

Meaningful Metrics

General manager reporting closes the accountability loop

BY TODD WALLACE

Successful reporting is essential to maintaining a positive board-management relationship. A sound process—one that includes the creation of meaningful metrics—is a powerful tool that closes the accountability loop and demonstrates organizational accomplishment. Having these two components in place builds alignment, engagement, and commitment to the accomplishment of the co-op's long-term goals.

A board's work includes two streams. One looks inward, to ensure accountability of the management on behalf of the member-owners. The other looks outward and forward, to understand relevant issues and trends in the community and the co-op's place in relation to them. The first stream is very metric based. An effective board creates clear, written expectations for the general manager (GM) in the form of policies, and then, based on these pre-established expectations, uses a cycle of regular reporting to ensure that those expectations have been met.

If the board is using the Policy Governance model, that cycle consists of reports on executive limitations, which proscribe unacceptable operational means, and an annual report on the co-op's ends, which prescribes long-term organizational results. The GM's creation of meaningful metrics in relation to this reporting process is necessary for closing this accountability loop. Relevant data presented in a clear way, contextualized information that shows long-term trends, and operational definitions with a reasonable interpretation or rationale go a long way in creating a reporting process that works.

Michael Healy of the CDS Consulting Co-op, as part of the Cooperative Board Leadership Development (CBLD) GM Report Support project, has showcased a number of helpful reporting strategies in a series of online, recorded workshops, complete with examples of CBLD policy template reports. He discusses in greater detail a number of the points that follow. (The sample reports and the online recorded workshops are all available online in the CBLD library: <http://cdsconsulting.coop/cblibrary>.)

Presentation points

As in any system of communication, it is important that reports present information in a way that is clear and easily understood. To this end, using

pictures and graphs to present complex data or long-term trends is extremely helpful. Source material, such as financial statements or staff surveys, should be included as attachments to the report, rather than compiled and submitted as the report itself. This allows the board to immediately recognize relevant information, while also giving directors reference access to the supporting documentation and source material. Finally, it is helpful to include a statement in the report introduction that explains to the directors what they can expect to find, whether it is compliance with all the policies being monitored, a noncompliance situation, or any other point on which their attention should be particularly focused. A simple statement such as, "I report compliance with all parts of this policy except policy B.1.2," for example, helps ensure that directors know to pay close attention to that section.

Effective reporting doesn't just present data, of course, but also provides context for the information, making it relevant and meaningful to the board. Data about the co-op's solvency, for example, is often presented as the total liabilities divided by the total equity (a debt-to-equity ratio). In isolation this number means very little, but taken as a series of data points over an extended period of time, the trend line of these numbers tells a meaningful and important story. An expansion project, for example, may have greatly increased the co-op's debt but, slowly and over time, also increased the co-op's equity.

The board's vision should never be narrowly limited to the present, instead being expansive enough to include the present, the co-op's history, and future momentum. Directors need to understand not just the co-op's immediate position, but also its relevant trends over time. Such perspective is often difficult to achieve on a board, especially for directors who are newly elected. Showing the relevant data over an extended period, as in the above example, helps create this understanding. In a recent CBLD online recorded workshop on monitoring financial conditions, Clem Nilan of the City Market/Onion River Co-op in Burlington, Vt., said, "We plotted our data out over the course of three



years . . . It helps the board to focus on the health of the co-op over a long period of time, rather than just on the here and now."

Definitions and interpretations

It is common for co-ops that use this type of reporting process to include in reports reasonably formulated operational definitions and interpretations of board policies. These two concepts work together to help a board appreciate and understand the data being presented and the claim of compliance or noncompliance with the policy. Operational definitions are the hard measurements or benchmarks the GM has chosen to use to demonstrate compliance or noncompliance; they are declarations by the GM of tangible, measurable results. Interpretations articulate the GM's reasoning or rationale for choosing a particular measurement.

A GM can begin by formulating either an operational definition or an interpretation but should understand their difference, and separating them can help immensely with the report writing process. With these concepts separated and highlighted in the report, the data itself becomes simply the piece of information that shows compliance or non-compliance with the policy.

A simple example of this from an executive limitations report would be:

Policy: The GM will not allow solvency, or the relationship of debt to member-owners' equity, to be insufficient.

Interpretation: The debt-to-equity ratio (total liabilities divided by total equity) is a commonly used measure of solvency. The CoCoFiSt benchmark for jeopardy is a debt-to-equity ratio above 3.0.

Operational definition: Our actual debt-to-

Equity ratio must be below 3.0 to demonstrate compliance.

For another example, imagine a co-op's ends policy stating that because of the co-op, there will be "a community educated about health, nutrition, and cooperatives." A reasonable interpretation could describe a membership and customer base that perceives the co-op as a source of useful, expert information on nutrition and the value of co-ops in our society. This is the reasoning that supports the operational definition. That operational definition would then describe tangible methods to measure this condition—such as an increase in the level of attendance for educational events at the co-op, over a baseline amount established in a previous year, and favorable average results on a customer survey question, again as compared to a previously established baseline result. The actual data would then follow.

All of this effort ties directly to management's ability to demonstrate they are accountable to the board's pre-established expectations and, ultimately, that the board and the co-op are accountable to the membership. With a solid reporting process in place, there is the potential to show organizational accomplishment, not only within the board-management communication stream but also to the member-owners and the general community.

Telling the story

As organizations that are both values-driven and member-driven, it's imperative that cooperatives succeed both in accomplishing their stated ends and in successfully telling the story of the difference they're making in their member-owners' lives and in the larger community. Many presenters at this year's CCMA conference (see the July–August issue of *CG*) emphasized the importance of telling a compelling story of why, as cooperatives, we are different, why we matter. Telling a compelling story is supported by a successful reporting process: the board sets organizational expectations, and the management innovatively works to achieve these transformational ends, then reports back to the board. The ongoing data collection and contextualization of that data required by this process puts the GM in a great position to frame the value the co-op provides to the member-owners. The process provides management, board, and member-owners a common language about how delivery of the co-op mission is fulfilled. Data points that are noted in a co-op's ends report, and the story told by that data, can be used as powerful information in the co-op's annual report to the membership.

For example, the 2009–2010 annual report from the People's Food Co-op in Portland, Ore., included the following metrics from their Ends report: the amount of new and total owner equity over the past few years, the amount of donations made to local nonprofits, and the number of low-interest loans made to community and cooperative businesses. They related this data to one of their ends, "thriving cooperative and local economies," and framed it by using the introductory statement, "2009 was a landmark year in our work to cultivate a thriving cooperative and local economy"—thus beginning a potentially compelling narrative about the difference they are making in the local community, supported by and on behalf of the member-owners.

By using effective reporting systems to tell the co-op's story of organizational accomplishment and completing the accountability loop, co-ops are able to build alignment, engagement, and commitment to the shared vision of the board, GM, and member-owner community. In a recent panel discussion on Ends reports, I asked a number of managers from co-ops across the country these questions: "How does your Ends report add value to the organization? Do you use the Ends report and related processes in ways other than providing them to your board?"

Tim Bartlett of the Lexington Co-op in Buffalo, N.Y., said, "It gives us a lot of data that we didn't used to have, and what we measure shapes our organization," and "It gives us a large number of exciting measurements to show our owners in our Annual Report." Clem Nilan of Onion River/City Market in Burlington, Vt., noted that the Ends reporting creates "a mindfulness in the organization . . . The decisions that you're making on a day-to-day basis and the thinking that you're doing are in the framework of what the ends are. It creates a culture where everybody is thinking along the same lines, and I think that's incredibly important." ■



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