



Checklist for Board Candidates

Thank you for considering running for Good Foods Board of Directors. The job of the Board is to maintain a strong link between the cooperative and its owners, assure owner satisfaction through systematic monitoring of co-op effectiveness, and continually develop new polices and modify existing policies. Please complete each step on this checklist. If you have questions, please contact a member of the Nominating Committee.

- Read the paper "Creating Boards That Lead" by Ann Hoyt and the Good Foods Co-op Governance Policies provided in your packet.
- Attend two Board Meetings. Meetings take place the 3rd Monday of each month at 7:00 PM in the Rochdale Room. Make sure your attendance is recorded.
- Attend one Candidate Open House. These are hosted at Good Foods in the fall and winter. Look for announcements in the store and in the Owner newsletter or contact a Nominating Committee member.
- Email your candidate statement to the Nominating Committee before January 31st. Your photo and candidate statement will be published along with the ballot in the Owner election announcement and displayed in the store.
- Set up a personal interview with one of the Nominating Committee members to ensure that all of your questions are answered and your materials are in order.

**** PLEASE NOTE THAT A CANDIDATE'S OWNERSHIP NUMBER MUST BE IN HIS/HER NAME AND THAT ALL CANDIDATES MUST BE CURRENT ON OWNERSHIP PAYMENTS OR PAID IN FULL.**

Nominating Committee members:

Tony (Sonia) Fox, Chair
(859) 268-2318

Jeff Watts
(859) 254-5318

Kit Andrews
(859) 229-4940

Contact us at: NomCom@GoodFoods.coop

Good Foods Co-op Board of Directors Code of Conduct

The board expects of itself and its members ethical and businesslike conduct. Immediately after election, each new board member will be given a copy of the form below and asked to sign and date it for Co-op records. By the January board meeting each year, every board member shall submit a self-evaluation with a comment on each bullet below. This report will be kept on file and accessible to the Nominations Committee. At the January board meeting, the board will devote a portion of the agenda to collectively assessing its work of the past year in light of this Code of Conduct, with a focus on strengths and areas for improvement in the coming year.

As a Co-op director, I pledge to do my best for Good Foods Co-op and will:

1. Devote the time to fulfill the responsibilities of the position;
2. Attend all regular and special board meetings and task groups of which I am a member and actively participate in board training sessions and retreats to enhance board understanding and cohesiveness;
3. Be prompt, attentive, and prepared for all board and committee meetings;
4. Contribute to and encourage open, respectful, and thorough discussions by the board;
5. Consider the business of the Co-op and its owners to be confidential in nature;
6. Disclose any personal, organizational or business conflict of interest(s) I may have pertaining to governing, monetary interests, or relations with competing organizations, and refrain from discussing or voting on any issues related to said conflict(s);
7. Be honest, helpful, diligent, and respectful in my dealings with the Co-op, with other directors, and the Co-op's management, staff, and owners;
8. Work for continued and increased effectiveness in the Co-op's ability to serve its owners;
9. Abide by decisions of the board, even if it is not my personal opinion, and present the agreed-upon view of the board when I speak for the Co-op to owners, potential owners, employees, shoppers and the general public. While we strive for consensus, such agreement may not be possible in every instance. The commitment to the board includes respectful expression of dissent as well as proper use of authority and appropriate decorum when acting as board members;
10. Refrain from asking for the special privileges as a board member and from interfering with management's authority;
11. Work to ensure that the Co-op is controlled in a democratic fashion by its owners and that all elections are open, fair, and encourage the participation of all owners;
12. Strive at all times to keep the owners informed of the Co-op's status and plans, and of the board's work, as appropriate;
13. Continually seek to learn more about the Co-op and its operations and about my responsibilities as a board member by pursuing educational opportunities.

As a Co-op director, I agree to abide by this Code of Conduct. I agree that if I have violated the letter or spirit of this agreement, the other board members may take action to remove me from the board pursuant to the Co-op's bylaws.



Board of Directors Candidate Statement

Name:

Address:

Phone:

Email:

1. How long have you been an owner of Good Foods?
2. Please describe your level of involvement with Good Foods past and present.
3. Describe any experience you've had with other co-ops.
4. What experience have you had serving on other committees or on other Boards of Directors?

(Please complete both sides)

This article originally appeared in *The Cooperative Grocer*, June-July, 1995

CREATING BOARDS THAT LEAD

By Ann Hoyt

This article describes the meaningful and critical role the board must play in cooperative affairs. Hopefully it will help clarify what the board should be doing, how the board can organize its work and what unique products the board contributes to your cooperative's success. This information is derived from the work of John Carver. If it interests you, I suggest you read Carver's book on policy governance, *Boards That Make a Difference*, Jossey Bass, 1990.

Listen Up! We've Got a Problem Here

Recently a prominent cooperative manager called to talk about her board. "Our boards are destroying our cooperatives, she said. "They are keeping us from being competitive." How could this be? I've worked with and trained hundreds of directors. Overall, they are capable, well-intentioned, well-educated men and women.

On the other hand, listen to directors: "We don't seem to be getting anything done at our meetings." "Our manager is doing a great job; there isn't much left for us to do anymore." "I'm on the board. Does that mean I have to know everything about the co-op?" "I get the feeling I haven't mastered the financials as well as I should."

These comments and hundreds of others like them have convinced me that many cooperative directors and managers are uneasy with the role of directors as it is being played in many cooperatives.

This problem of "poor" board performance is not unique to cooperatives. Few Americans would rush forward to defend the Congress, state legislators, or even school boards as models of "good governance." It is equally difficult to find good governance in the corporate world.

In fact, only when prodded by large stockholders and shareholder legal action have boards of many investor-owned corporations questioned the quality of their performance.

What does this mean for cooperative boards? Are they a tedious and anachronistic holdover from the past? Or do they play a unique role in the organization; a role played by no one else?

Begin at the Beginning

It is not possible to understand the role of a board without clearly understanding the concept of governance. To govern is to make decisions on behalf of others which provide benefits for the group as a whole. By law and through members' expectations the board is given responsibility to generate four specific products. When the board produces these products it will successfully achieve its sole purpose: to use and protect the resources members have entrusted to it in order to improve their lives. The job of a cooperative director is to make decisions which benefit the co-op members. If the job is done well, the most benefits will be provided to the largest number of members at the least cost.

Members recognize it is impractical for everyone to participate in all the decisions necessary to run their business, so they elect a board of directors and confer upon them the authority to make decisions. Because the board needs money, people, equipment and other resources to carry out decisions, members entrust these resources to the directors, assuming resources will be used effectively and efficiently.

In return for authority granted, the board is *accountable* for all cooperative activities. Board members must be able to describe what decisions have been made, how member resources have been used and what results were achieved. This is different than being *responsible* for the activities. Governors are not expected to perform activities that meet the needs of the members, they are expected to be accountable for them.

In the context of decision making, the board becomes a single unit: it exercises authority and it decides. Although the board is composed of individuals, they must be able to come to sufficient agreement to make a single decision that is the *board's* statement on an issue. Board members hold authority only when they are acting as a board. Outside of the board room, board members have no more authority than any other member-owner of the cooperative. As a result, even though the board is often composed of very strong individual

members with strong, and possibly differing, opinions, the board's decisions are made in board meetings and expressed with *a single voice*.

What Results Should Members Expect?

There are four unique results or products of the board's work. The board's first product is providing ties or **linkage to the member owners**. A board cannot carry out its responsibilities without determining who is the ownership and how they can best be heard. This means deciding who the organization serves and might serve in the future, finding out what they want or need from the cooperative, and setting up ways for the board to report to the members on its success at meeting their needs.

Earlier we said the board's decisions must be expressed with a single voice. Through practice, we have come to identify decisions that the board has reached and is willing to express with a single voice as the board's policies. The second product of the board's work is its **policies**, the decisions it makes that give direction to cooperative activities.

Unfortunately, decisions, however wise and well crafted, do not assure that action will follow. Often policies are buried in board minutes, directors and staff have difficulty remembering exactly what they are, and, can't say for sure if the policy is being followed. This leads to the third responsibility of the board: to make sure decisions are being carried out, or **assurance of performance**. This means setting up a monitoring system that establishes a regular schedule and procedure for reviewing each decision/policy. Only by enacting effective monitoring procedures can the board be accountable to the membership.

Directors are responsible for the security of the members' resources. Carrying out this responsibility is the fourth result of the board's work: **assurance of perpetuity** or continuing life of the cooperative. This includes the board's responsibility for the security of financial resources, for the continuity of competent management, and for its own continuity (i.e., assuring that good board candidates are available and comprehensive policies are in place).

To review, the results members have a right to expect from directors and that directors have a responsibility to produce for members are:

- linkage to the member owners;
- comprehensive policies;
- assurance of performance; and
- perpetuation of the cooperative.

Boards that produce these products are functioning well. Other boards have some work to do. They can look forward to becoming a board that contributes real and important results to the overall success of the cooperative, a board that clearly understands what it intends to accomplish.

Debate, Decide and Direct: Making Board Policy

A policy is a written statement of the values and expectations which guide current and future decisions. In general, the board uses policies to describe *what* it wants done or *what* it does not want to happen rather than describing *how* something will be done or *how* it will be prevented. If the board understands how to make policies and what kinds of policies should be in place, it will have made major progress toward achieving the results members expect.

The key to developing policies is to start with the largest issue in each category before considering smaller issues. For example, when the board is developing the boundaries of acceptable activity, it might say management "will not conduct any activity which is illegal, unethical or imprudent." This clearly states the board's values about acceptable activity. However, most boards want to give additional and more specific guidance to management. The idea is to work in sequence, one policy level at a time, with each policy being a more specific statement than the policy that preceded it. The board stops making policies when it can accept any possible interpretation of the most specific policy. At that point, all further decisions are delegated to management. Ultimately it should be impossible for an issue not to be covered by board policy at some level. The board's goal is to produce a fabric of policies that effectively blankets all possibilities. (This is the essence of the image of nested bowls of policy.)

Boards are critically dependent on two people for leadership: the manager and the board chair. When all is said and done, *all* board decisions are directions for one or the other and, through them, to the board and staff.

Policies directed to the manager cover two broad policy areas: those that describe results the board expects and those that describe activities which are not acceptable to the board. The board says to management, "Here's what we want you to accomplish and here's what we *don't* want you to do unless you check with us first." Policies that give guidance to the board chair include those that describe the relationship between the board and the general manager and those that describe how the board will do its work. Virtually all of the board's

decisions are made in one of these four areas:

- results (ends),
- boundaries (means),
- board management relations and
- board process.

What We Want: Results Policies

The board is responsible for determining and refining why the organization exists, what it does that is worthwhile. Before considering what is worthwhile, the board must consider whose needs will be met. Who are the members and potential members the cooperative serves? Then the board determines which member needs will be met. For example, cooperatives can exist to increase the income of their members, to make goods available at a fair price, or to build an economically self-sufficient community. The board must also determine what constitutes satisfaction. How will we know when we are successful? These questions relating to “why are we here” should be the board’s primary business. It is the board’s obligation to provide management with a very clear message regarding what ends should be achieved and what results are expected.

Results policies clearly define specific results that are expected. They clarify what impact the cooperative will have on its community or what difference it makes that the cooperative exists. It is in establishing these policies that the board determines the long term direction of the cooperative, determines the organization’s mission and provides visionary leadership. Clearly, the board will rely heavily on management to provide information and insight on which to base their decisions regarding desired results, but the responsibility to debate the issues, make a decision and direct the manager is the board’s and is solely the board’s.

Not Until You Ask Us First: Setting Boundaries

The board is not only concerned about what should be accomplished. It is also concerned with how results are achieved. Since the board is responsible and accountable for all of the activities of the cooperative it must have control over the complexity and the details of operations without being consumed by them.

The challenge to the board is to be reasonably sure that nothing goes wrong, while giving management as much room as possible to get the job done.

The concept of boundary policies goes to the heart of board members’ legal and fiduciary responsibilities. Because there are significant penalties to the board as a whole and to individual board members in some cases, board members are entirely justified in their desire that all activities of the cooperative be legal and prudent.

By setting limits on activities, the board makes clear statements about what is unacceptable activity, what activities are “out of bounds.” Management should not do these things even if they meet the board determined ends without prior board approval. The most important concern for any board should be that all activities are legal, ethical and prudent. The board may, however, want to be more precise and define more specific boundaries in major areas of concern. These might include treatment and compensation of employees, protection of assets, financial condition, financial planning and management succession. By defining and monitoring the boundaries of its own decision making, the board can be reasonably assured that it will approve of all activities within the boundaries without having to specifically and laboriously review each and every action.

For example, I sit on a board that has a significant investment portfolio. For some time, we were dissatisfied with the performance of the portfolio. Someone would say, “With an portfolio like this, we should be getting better returns.” Or, “I’m getting *much* better returns than we’re getting here.” Various board members had their favorite “good stock” or “bad stock.” Then we had a bad year on the market. The board was forced to rethink its investment policy. It took us a year to develop a series of policies, but we now are focused on the issues that concern us most: investment security within reasonable risk levels, generation of sufficient income to maintain organizational activities and provision for long term growth in the underlying portfolio.

While many board members are still vitally interested in performance of individual securities, we no longer spend valuable board time discussing the relative merits of each one. Instead, we receive a clear and concise report that addresses our three areas of concern. As long as performance is within the goals and boundaries we have set, there is no need to prolong the discussion. We have clearly moved out of our well-intentioned, but misguided attempts to micro-manage the portfolio, something that none of us had the time or the professional skills to do well. We pay professionals to manage the investments within the guidelines of very specific policy statements. Because we have clearly defined what results we want (earnings and growth targets) and what we don’t want to happen (concentration in a single type of security, investment in poorly rated companies) and we receive regular reports specifically directed to the policies, we can be assured that everything is under control.

Boundary policies are statements about what the cooperative will not do. They are explicit statements about what practices, methods or activities are either unacceptable or need board approval prior to taking action.

Working Together: Board-Management Relationships

The most successful cooperatives have both strong boards and strong management. Managers and boards operate in a unique working environment. Most of us “work for a boss” who is a specific individual who has the authority to delegate responsibilities to us. The relationship is one to one. The relationship of many to one between a board and a manager is quite different. It is the board’s responsibility to establish methods by which it can speak with a single voice to establish its expectations of management. The most effective way for the board to do this is to enact specific policies that clearly define the relationship it wants with management. These policies direct the board’s behavior and give guidance to the board chair. Policies in this category define how the board delegates its authority to management, how management will be accountable to the board, what the manager’s role is in the organization, how management will be compensated, and how the board will measure organizational and managerial performance.

In the board management area, the most general policy (the largest mixing bowl) usually conveys that the board wants management to achieve the results it has defined without violating any of its stated limits on results.

Conducting Our Business: Board Process

The final group of policies gives direction to the board itself. They identify how the board gets its work done and assures that these methods will continue even though individual members will rotate on and off the board over time. These are the board’s statements which describe its governance process, that is, how the board operates in order to act on behalf of the members. Board process policies include: how the board identifies member needs, represents the members and protects the interests of all stakeholders; how the board conducts its own business, its structure, the number of meetings, the use of policies, use of committees and board compensation; and how the board ensures its own continuity through direction selection procedures, board self-evaluation and board training and development.

Assuring Performance

One of the most difficult tasks of any board member is deciding how and when he or she should be satisfied that “things are OK in the business.” Boards can get completely caught up in the murky morass of micro-management solely out of concern that something might be going wrong. Conscientious board members soon learn the impossibility of out-managing management. Managers are hired precisely because directors are not able to work at managing the cooperative full time.

When policies are complete, they should address everything that might bring concern to the board. However, the policy has little meaning unless it is also absolutely clear how and when the board will determine whether the policy is being followed. Suppose the board has a policy that “management will provide for a fair and thorough review of any grievance by means of a known, unbiased procedure with decision authority clearly designated.” Although the board has made a decision and declared its values regarding grievance policies, to determine whether the policy is being followed, the board might want a report from management quarterly or semi-annually. That report should state the policy and summarize how many grievances had been filed, their disposition and the person who had ultimate decision authority. The policy is complete when the board has defined what kind of a report it wants on the policy, from whom and what specific information should be provided.

Information the board uses to evaluate performance is, obviously, retrospective; it reports on what has been accomplished. It is judgmental; it is clearly designed to determine the adequacy of performance. It should also be targeted; that is it should answer specific questions regarding specific performance criteria as determined by the policies. It should also be predictable for management. If the board has unstated expectations for performance, it should not try to judge the adequacy of performance after the fact. Or, “if you haven’t said how it ought to be, don’t ask how it is.”

The board should decide how important and how potentially damaging the violation of a policy might be and determine the frequency of monitoring that policy accordingly. For example, if a cooperative is in a turnaround situation where cash flow and use of credit might have severe financial consequences, it may want to monitor its financial condition policies monthly. If the finances of an organization are both stable and predictable, such monitoring might only be quarterly.

In general, the board has three sources of monitoring information: *internal reports* from management or staff; *external reports* generated by people from outside the organization; and *direct inspection reports*

generated by the board or members of the board who look into a matter themselves.

Internal reports carry no additional expense to the board and are the most common source of information. However, they may be open to internal manipulation. External reports are usually conducted by paid professionals and viewed as “objectively prepared by disinterested parties.” The most common external report is the annual audit prepared by a certified accountant. In some cases, the board must collect information by an on-site examination. In these cases, the inspection should be directly tied to the policy being evaluated and its monitoring procedure. The board members involved in direct inspection must limit themselves to an evaluation of whether the policy under evaluation has been successfully implemented. Most boards routinely use a combination of all three sources of information to monitor organizational activities.

We Can Take Charge

Boards may be putting our cooperatives at risk if they are so concerned that things went wrong in the past or might go wrong in the present that they are unable to focus. Out of the best intentions, board members may lose track of their unique job while struggling to become super-managers. To stay organized and focused, the board needs to work on the future direction of the cooperative, providing the absolutely essential leadership member owners expect.

What can be done to get our boards back on track? Managers and directors need to realize there is a problem and that behavior on both sides of the organization has to change if it is to be solved.

Boards need to dedicate themselves to achieving their sole purpose: to use and protect the resources members have entrusted to them in order to improve the overall quality of life for all members.

Boards need to understand governance and the flow of authority and accountability between them, the members and management.

Boards need to focus on producing results in the four activities that are theirs alone: linkage to the members; creation of policies that are logically consistent and encompass the values and perspectives of the organization; assurance of performance; and perpetuation of the organization.

At the minimum, policies should be in place which define the results desired; set the boundaries for acceptable organization activities, establish the board-management relationship and articulate the board's process.

In this way, the board becomes a strong partner with management in assuring success of the cooperative. This happens because the board is conducting itself in a way that emphasizes strategic leadership that prepares for the future, assures board accountability and is more proactive than reactive. Having been on such a board, individual board members can take honest satisfaction in having provided important and distinguished service to their neighbors and their community.