisfaction is much more likely to fill out and turn in an evaluation than one who is generally satisfied or neutral. As a result, worker evaluations tend to be skewed toward the negative.

Purpose of the General Manager Evaluation

There are many good reasons to evaluate your general manager's performance:

- Reinforcement for positive performance
- Recognition of areas for improvement
- Basis for salary and bonus decision
- Documentation for personnel decisions (compensation, contract renewal, firing)
- Setting goals and objectives for future performance
- Feedback for board and management to use in improving organizational effectiveness

The ultimate purpose of the evaluation should be to strengthen the organization, and to ensure its success. This implies that the evaluators and the general manager have a commonly understood, previously established definition of what success means.

Ideally, your planning and budgeting process should yield a set of objectives toward which the management team is expected to work, and against which the board evaluates the general manager's performance at the end of the fiscal year. Management evaluation is about performance and NOT about personality or style.

If the evaluation's purpose is to strengthen the organization, you want the evaluation process to build trust between board and management. The focus should be more on developing the manager's strengths than on criticizing their weaknesses. Put emphasis on objective measurements of performance. This is not to say that you must sweep problems under the rug, but you need to weigh their relative importance in the overall picture. Highlight the major achievements and major areas for improvement, and then focus on the future.

Board Input

Although board members may hold different opinions on almost every subject, nowhere is the board's ability to speak with one voice more vital than in the evaluation of management. This is not a time for ambiguous or multiple messages. All board members should participate in the evaluation. Ensuring the successful functioning of the co-op is the board's duty, and evaluating the general manager is one of the most effective tools for that purpose. The evaluation is a time to reflect on and make clear statements about what went well, what needs improvement, and set priorities for the next year.

Department Manager Input

Department manager (management team member) input should be sought and compiled on a confidential basis. They should be asked separate questions from what the board is asked. Again, the managers must speak with one voice.

General Manager Self-evaluation

The general manager must have the opportunity to write a self-evaluation. In some co-ops, the board members read the manager's self-evaluation before they fill out their own evaluation forms.

General Manager Evaluation Workplan

Begin the evaluation process about three months before the evaluation is due.

1. Preparation (Board committee)

- Review the steps to be followed and develop a timeline for each step. Include specific deadlines and dates for the board's meeting and the review meeting with the general manager. Assign responsibilities for tasks: who will compile forms, meet with the manager, provide documentation, and so on.
- Meet with the general manager to review the process and forms.
- Review the previous year's evaluation and business plan/budget for specific goals that were set for the manager. Write a brief narrative report stating the extent to which the manager achieved the goals.
- Prepare forms to be used: for board, management team members, and for the manager's self-evaluation.
- Distribute forms to evaluators, with instructions on how to fill them out, when to return them, and to whom. Allow 2-3 weeks to complete forms.

2. Compilation (Board committee)

- Compile directors' evaluation ratings and all comments verbatim. Do the same for the management team and the general manager's self-evaluation.
- Copy and distribute evaluations to all directors. These materials are **confidential** and should be read and discussed **only** by directors.
- Schedule a special board meeting or executive session and ask directors to prepare for it by considering what overall rating and comments should be communicated to the manager.

3. Special board meeting/executive session (All directors)

- Discuss each question on the evaluation form until all directors agree on a common answer or rating. Include overall comments to be relayed to the manager regarding areas for strength and areas for improvement.
- Discuss manager's achievement of goals. To what extent was each goal achieved? Was the goal realistic? Is the board satisfied with the result?
- Consider other matters to be discussed with the manager by the board committee in the upcoming review meeting, such as: salary and bonus, major goals, professional development, or future actions.
- Board committee prepares a written summary of board's evaluation ratings and other agreed-upon points.

4. Review meeting (Board committee and general manager)

- Provide a copy of the board's summary evaluation and key comments to the manager to read in advance of the meeting.
- Begin the meeting with a summary of previous year's evaluations and current year's goals.
- Highlight strengths and areas of accomplishment, as well as areas for improvement.
- Reach agreement with the manager on major goals and areas of focus for next year. Consider professional development needs and opportunities as appropriate.
- Discuss compensation such as: raise, bonus, benefits, and profit-sharing.

5. Summary (Board committee)

- Write a report summarizing key points, goals for next year, and other areas of agreement (or disagreement) reached in the review meeting.
- Make recommendations to the board on manager's salary increase, bonus, renewal, or revision in the contract (if any), and goals for next evaluation. Present everything for a board vote at the next meeting.
- Put final approved report in general manager's personnel file, including board's summary ratings, manager's self-evaluation, and composite management team ratings.
- Collect and destroy individual evaluations.

6. Follow up (All directors)

- Request quarterly progress reports on goals from general manager, and discuss progress at regular board meetings. Provide feedback as needed.
- If needed, revise the manager's goals in light of changing circumstances, and make sure documentation reflects such modifications.

Adapted from Karen Zimbelman

Sample General Manager Job Description

Planning and Development - Assist the board with:

- Preparation of the business plan or development of long term vision
- Store development goals and priorities
- Assessment of capital needs and development of sources

Budget and Finance

- Annual operating, capital, and cash budgets
- Timely and accurate reporting to board and membership
- Goals and key indicators for operations: margin, sales, profits, turns, membership

Operations and Maintenance

- Compliance with all applicable laws: licenses, permits, health regulations, and employment requirements
- Relationship with outside contractors and other businesses and government agencies
- Insurance requirements
- Maintenance, security and safety

Marketing and Merchandising

- Development of purchasing and pricing guidelines
- Promotions and display
- Newsletter, advertising, and other communications

Membership

- Administration of benefits and requirements
- Assessment of member and patron needs and desires
- Prioritization of goals and projects
- Timely and accurate reporting

Personnel

- Wages and benefits
- Grievance procedures
- Participation and decision making
- Hiring, orientation, training, evaluation, promotion, discipline, dismissal

Board Relationship

- Informational and leadership support
- Monitor deviations from all goals and report them along with action plans in a timely fashion

Corporate Leadership

- Expectations for ongoing training and outside involvement

Other

- Always include: "Perform other tasks assigned by the board."

Remember:

If the Board inserts itself into operational decision-making, then the general manager cannot be held accountable for operational results.

The general manager essentially is responsible for all aspects of store operations within the goals, policies, and constraints set by the board. Assuming the board is doing a good job of staying out of operational issues, the manager's job description can be quite broad in scope.

If a co-op is successful in the proper separation of board and management roles, then success of the store in achieving stated goals is synonymous with success of the general manager. Stated in such a fashion, results should not be construed to mean only achievement of goals on profit, sales, and the like, but on the full spectrum of issues stated in the manager's job description and board policies.

The most basic and essential definition of the general manager's role is:

Be accountable to the board of directors for the organization's achievement of stated goals, within the limitations set by the Board.

Depending on the breadth and clarity of the board's stated policies and goals, the above might in fact be a fully adequate job description. However, most co-op boards without extensive sets of adopted policies may not be comfortable with this brevity. The expectations of the board need to be clearly stated, either through board policies or through explicit statements in the job description. A fair evaluation of the general manager can only be achieved when both the manager and the board are in complete agreement and understanding about the board's expectations. Therefore, through board policy or through the general manager's job description, the following areas should to be defined and delegated to the general manager.

CHAPTER 10 – BOARD EVALUATIONS

The concept of board evaluations is not new, but it is a concept that is rarely practiced. By evaluating its performance, the board can recognize its achievements and discuss areas that need improvement. Discussing the results of a self-assessment at a retreat can assist in developing a long-range plan.

Some directors are uncomfortable with the idea of evaluating board performance, because they feel they are being personally evaluated. **A board evaluation is not an evaluation of the individual board member.** An effective board assessment evaluates the performance of the board as a whole. The board evaluates itself on its success in fulfilling its responsibilities, providing members with meaningful accountability, and spending its time effectively. The board is responsible for planning, monitoring and evaluating its own work. By creating a structure of internal governance and accountability, the board sets a framework for success.

Preparing for the Board Evaluation

Create a process that allows for an annual review of progress on board goals, the board's job performance (did the board make a difference?), and the plan for board development (recruitment, training). Begin by setting a process for the board evaluation. Map out the steps for this exercise to be effective.

- 100% participation is a goal.
 - 1) Gain commitment to the process.
 - 2) Plan the process, including timeline and evaluation form to use.
 - 3) Gather information in preparation for the discussion.
- Designate someone to compile the results in a timely manner. If the final report comes months after the evaluation, you may have new members on board and the issues may have changed.
- Consider using outside assistance for the evaluation, particularly if there is tension among board members, or controversy about the assessment process. If you choose not to use an outside resource for this process, it is still possible to review the results and make plans for board development.
 - 1) Discuss and interpret the information you have gathered. Take risks.
 - 2) Use the information to develop a work plan for your board.

Work hard at achieving board consensus on the various points in the evaluation. Make sure to celebrate the boards' achievements and successes over the year. Use the information to create a dynamic board development program.

If you decide to use only one item in this manual, the board evaluation has the potential to be the most effective.

Self-assessment has its limitations. It is not as objective as a third party examination, but in the case of the board of directors, there is no third party. It is up to you!

About the evaluation instrument

The evaluation instrument on the following page has been modified for brevity. Cooperative Grocers Association Northeast (CGANE) has created a similar form and database, developed with the support of NCBDC, Karen Zimbelman, Marilyn Scholl, and Brian Henihan. Board members fill out the questionnaire (15 to 20 minutes average) and return it to CGANE, where the responses are entered into a spreadsheet, collated, sorted, and analyzed. The statistical results are impartial and anonymous. If you are interested in using this service, please contact David Fowle, 196 Cole Av., Williamstown, MA, 412-458-8060.

Questions and Situations to Stimulate Thought

1. You have heard, "It is the board's duty to make policies and the manager's duty to carry them out." What specific areas has your board clearly defined? Failed to define?
2. How can directors keep their cooperative from becoming the general manager's organization?
3. How can directors prevent the manager from taking over policy-making functions that belong to the board?
4. Many a manager has been frustrated by the board's insistence on unsound business practices, such as excessive dividends, or offering costly services. What can a manager do to improve this situation?
5. Should directors, as a group, appraise the manager's performance and counsel with him/her more than once a year?
6. What do you consider the most important problems in the area of manager-director relations?
7. Is it unwise for close relatives of the directors or manager to be employed by the cooperative?
8. A disgruntled employee goes to a member of the board with criticism of the manager. What should the board member do?
9. Can or should a manager play an important role in developing a good board of directors? If yes, how?
10. Can a manager play an important role in developing a poor board of directors? If yes, how?
11. Should the manager be present at all board meetings?
12. How much salary can directors afford to pay a good manager?
13. Should the board, the manager, or both set the wages and salaries of employees that report to the manager?
14. Will the manager feel that the directors are policing when they require a regular accounting, and check into operating results?
15. Can the directors have a good manager, tell him/her what they want done, and then go home, leaving the business of the cooperative to him/her?

Lessons for Success

The following tips for cooperative success are adapted from articles printed in the NCBA Cooperative Business Journal and the U.S. Department of Agriculture's magazine for cooperative businesses.

Why Cooperatives Thrive

- Provide only the goods and services that members use.
- Financed by the members. The greater the financing (risk capital) supplied by the members, the more efficient the cooperative.
- Use all major fixed assets at the 75 percent or higher level.
- Members do the majority of their business with the cooperative.
- Low administrative and overhead costs.
- More individualized and specialized services, particularly in the marketing area.
- Maintain an open line of communication with members, causing members to become more influential.
- Select and develop a quality management team.
- Place a high emphasis on electing business-oriented directors.
- Develop and implement a systematic method of cooperative education for members, employees, directors and paid management, aggressively positioning for changes in operations, markets and member needs.

Why Cooperatives Fail

- Poor selection of directors, especially those who fail to support their cooperative.
- Members join but never use their cooperative and bypass it for a small gain elsewhere.
- Members use the cooperative but fail to take responsibility. Each member must be ready to accept responsibility when asked, or as the need arises. Every member should have an equal opportunity to be president of the board of the cooperative.
- Members never ask questions and let a few persons make policy.
- Members don't attend annual meetings.
- Directors fail to attend board meetings.
- Lack of consistent membership education about the problems cooperatives face and the challenges they must meet.
- Do not support the cooperative with enough money (risk capital) to get the job done.
- Low-cost management is the most expensive item for a cooperative. High-priced management is usually the least expensive item.
- Do not closely watch the formation of cliques and special interest groups within the cooperative.
- Conceal facts about the cooperative. All facts, both good and bad, should be placed on, not under, the table.
- Errors in financial policy, such as over-extension of credit, too little capital, poor accounting records, lack of a financially sound, systematic program for reimbursement of equity.
- Errors in educational and social work. This begins by failing to teach cooperative ideals to members unfamiliar with how cooperatives function, neglecting general educational programs, failure to develop member loyalty, or countering the development of factions within the association.
- Management errors, such as inadequate inventory, poor location, improper equipment, neglected appearance of physical facilities, employee dishonesty, or ineffective management.
- Incompetent directors, nepotism, poorly conducted meetings, admittance of disloyal and dissatisfied members.

Checklist for Building Your Board

1. Define and agree upon roles and responsibilities of the board, management, and membership.
2. Perpetuate a good board through recruitment and election process, board education, and orientation.
3. Improve communication with members. Work as a trustee of member assets to improve the cooperative on their behalf.
4. Empower and support the board chair as spokesperson and board leader.
5. Let the manager manage. Support creativity and risk taking.
6. Be responsible for the board's work. Do not expect the manager to lead the board. Develop and follow a board calendar.
7. Learn to support group decisions. Offer your ideas, opinions, and concerns to the group, and then LET GO.
8. Make a personal commitment to an investment in the cooperative's success.
9. Provide fair board compensation for time required.
10. Provide board liability insurance.
11. Develop mechanisms that support direct and honest communication.
12. Develop rigorous communication and reporting systems.
13. Adopt and enforce a code of ethics and rules of conduct. Do not let renegade board members interfere with clear governance.
14. Adopt a clear and efficient decision-making process.
15. Speak in ONE VOICE, while welcoming diversity of opinion.
16. Provide guidance for the manager and hold the manager accountable for performance.
17. Build a shared vision of the future. Stay focused on that future.
18. Learn the difference between random information and trends. Respectfully listen to staff and member concerns. Do not assume they indicate a trend or even something important.
19. Respectfully refuse to get involved in the relationship between the manager and the staff. The board's only employee is the general manager.

Marilyn Scholl, CDS, 1998

Cooperative Board of Directors Audit

Adapted from the Cooperative Grocers Association of the Northeast's Board Audit

Directions: Using the scale provided below, circle the response that best answers each question. Please provide only one response for each item, and answer each question. All responses are confidential and anonymous.

4 = strongly agree (This is an outstanding, exemplary area for this board.)

3 = agree (This is an adequate, satisfactory area.)

2 = disagree (This area needs improvement.)

1 = strongly disagree (This is a problem area, current systems are very inadequate or non-existent.)

0 = don't know or does not apply

X = in process (This problem has been identified and adequate steps are being taken to address it.)

BOARD SYSTEMS

ORGANIZATION

1.	The board has established policies that define standards to guide the board's process.	4	3	2	1	0	X
2.	The board regularly monitors how effectively it is meeting those standards.	4	3	2	1	0	X
3.	The board monitors how effectively it is meeting those standards regularly.	4	3	2	1	0	X
4.	A description of responsibilities has been established for the board of directors.	4	3	2	1	0	X
5.	The board convenes an organizational meeting to elect officers, certify the election, and begin terms shortly after the annual meeting.	4	3	2	1	0	X
6.	An effective orientation program helps new directors understand current issues and board procedures.	4	3	2	1	0	X
7.	An annual calendar of board activities and key decisions is established and followed.	4	3	2	1	0	X
8.	A written manual of board policies and other important reference documents is maintained and copies are available to all directors and management.	4	3	2	1	0	X
9.	The board has an active and effective committee system with charters for all committees established shortly after the annual meeting.	4	3	2	1	0	X

MEETINGS

10.	Board meetings are well-planned and cover needed topics.	4	3	2	1	0	X
11.	The President and General Manager cooperate on planning for board meetings.	4	3	2	1	0	X
12.	Meeting packets include written agenda and clear written reports with recommendations from the General Manager and committees.	4	3	2	1	0	X
13.	Meeting packets are distributed in a timely fashion to allow sufficient review by all directors.	4	3	2	1	0	X
14.	Recommendations and proposals submitted to the board include alternatives with implications described.	4	3	2	1	0	X
15.	Most directors have read all meeting materials before the meeting.	4	3	2	1	0	X
16.	Minutes of previous board meetings are presented to all directors with packets.	4	3	2	1	0	X

17.	Minutes are approved at the next board meeting and approved minutes are filed for easy reference.	4	3	2	1	0	X
18.	Major decisions are not made in the same meeting the issue is raised.	4	3	2	1	0	X
19.	Minutes record all decisions made and votes taken, and the considerations behind decisions are adequately documented.	4	3	2	1	0	X
20.	Each director attends at least 90% of all board meetings.	4	3	2	1	0	X
21.	Each director contributes reasonably to the productivity of board meetings.	4	3	2	1	0	X
22.	Board meetings are the right length and generally accomplish what needs to be done.	4	3	2	1	0	X
23.	Meetings start and end on time and follow the agenda appropriately.	4	3	2	1	0	X
24.	Board discussions allow for all views to be aired and deliberated thoroughly and respectfully.	4	3	2	1	0	X
25.	Executive sessions are used when needed and are usually identified on the agenda in advance.	4	3	2	1	0	X
26.	It is clear when the board has moved into executive session and all directors understand the significance of doing so.	4	3	2	1	0	X
27.	Board meeting are relaxed and informative.	4	3	2	1	0	X
28.	When conflict or strong emotions arise in a board meeting, they are responded to appropriately.	4	3	2	1	0	X
29.	All board members actively participate in board meetings.	4	3	2	1	0	X
30.	Power is shared in board meetings.	4	3	2	1	0	X
31.	Leadership is shared in board meetings.	4	3	2	1	0	X
32.	The board regularly evaluates its meetings to see if participation, power, and leadership are shared.	4	3	2	1	0	X
33.	Our meetings would be better if we . . .						
34.	The best part of our meeting is . . .						

BOARD/MANAGEMENT RELATIONS

35.	The board has established policies that guide how it relates to management.	4	3	2	1	0	X
36.	The board regularly monitors how well it is following those policies.	4	3	2	1	0	X
37.	The board regularly monitors how effectively it is meeting those standards.	4	3	2	1	0	X
38.	An organizational chart has been established for the co-op and is clear to all directors.	4	3	2	1	0	X
39.	A written job description for the general manager has been approved and is updated regularly by the board.	4	3	2	1	0	X
40.	The board provides opportunities for and encourages the GM to pursue training and professional development.	4	3	2	1	0	X

41.	The authority of the GM, and the limits of authority are clearly defined and understood by board and GM.	4	3	2	1	0	X
42.	A formal evaluation of the GM was conducted during the past twelve months.	4	3	2	1	0	X
43.	The GM evaluation provides clear feedback from the board as a whole, and results in goals for the GM.	4	3	2	1	0	X
44.	A compensation plan for the GM has been approved by the entire board.	4	3	2	1	0	X
45.	The board has a succession plan for the GM that covers how a successor would be selected in case of an emergency.	4	3	2	1	0	X
46.	The board president and GM meet regularly and maintain good communications.	4	3	2	1	0	X
47.	The board consults with the GM regularly on important decisions.	4	3	2	1	0	X
48.	There is a climate of mutual trust and respect between the board and management.	4	3	2	1	0	X
49.	The board remains uninvolved with operations.	4	3	2	1	0	X

PLANNING

50.	The board provides ongoing leadership for the co-op in developing a shared vision for the co-op among owner-members, staff, management, and board.	4	3	2	1	0	X
51.	The board has approved a clear statement of the mission, values, goals, and objectives for the co-op.	4	3	2	1	0	X
52.	Member input guides shifts in the co-op's focus and members decide on changes in the co-op's mission and goals.	4	3	2	1	0	X
53.	Staff input is valued in designing the co-op's mission, values, goals, and objectives.	4	3	2	1	0	X
54.	The board regularly monitors how effectively the co-op is meeting its goals and accomplishing its mission.	4	3	2	1	0	X
55.	The board reviews and approves a business plan each year.	4	3	2	1	0	X
56.	Board decisions are made consistently with the purpose, values, goals, and objectives of the co-op.	4	3	2	1	0	X
57.	Each director has an understanding of the market forces affecting the co-op.	4	3	2	1	0	X
58.	The board keeps up-to-date on sound business practices and financial benchmarks.	4	3	2	1	0	X
59.	The board ensures that market and competitor analyses are conducted regularly and reviews these reports.	4	3	2	1	0	X
60.	The board ensures that operational and organizational goals are set in key areas of performance.	4	3	2	1	0	X
61.	The board creates a board budget for inclusion in the operating budget prepared by the GM.	4	3	2	1	0	X
62.	The board stays within its annual board budget.	4	3	2	1	0	X
63.	The board monitors operational and organizational performance against budgets and goals.	4	3	2	1	0	X

MEMBERSHIP ACCOUNTABILITY AND GOVERN FUNCTIONS

74.	The board has established policies that guide how it links to owner-members.	4	3	2	1	0	X
75.	The board regularly monitors how well it is following these policies.	4	3	2	1	0	X
76.	Board actions and plans are regularly communicated to owner-members.	4	3	2	1	0	X
77.	The board evaluates the benefits/services offered to members on a regular basis to make sure they are what members want/need and are affordable to the co-op.	4	3	2	1	0	X
78.	The board communicates to members plans regarding major changes for the co-op in a manner that inspires confidence by members.	4	3	2	1	0	X
79.	The board actively solicits member input on decisions that are the board's responsibility but which affect the long-term direction of the co-op (such as through meetings, surveys, focus groups, etc.)	4	3	2	1	0	X
80.	The board has established and follows a policy on the types of decisions that are brought to the membership for decision.	4	3	2	1	0	X
81.	The board ensures that an annual report is presented to members that clearly describes the co-op's operations and financial status.	4	3	2	1	0	X
82.	The board works to ensure that the annual meeting is informative and interesting to co-op members.	4	3	2	1	0	X
83.	The board has provided a mechanism for members to vote without attending a meeting.	4	3	2	1	0	X
84.	The board has made sure that members can easily contact directors to communicate their concerns or get more information.	4	3	2	1	0	X
85.	The board ensures that member and customer satisfaction is monitored on a regular basis.	4	3	2	1	0	X

BOARD LEADERSHIP

86.	The board ensures that the co-op is effectively serving member needs.	4	3	2	1	0	X
87.	The board ensures that the co-op is a responsible business serving the community.	4	3	2	1	0	X
88.	The board ensures that the co-op is a responsible, equitable, and respectful workplace.	4	3	2	1	0	X
89.	The board ensures that the activities of the co-op are pursuing its mission.	4	3	2	1	0	X
90.	The board ensures that the activities of the co-op are aligned with its long-range plan.	4	3	2	1	0	X
91.	The board ensures that the activities of the co-op are aligned with its values.	4	3	2	1	0	X
92.	The board keeps up-to-date on thinking about cooperatives and the challenges of member-based, member-directed organizations.	4	3	2	1	0	X
93.	The board's procedures are adequately formal yet understandable to members and business associates.	4	3	2	1	0	X

94.	All directors have a copy of the co-op's Articles and Bylaws and understand them.	4	3	2	1	0	X
95.	A written code of ethics for the board has been established and is approved annually by the board.	4	3	2	1	0	X
96.	All directors understand the concept of "conflict of interest."	4	3	2	1	0	X
97.	The board has arranged for legal counsel and consults when appropriate.	4	3	2	1	0	X
98.	Directors understand the need for and respect the board's confidential discussions.	4	3	2	1	0	X
99.	Directors understand the legal responsibilities and liabilities of a director and the board.	4	3	2	1	0	X
100.	Once the board has reached a decision, all directors stand behind and support that decision.	4	3	2	1	0	X
101.	All directors maintain and contribute to a professional image for the co-op.	4	3	2	1	0	X
102.	The board has a nominating committee that uses an active process to recruit candidates and ensure contested elections.	4	3	2	1	0	X
103.	The board has established policies that contain standards to guide management performance.	4	3	2	1	0	X
104.	The board regularly monitors how effectively those policies are being implemented.	4	3	2	1	0	X
105.	All directors regularly use the co-op's services.	4	3	2	1	0	X
106.	The board anticipates problems and works constructively to resolve them in advance.	4	3	2	1	0	X
107.	All directors listen and respect one another and work to avoid factionalism in the board.	4	3	2	1	0	X
108.	All directors participate in critically evaluating the functioning and performance of the board.	4	3	2	1	0	X
109.	Annual evaluations include open questions that ask for issues or concerns that don't fit the given categories.	4	3	2	1	0	X
110.	The board paces its work effectively so that board members are asked to contribute a reasonable amount of time each month.	4	3	2	1	0	X
111.	The board has been able to face and make difficult decisions for the co-op even when they are controversial among staff or member groups.	4	3	2	1	0	X
112.	The board has taken adequate measures to ensure that directors are kept well-informed about the co-op's operations.	4	3	2	1	0	X
113.	The board has an ongoing board development program addressing the board's training needs.	4	3	2	1	0	X
114.	The board accurately assesses and prioritizes its training needs.	4	3	2	1	0	X
115.	The board has established a budget item for addressing board training needs.	4	3	2	1	0	X
116.	Comments on board performance (optional):						

INDIVIDUAL DIRECTOR ASSESSMENT

117.	I understand my responsibilities and legal duties as a member of the board and feel confident in carrying them out.	4	3	2	1	0	X
118.	I understand the board's role in the co-op and feel confident in our governing role.	4	3	2	1	0	X
119.	I am thoroughly familiar with the background material sent to me prior to board meetings.	4	3	2	1	0	X
120.	I return all questionnaires and evaluations by their due date.	4	3	2	1	0	X
121.	I strive to increase my familiarity with the co-op's operations and industry.	4	3	2	1	0	X
122.	I openly and impartially consider all issues being considered by the board.	4	3	2	1	0	X
123.	I represent the interests of the owner-members over any personal agenda I may bring to the board.	4	3	2	1	0	X
124.	I deal with conflict in an upfront and respectful manner.	4	3	2	1	0	X
125.	My views have had adequate airing and respect during board deliberations.	4	3	2	1	0	X
126.	I am willing to express my perspectives and then allow my opinions to be influenced by the perspectives of others.	4	3	2	1	0	X
127.	I am adequately compensated for my service as a co-op director.	4	3	2	1	0	X
128.	I made myself visible, recognizable, and available to the members.	4	3	2	1	0	X
129.	I participated in community activities associated with the co-op with awareness of my leadership role, as a spokesperson and an advocate for the co-op.	4	3	2	1	0	X
130.	I am interested in learning more about how to make cooperatives successful	4	3	2	1	0	X
131.	I am interested in learning more about how to make boards of directors effective.	4	3	2	1	0	X
132.	Check off the areas where you are interested in receiving more training:						

- | | |
|----------------------------------------------------------------|--------------------------------------------------------------------------------------|
| <input type="checkbox"/> Creating Effective Policies | <input type="checkbox"/> Long-Range Planning |
| <input type="checkbox"/> Monitoring Policies | <input type="checkbox"/> Owner-Member Equity |
| <input type="checkbox"/> Reading Financial Statements | <input type="checkbox"/> Staff/Management/Board Relationships |
| <input type="checkbox"/> Evaluating the General Manager | <input type="checkbox"/> Cooperative Development |
| <input type="checkbox"/> Linking with Owner-Members | <input type="checkbox"/> Operating a Consumer Co-op in a Culture of Over-Consumption |
| <input type="checkbox"/> Effective Board Communications | <input type="checkbox"/> Update on the Food Industry |
| <input type="checkbox"/> Effective Board Systems | <input type="checkbox"/> Other |
| <input type="checkbox"/> History of the Cooperative Movement | |
| <input type="checkbox"/> Successful Cooperative Systems | |
| <input type="checkbox"/> Creating Shared Vision for Your Co-op | |

133. Comments:

Cooperative Grocer 2001 Retail Operations Survey

Published in 2002, reflecting data collected in calendar year 2001.

Income Statement and Balance Sheet Averages plus Ratio Quartiles

SMALL Sales < \$1 Million	MEDIUM SMALL Sales \$1-2 Million	MEDIUM Sales \$2-4 Million		MEDIUM LARGE Sales \$4-7 Million	LARGE Sales > \$7 Million	ALL STORES
INCOME STATEMENT						
100%	100.0%	100.0%	GROSS SALES	100.0%	100.0%	100.0%
33.8%	35.4%	36.4%	GROSS MARGIN	35.9%	37.1%	35.9%
22.1%	23.7%	23.4%	PERSONNEL	22.1%	24.0%	23.1%
4.8%	4.5%	4.3%	OCCUPANCY	4.4%	4.3%	4.4%
2.1%	1.0%	1.5%	DEPREC. & AMORTIZATION	1.5%	1.5%	1.5%
2.0%	2.3%	2.2%	STORE OPERATING EXP	2.1%	2.4%	2.2%
0.9%	1.2%	1.1%	ADMINISTRATIVE EXP	1.1%	0.9%	1.1%
0.6%	0.4%	0.5%	GOVERNANCE	0.5%	0.5%	0.5%
1.2%	0.7%	1.0%	MEMBER SALES DISCOUNTS	0.8%	0.9%	0.9%
0.8%	1.0%	1.3%	ADVERTISING & PROMOTION	1.4%	1.1%	1.2%
34.6%	34.7%	35.4%	TOTAL OPERATING EXPENSES	33.8%	35.4%	34.8%
-0.8%	0.7%	0.9%	OPERATING PROFIT	2.1%	1.7%	1.1%
1.3%	1.4%	0.7%	LESS: OTHER INCOME	0.7%	0.6%	0.9%
0.9%	0.6%	0.6%	INTEREST EXP	0.5%	0.6%	0.6%
0.0%	0.1%	0.5%	TAXES	0.3%	0.3%	0.3%
0.3%	0.7%	0.4%	OTHER EXPENSES	0.9%	0.3%	0.6%
-0.1%	0.0%	0.8%	TOTAL OTHER INCOME/EXPENSES	1.0%	0.7%	0.6%
-0.8%	0.7%	0.2%	NET INCOME	1.1%	1.0%	0.6%
2.3%	2.3%	2.8%	EBITDA	3.4%	3.4%	2.9%
BALANCE SHEET						
10.5%	21.7%	18.0%	CASH	20.6%	13.6%	17.4%
35.0%	28.4%	22.6%	INVENTORY	18.8%	15.8%	22.7%
1.7%	2.3%	1.8%	ACCOUNTS RECEIVABLE & PREPAIDS	3.2%	3.9%	2.7%
47.2%	52.5%	42.4%	TOTAL CURRENT ASSETS	42.6%	33.3%	42.8%
40.1%	36.8%	47.4%	NET FIXED ASSETS	53.3%	55.4%	47.8%
12.7%	10.7%	10.2%	OTHER ASSETS	4.1%	11.2%	9.3%
100.0%	100.0%	100.0%	TOTAL ASSETS	100.0%	100.0%	100.0%
11.5%	12.5%	13.9%	ACCOUNTS PAYABLE	9.1%	11.0%	11.5%
6.2%	8.0%	8.4%	OTHER CURRENT LIABILITIES	11.7%	11.4%	9.6%
17.7%	20.4%	22.3%	TOTAL CURRENT LIABILITIES	20.8%	22.4%	21.0%
39.7%	30.4%	29.6%	LONG TERM LIABILITIES	30.9%	26.9%	30.8%
57.3%	50.8%	51.9%	TOTAL LIABILITIES	51.8%	49.4%	51.8%
23.3%	40.9%	28.4%	MEMBER SHARE CAPITAL	21.7%	27.1%	28.0%
19.4%	8.3%	19.7%	RETAINED EARNINGS	26.5%	23.6%	20.2%
42.7%	49.2%	48.1%	TOTAL EQUITY	48.2%	50.6%	48.2%
100.0%	100.0%	100.0%	TOTAL LIABILITIES & EQUITY	100.0%	100.0%	100.0%

RATIOS

19.2%	14.1%	14.8%
15.1%	6.0%	12.1%
9.0%	2.2%	2.6%
481	781	1,094
361	568	779
235	461	604
4.05	6.25	4.74
3.42	3.47	4.04
2.46	3.24	3.27
26.15	50.88	16.72
7.33	21.73	8.11
5.73	5.28	5.76
7.99	10.12	15.73
6.97	9.44	12.53
6.59	8.16	10.91
6.89	5.40	3.78
4.57	2.91	1.89
1.70	1.67	1.26
1.54	6.23	3.18
1.01	0.51	0.81
0.21	0.27	0.46
15.9%	17.6%	17.6%
8.7%	5.6%	7.9%
0.9%	-21.2%	-38.7%
7.4%	8.7%	9.4%
3.4%	4.5%	4.2%
-9.0%	-3.3%	-2.8%
35.3%	36.2%	37.2%
33.8%	36.1%	36.1%
32.2%	33.8%	35.1%
1.2%	1.0%	1.5%
1.1%	0.4%	0.7%
0.0%	0.0%	0.1%
23.3%	24.1%	24.2%
22.5%	23.8%	23.4%
21.2%	23.2%	22.2%
1.9%	1.8%	3.6%
0.5%	0.5%	1.5%
-2.1%	-0.2%	-1.1%
3.5%	3.7%	5.3%
2.9%	2.9%	3.4%
-1.1%	1.4%	0.8%
1.7%	2.5%	2.4%
1.0%	0.7%	0.7%
-1.9%	-1.4%	-0.7%

SALES TREND: % (over previous year)		
SALES PER SQ. FT. PER YEAR: \$ (annual sales ÷ selling space)		
SALES TO TOTAL ASSETS: \$ (total sales ÷ total assets)		
SALES TO NET FIXED ASSETS: \$ (sales ÷ [fixed assets less accum. depreciation])		
INVENTORY TURNS (cost of goods sold ÷ average inventory)		
CURRENT RATIO (current assets ÷ current liabilities)		
DEBT TO EQUITY (total liabilities ÷ total equity)		
RETURN ON EQUITY (net income ÷ total equity)		
RETURN ON ASSETS (net income ÷ total assets)		
GROSS MARGIN ([sales less cost of goods] ÷ sales)		
DISCOUNT EXPENSE (percent of total sales)		
TOTAL LABOR EXPENSE (total paid labor ÷ total sales)		
OPERATING PROFIT		
EBITDA (earnings before interest, taxes, deprec., amortiz.)		
NET INCOME		

UPPER QUARTILE		20.2%	15.9%	17.4%
MEDIAN		11.8%	9.7%	9.9%
LOWER QUARTILE		7.0%	6.3%	5.9%
UQ		1,044	1,338	1,055
MED		954	1,098	847
LQ		817	977	570
UQ		5.14	5.17	5.14
MED		3.81	4.16	3.82
LQ		2.93	2.99	2.99
UQ		10.27	11.51	14.40
MED		7.99	6.93	7.90
LQ		5.18	4.84	5.29
UQ		14.84	19.61	15.93
MED		13.52	17.14	13.15
LQ		12.27	15.37	9.42
UQ		2.85	2.27	3.32
MED		2.00	1.48	1.97
LQ		1.45	0.92	1.31
UQ		2.65	1.80	2.43
MED		0.77	0.65	0.74
LQ		0.34	0.42	0.35
UQ		21.8%	17.3%	18.7%
MED		12.3%	10.9%	10.1%
LQ		9.7%	3.0%	1.2%
UQ		8.8%	8.4%	8.9%
MED		6.2%	5.0%	4.8%
LQ		4.0%	0.9%	-2.7%
UQ		37.1%	38.3%	37.5%
MED		35.7%	36.7%	35.7%
LQ		34.6%	35.2%	34.3%
UQ		0.9%	1.3%	1.2%
MED		0.3%	0.3%	0.5%
LQ		0.0%	0.0%	0.0%
UQ		23.3%	24.9%	24.0%
MED		22.6%	23.5%	23.0%
LQ		21.6%	22.4%	22.2%
UQ		2.9%	2.5%	2.7%
MED		2.2%	2.0%	1.4%
LQ		0.8%	0.5%	-0.1%
UQ		4.7%	4.7%	4.6%
MED		3.7%	3.5%	3.4%
LQ		3.2%	2.6%	1.6%
UQ		2.2%	1.8%	2.2%
MED		1.8%	1.2%	1.3%
LQ		1.1%	0.3%	-0.6%

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There is a wealth of information available, from cooperative support services, corporate entities, and nonprofit organizations. Local libraries, extension offices, local business associations, the Internet, bookstores, and universities also contain a wide variety of information. The following are just a few selections:

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The Cooperative Grocers' Information Network (CGIN) is a non-profit association set up to help food co-ops share information and resources. For information about CGIN, including a membership application, visit www.cgin.org, or contact Karen Zimbelman at info@cgin.org or by mail at P.O. Box 399, Arcata, CA 95518.

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