

The Daily Co-op Board Candidate Packet and Application

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August 22, 2018

Greetings!

Thank you for your interest in serving as a member of the Daily Groceries Co-op Board of Directors. As you know, Daily Groceries is *so much more* than a grocery store: through this jointly owned and democratically-controlled enterprise we are building a thriving, local, cooperative economy; a fun, inspiring place to shop and learn; a hub for community and civic engagement; and a source of excellent food.

This is an exciting time to be involved with Daily Groceries! We have a new GM, Kara Brown and the store has recently undergone a spruce up and re-set.

The Board of Directors plays a critical role in ensuring the health of this vital organization. We represent all the owner members in determining appropriate organizational performance. We are engaged primarily in developing the vision and long-term strategic plan for the viability of Daily Groceries. We do not run the store nor do we have direct control over the daily operations of it.

The board seeks owner input on the goals and vision of the organization and reports periodically to the owners on the board's activities, decisions, and compliance with board policies. We operate under what is called "Policy Governance" - a board operating system that emphasizes values, vision, and the empowerment of member owners, board, and staff.

Please review the enclosed materials and contact us if you have any questions:
Willhodes1@gmail.com, or manager@daily.coop or board@daily.coop

Thank you again for your interest in serving the Daily Groceries Co-op community!

In cooperation,

The 2017-18 Daily Groceries Co-op Board:
Will Hodges, Jane Russell, Diona Fredo Tom Reynolds, and Alex Rilko

Election Calendar

9/10/18 - Application deadline.

9/12/18 Board-endorsed ballot released

9/18/18 -10/18/18 – In-store voting

10/18/18 - Annual Owner Meeting (election results announced).

We will have 4 seats up for election. The top 4 overall vote getters will be elected to the board. Please note the 4th place (if not an incumbent) vote getter will be filling out the term of a vacated seat which ends 12/31/19

The Characteristics of Effective Directors: Self-reflection

Board directorship is just one of a variety of ways Daily Groceries Co-op owners can contribute and participate in the co-op's direction. While directors are not expected to have specific prior training or experience in running a business or managing a grocery store, there are some characteristics that effective directors share in common.

As you consider whether or not to run for the Board of Directors, it can be helpful to reflect on how your interests, experience, and motivations align with the characteristics of effective directors. You will not be asked to write about or share your responses to this section – these questions are only designed to give you an additional set of tools for determining if serving on the Board would be a good fit for you.

- Are you a passionate and enthusiastic owner-shopper at Daily Groceries?
- Are you interested in learning about and supporting the cooperative values and principles?
- Do you like to think about big-picture planning and developing systems and visions for the Daily Groceries Co-op's future?
- Are you willing to 1) Show up, 2) Be prepared and 3) Protect the board's process? (The duty of care)
- Are you good at working in a team environment?
- Are you willing to "inspect what you expect" by delegating areas of decision-making to others and hold them accountable for results?
- Are you prepared to honor board holism even when you have personal disagreements or reservations which you've voiced?
- Are you willing to 1) Disclose all conflicts, 2) Not compete with the Co-op, and 3) Not breach confidentiality? (The duty of loyalty)
- Are you willing to take on a "servant-leader" role and serve Daily Groceries Co-op through your participation and active engagement?

Responsibilities of the Daily Groceries Co-op Board of Directors:

1. Create and sustain a meaningful relationship with owners.
2. Hire, compensate, delegate responsibility to, and hold accountable a general manager.
3. Have expectations in the form of written governing policies that realistically address the broadest levels of all organizational decisions and situations.
4. Assign responsibility in a way that honors our commitment to empowerment and clear distinction of roles.
5. Regularly self-assess operational board performance by monitoring our written governing policies.
6. Perpetuate the board's leadership capacity using ongoing education, training, and recruitment.
7. Ensure that the cooperative remains financially secure and that owners receive a reasonable value on their equity in accordance with the cooperative principles of economic member participation.

The board is **not** involved in the daily operations of the store.

Seven owners serve on the Board of Directors of Daily Groceries Co-op. Four seats are up for election. Board members have a duty to represent the owners at large and not a particular constituency, and to act in the owners' best interests. The Daily Groceries Co-op's Board of Directors is not compensated in accordance with Board policies.

A strong and successful cooperative depends on a highly functional and effective Board of Directors. This application as well as an informal interview will help the Board's Nominating Committee recommend a slate to the Board for approval. Candidates whom the Board determines to have the ability to work well under the Policy Governance model and in a consensus environment will receive a "Board's Endorsement" designation when they are presented to the owners during the election period. Candidates without this designation may also run.

Eligibility, Expectations, and Qualifications of Board Membership Include:

- Must be a Daily Groceries Co-op owner-member and be at least 18 years of age
- Must state all potential conflicts of interest on application and must not have an overriding conflict of interest
- A three-year commitment to serving on the Board
- Familiarity with and adherence to the Co-op's Bylaws and The Basic Principles of Policy Governance (see page 8)
- Preparation for, and active participation at, monthly Board Meetings
- Attendance at Board training sessions, the annual retreat, and the annual owner meeting
- Ability to understand financial statements and use of financial health indicators, e.g. working capital, debt to equity ratio, quick ratio (training provided!)
- Access to the Internet and availability to respond to frequent Board work-related online communications
- A willingness to take responsibility for Board duties and to work together with understanding, mutual support and respect
- An ability to keep information and materials confidential
- An ability to frame a good question and accept a reasonable answer
- Integrity, flexibility, and common sense

Serving on the Daily Groceries Co-op Board of Directors: What to Expect

- Meetings are generally on the 2nd Tuesday of every month from 7:00-8:00 pm.
- New directors attend a one-day orientation in February which may require an overnight stay in Asheville or Raleigh.
- All directors attend a 2-day board retreat in late fall in Athens.
- Additionally, directors may serve on committees which meet generally once in a 2 to 3 month time period. (Directors should plan on probably 5 to 6 meetings per committee per year.)
- Directors need to respond to the Daily Groceries Co-op Board email communications. (There tends to be a flurry of online activity that precedes meetings.)
- Attendance at Daily Groceries Co-op owner events is expected.

What Is a Co-operative?

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise.

Cooperative Principles:

1. Voluntary and Open Membership

Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

2. Democratic Member Control

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. People serving as elected representatives are accountable to the membership. In primary co-operatives, members have equal voting rights (one member, one vote) and co-operatives at other levels are organized in a democratic manner.

3. Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. They usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4. Autonomy and Independence

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5. Education, Training, and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the

nature and benefits of co-operation.

6. Co-operation Among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional, and international structures.

7. Concern for Community

While focusing on member needs, co-operatives work for the sustainable development of their communities through policies accepted by their members.

Cooperative Values:

Basic cooperative values are general norms that cooperators, cooperative leaders and cooperative staff should share; the values should determine their way of thinking and acting. (International Co-operative Alliance in 1995.)

**Self-help · Self-responsibility · Democracy · Equality ·
Equity · Solidarity · Honesty · Openness · Social-
responsibility · Caring for others**

Article #1: Basic Principles of Policy Governance

(condensed — with review and permission — from John Carver & Miriam Mayhew Carver Guide Series on Effective Board Governance — Jossey-Bass, 1996)

Policy Governance is a fundamental redesign of the role of a board, emphasizing values, vision and the empowerment of both board and staff. It is built on ten principles:

The Trust in Trusteeship

Boards exist to own an organization on behalf of some identifiable ownership to which they are answerable. Simply put, a board governs on behalf of persons who aren't seated at the table.

The primary relationship the board must establish, maintain, clarify, and protect is its relationship with its owners, keeping in contact with them, and hearing their voices.

The Board Speaks with One Voice or Not at All

A board is a corporate entity entrusted by its owners with the authority to govern and lead the organization. If the board is to lead, then on each given issue it must speak with a single voice. The strength of this voice arises from the diversity of viewpoints and intentions its members bring to the board, as well as from the way the board focuses this multiplicity into unity. This one-voice principle doesn't require or imply unanimity. On the contrary, the board must embrace all the diversity it can on behalf of the ownership. Differences among trustees are not only respected, but encouraged. Rarely will a vote be unanimous. Those board members who lose a vote, however, must accept that the board has spoken and that its decision is now to be implemented. No board should present conflicting messages to its ownership or its staff.

The principle of one voice can be undermined by charging board officers with roles of management, and by creating committees with mandates related to areas of staff responsibility. A board president who supervises the general manager, or a committee set up to instruct staff, must inevitably violate the one-voice principle in order to function.

Board committees are legitimate when they help with tasks that belong to the board. They are not when they help with tasks that have been delegated to others. Staff spend as much time almost making decisions, which then must be approved by the board or passed through committees, as they would spend actually making the decisions.

The principle of one voice can also be broken by individual board members who, thinking they are being helpful, go directly to staff with instruction or guidance. Unless a board masters the art of speaking as a group, it has little power to lead. A board speaks with one voice...or it doesn't speak at all.

Board Decisions Are Predominantly Policy Decisions

Policy is here defined as the value or perspective that underlies action. Board policies express the board's soul, embody the board's beliefs, commitments, values, and visions, and express its wisdom. Board policies should be generated by the board itself, not brought to it from other sources. Policies develop out of the board's struggle with values, from the stage of initial musing to crafting a written document. The board decides what to have policies about, and to what level of detail it will develop them.

In this model of governance, board policies fit into four categories:

Ends

The board defines which human needs are to be met, for whom, and at what cost. Written with a long-term perspective, these mission-related policies embody the board's vision and the organization's reason for being.

Executive Limitations

The board establishes the boundaries of acceptability within which staff methods and activities can responsibly be left to staff. These policies limit the means by which Ends shall be achieved.

Board-Staff Linkage

The board clarifies the manner in which it delegates authority and how it evaluates performance relative to Ends and limitations.

Governance Process

The board determines its philosophy, its accountability, and the specifics of its own job.

Except for what belongs in bylaws, these categories of board policy contain everything the board has to say about values and perspectives that underlie all organizational decisions, activities, practices, budgets, and goals.

The Board Formulates Policy by Determining the Broadest Values Before Progressing to More Narrow Ones

Values come in sizes; large values contain ranges within which smaller ones occur, like a nested set. A board establishes control over large issues with broad policies, and subsequently decides how much further to detail them. Then it delegates further definition to someone else, fully empowering them to do so, and accepting any reasonable interpretation of its policies. With Ends and Limitations policies that someone is staff; with Governance and Linkage it's the board president.

The board may develop policy to whatever detail it wishes, so long as it does so from broad to narrow, and does not skip levels in the process. (When they approach policymaking this way Boards can exercise leadership and maintain effective control without delving into vast detail.)

The Board Defines and Delegates, Rather than Reacting and Ratifying

Boards are accustomed to approving plans brought to them by staff. Predictable problems arise: The very act of approving forces boards to become entangled in trivia. To avoid feeling like rubber stamps, boards may nit-pick. Approvals are usually issued without clarifying the criteria used in giving approval. Further, approving staff plans freezes into place details which cannot then be changed without board re-approval. This obstructs staff creativity and agility (a severe disadvantage to the organization) and weighs down the board with detail (diverting time from deciding the very policies that would make such role confusion unnecessary). Having board policies in place ahead of time allows board and staff alike to know whether a staff plan is approvable, since all the criteria by which approval is given are clearly stated for all to see.

The board does need to be assured that staff plans are true to the applicable board policies — and that reassurance is gained by policy-focused monitoring. This also reinforces the one-voice principle, because the board has already stated its criteria for approval and board members aren't thrown back onto diverse personal criteria.

Ends Determination is the Pivotal Duty of Governance

The justification for anybody lies in what difference it can make. A co-operative organization exists to serve its members. The kind of thinking needed in order to make a difference requires a sense of the whole, an overview, a high vantage point. The board will become more of a think tank for vision than a reviewer of staff decisions and activities. It will focus on outcomes; focus on the reasons for which the organization exists at all.

An issue is an Ends issue if—and only if—it directly describes what good, for whom, or at what cost. If not, it is not an Ends issue—no matter how important, no matter who decides it, no matter how closely related it is to goals, strategies, mission, or perceived board work. Ends language is never about what the organization will be doing; it is always about what will be different for those it serves. Distinguishing ends from means enables the board to free itself from trivia, to delegate clearly and powerfully, and to turn its attention to large issues.

The Board Controls Staff Means by Limiting, Rather than Prescribing

The organization's conduct, activities, methods, and practices are its "means" rather than its ends. Board means relate to how the board will organize, structure, and conduct itself in order to accomplish its job. Staff means are the various arrangements and actions needed to accomplish the ends or to safeguard the operations that produce them. Resist the temptation to prescribe staff means. (The board does not tell staff how to do its job.)

The board's role is one of boundary-setting—specifying in writing which staff means would be unacceptable, unapprovable, or off limits. (In other words, the board says what kind of means it will not put up with.) Beginning with broad prohibitions, advancing thoughtfully toward more detailed ones, the broader statements act as a safety net. Producing a "don't do it" list sounds negative, but

in outcome is not. It allows a secure freedom, the boundaries of which need not be guessed, and within which staff creativity and action are encouraged. This key method of means constraint enables a board to govern with fewer pages of pronouncements, less dabbling in details of implementation, and greater accountability.

The Board Explicitly Designs Its Own Products and Process

The board states what it expects of itself, its code of conduct, the way it will plan and control its agenda, and the nature of its linkage with the ownership. And the board treats its own governance policies as iron-clad commitments.

The board may create committees to help it get its own job done, but not to help staff with theirs.

The board delegates to its President the right to make any reasonable interpretation of its words in governance process and board-staff linkage policy areas. The general manager has parallel authority with respect to topics governed by ends and staff limitations policies. This delegation pattern ensures that the President and GM work closely together, but neither reports to the other. In developing its governance policies, the board again follows a broad-to-narrow approach, beginning with the broadest form of the question, "What is our job?" It goes into further detail until it is willing to allow its President to reasonably interpret its words in implementing board business.

The Board Forges a Linkage with Management that is Empowering and Safe

Board and GM constitute a leadership team. Clear differentiation in their roles and responsibilities enable them to fulfill and excel in them, mutually support each other, and influence each other toward ever greater integrity and capability for leadership.

The board has the right to expect performance, honesty, and straightforwardness from its GM. Boards may be understanding about performance, but should never bend an inch on integrity. In turn, GM rightfully expects the board to be clear about the rules and then play by them, to fulfill its own job, and to speak with one voice.

Performance is Monitored Rigorously, but Only Against Policy Criteria

In Policy Governance, monitoring is conducted only against criteria currently stated in ends and limitations policies. When a board adopts the discipline of monitoring only what it has already addressed in policy its anxiety will drive it to develop all the policies needed. The board will require information that directly addresses existing criteria, and receive relevant monitoring data without having to digest enormous amounts of unnecessary information.

Article #2: Using Policy Governance to Improve Board Leadership

<http://www.cooperativegrocer.coop/articles/index.php?id=241>

By [Marilyn Scholl](#)

[#078 September - October - 1998](#)

Food cooperatives around the country are talking about Policy Governance -- a system of board leadership developed by John Carver. While people are drawn to the simple logic behind Policy Governance, it is quite different from previous board experiences. Governance is an important job and should be done well. As the Food Front Cooperative board states in its policy manual, "Because poor governance costs more than learning to govern well, the board will invest in its governance capacity."

This article will go through the most important steps of implementing Policy Governance and provide experiences from co-ops using the model. I am assuming you have a basic familiarity with Policy Governance. For more information, please refer to one of the resources listed with this article.

Why policy governance is effective leadership

Directors and managers alike welcome a system of leadership that both distinctly defines the role of the board and clarifies the authority delegated to the general manager. Policy Governance is not designed to create a "hands off" board, but rather to ensure that the board has its "hands on" the right things. Through its written policies, the board gives clear guidance to the manager and through careful monitoring of these policies holds the manager accountable for organizational performance.

Specifically, the board develops four categories of policy: policies to guide the manager about what should be accomplished (ends policies) and what situations should be avoided (executive limitations policies). In addition, the board develops policies to guide its own internal operations (governance process policies) and to define its relationship with the board's only employee, the general manager (board/general manager linkage policies).

Policies are explicit statements of values and perspectives on various topics that guide current and future decisions. By debating and articulating its values, the board can gain efficiency. While the board discusses issues in many voices, it must speak officially in one voice. The policies are that one voice of the board.

Let's be clear: Policy Governance is a means, not an end. It is a tool for helping the board fulfill its responsibilities efficiently. The effective board provides leadership to the cooperative on behalf of the member owners.

More on Policy Governance:

"Policy Governance for Cooperative Boards," by Ann Hoyt, in Challenges to the Cooperative Board of Directors, published 1996 by Cooperative Grocer, pp. 20-23.

Boards That Make a Difference: A New Design for Leadership in Non-Profit and Public Organizations, by John Carver; 1990: Jossey-Bass, San Francisco.

Reinventing Your Board: A Step-by-Step Guide to Implementing Policy Governance, by John Carver and Miriam Mayhew Carver; 1997: Jossey-Bass, San Francisco.

The following publications and tapes also are available from Jossey-Bass. For further information, see the Carver website: www.carvergovernance.com:

"Carver Guide Series #1-12," by John Carver; 1997.

"John Carver on Board Governance," two-hour video tape.

"Empowering Boards for Leadership," two-hour audio tape.

Making a commitment

First, be sure that all board members and the general manager understand the basic principles of Policy Governance. Understanding the philosophy is critical to transforming leadership. There are a number of excellent resources listed below. At least two board members should read Carver's two books to gain a thorough understanding of the model.

I recommend training for the full board. Without attention to team building and group dynamics, a board can easily become less than the sum of its parts. A board "team" needs opportunities to explore new ideas together in a learning atmosphere.

The board as a whole must make a commitment to use Policy Governance. That commitment should be written as a policy -- the "largest" policy in the board process section. The vote need not be unanimous, but it must represent the voice of the board. Good governance makes a distinction between the position of the board and a minority position. A decision may be made with a 6-3 vote, but to be successful it must be pursued as vigorously as if the vote were 9-0. Part of the each director's work is supporting a group decision even if he/she would have made it differently alone. A board cannot allow a dissenting member to disrupt its resolve or undermine its work on this or any decision.

Once the board has made a commitment, you need a plan, a responsible party, and a time frame. An individual or an ad hoc committee takes responsibility for moving the group through the process. The board should use good delegation techniques by being clear about the results it expects and what guidelines must be followed.

Developing and Adopting Policy

It's time to start writing policies. While a sub-group can lead the process, the full board must participate in the development of policy. Since policies will guide all future activity, the full board needs to participate to ensure that they will know how to use them to accomplish board work. Actual word crafting is often best accomplished by an individual, but only after the board has discussed and resolved the issues.

Start by developing policies in three of the four categories: executive limitations, governance process, and board/manager linkage. Some cooperatives hold a retreat to develop these policies. Other co-ops set aside time at each meeting, and still others devote one meeting each quarter to policy development. Whatever your method, it is important not to stay in transition too long. After you have learned a new way of working, you will want to start as soon as possible. Consequently, a policy retreat is best, but other methods can work if you have a clear plan and timeline.

Begin with any of the three categories and continue to develop policies completing executive limitations, governance process, and board/manager linkage. Start with the broadest, most inclusive policy and then develop further detail and clarification. The board continues to define and clarify its values with written policy until it can accept any reasonable interpretation. Most co-ops start with sample policies from a consultant or other co-ops. Carver's new book, *Reinventing Your Board*, has an excellent set of sample policies.

Save the ends policies for the last, because they are the most challenging and time consuming. However, do not wait until ends policies are written before beginning to use the model. Write a temporary ends policy. Then adopt the whole policy document and begin the monitoring process. Now you will be ready to gain the full value of the model.

Implementing Policy Governance: Directors Testify

*Sarah Edwards, Board President
Brattleboro Food Co-op, Brattleboro, Vermont:*

As a new president, it is so helpful to have a system, so I don't have to keep it all in my head. When a new situation arises, I just go to the policies. The issue will either be guided by policy, or we will address it. The policies may evolve and change, but they are always the starting point. We passed all the policies at once, then developed the monitoring plan.

I feel very confident in the policies we have designed. Now our board can spend its time thinking about the direction of the co-op. We don't have to keep on top of

everything; we just have to keep on top of the big things. I'm a fan of Policy Governance because it helps us do that.

*Ken Ross, Board policy committee
New Leaf Market, Tallahassee, Florida:*

In the past, one or two board members understood Policy Governance. The rest thought it was a good idea but that we had more important things to attend to. Directors who wanted to implement the process were overwhelmed. When they left, so did Policy Governance. The general manager was frustrated with the board putting their hands in operations, so he suggested that we look at Policy Governance again. At that time, a new board was in place, and we decided to have board training on Policy Governance. Most of the board was excited by it and decided to make a commitment, and an ad hoc committee was formed to lead the transition process.

The things that worked for us were:

- Full board understanding their role and Policy Governance principles.
- Full board making a commitment to the process.
- Sticking to a timeline for getting things done.
- Having the board unofficially approve each section as drafted, then officially approve the complete document.
- Not getting stuck in the wording.
- Utilizing our resources.

*Linda Stier, Board President
Weaver Street Market, Carrboro, North Carolina:*

Since implementing Policy Governance, Weaver Street Market's board has stayed focused and is not tempted to abandon process to respond to crisis. While need and crises seduced the board in the past, the prospects of clearly distinguishing the roles of the board and the general manager and being proactive were so enticing that they strengthened the board's commitment. With consistent practice, the board was less likely to slip into an old way of reacting. Also, once policies were in place, simply abiding by them kept the board focused on its own job. To support the board, I keep a board calendar and keep discussions on appropriate board issues.

*Scott Anderson, Board President
Sevananda, Atlanta, GA:*

The Sevananda board has been working with the Policy Governance model since 1993. Previously, the board mostly relied on unclear authority, active oversight, and reactionary responses. As a result, the board was largely unfocused and ineffective, except when "driven" by the general manager. Since

then, we have adopted an entire framework of policies. The model really began to function in 1997 when we installed our monitoring system. We numerically weight each policy to indicate its importance; we use these weights for quarterly general manager evaluations. Since then we've been able to focus more on dialogue with the membership to ascertain their values and perspectives.

Although we still have work left to do on policies, we have become more efficient, we are clearer about what our members expect, we are holding our manager accountable for fulfilling our policies, and we have provided her with a better working environment. Policy Governance has allowed us to do the best possible job of representing our members' interests and ensuring a co-op that meets their needs.

*Scott Burke, Organizational Review Committee
Food Front Cooperative, Portland, Oregon:*

After the 1997 CCMA, Food Front management presented the Policy Governance idea to the board. A "critical mass" of directors viewed it as having the potential to significantly increase our effectiveness.

We began with a training session. Then, we delegated development of the adoption process to a standing organizational review committee. Policy development became our focus for several months.

We chose to present one section of the register to the full board each month. Minor changes that were unanimously agreed to were implemented on the spot, but sticky changes were gently deferred back to the committee. We successfully performed a review of the executive limitations, governance, and board-general manager relationship policies in three months.

After development and board review of the sections, a full policy register was adopted. We also adopted a motion crafted by a lawyer to state that these policies supersede previous board documentation that conflicts with them.

Using Policy Governance

Writing the policies is only the beginning and, in fact, is not worth doing if you don't use them! Unfortunately, too many cooperatives have a set of finely crafted policies but have failed to gain the advantages the model offers by not using them effectively. Before adopting Policy Governance, many co-op boards spent most of their time reviewing and approving the manager's work and never had time to do board work. If Policy Governance has not fundamentally changed the way the board uses its time and does its work, the monitoring system is not working as it should.

The policies on ends and executive limitations are the monitoring criteria -- nothing more, nothing less. Policies in these areas authorize the manager to make all further decisions which reasonably interpret the policy. At the same time, the board establishes a monitoring process -- what type of report, how often and when. Through the monitoring reports, the board is assured that organizational performance meets the criteria they have set.

Monitoring reports are based upon data presented to show that board policies have been complied with. The only reason to spend agenda time on monitoring is if the report shows non-compliance. This allows the board to spend its time doing its own job. It is important to keep monitoring reports focused and concise to avoid the board getting lost in information that does not constitute monitoring.

The board can always change its expectations/criteria by changing its policy. But it should never judge a manager for not complying with a policy it meant to write. A manager has a right to expect that a board will be clear about the rules and then to play by those rules.

Getting on to leadership

With policies in place and the monitoring system working, the board is ready to lead. Most of the board's time will be spent on large, fundamental questions which will guide the cooperative into the future, not on the present or the past. Through developing ends policies, the board determines what the co-op is for -- what good, for whom, at what cost? Because these are complex issues, much board time will be spent in ongoing education.

Equally important, the board will develop linkages with the member owners, both to better understand them and their needs and to report to them on what the co-op is doing with their money on their behalf.

Summary

Simply stated, the board's job, on behalf of member owners, is to see to it that the cooperative produces what it should while avoiding situations that should not occur. Policy Governance is a tool to help the board do this job effectively and efficiently. Like any tool, it works best when used in the way it was intended to be used. Every board must tailor the model for its particular situation. But the principles of Policy Governance fit together in such a way that each incomplete application could significantly weaken the results.

So, the board should:

- Learn the principles of the model and see if they will help you lead.
- Decide whether or not to use the model.
- Make a commitment and plan.

- Use the principles to design the board's job in a way that makes sense to you, yet maintains conceptual integrity.
- Establish and use a rigorous monitoring process.
- Boldly resolve to stick to it. Governance is too important to do poorly.

Test Your Knowledge! Policy Governance Scenarios

Here are some scenarios to consider after reading the Policy Governance articles. As you read each situation, consider what might be the best response from the Board, based upon the principles of the Policy Governance model a sample response follows each scenario.

Board Relation to the General Manager (GM)

Scenario: The Daily Groceries Co-Op board is aware that the GM is about to reduce the number of ready-to-eat items in the deli. It knows that some owners will be unhappy with this decision. What should the Board do?

Board response: Board members should recognize that the GM is empowered to make decisions about operations to achieve Ends. The Board is obligated to communicate directly with member owners redirecting any criticism away from the GM into a more productive conversation regarding decisions **that are consistent with the Board's policies**, no matter how unpopular the decision may be. The board may choose to remind members of their power to call a special meeting with the signature of 20 active members. Recognizing that this decision may cause a public outcry, the board may wish to verify that its policies reflect the needs and wants of the ownership. If the policies are subsequently revised, the GM will be expected to comply with policy changes.

In brief: The Board defends the GM, but at the same time maintains an open flow of communication with owner members and holds the GM accountable for achieving the Ends.

Board Member Relations to the GM

Scenario: A Board member keeps asking the GM for detailed reports regarding operations. The information required does not pertain to any Ends or Executive Limitations policies. The GM has refused to supply the reports, stating that it would take too many staff hours to produce them. What should the Board do?

Board response: The Board should remind the Board member that Board Members may be refused information **if fulfilling their request would consume more resources than the GM thinks are reasonable**. The Board as a body should respond to GM feedback about the problem by reinforcing its position that the GM's time be insulated from individual Board member requests, but also by addressing the individual Board members concerns directly.

In brief: Requests from Board members are not an exception to the delegation of operations decisions to the GM.

Responsibilities of Board Members

Scenario: An individual was hurt while inside The Daily Groceries Co-Op. The GM submitted the liability claim to the insurance company and notified the Board of the situation. A Board member is contacted by a lawyer for the plaintiff, asking the Board member questions about the safety history of The Daily Groceries Co-

Op, as well as what he knows about the specific injury accident. What should the Board member do?

Board Response: The Board member should not respond to the lawyer's questions and should refer the lawyer to the GM, since the GM has the authority to speak about and decide any reasonable interpretation of Ends and Executive Limitations policies. Even though the GM is the official representative to speak on this issue, the Board has legal responsibility to stay informed and be “handled with scrupulous attention to record keeping, documenting the duty of care and the duty of loyalty are upheld”, in which case our process is sound and the business judgment rule will protect the board from legal ramifications, in the event of GM malfeasance or nonfeasance.

In brief: Individual Board members do not speak for the Board, and do not speak for the GM. **The Board speaks with one voice** when it represents The Daily Groceries Co-Op. Individual Board members do not represent The Daily Groceries Co-Op.

Scenario: There is a newly elected board member who happens to be a CPA and has elected to be the Treasurer on the Board. Also, the General Manager has just submitted an annual budget for the Board's review, after it has been fully reviewed by both the accountant, and the Treasurer. How should the rest of the Board maintain its Duty of Care to this budget?

Board Response: Each member must do their own thinking on this budget. No amount of expert approval can replace your independent judgment, and if you have questions, or don't understand something in the budget, it is your duty to voice those, or to abstain from approving the budget. There is no abridging the board's full process, and each member must protect it.

In brief: All board members need to think and act independently.

Limits of Policy Governance

Scenario: A Board member has expertise in LEED certified renovations, and the GM has announced a new initiative to make The Daily Groceries Co-Op LEED compliant. The Board member conveys a request to the Board that she be given oversight responsibility so that her expertise won't be wasted. How should the Board respond to this request?

Board response: Policy Governance requires that the Board should refuse the request for operational responsibility. At the same time, to benefit from its member's expertise, the Board should ask the expert Board member if she has any worries about possible unacceptable actions or conditions that are not covered by existing Executive Limitation policies. This knowledge could help the Board strengthen its policies without interfering in the delegation between Board and GM.

In brief: Policy Governance means that Board members must not interfere with operational issues. By delegating this to the GM, the Board is not just saying that the GM will oversee operations; it is also saying that the Board will not oversee operations.

Scenario: What if a Board member knows the co-operative is seeking a particular business opportunity, and that board member just happens to be in a position to go after that same opportunity? What if the director learns of the opportunity some other way, not at a board meeting, but knows the co-op is bidding on it?

Board member response: Business information like this is a good example of something that belongs to the co-op and should not be used by a director for personal gain. In many cases it is inappropriate for a Board member to compete with the co-op. When in doubt, seek legal advice, or avoid even the appearance of competing with the co-operative.

Mini-Financial Primer

Common Indicators of Financial Condition

1. Growth (top line)
2. Profitability, net income (bottom line)
3. Solvency – debt to equity
4. Liquidity – current ratio, quick ratio, working capital

Understanding Financial Statements

- Balance Sheet
 - Describes how much the co-op is worth, the owners' position in the business
 - What the co-op has and where it came from
 - A picture of where a business is at a point in time
- Income Statement
 - Also known as profit and loss statement or statement of operations
 - Tells the story of what happened during a period of time
 - Shows if the co-op made or lost money and how much
- Sources and Uses/Cash Flow
 - Tells how cash is generated and used
 - Describes cash implications of financing activities, investing activities and operating activities

Steps to Fiduciary Responsibility

1. Have expectations
2. Policies to Guide Fiscal Planning
3. Policies to Safeguard Financial Condition
4. Policies to Ensure Asset Protection
5. Assign responsibility
6. Check
7. Monitor Compliance with Policies

Board Candidate Application

Daily Groceries Co-op Owners interested in running for a seat on the Board of Directors are encouraged to go through the “Board Endorsement” process as a way to learn more about Board duties and help Daily’s membership learn more about you. Please fill out this application form with information about your background, what skills you bring, and what interests you about serving on the Board. A Nominating Committee member may call you for further information. Feel free to contact the board if any questions arise and email your application to board@daily.coop

Section 1: Basic information

Name _____
Address _____
Phone # _____
E-mail _____
Place of Employment/Position _____
Education (degree, major, training, etc.) _____
How many years have you lived in the Athens area? _____
How many years have you been a member of Daily Groceries Co-op? _____

Section 2: Candidate Questions

Please answer the following questions to help owners understand what you will bring to the Daily Groceries Co-op Board of Directors. Please email responses by **September 10th** to: board@daily.coop

Your answers will be displayed on the Daily Groceries Co-op website.

1. Why would you like to serve on the Daily Groceries Co-op Board? (*limit to 180 words*)
2. Describe your professional, volunteer, and community involvement experience that could benefit the Daily Groceries Co-op board in doing its work.
3. Describe your experiences working collaboratively in a group setting.

4. Describe a time when you were successful working collaboratively in a group setting and a time when you were not.
5. The Daily Groceries Co-op Board does not deal with operational matters. It does deal with overall policies that identify and guide the mission of the organization. How will you maintain the larger vision without being distracted by day-to-day operational issues?
6. Who does the Daily Groceries Co-op serve and in what ways? Do you see that changing in the next five or ten years? If so, how?
7. Is there anything else you would like to add?

Section 3: Photo

Please include a photograph of yourself for the website.