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Leadership Education and Development Newsletter

LEADer

A publication designed to promote visionary and forward-thinking discussions between and among food co-op leaders

A Study Guide for Co-op Leaders

The Board's Job

A Collection of the BEST

In This Issue

Study Guide

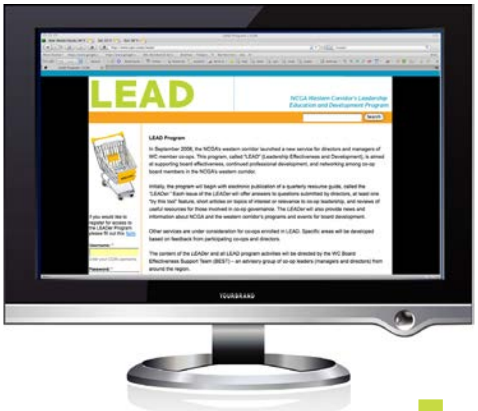
The Board's Job

A Collection of the BEST

We get the call occasionally: "What articles can I share with newly elected board members to help them gain a good overview of the board's job?"

As we reviewed key resources, we found few collections that could provide such a comprehensive overview. So after publishing our 25th issue in September 2014, we decided to put together a collection of the best articles from past *LEADer* issues to be used as just this kind of reference.

This issue brings together oldies but goodies from past *LEADer* study guides, selected specifically to serve as a comprehensive overview of the board's role. We hope you'll find it useful, not only for new board members but to help the entire board build agreements about how to fulfill key responsibilities. We hope the issue serves as a good starting point, helping you build a constructive, effective, and shared understanding of how to provide important and strategic leadership to your co-op.



More about the LEADer

The *LEADer* is a quarterly study guide designed to foster visionary and forward-thinking discussions between and among co-op leaders. The *LEADer* is a publication of National Co+op Grocers (NCG, formerly National Cooperative Grocers Association) and strives to incorporate experiences and voices from all co-ops affiliated with NCG. Each issue is produced by the Board Effectiveness Support Team (BEST), a voluntary committee made up of board leaders and general managers from co-ops around the country. We welcome those who would like to join us in this project.

The *LEADer* is available to all interested co-op leaders. This issue and all back issues are available online. Those wishing to subscribe to the *LEADer* and have issues sent directly by e-mail as soon as they're available should contact Karen Zimbelman.

We welcome your reactions, suggestions, and contributions, as well as questions for us to answer in future issues. Send comments or questions to Karen Zimbelman. For more information about NCG, the *LEADer*, or the BEST, contact:

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Effective January 2015, National Cooperative Grocers Association has changed its name to National Co+op Grocers (NCG). This change was made to better represent the organization's role as a business services cooperative. Our next issue of the LEADer will come to you in a new design, consistent with this change. In addition, in future issues we will include short articles about NCG or NCG initiatives of interest to co-op leaders. Watch for these changes in spring 2015.

ask the BEST
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Meet the BEST!

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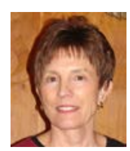

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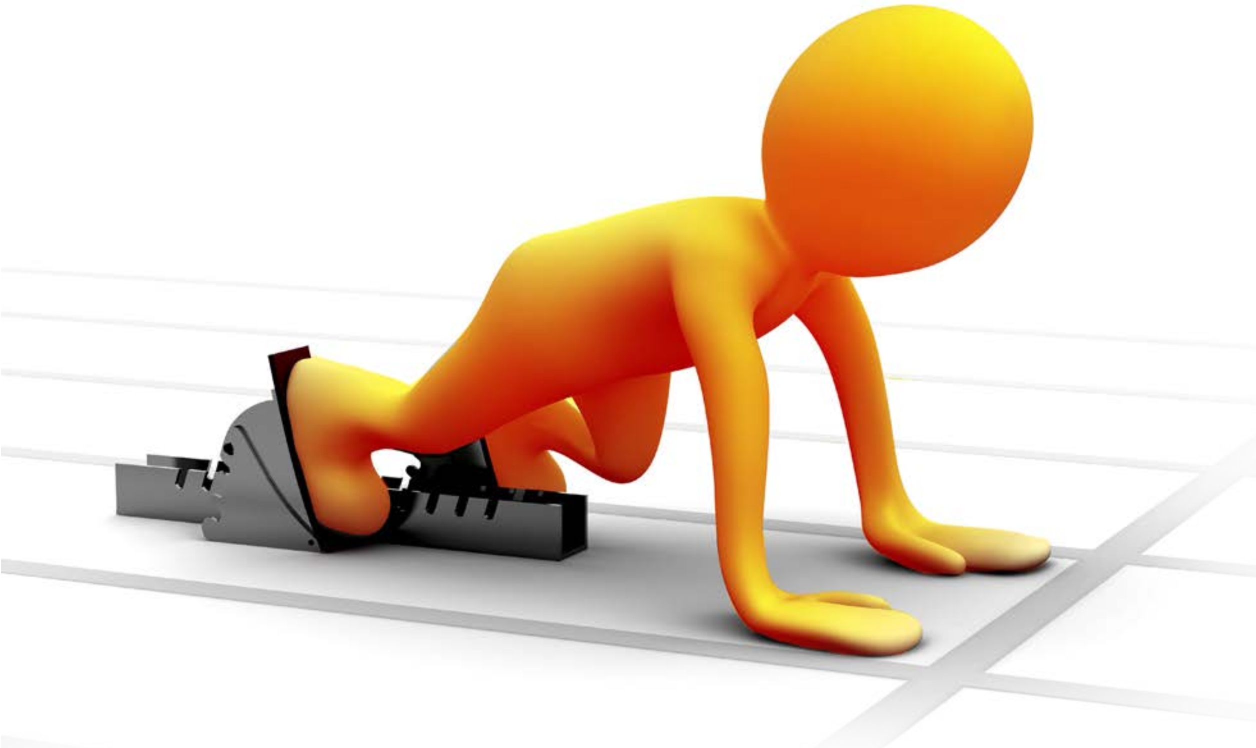


Starting Out Right

by Cindy Owings

Okay. You got elected or appointed to a position on your co-op's board! Great, because co-op boards need thoughtful, dedicated professional members. But you must be asking yourself right now, "What does it really mean to govern a co-op? Have I all of a sudden become a boss, for real? Am I expected to be able to read financial statements?" These and a whole host of other questions arise when a thoughtful new board member steps into a co-op leadership role.

Considering a board position from the outside is a lot different than sitting with the actual responsibility on the inside. You'll soon find out: it's complicated to become a contributing member of a functioning, effective board. But it's not an insurmountable task.

In this issue of the *LEADer*, we set out to provide, for new board members and for those interested in a refresher on their roles, articles and references that can help you navigate the path to becoming an effective governing leader. We've put together a collection of articles covering the gamut of the board's roles and key functions.

While past issues delve into these and other topics in more detail, we include articles in the following four topic areas as a starting point in providing a comprehensive overview of the board's job.

- **Hiring and Working with the General Manager** Yes, you are the boss. But there's a lot more to it than that. The effective board member needs a solid understanding of the board's role as well as an understanding of the general manager's strengths and style. Building a strong and productive board/GM working relationship is perhaps the most important thing a board member can do.

Starting Out Right

- **Planning and Shaping Strategy** Envisioning the future is one of the most important responsibilities of the board. Part of that job includes knowing what's going on in local and regional markets. What are competitors doing and how will it affect the co-op? What should board members know and be aware of in these areas?
- **Member Linkage** The board is elected by the co-op's member-owners to ensure the co-op's financial and organizational sustainability on their behalf. The board's role in providing meaningful linkage to co-op members is an important one. How does the board fulfill this responsibility?
- **The Board's Financial Role** The board must maintain the fiscal vigilance needed for the co-op's overall financial health. What do the basic financial statements show you and where can you go to find the information you need as a board member? What are the key things board members need to watch and monitor?

Beyond these four areas, the effective board needs to understand how to operate. There are two key topics to consider in this regard:

- **Legal and Policy Framework** Every board operates within two general legal boundaries: corporate state law and the co-op's own articles, bylaws, and corporate policies. We do not include articles on this topic in this issue, but for a great overview, refer to "Great Board Systems Support Great Boards" by Paige Lettington (Issue 7, Spring 2010, page 3).
- **Board Integrity** The board is a decision-making and advisory body. It operates by reaching agreement and speaking with one voice. It is key for the entire board to have agreement about how the board will do its job, thoughtfully deliberate, make its decisions, and stand united when needed. On this topic, we suggest two articles: "Who Decides?" by Lucinda Berdon (Issue 4, Summer 2009, pages 5–6) and "Preparing for a Crisis" by Marcia Shaw (Issue 13, Fall 2011, pages 3–5).

We hope this collection proves useful and inspires you to delve more deeply into these and other topics. Remember that you can find all past issues of the *LEADer* online and that we very much appreciate your feedback. Tell us what you think, what's useful, and what would help you and your board.

Becoming a Great Boss

One of the key roles of a cooperative board is supervising the general manager; his or her job is to take care of the day-to-day work of running the co-op and its operations. Supervising the GM can be particularly difficult because most of us are used to having one boss. But in a co-op, the whole board must work together to function as one boss for the GM, and the identity of this boss can change every year. And unlike a traditional business, in which the GM's supervisor might have risen through the ranks and become an expert on the work the GM does, a volunteer, elected co-op board generally does not have as much expertise regarding the co-op's business operations as the GM does.

As a new board member, it's important for you to understand the board's role in working with the GM and do your best to make it a mutually beneficial relationship. The following article, "Becoming a Great Boss," provides an excellent overview.

— Paige Lettington

by Martha Whitman and Philip Buri

Reprinted from *LEADer* Issue 2, Winter 2008

Think of the best boss you've ever had. What made that person so wonderful to work with? Was he or she visionary, inspiring, and encouraging? Or was your favorite boss compassionate, funny, and real? We know the traits of good bosses from our own experience. Good bosses give us latitude to do our jobs while supporting us so we do not labor alone.

Now think of the worst boss you've ever had. Words like *petty, vindictive,* and *controlling* might come to mind. As with a good boss, we know a bad boss from our experience—and we feel it viscerally. As board members, our core responsibility is to hire, supervise, and hopefully never fire the general manager. We are the general manager's boss. How do you become a good boss rather than a bad one? It is a matter of attitude, mechanics, and behavior.

Let's be truthful—most of us have a complicated relationship with authority. We co-ops pride ourselves on being the alternative to big,

Becoming a Great Boss

impersonal, command-and-control corporations. But we have also learned that authority and structure are not necessarily or inherently bad.

A healthy relationship between the board and general manager requires a balance between delegating authority to the general manager—empowerment—and holding the general manager responsible for outcomes—accountability. If our bias is against authority, we lose the ability to empower our general managers to do great things. They can achieve only what we board members allow them to do.

The first step in board/GM relations is getting comfortable with delegating authority. We hire the general manager to run the store—to manage the staff, pick the products, and set prices that will satisfy our customers and owners. This situation sounds simple and obvious, but it is not. We are comfortable delegating authority as long as the general manager makes good decisions—or decisions we agree with. But delegating the authority to make decisions also involves delegating the authority to make mistakes. If we yank the general manager's authority at the first sign of trouble, we have not delegated authority. Instead, we have only let the general manager borrow it.

Authority means having the ability to make a mistake—and then to fix it. Think back to your favorite boss. What did he or she do when you blew it? Step in and do your job, or help you correct the mistake?

The second step is getting comfortable with accountability. Holding the general manager accountable does not mean holding an inquisition. There is a punitive connotation to the term *accountability*. But accountability is really about paying attention. We want general managers to tell us about their work and the good or bad results. Rather than being about punishment, accountability is a sign of respect. We have delegated our beloved co-op to the general manager's care, and we want to know exactly how things are going.

Our attitudes about authority shape our ability to be great bosses. The more comfortable we are with exercising—and delegating—authority, the more skilled we will be in governing the co-op.

Another part of being a good boss is mastering the mechanics. At the ground level, this means having a written contract with your general manager and regular conversations about his or her work. The board's written policies—along with a clear contract, competitive compensation, and regular evaluations—will help you supervise your general manager fairly. The policies establish the responsibilities of the general manager and the board's expectations, and they help clarify how the board speaks with only one voice to the general manager.

To be responsible and comfortable in delegating the operations of the co-op, the board should

Becoming a Great Boss

monitor its expectations and performance reviews consistently. This process helps hold the general manager accountable while giving the board ample opportunity to talk with the general manager and provide support. The manager's written monthly reports should show how he or she is meeting the expectations of the board. If the reports are dealt with directly and honestly, everyone wins. Through this process, the board fulfills its fiduciary responsibility and the general manager isn't left wondering what the board thinks of his or her work. The added benefit is that you have a smoother and more satisfying annual performance and salary review. Your manager can be confident that the board will not spring any surprises—a morale buster beyond measure.

There is a further element, though, that is unique to a board supervising a general manager. Notice how your vision of a good boss involved one person—a single supervisor. But how does a group of people manage one person? How does the general manager know what his or her boss wants, or is thinking, when the boss is a bunch of people?

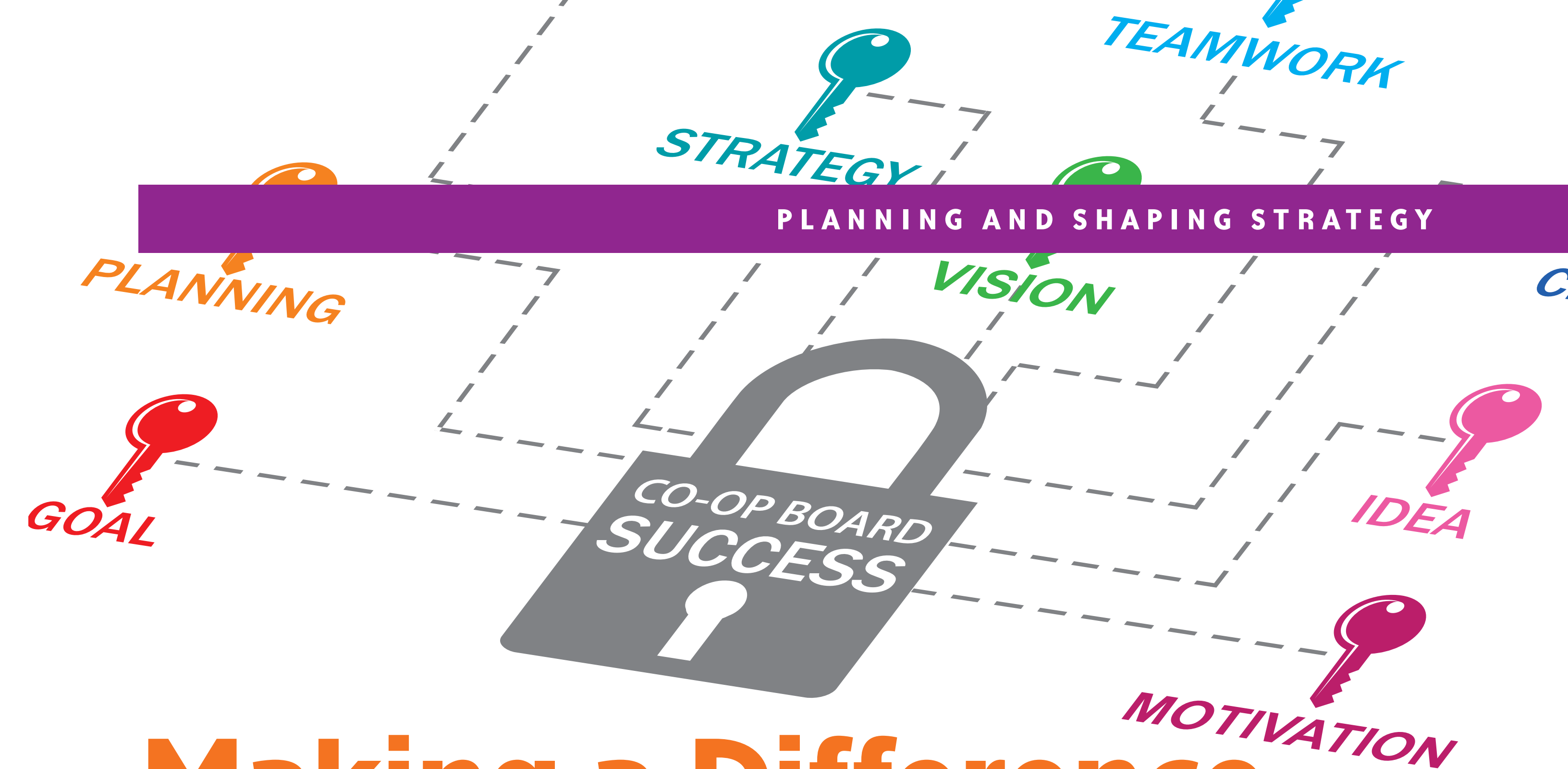
The answer comes from board discussions and deliberation. A general manager can figure out what the board really wants and expects by listening during meetings. Although we use board meetings as a way to make decisions, they serve another, equally important purpose. They educate the general manager on how the board thinks. Imagine if you could listen to the thoughts of your boss before he or she gave you a project. Wouldn't it help to hear your supervisor think aloud about a problem?

Cultivate open and rigorous discussion at board meetings. This is an essential component in educating the general manager.

"Great boss" status is solidified by behavior. While preparing for a regional board training, we asked a few general managers what they wanted in a boss. Here is what we heard: Great bosses demonstrate respect and professionalism in their relationship with the general manager. They stand by their manager when things get messy. They are decisive, take responsibility for their decisions, and do not micromanage. Great bosses remember to express their appreciation for the general manager's ability to carry out a challenging job. A little goes a long way, and the more specific the appreciation, the better it feels. Be a great boss and watch the co-op flourish!

Want to Read More?

Issue 11 of the LEADer, from Spring 2011, is devoted to the topic of evaluating the co-op general manager. See especially "The Art of Evaluation" by Marcia Shaw and Cindy Owings on pages 3–4. This article provides a great overview of factors to consider as you design the process of assessing your GM's performance.



Making a Difference
By Providing Strategic Leadership

by Gail Graham

Reprinted from [*LEADer* Issue 24, Summer 2014]

The following article, "Making a Difference by Providing Strategic Leadership," by Gail Graham, provides great insight on the collaborative board/GM approach to planning the co-op's future. Graham offers a GM's perspective on this important topic. She clearly identifies the importance of the board's role in providing informed strategic leadership while supporting the efforts of the GM in a positive, respectful, and productive way. Co-op GMs rely on boards to provide leadership and a long-term vision for the future so that they can effectively do their jobs and steer the co-op in the best direction.

— Lucinda Berdon

In the early 1990s I participated in the first tour by U.S. cooperators of Co-op Atlantic, a network of consumer co-ops located in the Atlantic provinces of Canada. A group of us were sitting around one evening drinking brandy while Ann Hoyt bubbled over with enthusiasm, explaining this great new "Policy Governance" model that she had come across. "Are you crazy?" someone exclaimed. "You want my board to think?" Frankly, we thought Ann was delusional.

Back then we gave lip service to the idea that our boards added value. Many GMs, myself included, viewed boards as an outlet for well-meaning community members, and we did our best to contain any damage they might do.

Our cooperatives have grown over the last 25 years, in size and sophistication. We have a clearer understanding of the complementary roles of the board and management, as pointed out by the "Four Pillars of Cooperative Governance," and we are increasingly able to articulate how the board adds value.

I have a deep appreciation for the work of the Mississippi Market Co-op board. I recognize the value it adds in all four pillars, especially in the area of strategic leadership.

A good board provides a check and balance on management's drive for short-term success. Yes, I am in it for the long run, and I am committed to the triple bottom line. And, frankly, I like to hit my goals. Our board's work in articulating our vision and strategic drivers helps me and my team stay focused on the long-term responsibility we have to our stakeholders while working to hit our short-term numbers.

Making a Difference

By Providing Strategic Leadership

A good board appropriately challenges management in a supportive rather than adversarial manner. Directors ask the hard questions, and they require answers. They are willing to bring issues up and have the pros and cons debated. Many years ago, our board was discussing how to track local purchases. At the time, we didn't have a particularly robust POS system. A director insisted that it could be done, and I made some cavalier remark about how "we can do anything if we want to spend enough money on it." He was respectful and firm and in a no-nonsense manner reminded me that supporting local growers was of prime importance to our members and our mission. He reminded me of the need to tackle big issues, even when the barriers appeared insurmountable. Of course, today it is routine for us to track our support of local growers.

A good board brings rigor to a cooperative while still facilitating forward movement. (A bad board might cause rigor mortis!) When I bring a proposal to our board members, they expect me to be prepared, to have clarity about what I am asking for, and to present enough information that they can make an effective decision. This makes for a better decision-making process co-op-wide, and I believe it sets the stage for better decisions.

I believe that part of my role as a GM is to help build a strong board, because a strong, highly functioning board helps make the cooperative better for everyone. I value and respect the work directors do and appreciate the time and thought they give to the job. Helping them get better at what they do is an investment in the co-op's future and one I take seriously.

Want to Read More?

Issue 12 of the *LEADer*, published in Summer 2011, is focused on how the board can help bring strategic thinking to the co-op. See especially "Thinking Strategically" by Marcia Shaw on pages 3–4 for suggestions on how the board can contribute to the strategic intelligence of the co-op.

Who's Minding the Members?

Maintaining meaningful connections with owners is one of the board's primary jobs. The GM and staff have legitimate roles to play in member linkage and in fact are more connected with shoppers on a daily basis. However, the board's role in representing the membership is unique. The following article, "Who's Minding the Members?" offers insight into ways to distinguish between and build agreement on board and management responsibilities for key member linkage tasks.
—Marsha Shaw

by Philip Buri

Reprinted from [*LEADer* Issue 5, Fall 2009]

Engaging with members would be much easier if there were a manual. For every issue regarding the membership, the manual would tell us what to do and, as important, who should do it. And there would be pictures and even a helpful YouTube video.

But no manual exists. Each board, general manager, and staff member must figure out who has responsibility for engaging with the members and how to do it. Although no single statement answers the question "Who's minding the members?" this article suggests an approach that may help your co-op figure out an appropriate response. The answer comes down to three areas: (1) the core member-relations responsibilities of the general manager (and staff); (2) the core member-relations responsibilities of the board; and (3) agreements between the GM and board in the broad area of overlap.

The General Manager's Core Responsibilities

Let's begin with the general manager's core responsibilities for engaging members. These responsibilities are operational (duh!) and fall where the GM and staff have primary, if not exclusive, authority. In general, they are:

- Soliciting and responding to customer comments and complaints
- Gathering information about the membership, including member counts, mailing lists, and general demographics
- Taking care of the logistics for member meetings—setting up, taking down, and all the heavy lifting in between

Who's Minding the Members?

- In-store issues that affect members—from store layout to product selection and pricing
- And, generally, all issues that involve members as customers as opposed to members as owners

This is not an exhaustive list, and I hope you will identify more specific responsibilities that belong here. The general idea is that when the co-op needs to engage with members about operations, the general manager has the primary responsibility. The board treads on thin ice if it usurps this responsibility from the general manager.

The Board's Core Responsibilities

The board has primary responsibility for dealing with members as owners. In contrast to the general manager, the board engages with members at the level of community. What difference do we want our co-op to make in the world? In general, the board deals with members on issues outside the store's operations. Here are examples of the board's core responsibilities:

- Holding an annual meeting of members (although the staff can have responsibility for logistics)
- Issues of governance—nominations, voting, membership meetings, committees
- Defining the co-op's mission, values, or ends
- Defining the co-op's role in the larger community. What does the co-op stand for?

Again, this is not an exhaustive list. But it describes the core areas of the board's responsibility. If the general manager strays into these areas, he or she undercuts the board's authority and connection with the membership.

The Great Land of Overlap

Problems with member engagement usually pop up in the broad area of overlapping responsibility—areas where neither the board nor the GM has exclusive authority and where both have something important to contribute. The two areas of overlap that seem to cause the most trouble are educational programs for members and weighing member comments.

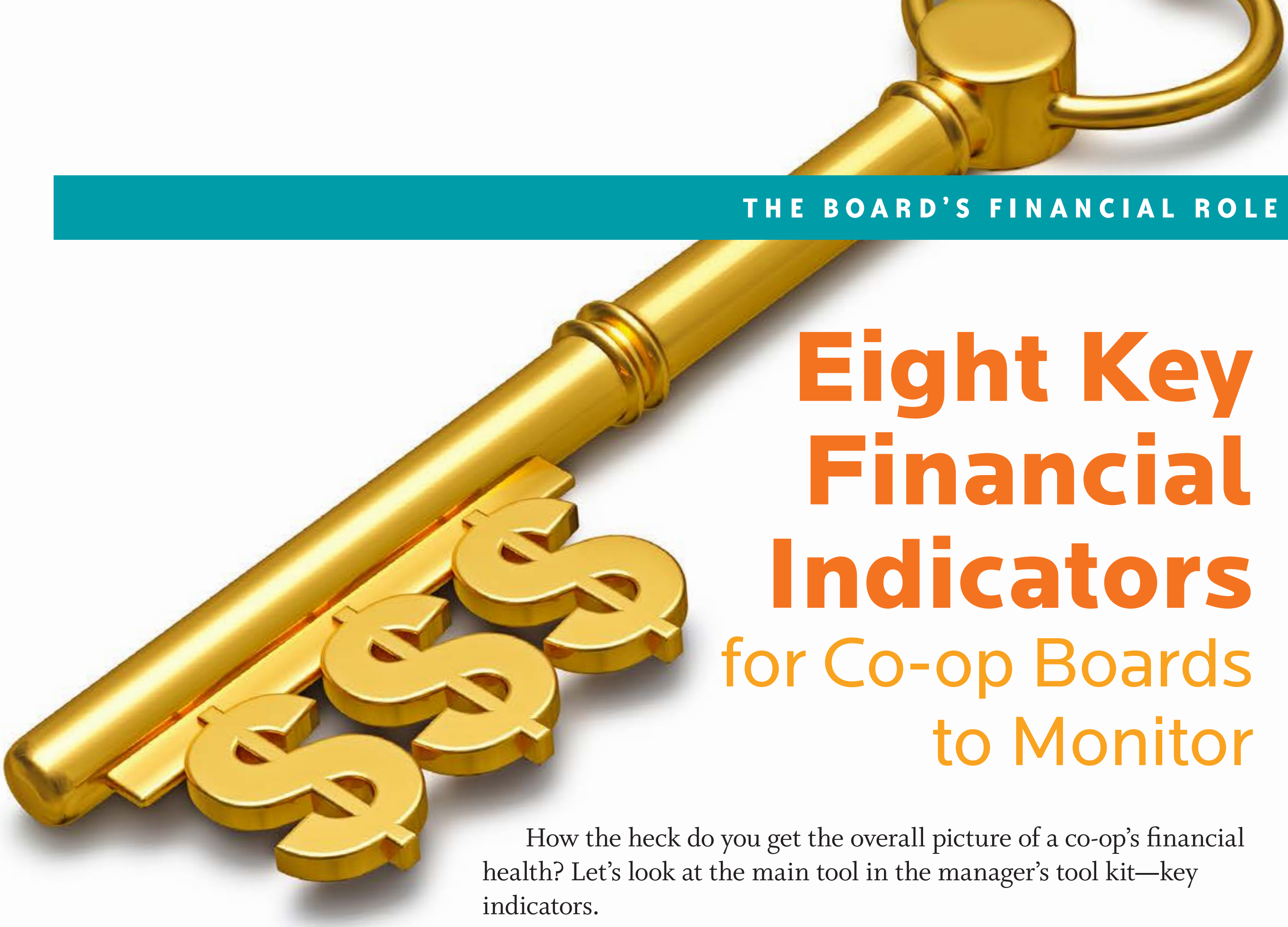
The first area—educational programs—usually suffers from too many good intentions. The marketing or outreach coordinator wants classes that feature co-op products and services and boost sales. The board's Member Affairs Committee wants classes that stress the cultural and political significance of co-ops in society. Both approaches are important, but rarely is there enough classroom space, member interest, or resources (budget or staff) to satisfy both the board and management. This is an inherent source of friction rather than a sign of dysfunction. And resolution requires compromise rather than excluding board or management from the process.

The second area—weighing member comments—requires that both the board and GM decide what members really want. There are countless ways to survey members' wishes, but gathering information is only half the work. The other half demands insight, experience, and judgment. Neither the board nor management has a monopoly on these qualities. Instead, both must use their best judgment to act for the co-op and its membership.

So the answer to the question "Who's minding the membership?" is: "We all are." Some membership issues fall to the board; some to the GM. But many, and often the most complicated, fall to both board and management. Rather than fight for the responsibility, a healthy co-op shares the fundamental task of acting in the membership's best interest.

Want to Read More?

Two past issues of the *LEADer* focus on various aspects of member linkage. Issue 1, published in Fall 2008, is focused mostly on different ways for the board to engage members. See especially "The Squeaky Wheel" by Marcia Shaw on page 7 for an overview of how and why member linkage matters. Issue 5, from Fall 2009, takes a deeper look at the important governance link between the board and member-owners.



Eight Key Financial Indicators
for Co-op Boards to Monitor

New directors and experienced directors interested in learning more about how to read financial statements will want to review the entirety of LEADer Issue 10 from Winter 2010 (linked below). From that issue, the following article explains and describes eight key financial indicators for co-op boards to monitor. It also provides descriptions, formulas, sources, and background on key financial ratios, as well as general guidelines on benchmarks and "red flag" trends.

— Gail Graham

by Lucinda Berdon
and Paige Lettington

Reprinted from
LEADer Issue 10,
Winter 2010

How the heck do you get the overall picture of a co-op's financial health? Let's look at the main tool in the manager's tool kit—key indicators.

Key indicators are the core financial measures that all managers use to monitor financial performance and to identify trends. We propose that boards focus their review on the following eight key indicators, all of which are pretty common in the cooperative grocery world and offer at least a starting point in assessing your co-op's financial status. In diving into these indicators, you'll want to understand:

- What each indicator tells you. Which part of the financial picture does it help clarify? What are the general benchmarks for good (or better) financial performance? What factors influence this number—make it get better or worse?
- Overall trends. A single quarterly financial statement with less than desirable results is not a disaster. In any business, financial performance will fluctuate depending on the season, the economic climate, the local market, and any number of internal or external situations. However, having three or more consecutive quarters with poor performance, especially when it was not anticipated, does indicate that something is amiss and worth keeping an eye on.

By looking at these indicators over time, you'll be able to see what is changing and how the co-op's actions and results impact the indicators. Keep in mind that positive and negative trends are not necessarily good (or bad) indicators in and of themselves. Your analysis of the trend (is it a good trend or a bad one?) will depend on your goals, as well as the overall context. For instance, watching cash go down

Eight Key Financial Indicators

over six quarters may seem like a bad thing in isolation, but if you know the co-op plans to use cash for some much-needed improvements, it's no longer a red flag.

Watching these indicators will also help you better monitor the normal, related fluctuations of business cycles and isolate changes that need more attention. For instance, if sales are up 15 percent, you can expect dollars spent on labor and operational expenses to also be higher. On the other hand, if sales are down 5 percent, those same expenses should also decrease. The level of income needs to support the level of expenses. That's why we use ratios to monitor performance.

On the income statement, all items are expressed as a percentage of sales. Rather than looking at individual dollar amounts, look at the percentages on your budget and compare them to your quarterly, year-to-date, and rolling quarter information.

Some boards establish "red flag" warning signals. These can be deviations of a set percentage or dollar amount, depending on what you're looking at. One co-op has a red flag warning for anything that deviates 10 percent from budget, up or down. For instance, if your budget for labor is 23 percent of total income, 10 percent of that would be a 2.3 percent variance. So if your co-op's labor all of a sudden jumps up to 25.5 percent of total income, find out from the GM what the reasons are. If the deviation is less than 10 percent, you probably don't need to worry about it unless it trends upward for two or more consecutive quarters. Consider establishing red flags for your own co-op and experiment with the results.

To assist in your review of these eight key indicators, we offer very simplistic financial statements from a fictional co-op.

GREAT STUFF FOOD CO-OP

Quarterly Financial Statements as of September 30, 2010

Income Statement	Quarter Ending 9/30/10	Quarter Ending 9/30/10	Ratios*
Sales	2,700,000	3,000,000	10%
Cost of goods sold	1,905,000	2,046,000	
Gross margin	1,095,000	1,254,000	38%
Total expenses	1,085,000	1,221,000	37%
Other income/expenses	3,000	5,000	
Net surplus (profit)	**7,000**	**28,000**	**0.85%**

** See chart on page 14*

Balance Sheet	Quarter Ending 9/30/10
Assets	
Current assets—cash	600,000
Current assets—all others	150,000
Fixed assets	250,000
Other assets	10,000
Total assets	**1,010,000**
Liabilities	
Current liabilities	250,000
Long-term liabilities	310,500
Total liabilities	**560,500**
Equity	
Member investment	252,500
Retained earnings	155,000
Net income (YTD)	42,000
Total equity	**449,500**
Total liabilities and equity	**1,010,000**

Want to Read More?

Additional articles, as well as further resources, can be found in *LEADer* Issue 10 from Winter 2010.

Eight Key Financial Indicators Reference List

Indicator	What Is It	Where to Find It	What to Look For	General Benchmark	Preferred Trend	Red Flag	Great Stuff Food Co-op
Sales and sales growth	Total revenues collected through operation of normal business activities	Income statement	Has the historic level of business activity changed? Look at past years as well as quarter-to-quarter fluctuations. How do growth trends vary from season to season? How does growth compare to local competitors, to other co-ops, and to your goals?	At least +3% growth	Increasing	Decreasing	10%
Gross margin	Difference between cost of goods sold and sales. This money will pay for all expenses (labor, rent, supplies, etc.)	Income statement	Gross margin as a percentage of sales is one of the most important pieces of financial data that the board should monitor. Gross margin is the most difficult aspect of a retail food business to manage and control. A gross margin that is a few percentage points off its goal will have very negative effects on profitability.	Varies depending on market and product mix; in general 34–38%	Consistently meets targets	Unplanned and/or unexplained decreasing margin	38% (36.50% in prior year)
Expenses	Total amount paid for operating expenses (wages, rent, utilities, insurance, supplies, advertising, clean-ing, equipment, etc.)	Income statement	Percentages of various key expenses (personnel, marketing, etc.) should be monitored from period to period, as well as compared against industry standards.	At least 0.50% less than gross margin	At budget or less	Significantly over budget	37.0% (36.17% in prior year)
Net income (profit)	Difference between gross margin and total expenses	Income statement	This number will vary depending on the co-op's goals—are you trying to build some reserves to prepare for an expansion, or lower prices and accept less profit to provide better value to members? Compare to previous reporting periods to see if things are improving or not.	At least 0.50%	Meets budget or better	Losing money or in the red (unplanned)	0.85% (0.23% in prior year)
Cash and days of cash on hand	Money in the bank or readily available to pay operating expenses, including the purchase of goods for sale	Balance sheet	Compare cash balance to total purchases and expenses in a period to find the total days of cash. A week's worth of cash is workable. With more than two weeks' worth, cash should be invested rather than kept for immediate access.	10 or more days	Increasing, with more than 20 days	Decreasing, with less than 10 days	16.53 days
Current ratio	Ratio of current assets to current liabilities (divide current assets by current liabilities)	Balance sheet	Provides a comparison of assets available to cover short-term debt and financial obligations. Less than 1:1 can be trouble (not enough cash to meet current obligations).	1.25 (or $1.25 in current assets for each $1 in liabilities)	Steady at 1.25 or improving	Less than 1	3.0
Member shares	The percentage of total assets financed by member investment	Balance sheet	Answers the question, "How much of this co-op has been financed by member-owners?"	20–30%	Over 30%	Less than 20%	25%
Debt-to-equity ratio	Ratio showing the relationship between total debt and total equity (capital)	Balance sheet	Acceptable ratios vary depending on the situation. A range of 1:1 to 2:1 is realistic for most food co-ops. A ratio closer to 1:1 is advisable if the co-op is experiencing instability.	2:1	Decreasing and less than 2:1	Increasing and more than 2.5:1	1.25

Portions of this chart were adapted from *Reading and Utilizing Financial Statements* by Fred Stapenhorst.

BUILDING ALIGNMENT

A LEADer STUDY GUIDE

PART A:
A BOARD ORIENTATION CHECKLIST

From *LEADer Issue 9* (Fall 2010). A comprehensive board orientation should cover the following topics, but they need not be covered in one session or by the same person. This sample checklist shows what will be covered and when (at a retreat, board meeting, informal board session, or individual meeting), as well as who will review it.

TOPIC	WHEN	WHO
Conduct and ethics		
Board and management roles and responsibilities		
Board culture		
Expectations for board members regarding committee service, meetings, preparation, and community involvement		
Meeting structure and conduct		
Contents of the board manual		
Current issues facing the co-op and the board		
What committees are currently working on		
General manager/operational goals for the year		
Board goals or initiatives for the year		
Natural foods and grocery industry trends and issues		
Financials: current situation and bringing newcomers up to speed		

PART B: BOARD PLANNING CALENDAR

When you have new directors joining the board, the entire board can do this exercise.

Option 1: Reviewing the board calendar. If your board already has an annual planning calendar, spend at least 20 minutes with the full board (in a board meeting or a board study session) going through it, month by month. Review the key activities and decisions needed each month and discuss what the board will be reviewing in preceding months to prepare for those actions. Explain how committee work will support those activities. This exercise will help all board members be grounded, as a group, in the upcoming work and flow of board responsibilities. It will also help new board members understand what's coming in the next 12 to 18 months.

Option 2: Building a board calendar. If your board doesn't already have a planning calendar, spend at least 20 minutes discussing the following key board activities for the coming 12 to 18 months, including how the board wants or expects to deal with them. Review the calendar to identify months that have too many items and months with more time available. Adjust the calendar as appropriate.

Key activities to include on your board calendar:

- Annual meeting planning and preparations
- Board nominations and election reports
- Committee assignments and officer elections
- Approval of operating and capital budgets
- General manager evaluation or performance review
- Board planning retreat
- Review of quarterly financial statements
- Reports expected by the general manager on a scheduled basis (for example, an asset protection report)
- Approval of auditor engagement
- Review of annual audit or financial compilation report
- Annual board self-assessment and development plan discussions