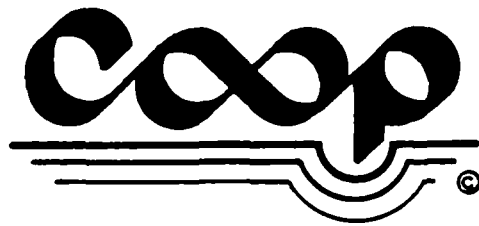


# **COOPERATION BEGINS WITH YOU**

**An Orientation Handbook For  
Student Housing Cooperative  
Boards of Directors**



**By Karin Evans  
For the  
North American Students of Cooperation  
Copyright 1984**

## ACKNOWLEDGEMENTS

I wrote the first draft of this handbook under the guidance of Francie Ferguson, then NASCO's Director of Member Services, in the summer of 1981. Since that summer, both NASCO's member student co-ops and I have outgrown that first draft. Through putting this handbook together in its final version, I have become aware of the extent to which Francie has shared with student cooperatives her vision of excellence. Much of the credit for our development (mine and that of the student co-ops NASCO works with) belongs to her.

Many others contributed their wisdom, talents, and humor to this handbook. Jim Jones, NASCO's Executive Director, wrote the section on finances. Karen Zimbelman, our Director of Training, is largely responsible for my understanding of cooperative education, and sections of this handbook are indebted to her work in this area. Terry Young, our editorial assistant, is always ready to interpret the obscurest of comma rules. And writers for Leadership Directions also provided me with invaluable material; some of their articles are reprinted here; others were background information for several sections.

I would also like to mention the contribution of the Co-operative Housing Federation of Toronto to the training resources available to housing cooperators. The Federation's outstanding work has been of great help in writing this handbook. While I have tried to give credit where credit is due, it sometimes becomes hard to tell where an idea that seems like my own might have come from. Much like Francie's visions and Karen's thesis materials on cooperative education, the Federation's materials have crept into my writing.

Finally, without the student co-ops with whom I have worked for the past two years, nothing would have been any fun!

Karin Evans  
Director of Member Services  
March 1984

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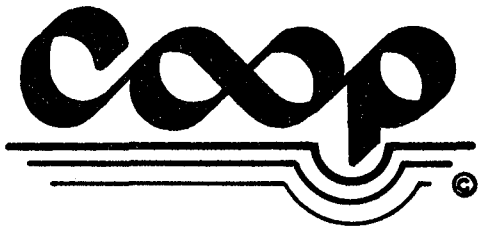
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## THE NORTH AMERICAN STUDENTS OF COOPERATION

Providing services to student cooperatives has been a primary focus of NASCO's operations since our inception in 1968. Each year our student cooperative members attend our Cooperative Education and Training Institute; receive visits from our professional staff for training and consulting; order books and other resource materials from our publications service; read our two newsletters, Leadership Directions and Newsbriefs; call us on the phone for impromptu problem-solving; publicize the summer internship opportunities we arrange for students in co-ops and co-op organizations.

Besides serving student co-ops that already exist, NASCO encourages and assists the development of new student co-ops. We also work with other co-op sectors through several of our programs, especially training and the Institute. We bring student co-ops' concerns to other co-op organizations, and build bridges wherever we can that add to our resources and extend our network.

NASCO is democratically controlled by its members through an elected board of directors. In addition, one representative from each member student co-op sits on the Active Member Advisory Council, which assists our board and staff in developing and evaluating programs for student co-ops.



### THE NASCO CO-OP SYMBOL:

*Social and financial responsibility represent two equally important aspects of a cooperative. They can be envisioned symbolically by the two sides of the hyphen in the word "co-op."*

*Joining the two sides creates the infinity sign of limitless potential. Used also by Swedish and Japanese co-ops, the infinity sign, together with the underlying international symbol of the rainbow flag, demonstrate the world-wide harmony of the cooperative vision.*

*NASCO's vision is: "To achieve a socially and financially responsible North American cooperative sector for all people and organizations interested in applying the principles and practices of cooperation."*

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## INTRODUCTION

As a member of a co-op's board of directors, you are responsible for your co-op's success as a principled business: a business focused on meeting people's needs, not on profit. Your personal leadership — your knowledge and skills; your interactions with members, staff, and the public as a co-op director; your creativity, and your input — will have an impact on the co-op's ability to function efficiently and democratically. As a volunteer leader in the community in which you live, you will seldom be "off the job."

This handbook is intended as an orientation tool and ongoing handbook for student housing co-op boards of directors. It is not an exhaustive treatise on every subject of interest to a board; that's already been written. It is simply an introduction to the central concerns facing you as a director.

The purpose of the handbook is to emphasize the importance of your role as a director, to outline the nature of that role, and to give you the information and tools you need to get off on the right foot as a board member. It is also meant as a springboard for discussion among new and returning board members, and is laced with questions and issues you might choose to take up in the process of making your co-op a better place to live in.

The handbook also provides several models developed by NASCO staff that we feel work well for student co-ops, based on our years of experience working with you. Thus some sections, such as those about finances, planning, staff structure, and board operations, will give you pictures against which to compare your co-op's current practices.

## BOARD ORIENTATION

Board training and orientation are not necessarily the same thing. A board training program, in fact, may be better invested in a board that has been through an effective orientation and has had a little time to feel its way through some decisions as a group, identify key strengths and weaknesses in the co-op, and get an idea of where its priorities should lie.

This handbook does not stand alone as board orientation. Board orientation should consist of:

- An overview of the work of the previous term or year's board;
- An overview of what faces the board for the coming term or year, and an explanation of the planning process used by the co-op;
- An introduction to the board's procedures, such as record-keeping, rules of order, and committee structure;
- An introduction to the mechanics of how the co-op is run — staff job descriptions, office procedures, etc.;

- An explanation of financial statements and the budget;
- Ice-breaking/group-building discussions, games, introductions, dinners, etc.;
- Reading this handbook;
- Looking over materials specific to your co-op, such as recent minutes and manager reports, policy notebook, current planning documents, and committee instruction sheets.

#### Orientation Planning and Format

Continuing board members, especially officers, and the co-op's manager are best qualified to plan an orientation for new board members. Sessions or activities should be planned well in advance so that people can schedule around them, and can come prepared by reading materials ahead of time, planning a presentation for new members, and so forth.

All board members, new and old, must be present for some parts of the orientation, especially introductions and social times and the overview of the coming term or year. It's best to have everyone there for everything, since there will be more of a chance to get to know each other, and old board members are likely to be surprised at what they might learn!

Besides using a board meeting for orientation, set aside a weekend afternoon or some other free time, and find a pleasant, quiet, retreat-like setting away from the pressure of a business meeting. Involve your staff; include social time.

For ongoing support of new board members, a good tool is a "buddy system" that assigns each new member to an old member.

## 1. THE BASICS OF COOPERATION —

### BLENDING BUSINESS AND SOCIAL RESPONSIBILITY

The word "cooperative" when applied to a business has a certain meaning and a fascinating history. Co-ops grew out of people's visions for a better world, and our day-to-day work in our co-ops will be enriched by keeping a sense of those visions alive.

Definitions of cooperatives are varied, but they all include two very important elements:

- THE SPIRIT OF COOPERATION — The values that underlie our actions; our commitment to creating a democratic society in which people have control over the organizations that provide for their needs.
- THE STRUCTURE OF COOPERATION — The specific business structure we create to put our values into practice.

In general, A COOPERATIVE IS A MEMBER-OWNED, MEMBER-CONTROLLED BUSINESS WHICH OPERATES ACCORDING TO THE COOPERATIVE PRINCIPLES.

### THE ROCHDALE PIONEERS AND THE COOPERATIVE PRINCIPLES

The six cooperative principles that we now use to define the nature of a cooperative appeared in their original form in the 1840's. A group of textile workers, fired and then blacklisted after an unsuccessful weavers' strike, formed the Rochdale Society of Equitable Pioneers, now recognized as the first consumer co-op of the form in which we know them today.

The principles by which they operated the Rochdale Society have evolved over the years into the Cooperative Principles we now use. These principles have been adopted by the International Cooperative Alliance and form the basis for the organization of cooperatives all over the world.

#### The Cooperative Principles

(as adopted by the International Cooperative Alliance)

1. OPEN AND VOLUNTARY MEMBERSHIP.

*Co-ops do not restrict membership for any social, political, or religious reasons. They are open to all persons who can make use of their services and are willing to accept the responsibilities of membership.*

2. ONE MEMBER, ONE VOTE.

*Each member has equal voting power regardless of financial investment in the cooperative. This is an important difference between co-ops and conventional*

businesses, in which voting rights are in proportion to investment. Many co-ops have a board of directors, elected by the membership, that oversees the business of the cooperative.

3. RETURN OF SURPLUS TO MEMBERS.

Any surplus (profit) arising out of the co-op's operations belongs to the members. Part of it may be distributed to the members on the basis of patronage, the amount of goods or services the member bought from the co-op. In housing co-ops, it is often retained as a way of providing additional services, reducing future charges, or adding to reserves.

4. LIMITED RETURN ON INVESTMENT.

Any money invested in the co-op by a member, in the form of a share or deposit, can earn only a limited rate of interest. The low rate ensures that those who invest in the cooperative are its users, and deters investors who are interested solely in profit. Most student co-ops do not have shares. If they do, generally they bring no interest to the member.

5. EDUCATION OF MEMBERS AND THE PUBLIC.

Education in the principles and practices of cooperation encourages member participation. Education of the public lets people know about the economic benefits of cooperation and the services available through co-ops.

6. COOPERATION AMONG COOPERATIVES.

The principle of mutual self-help that forms any individual co-op extends logically to networks of cooperatives. All co-ops are strengthened through communication and assistance, often through the channels of organizations — local, regional, national, and international. NASCO is one such organization.

## KINDS OF CO-OPS

Cooperatives are classified by function into three general categories, although the co-op structure can be adapted to almost any type of business.

Consumer Co-op: A group of individuals who provide themselves with the highest quality goods or services at the lowest possible price.

Examples: Housing, Food, Daycare.

Producer Co-op: Comprised of individual producers who market their products as group to non-member consumers. Producer co-ops help their members obtain production-related goods and services at the lowest possible costs.

Examples: Agricultural Co-ops, Craft/Artisan Co-ops.

Worker Co-op: Any kind of business or industry in which the members are both the workers and the collective owners. A worker co-op furnishes its members with employment as well as the benefits of workplace ownership and control.

Examples: Bakeries, Plywood Manufacturing, Food Processing.



## THE COOPERATIVE MOVEMENT

The co-op movement is really just an idea. But co-ops have a lot in common and a lot to share with each other — materials, conferences, publications, leadership, organizations of all kinds. NASCO fosters the idea of the cooperative community by hosting a conference every year, bringing the concerns of Canadian and American cooperatives together in one organization, and helping co-ops with common interest to share with each other.

There are other organizations that strengthen the cooperative movement with their efforts. For example, the Cooperative League of the USA and the Co-operative Housing Foundation of Canada are both strong lobbying organizations. Other organizations for various industry sectors and geographical locations also assist co-ops with programs oriented to their needs, such as the Alliance of Warehouses and Federations, serving the cooperative food sector, and the California Cooperative Federation, which is a multi-sectoral organization.

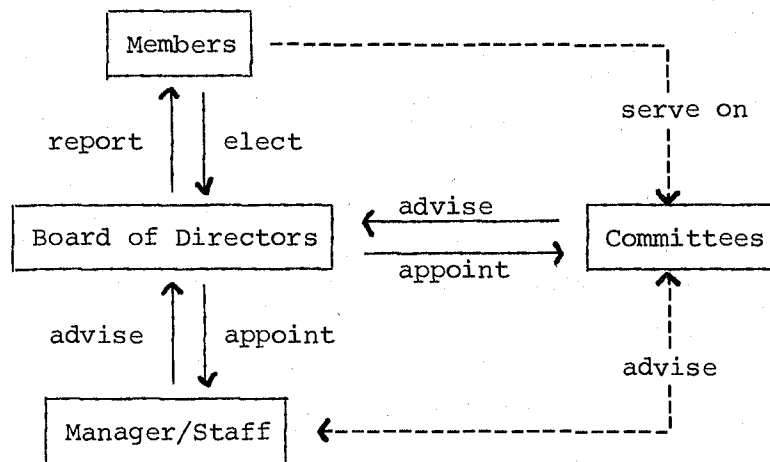
## STUDENT HOUSING COOPERATIVES

Student housing cooperatives, although they comprise a small sector in comparison to family housing, have an important role to play in the cooperative movement. Student co-ops provide their members with a hands-on experience of cooperation that has no equal, with correspondingly impressive results. Student cooperators learn important life skills through the operation of their co-ops, and the student co-op sector regularly launches committed leadership into the co-op movement.

Student co-ops come in all shapes and sizes, from single group houses of 10 people all the way to high-rise apartment buildings, and everything in between. In addition to student housing co-ops, there are other kinds of co-ops that serve students and are located on or near college campuses. Retail co-ops, especially bookstores; daycare co-ops; food co-ops; and restaurant co-ops are among them.

## 2. CO-OP ORGANIZATIONAL STRUCTURE AND FUNCTIONS

Co-op structure breaks down at its most basic level into three parts: members, who receive the services of the co-op; staff, who carry out the daily operations to provide the services; and the board of directors, who monitor operations and plan for the future.



### MEMBER FUNCTIONS

- Receive the services the co-op provides.
- Vote; give input to democratically-elected board.
- Attend meetings; keep aware of co-op issues.
- Pay charges promptly.
- Understand co-op principles and the workings of the co-op.
- Assist co-op in maintaining good community image.

### STAFF FUNCTIONS

- Tend to daily administration and operations.
- Advise board; assist in planning and policy-making.
- Implement plans, budgets, policies.
- Education membership.

### BOARD FUNCTIONS

- Develop and monitor plans for overall co-op operations.
- Approve and monitor budgets and financial reports.
- Hire or appoint, evaluate, and fire management.
- Communicate regularly with membership.

Student co-ops are all managed differently. Many have no paid staff; some have no board of directors, depending on their size and the complexity of their operations.

If a co-op has no paid staff, then you'll find that there are a few members who take on a very high level of responsibility for the co-op's operations. These member-volunteers are, in effect, the co-op's staff, and you'll see them performing such functions as supervising other member-volunteers, ensuring that bills and debts are paid, implementing member education programs such as orientations, and working closely with the board of directors.

#### BOARD OF DIRECTORS JOB DESCRIPTION

##### General Responsibilities:

1. Provide overall direction for the co-op on behalf of the membership.
2. Ensure sound management to achieve goals of co-op.
3. Be accountable to the membership.

##### Specific Responsibilities:

1. Establish long-term purpose and goals; approve annual objectives; set major policy and standards.
2. Hire/appoint, evaluate, and fire management.
3. Approve staff structure and salary/benefits.
4. Charter corporate committees.
5. Approve capital and operating budgets; ensure adequate reserves and profitable operations.
6. Approve major changes in assets.
7. Monitor progress toward goals; achievement of objectives.
8. Monitor financial position and financial management.
9. Establish systems for member knowledge of and input to plans; report to members at least annually.
10. Appoint auditor and legal counsel.
11. Represent co-op in legal action.
12. Perpetuate strong board through elections and training.

#### INDIVIDUAL DIRECTOR JOB DESCRIPTION

##### General Responsibility:

Serve on central decision-making body, acting in members' best interests.

##### Specific Responsibilities:

1. Attend all meetings of the board of directors and of the membership.
2. Keep informed in all areas of co-op management and activities.

3. Serve actively on at least one committee or special project.
4. Make timely reports of your work to the full board.
5. Follow all rules and regulations of the co-op.
6. Provide leadership through dedication, honesty, and personal responsibility.
7. Represent the co-op to members and the community in a positive manner.
8. Attain the knowledge and skills necessary to function effectively as a director.

The board of directors is the pivot point of the co-op management team — the members, board, and staff. The board not only makes decisions, but is the real and symbolic leadership body of the cooperative. You are a part of providing that leadership, and you ensure quality services to your membership, a healthy working environment for your staff, and the continuation of an effective board.

So as you read through the rest of this handbook, you'll be learning the essential pieces of your job as a co-op board member. And make no mistake: though it may be unpaid, it is still a job. Do it well.

### 3. STRATEGIC PLANNING —

#### FROM SURVIVAL TO SUCCESS

Planning is control. Planning allows the board of directors, management, and membership to share visions, evaluate priorities, assess resources, and formulate strategy.

Planning is related to every aspect of the co-op's performance, and planning goes on throughout an organization all the time. Problems arise when planning is not systematic or organized, and different actors in the co-op fail to communicate their assumptions to one another. This lack of coordination in planning may result in tensions between board and staff, or in membership apathy toward goals chosen by the board.

Another frequent result of a lack of systematic planning is "crisis management" — solving one problem after another without ever getting ahead enough to anticipate and prevent them. Crisis management produces burnout among staff and leadership, and may force the co-op to waste valuable resources in emergency situations.

Good planning is a step-by-step cycle that involves everyone in the co-op in an appropriate way, and builds information that aids in the evaluation and revision of plans over time.

What follows are the essential components of a planning process. They can be adapted easily to your co-op's needs by taking into account the roles of board and staff, your co-op's fiscal year and budgeting cycle, and the complexity of your operations.

#### DEFINITIONS AND EXAMPLES OF TERMS USED IN PLANNING

**VISION** — An organizational consensus on purpose that provides the necessary foundation for agreed-upon strategy.

**Mission** — The most basic statement of purpose for the co-op: service, audience, philosophy. The mission statement should be approved by the membership.

Example: "To provide low-cost housing of high quality to students in a cooperative manner."

**Goals** — Elaborate on the nature of the co-op and its purpose. Goals are statements of intention about what the cooperative business is like. Goals should also be approved by the membership. They might be written about democratic control, workplace conditions, expansion, quality and cost of housing, relationship of the co-op to the community, etc.

Examples: "To enable members to control their housing through education in the principles and practices of cooperation and through democratic decision-making." "To provide services cooperatively in the community whenever possible, through expansion and by assisting other co-ops."

#### INFORMATION AND ASSESSMENT

**Key Performance Area** — An area in which performance is critical to the success of the cooperative business. KPA's break the running of the co-op down into more manageable pieces for information-gathering and analysis.

Examples: Maintenance and Housekeeping, Finance, Occupancy and Member Relations, Management and Administration, Development and Public Relations

**Key Indicator** — Measurements that tell you how you're doing in your KPA's. They are tangible, quantifiable.

Examples for Management and Administration: Timeliness of financial and other reports, complete/up-to-date files, written objectives, results of performance evaluations.

**Environmental Analysis** — Tells you all the things not explained by your KI's that you need to know about the world you're operating in, such as your market and competition; the laws and codes that apply to you; the economy of your city, state/province, country; university environment and support.

**SWOT Analysis** — SWOT stands for strengths, weaknesses, opportunities, and threats. A SWOT analysis summarizes what's happening both inside and outside the co-op.

**STRATEGY** — The means by which the mission and goals are carried out.

**Long-Term Objectives** — Statements of results you want to attain beyond the current year. In housing, because you control such durable assets as land and buildings, you may plan as far ahead as 50 years. A Long-Term Objective should specify what is to be accomplished and by when. You may have an LTO in each KPA. Or you may decide to maintain your current standard in some KPA's and concentrate on making improvements in others. Member input into LTO's should be solicited through surveys, polls, membership meetings, or other means.

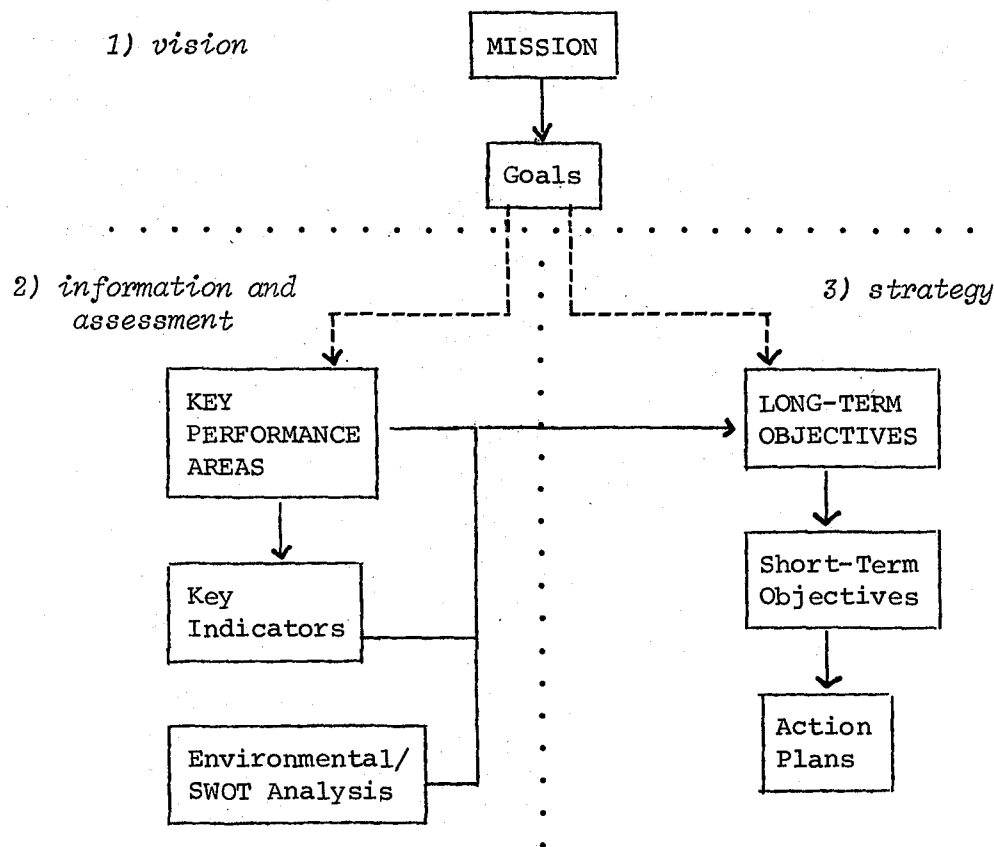
Examples: "To expand our capacity to 400 or more persons within 5 years."  
"To rehabilitate all buildings built before 1965 over the next 10 years."

**Short-Term Objectives** — the results you need to attain within the current year along the way to your LTO's. STO's should be written by the person or group working in that area and approved by the board. STO's must specify a result, target date, a desired cost, and who will be responsible for the work.

Example: "The Assistant Manager will plan and pilot a program in September for training building managers, with a budget of \$100 for materials and 75 hours of staff time."

**Action Plans** — These are tasks and timelines that you set up in order to reach your STO's. Action plans should be written by the person or group doing the work, at their discretion or with input from their immediate supervisor.

PLANNING FLOW CHART



## PLANNING PROCESS

To put all this jargon to work for you, you need an annual calendar specifying when planning steps will take place and who will be responsible for them, something like this: (for a fiscal year beginning in July)

<u>Month</u>	<u>Action</u>	<u>Who</u>
Dec	Member Survey	Membership Committee
Jan	Planning Retreat -review mission and goals -review KPA's and current KI's -assess environment and resources -review progress on LTO's and STO's -brainstorm revisions and new objectives -prioritize	Board, Staff, interested others
Feb	draft objectives for next year	Staff, Committees
Mar	draft budget for next year	Staff, Finance Committee
Apr	revise budget and objectives	Board and Staff
May	approve final budget and objectives	Board
July	fiscal year begins with approved budget and objectives; work on plans proceeds	

Following a calendar like this one will ensure that resources are there when you need them. It's pointless to plan major maintenance after your budget has already been finalized. It's too late to plan ways to achieve full occupancy for the fall term in September. Planning requires that you think ahead, build agreement on priorities, and put everything in writing so that when people leave their successors will be able to pick up the threads. Using planning worksheets can help get information written down in a coherent form that everyone can understand.

On the planning worksheet, you fill in one or two Long-Term Objectives in each Key Performance Area. Then fill in the Short-Term Objectives that will contribute to reaching the Long-Term Objectives. Then sketch out the tasks that must be carried out in order to reach the Short-Term Objectives under Action Plans.



PLANNING WORKSHEET

Key Performance Area: \_\_\_\_\_

LTO's: result date

1.

2.

STO's: result date cost who

1.

2.

3.

4.

Action Plans: task date cost who

1.

2.

3.

4.

5.

6.

7.

8.

## KEY PERFORMANCE AREAS AND KEY INDICATORS FOR STUDENT HOUSING COOPERATIVES

### KPA: Maintenance and Housekeeping

KI's:     Response time on maintenance requests  
          Preventative maintenance system operative  
          Maintenance inspections data  
          Housekeeping inspections data  
          Replacement calendar for buildings and furnishings followed  
          Grounds well-kept  
          Maintenance expenditures compared to budget  
          Member complaints of maintenance problems

### KPA: Finance

KI's:     Accuracy of budget  
          Accurate, readable, timely financial statements  
          Operating surplus/deficit  
          Adequate reserves  
          Return on investments  
          Debt:equity ratio  
          Current assets:current liabilities  
          Cash flow projections  
          Housing/meal charges competitive

### KPA: Management and Administration

KI's:     Timeliness and completeness of reports  
          Files up-to-date and complete  
          Written objectives  
          Results of performance evaluations  
          Staff initiative in informing board of issues and opportunities  
          Public reception and appearance of co-op office  
          Effectiveness of staff structure; authority and decision-making clear  
          Management input into board decisions  
          Adequate orientation and training of staff  
          Salaries competitive

### KPA: Occupancy and Member Relations

KI's:     % occupancy each term  
          Market survey/analysis  
          Advertising budget; effectiveness of advertising  
          Acceptance time (length of delay between application and notification)  
          Election turn-out  
          Member survey returns  
          Number of candidates for leadership positions  
          Volunteers from membership at large for special projects  
          Regular newsletter; % of members who read it  
          Newsletter has consistent editorial policy and content  
          Regular leadership training programs; evaluation of their effectiveness in meeting needs  
          Attendance at social/community-building events

KPA: Development and Public Relations

KI's:    Support of co-op by city/university officials  
         Community awareness/understanding of cooperatives  
         Response to requests for assistance from other co-ops  
         Initiative taken to develop or assist in developing other co-ops  
         \$ support of expansion/development of other co-ops  
         Time devoted to expansion/development of your co-op  
         Membership growth/building acquisition  
         Community representation on co-op's board of directors  
         Co-op-sponsored community/university events

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## MANAGEMENT

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### THE POWER OF PURPOSE

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By Susan Gross

From Conserve Neighborhoods, May-June 1983



The most potent ingredient in organizational effectiveness is a clear sense of purpose shared by every member of the organization. Organizational problems, including nasty interpersonal conflicts and wrenching internal schisms, can begin to dissolve when people in an organization rediscover the depth of their common vision. Similarly, a myriad of organizational problems -- manifested in everything from burnout to power struggles among the staff or board -- can be the result of confusion or subtle disagreement about the organization's basic mission and thrust.

Purpose is the end or result at which an entire organization is aimed. Purpose is the organization's driving force and reason for being. It is always translatable into vision -- that is, an image shared by the organization of what the world or society or an environment or community would look like if the purpose were realized. True purpose is always inspiring; if it does not motivate the staff and board of the organization, something is missing.

Organizations, in essence, are a series of relationships built around a common purpose. It is purpose that brings people together to create an organization, moves them to foster and sustain the relationships necessary for effective productive work, revitalizes them when they are tired or discouraged, and compensates them for long hours. To spend time clarifying -- or recapturing -- the purpose of an organization can be analogous to recovering its soul.

Most organizations tend to take their purpose for granted, often allowing it to become a litany that everyone repeats

without heart or meaning. The board and staff assume they have the same purpose but seldom stop to think or talk about it, probing beneath the litany to see what they really mean. They are thereby robbed of the power that purpose brings, for they are unaware of how deeply and strongly it is mutually shared. Their assumption of agreement has thus become a barrier to their experience of it.

This was the case for one community economic development group. The staff was on the verge of burnout. They were overworked, underfunded, and irritated with each other. In the day-to-day hassle of problems, crises, and petty annoyances, they had forgotten what their jobs were and why they had come there to work in the first place. Of course they knew what the organization's purpose was and could state it, but they had lost sight of how profoundly they were committed to it and what a powerful driving force it was for them all. At a retreat, they were asked to answer the questions: "Why are you here? Why are you doing this job?" At first they joked around and would not deal with the questions seriously. Then, after about 15 minutes, the most hard-nosed of the bunch broke through the embarrassment and replied, "It may sound corny, but . . . " and stated what his work really meant to him. All of the others then spoke in turn, each saying something different, but the identical message came through: no matter what words they used, each person shared the same purpose and the same vision of what the community would look like if their goals were reached. Restoring them to that sense of purpose revived the staff's energy, commitment, and fellowship.

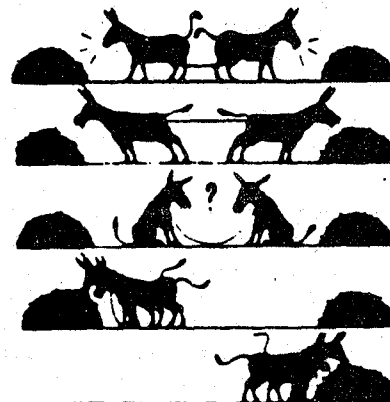
People often make the mistake of confusing their group's purpose with what they have agreed to as a mission statement. Organizations in which there are fundamental differences about purpose can fool themselves into thinking that they are in agreement by carefully constructing a statement of purpose that is so vague or bland that it satisfies everyone. The board and staff then think that they are aligned when in fact all they have done is avoid or suppress the conflicts. This can be insidious because it not only deludes the group into thinking that there is a shared purpose but retards it from coming to grips with its differences and arriving at a true alignment.

Sometimes avoiding conflict can have the ironic effect of preventing organizations from discovering that the disagreements they fear are not really there. One organization's board and staff spent a year skirting a discussion about the basic thrust of the organization. When they finally confronted their imagined differences, they found that they had been in agreement all along, but the potency of that unity had been lost because they were unconscious of it.

Differences over purpose can be so subtle that they are hard to see. There are a number of telltale signs, however, that disagreements do exist. Vague feelings of mistrust, tensions that cannot be tied to anything specific, constant communication problems or just a sense of being out of sync. It is important for the organization to focus on what is troubling it, for when the conflicts are brought to the surface, people often discover that the differences are manageable differences that everyone can tolerate and deal with. Indeed, we have found that organizations have a remarkable capacity to live with the creative tensions caused by slight variations on the same theme -- as long as those differences are out in the open, and everyone clearly agrees to disagree.

Organizations have a tendency to lose sight of their purpose as they age and grow. Purpose is nearly always clearest for an organization at its start. Then, as new people come on board and the group gets bigger and less cohesive, the focus tends to shift from the central purpose of the organization to individual jobs and projects. As still greater growth occurs -- with the inevitable increase in specialization, decentralization and communication breakdowns -- it becomes even more difficult for an organization to maintain a sense of connectedness, coherency and singularity of purpose. That is why an organization must keep attending to its purpose -- refining it, clarifying it and making sure that it continues to be the central integrating force in the organization's life.

Organizations also lose sight of the bigger picture just in the course of focusing on meeting day-to-day demands. Most non-profit organizations operate in a particularly uncertain environment in which they must constantly react to crises and seize opportunities. This can take them in directions that, while attractive and even quite worthwhile, are not critical to the organization's basic thrust. It is therefore essential for an organization to keep looking at all its programs and activities in light of



its purpose to ensure that its purpose is evident in everything it does.

Sometimes organizations fall into the trap of turning a specific activity into an end in itself. When that happens, the group may wind up with a successful activity, but one that has made little contribution to its core purpose.

Organizations often miscalculate the importance of a shared purpose in binding people together and motivating them to work at their relationships with each other. In fact, the recognition of a common purpose can be so powerful that it can reopen communication in organizations in which people's relationships are on the brink of tearing apart. One polar-



ized organization began the process of healing when the warring factions, on rediscovering their unanimity of vision, realized their determination to mend their differences. Their common purpose then served as the glue that held the staff together as they fought about and worked through their many differences. In fact, many of the differences took on a whole new cast of much less significance in the light of the importance of the shared purpose.

Many organizations make the mistake of thinking that their purpose is only important to the people involved in their

substantive programs. Indeed, complaints from administrative and support staff about feeling unimportant and excluded often stem from a failure to make sure that they, too, are clear about the group's purpose and understand the essential part they play in its realization.

Given all the things that can blur a purpose or get in the way of a powerful sense of mission, the question left is how can an organization make sure that its purpose is clear, shared by everyone and reflected in all its activities? We know two keys: One is leadership. The other is periodic "purpose checks."

Effective organizational leaders understand that perhaps their most important role is to serve as the custodian of purpose. The leader's job is to make certain that the organization is imbued with a strong, clear sense of mission and that everyone understands the larger context in which all jobs are held. When that happens, the normal centrifugal forces in organizational life (particularly the gradual loss of cohesion that always accompanies growth) can be successfully counterbalanced. For example, there is a major national advocacy organization that has a staff so large, so complex and so departmentalized that it is hard to imagine how they are not operating as little fiefdoms. But the organization functions as a single organic whole because its leader has done such a splendid job of aligning the entire organization behind one shared vision. As a result, everyone is willing to pitch in as a team whenever the broader needs of the organization demand it, so clear are they that there is a purpose larger than their individual jobs or projects.

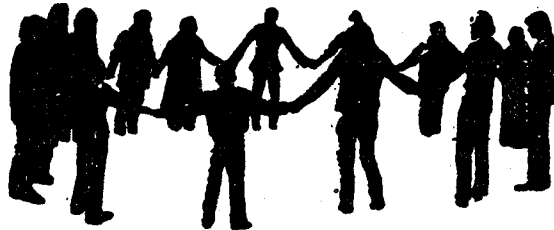
Although the executive director of an organization normally serves as the keeper of the vision, sometimes the board must play that role. Often only the board has maintained enough distance to return an organization to its core mission when the staff has lost the connection between what they are doing day-to-day and what the organization is all about. For that

reason, it is important for boards not to get caught up in operational detail but to focus on the larger purpose and maintain a broader perspective.

The second key to preserving the power of purpose is regular check-ups to ensure that the organization's purpose is clear and present in everything the organization does. Indeed, it is essential that an organization set aside some time at least once a year to reexamine its purpose, reassess its programs and ensure that it is doing those things most critical to the achievement of its vision. That is the essence of planning.

Many nonprofit groups both overrate and undervalue the importance of planning. Either the executive director frantically puts together a plan to satisfy a funding source, or the staff develops a plan to please the board or to allay the executive director's anxieties. Everyone puts a lot of time and energy into the process only to resent it because they know that at least half of the plan will be ignored or modified as a result of shifting circumstances.

What organizations generally do not realize is that the plan itself is less important than the process of producing it. When the annual planning process is done well, the organization reexamines what it is fundamentally about, where it currently is on that line of purpose, where it needs to go now, given changing circumstances, and how it plans to get there. This process realigns the board and staff as to the organization's purpose, instills them with a new clarity about their jobs, gives them sense that their purpose is attainable, shows them a strategy for getting there and reaffirms the value of what they are doing. The plans may then go into the filing cabinet, perhaps not to be looked at until the next annual planning retreat, but the sense of purpose that the planning process produced will guide and fuel the organization throughout the year.



## 4. BOARD OPERATIONS AND ADMINISTRATION

The board must accomplish work effectively, perpetuate its objectives and concerns, and operate as a cohesive group. Tools for ensuring a productive board include: good meetings, strong committees, skilled officers, recruitment of new board members, and complete records. Without these, the talents and efforts of individuals and groups are largely wasted — research isn't delegated, conflict prevents decision-making, continuity is lost from year to year, and policies are forgotten or re-hashed.

### MEETING PROCESS AND PROCEDURES

Meetings are the unavoidable reality of a democratic organization. Meeting have a bad reputation — they can be unproductive, frustrating, uncoordinated, lengthy, hostile — in short, a waste of time.

Most co-ops have very set ways of running their meetings. They have certain rules of order, a certain way of preparing the agenda, and certain assumptions about who will run meetings. There are no generally accepted standards of how meetings are organized. Parliamentary procedures have been tossed out the window in some places, and never challenged in others. Any meeting process will work, as long as some basic guidelines are followed.

#### Procedures:

- Rules of order, whatever they are, are written down, understood by everyone, and enforced. Not everyone knows Robert's Rules by heart, and there are many variations on both parliamentary procedures and consensus.
- Agenda packets are distributed several days ahead of the meeting, and contain the agenda, minutes of the previous meeting, and all written reports and proposals. (All of these should follow standard formats. Sample formats are at the end of this section.) Everyone comes to the meeting having read their packet already.

In addition to procedures, participating in and facilitating meetings takes some skill. Poor facilitation is like setting off on a trans-continental driving tour without a road map. A good facilitator not only maps out the meeting, but also guides decision-making, paces a meeting, and suggests when it's time for a break or adjournment.

Individual participation in meetings will either support the facilitator and the group's goals, or it will set up blocks to productivity and harmony. If you understand and follow rules of order and listen to what others have to say rather than preparing your own "speeches," meetings will work.



#### GOOD MEETING FACILITATION MEANS . . . .

1. Prepare for the meeting ahead of time. Circulate materials. Plan the agenda carefully; know who will be responsible for presentation of agenda items; make sure reports are prepared.
2. Review the agenda at the beginning of the meeting. Note any special circumstances surrounding the placement of items. Adjust and rearrange the agenda to suit people's needs.
3. Be an active facilitator. The role of facilitator is one of a leader, not a follower. Keep on top of the discussion, keep the focus clear, cut off ramblers and repeaters, etc.
4. Draw reticent people into the discussion.
5. Make sure that every agenda item has a sponsor at the meeting. Don't even try to discuss items if the proposer isn't there to explain the item and collect feedback.
6. Keep the group from discussing details. Try to keep the group focused on the intent of the item. Refer items back to committee or to staff for re-wording or for checking on the feasibility of implementation.
7. Learn to recognize hidden comments as proposals. Comments that start with "maybe we should" or "does anybody think we should" may be proposals for action. Ask for a motion.
8. Watch vibes and personalities interacting. Be aware of how different members react to each other and to you. Speak up when you perceive the group or individuals becoming hostile and work to resolve bad feelings or concerns that haven't been addressed.
9. Periodically summarize the discussion. This is really helpful during long discussions. Summarizing will help the group see what progress has been made through the issue, and where the discussion should go next.
10. Clarify motions/proposals before voting.

#### GROUND RULES FOR DEMOCRATIC PROCESS

- Maintain supportive climate. Be courteous, listen to people carefully and respectfully, answer them appropriately, never interrupt.
- Ideas belong to the group. However brilliant your ideas are, they wouldn't be possible without the input and ideas of the other group members. Therefore they do not belong to you; they are the group's to change, re-interpret, modify, reject.

- Recognize and accomodate concerns. If a decision is to be supported by all the group members, everyone's viewpoint must be at least recognized by the group, and wherever possible, incorporated into solutions. If group members do not support decisions, they may set up blocks to action.
- Address group needs, not your personal needs.
- Support the facilitator by helping to summarize and clarify issues, providing information when needed, making process suggestions, and allowing the facilitator to guide the discussion.
- Enforce the speaker's list. Never speak out of turn or without being called on.
- Never repeat what has already been said; just say "I agree with \_\_\_\_\_.  
Never dominate the floor. Other people's ideas are just waiting to flow forward, and you could be in the way.

#### THE LAWS OF MAKING A DECISION\*

<u>The Law</u>	<u>How It's Ineffectively Done</u>	<u>How It's Effectively Done</u>
PROBLEM — Define it fully	No one says anything Leader assumes everyone agrees One person outlines it quickly	Brainstorm on newsprint Open discussion Evaluation and report
OPTIONS — Full picture of possibilities	No options given One option given Two options given	Brainstorm List of options presented; open for comment, additions
RESEARCH/INFO — Examining specifics of what will work	Not done Only one option researched People assuming they know what will work	Delegate one person or group to research and present
PROPOSED SOLUTION — One possibility outlined	One idea is presented with no previous discussion Two conflicting ideas are presented	A preferred option is presented after research
REFINEMENT — Fine-tuning the option so that it fully solves the problem	Proposer fighting to be right Amender fighting to be right Argument about specifics which need more research Argument about options before problem fully stated	Discussion and questions Major concerns raised Proposer reworks to meet concerns Formal amendment proposed during meeting Testing for agreement
CHOICE — A solution the GROUP is willing to commit to is decided on	Tyranny of stamina Tyranny of loud voices Disagreements working to undermine	Full group ready to support despite disagreements Time for re-evaluation set Vote

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\*Francie Ferguson, 9/83

## PARLIAMENTARY PROCEDURE TERMS

Motion: Proposal of resolution or action.

Second: Shows support for the motion.

Amendment: Proposal to change the main motion. If the amendment is accepted by the proposer of the main motion, it automatically becomes part of the main motion. If not, it must be voted on by the group, before voting on the main motion.

Calling the Question: Asking that discussion on a motion be stopped and that a vote be taken. If there are objections to calling the question, two thirds of the group must vote to end the discussion.

Point of Information: A signal that someone wants to ask a clarifying question.

Point of Order: A signal that a procedural rule has been broken and current action is out of order.

## CONSENSUS TERMS

Proposal: Put forth for decision by the group; like a motion.

Clarifying Questions: Asked of the proposer about the meaning of the proposal, its intent, or implications.

Discussion: Begins only after all clarifying questions have been answered, and may be interrupted to return to clarifying questions if they arise.

Friendly Amendment: May be suggested by any member of the group. If the proposer accepts it as friendly, it is incorporated into the proposal. If not, it must be discussed after discussion on the original proposal is ended, and must be accepted by the whole group in order to be incorporated.

Major Objection: A statement by a group member that s/he is unable to live with the proposal.

Consensus: All group members accept the proposal.

Reconciliation: A group formed of the proposer, major objector(s), and others interested in finding an alternative if consensus cannot be reached on a proposal.

Stack: Speaker's list or queue; the order in which group members raise their hands to be recognized. This order may only be broken for a clarifying question/answer, and ensures that the floor not be dominated by the loudest or most aggressive group members. Time limits for speakers may also be used.

Who says you have to follow anyone else's rules of order? Why not just make one up that suits you? You can have the best of all possible worlds.

This combination of consensus and voting was first developed by Martha's Co-op, a student housing co-op in Madison, Wisconsin. It was adopted by the food co-op warehouse in Madison as well. This version might even work for you.

#### MARTHA'S RULES OF ORDER — an Alternative Meeting Process

##### Notes:

1. The proposal is presented. Clarifying questions are taken.

*Proposals should always be in writing.*

2. Friendly amendments are offered. Discussion is allowed only on the amendments.

*Amendments should be prepared in advance when possible.*

3. Speakers in favor of the proposal present their views.

*This is not a time for debate. Time limits should be set and enforced.*

4. Speakers in opposition to the proposal present their views.

5. General discussion and/or debate on the proposal is allowed.

*Time limit on discussion is set by the group. Facilitator helps group identify key issues. Motion to table or refer is in order and requires 3/4 vote.*

OR

6. Small group discussion time.

7. First vote is taken. People vote either  
a) in favor of the proposal, or  
b) can live with the proposal, or  
c) opposed to the proposal.

*If more than 3/4 vote in favor or can live with, proceed to step 8. If less than 3/4 in favor/can live with, the proposal dies.*

8. Those voting in opposition are allowed to state their objections and concerns.

*No discussion is allowed, only clarifying questions.*

9. The second vote is taken, as in step 7. Again, it takes 3/4 of those present to override objections and pass the proposal.

## MEETING AGENDA FORMAT

### AGENDA

- (# minutes) 1. Announcements
- (# minutes) 2. Reports — from officers, committees, and any special reports requested at a previous meeting.
- a) Reports may be "accepted" by the group. There is no discussion of reports at this point on the agenda.
- b) Any question or issue raised by a report should be added to the Discussion items on the agenda or tabled to a subsequent meeting.
- (# minutes) 3. Items for Discussion — issues raised by members, officers, or committees that need feedback but not immediate action. No decision is made.
- (# minutes) 4. Items for Decision — issues that have been previously discussed. The group is ready to come to a decision.
- (# minutes) 5. Next Meeting — set time and place, review items which should be placed on the agenda.
- (# minutes) 6. Evaluation — raise concerns or praise meeting process, facilitation, group participation, etc.; suggest improvements.

### PROPOSAL FORMAT

To:	<i>board members can tell at a glance</i>
From:	<i>what the proposal is about and where</i>
Subject:	<i>it originated.</i>
Date:	
Background:	<i>why the proposal is needed.</i>
Proposal:	<i>avoid including anything in the text of the proposal that is not actually part of it or could become dated.</i>
Rationale:	<i>why this solution will work; summarize research on impact of proposal.</i>
Implementation:	<i>who, how, cost, monitoring, evaluation.</i>

## COMMITTEES

Committees may be standing or special. Standing committees have an ongoing purpose delegated to them by the board. Special committees have a short-term task and disband when it is completed.

Co-ops have a wide variety of committee structures and procedures for forming committees. Some board committees may have only board members on them; others may only be chaired by a board member; others don't overlap at all with the board and act very independently of the board.

Whatever system a co-op uses for filling committees and delegating authority, once established, committees can be the work-horses of the board of directors. Frequently they fulfill the following functions:

- Executive Committee

Composed of officers and general manager. Plans agendas, screens proposals and reports, ensures that information and materials needed for meetings are prepared and distributed, takes initiative in responding to staff or member concerns, may make interim decisions or call special meetings of the board.

- Planning Committee

Proposes or finalizes planning documents for board, coordinates long-range planning, monitors progress toward objectives, ensures continuity of plans through documentation. These functions may also be carried out by the Executive Committee.

- Personnel Committee

Supervises, evaluates, hires, and fires general manager or executive staff; formulates personnel policy; negotiates employment contracts; may act as grievance board for staff; takes initiative in responding to personnel-related concerns.

- Membership Committee

Formulates membership-related policy; may be responsible for marketing, recruitment and screening of potential members; may consider contract/lease releases or delinquency cases; may perform administrative functions related to membership; performs member surveys.

- Education Committee

Plans and executes education programs and social events; may be responsible for newsletter, communications between board and membership, annual meeting, public relations, education of community about co-ops; formulates any policy related to education.

- Maintenance Committee

Formulates maintenance-related policy; plans for long-range maintenance through research, evaluation, and prioritization of needs; assists staff and board in determining maintenance budget; may assist in coordination of projects or negotiations with contractors.

- Finance Committee

Formulates financial policy, reviews financial statements and financial position, performs financial planning and analysis, assists in operational and capital budgeting, performs needed research for advising board in financial matters, monitors investments, investigates sources of financing.

This is not an exhaustive list of possibilities for standing committees. It is also not a recommendation that a co-op try to sustain seven standing board committees. A committee structure should be tailored to the needs and resources of the co-op.

Use your committees well:

- Committees should exist in areas where there is work to be done that calls for group collaboration.
- Committees should not be given a task because no one else wants to do it.
- Committees should have clearly defined tasks, and boundaries of authority and activity. (See Committee Instruction Sheet, end of this section.)
- Committees should report activities and expenditures regularly.
- Committees should recruit members from outside the board and other established co-op leadership.
- If a committee has nothing of meaning to do, it should be disbanded.
- A committee should not be formed unless there are people interested in being on it.

Committee structure and appropriate delegation of work are not the only keys to successful committee work. They must also function smoothly internally.

A strong committee needs:

- A chair or coordinator who can initiate and prepare for meetings, recruit and orient new members, distribute materials, report to the board, delegate and supervise tasks of committee members, etc.
- A facilitator who ensures that meetings consist of productive discussion and decision-making. This person may or may not be the chair; facilitation may even rotate.
- Members who have a clear understanding of what the committee's function is, and who commit themselves to sticking with the committee for at least a term.

COMMITTEES MAY BE HINDERED BY:

- Not having a liaison to the board.
- People who come as advocates for a position on a certain issue and then leave the committee when it moves on to something else.

- Believing that with a small group there is no need for one person to take on the roles initiating and coordinating.
- Lack of clear instructions from the board.

## ROLES OF OFFICERS

Just about every corporation has corporate officers — president, vice-president, secretary, and treasurer. In addition to performing certain legal functions such as signing contracts and checks, officers often form an Executive Committee, and are the co-op's most visible leadership. While officer job descriptions vary, as will methods of election, the coordination and leadership functions listed in the following model job descriptions should be covered.

### PRESIDENT

#### General Responsibility:

Serve as the senior officer of the cooperative, coordinating and providing leadership to the board of directors, and supervising all affairs of the cooperative.

#### Specific Responsibilities:

1. Preside at all meetings of the board, or coordinate facilitation.
2. Receive all committee reports and minutes; ensure smooth committee operations.
3. Act as a signing officer along with the corporate secretary for all official corporate documents and records.
4. Maintain relations between the general manager or management team and the board of directors.
5. Represent the cooperative to members, local community, and government.
6. Set tone for constructive communication, good leadership, and proper handling of board business, including planning, board perpetuation, membership communications, etc.

### VICE-PRESIDENT

#### General Responsibility:

Serve as support person for the president in providing leadership to the board of directors, coordinate and oversee board administrative functions, and perform the duties of president in the absence or vacancy of the president's position.

#### Specific Responsibilities:

1. Preside at all meetings of the members, including annual meeting.
2. Oversee board administrative matters, including board training, board planning calendar, board candidate recruitment, election of directors, and record-keeping.



3. Work with key committees as needed.
4. Represent the cooperative to members, local community, and government.
5. Remain informed of all co-op activities in preparation for eventual assumption of the presidency.

#### SECRETARY

##### General Responsibility:

Maintain the records of the board and the official documents of the cooperative; conduct official communications on behalf of the board.

##### Specific Responsibilities:

1. Keep minutes of board, committee, and membership meetings.
2. Provide proper notification of meetings of the cooperative, including notice to members of the annual meeting.
3. Provide for the official correspondence of the cooperative on behalf of the board of directors.
4. Act as a signing officer to certify minutes, resolutions, and policies; other documents as required by law.
5. See that all official records, papers, and documents of the co-op are maintained.
6. See that historical records of the co-op are maintained.
7. Keep a register of the mailing address of each member.
8. Maintain all membership records, membership share documentation, etc.

#### TREASURER

##### General Responsibility:

Maintain and monitor all financial records of the cooperative; ensure sound accounting practices; provide accurate and timely financial statements; oversee all funds.

##### Specific Responsibilities:

1. Ensure adequate and correct accounts of all financial transactions of the cooperative.
2. Ensure timely and accurate financial reporting to the board of directors, and provide analysis as needed.
3. Oversee all corporate funds, including deposits, management of funds, billing and collection, payment of taxes, etc.
4. Ensure availability of financial records for inspection by members.
5. Oversee annual audit of corporate financial records; strive for unqualified auditors' opinion.
6. Convene and coordinate functions of the finance committee.
7. Ensure timely preparation of budget.

COMMITTEE INSTRUCTION SHEET\*

Date:

Name of Committee:

Type of Committee: ☐ Standing ☐ Ad-Hoc

Source of Authority:

Purpose:

Specific Duties and Responsibilities:

Chairperson:

Committee Members:

Report to:

Time of Reporting:

Budget:

Coordination with Other Committees:

Other:

\* From A Key to Group Leadership. North Central Regional Extension Committee, Publication No. 18, May 1965.

## RECRUITMENT, NOMINATIONS, AND ELECTIONS

Perpetuating a strong board necessitates recruiting and grooming new leadership. Student co-ops have a tendency to ignore this need — a position on the board of directors devolves to any person who volunteers to do it, regardless of the skills needed on the board or the motives of the person taking the position.

Before nominations for openings on the board take place, an assessment of the board's needs should be made. Do you lack board members with strong financial skills? Do you need a person who will be interested in strengthening communication links between the board and the membership?

A nominating and elections committee can perform these crucial functions:

- Needs assessment;
- Advertisement of positions, skills needed, and rewards of being a director;
- Personal recruitment of members suited for office, who may be suggested by board, staff, other leaders, members;
- Education of potential directors regarding the responsibilities of being a director;
- Administration of elections.

This committee may be made up in any way appropriate for your cooperative — it may be a committee of members at large; it may have representatives of board, staff, and members.

## CORPORATE RECORDS

Don't reinvent the wheel.

Complete records of minutes and policy should be on file in some accessible form. Without these documents, you will be unable to reconstruct the history of a loan, the decision to fire a staff member that led to a lawsuit, or the policy decisions that were made two years ago that could neatly resolve some current controversy.

Minutes of all meetings that carry corporate authority — executive committee, board of directors, meetings of the membership — are legal documents admissible as evidence in court. These must be accurate and complete, and must be approved at subsequent meetings. Minutes should contain the following information:

- Date and time of call to order
- Agenda
- Those voting members present or quorum information
- Those voting members absent, if appropriate
- Guests or staff members present
- Complete texts of all reports submitted to the meeting
- Highlights of discussion

- Complete texts of all motions/proposals and amendments, including name of of the mover/proposer and seconder, and whether positive action, rejection, or tabling occurred
- Items that should appear on a subsequent agenda
- Time of adjournment.

Minutes should be indexed so that information on a certain subject can be found easily.

Policy, if left to its fate in those dusty notebooks of meeting minutes, will be forgotten as soon as it's made. A corporate policy notebook should contain records of all the co-op's policy, divided into appropriate sections such as Personnel, Finance, Membership, Planning, etc. This notebook should be accessible to everyone and maintained by the board secretary or a staffperson.

## 5. MEMBER RELATIONS —

### BUILDING COMMITMENT; FINDING LEADERS

The goal of member relations is to maximize the motivation and ability of members to function as co-op users, owners, and workers. Methods for achieving this goal range from membership recruitment and selection, orientation and education programs, materials and publications, social/community events, leadership training and development, and just plain good communications with members.

#### BOARD-MEMBER COMMUNICATIONS

As a cooperative board of directors, one of your primary concerns should be your relationship to the co-op's membership.

- Do members understand the role of the board?
- Do members know what the board is doing?
- Do members know who is on the board; who represents their house or building; who the officers are?
- Do members feel that the board responds to their concerns and works in their interests?
- Do members give input to board decisions by writing newsletter articles or letters, attending meetings, or talking personally to their board reps?

There are two main tactics for making the board visible and raising interest. One is through regular newsletter columns; posting minutes, agendas, and flyers describing board action; and other publicity. The other, underrecognized and equally important, is personal contact between board members and those they represent. This kind of informal, friendly interaction does much to promote a feeling of accessibility to the board. Initiate conversations with members; be sure they know who you are and how to find you. Eat meals with different people if your co-op has a meal plan. Chat with people in common areas and offices. Use co-op social events as an opportunity to circulate and meet people. You don't have to ask their opinion on maintenance policy; just find out how they like the co-op, what they like to do, who they room with, etc.

Eventually this kind of contact breeds knowledge of who other potential leaders might be, breaks down the personal distance between you and the other people you live with, and makes your community more responsive to its members simply because people know you and can talk to you.

## MEMBER RECRUITMENT AND SELECTION

The way in which a co-op recruits and selects members should be intimately related to its goals. A co-op focusing primarily on low cost will want to attract members who are in financial need and will work and sacrifice luxuries in order to keep costs low. A co-op for which community-building is very important will want to find members who are socially oriented and will organize and participate in group activities.

Many co-ops rely on self-selection based on how they market themselves and on the materials they hand out to prospective members. These co-ops will simply accept anyone who applies on first-come, first-served, basis. Others have a selection process which may involve interviews, affirmative action guidelines and acceptance by a committee or house vote. Most student co-ops have some student status requirements; those that have special tax status must enforce such guidelines in order to preserve their exemptions.

A co-op board needs to be aware of the effects of the co-op's marketing techniques and member selection process.

- What is the co-op's vacancy rate? How does it compare to vacancy rates throughout the community?
- Is the co-op attracting responsible, involved members?
- Is the co-op attracting a cross-section of the racial and cultural composition of the community?
- What is the male:female ratio in the co-op?
- Do new members come into the co-op with a realistic idea of what co-op membership is like?
- Are prospective members discouraged by a complicated or lengthy application process?
- Does the person or group deciding whether to accept a prospective member use criteria consistent with the co-op's policies and goals?

## MEMBER EDUCATION

Member education programs in most co-ops are, and should be, administered by staff or a committee. Boards of directors will often be involved in education programs by approving objectives and budgets, by participating in leadership training, and by helping to orient new members — talking to groups, attending orientation events, explaining the board's role.

### Critical Components of Member Education

Orientation: Informing prospective members of the benefits and responsibilities of cooperation, and giving new members the tools and contacts to function as effective members of the co-op community.

Newsletters: Events, board/staff news, other co-op news, forum for co-op issues, editorials, news of developments affecting the co-op in the community or political arena, NASCO news. Newsletters should project a positive image of the co-op and strive to appeal to the casual reader with medium-length to short articles, cartoons and drawings, and brief columns, but should be viewed as the serious tools they are.

Annual or General Meeting: Brings everyone together face-to-face, perhaps the only time in a year, and a great opportunity for open discussion and special presentation.

Social and Recreational Events: Build community for the co-op and help members to form a sense of identity with other co-ops. Social events should cater to a wide variety of tastes — not everyone loves loud parties. Picnics, coffeehouses, and wine and cheese receptions can be a nice change of pace.

Manuals and Handbooks: Many co-ops have a basic "owner's manual," a publication that answers basic questions about how the organization works and who to see to solve more complicated mysteries. It's also a good idea to have other, more detailed reference manuals for important jobs and procedures, especially for jobs not held by paid staff or jobs done by many different people.

NASCO Institute: NASCO's annual fall conference is a proven energy-building and enthusiasm-generating experience for student cooperators, as well as a chance for co-ops to learn new skills and information. The Institute has training programs designed for student co-ops, as well as the opportunity to meet representatives from other sectors.

Co-op Exchanges: In addition to learning about other co-ops from their representatives at the Institute, you can visit them. It's likely that there's a co-op close enough to you or one with operations similar enough to yours that it would be well worth setting up a weekend exchange.

Work Parties: Co-op work projects not only save money through member labor, but give members a sense of pride in maintaining something that they sweated over themselves. Working together is a good way to get people talking to each other, and working in a group is a lot more fun than working alone.

#### BOARD TRAINING AND LEADERSHIP DEVELOPMENT

Co-op members who have extra responsibilities or perform functions involving training, supervising, and coordinating other people usually need some more sophisticated training than a basic member orientation can give them. This training may be in the form of a workshop for a group of house presidents or building managers, or may be one-on-one between the outgoing officer and the new one.

Training in the technical matters of doing an important job is not enough. People who work with people need interpersonal skills — leadership skills, listening skills, feedback skills, supervisory skills. Resources for this kind of training are readily available from university staff such as the support staff for student organizations; communications, social work, and human resources departments; the co-op's own professional staff; NASCO staff.

Boards of directors especially need special training. It's not realistic to expect that students, often undergraduates, can take responsibility for managing personnel, physical property, large amounts of money, etc., without orientation and ongoing development.

#### Basic Board Training Needs

- History and structure of cooperatives
- Board of directors role and responsibilities
- Personnel management
- Communications, meeting process
- Planning
- Finances
- Structure, policy, and history of own co-op

Some board training can be performed by ongoing board members and staff, but ideally some training should be conducted by an outsider with a fresh viewpoint and co-op training expertise.

As a board, it is unlikely that anyone else will tell you to get trained. It's up to you to take that initiative. Your job will be much easier if you do. It will also be made easier through the effective training of your co-leaders in the co-op. Stronger pieces make a stronger whole!



Leadership Directions, March/April 1984

## BOARD OF DIRECTORS

### RETREATS: CLEVER CO-OPS GET AWAY

*By Terry Young  
NASCO Member Services Assistant*

Spring marks the beginning of flowers blooming, frisbees flying, people disrobing in the name of sunbathing, and particularly clever co-ops retreating. Yet not all co-op retreats are held in the spring, nor do all co-ops hold retreats. But holding retreats makes sense, and springtime retreats are ingenious.

What exactly is a retreat, anyway? It is a withdrawal to a (preferably) quiet, secluded place to contemplate and plan the future, or just to relax and make or renew friendships. Retreats serve a multitude of useful functions. They provide an ideal forum for mission-setting, goal orientation, and value declaration. Even established co-ops that have identified these areas could benefit from re-examining their values, scrutinizing their goals, and reinforcing beliefs.

According to a survey conducted by NASCO of its Active Members, retreats typically involve board members. While board training is a popular theme for retreats, continuing education of and reward for board members also justify holding retreats. In fact, Commonwealth Terrace Co-op noted that board members who do not attend their one-day session "are frequently at a disadvantage." Budgeting, planning, and sketching out themes for the upcoming year are all good uses of retreats. These sessions offer an occasion to brainstorm en masse on issues the co-op will face in the future.



But retreats should not be reserved exclusively for Board members. Including general co-op members and staff increases member involvement and identification with the co-op, and can augment their knowledge of co-ops and the co-op movement, both in the present and from a historical perspective. This feature can only strengthen the individual co-op and the co-op movement as a whole.

Finally retreats improve communication between the board, staff, and members, and reinforce everyone's sense of community and commitment to common goals. The goals of a recent retreat by the Ann Arbor Inter-Cooperative Council (ICC), for instance, were to "develop community and group identity, increase member involvement... and to give people sense of what a co-op is and how we fit into the co-op movement...." The University Students' Rochdale Housing Project (USRHP) stresses that for their retreats their "overall goal is always to maximize participation in defining who we are."

Now that you have been convinced to consider holding retreats, let's go one step further and consider staging them in the spring. There are many advantages associated with springtime retreats, the most persuasive of which is perhaps the time cushion created by planning ahead. Foresighted co-ops can benefit from increased time to fine-tune plans and budgets, and to adjust to unforeseen circumstances. Planning ahead in the spring for the upcoming year can also foster continuity between the two school years and any change in co-op leadership. Professional staff, if present, may help provide the link between the school years over the summer. Planning activities in advance may also encourage members to return to the co-op the following year, create excitement about upcoming events, and reinforce member identification with the co-op. In addition, spring retreats supply co-ops with a capstone to celebrate the end of a year of good work.

Special summer programs may be planned during spring retreats. Neill-Wycik, for example, sponsors a retreat every April to prepare for the management of the summer hotel.

Finally, spring is the season of rebirth. Renewal of commitment to the co-op can be especially meaningful in the spring. Perhaps the most breathtaking of all seasons, spring provokes people to yearn for the outdoors and to get away; to commune with nature. What better setting to hold a retreat?

Now for the nitty-gritty. These projects may cost virtually nothing, or, at the other end of the spectrum, be highly expensive. For example, College Houses held a retreat at nearby Whitehall Co-op recently, and the only tangible cost was a minimal amount for food. On the other hand, Guelph Campus Co-op spent \$1100 on their program at a rented guest house. The total expenditure among NASCO survey respondents averaged about \$500 per retreat. Most co-ops made retreats a budgeted expense, although special funds could be raised through donation or fund-raising activities.

Similarly, there exists a diverse range of suitable facilities. Cost-conscious co-ops may want to hold their programs on-site (although many of the aforementioned benefits of retreats would be foregone) while others may opt for more memorable surroundings. Neill-Wycik, for instance, held its latest retreat at a ski lodge 125 miles from the co-op. The Ann Arbor ICC traveled 30 miles to stay at a recreational center at a state park, equipped with a main lodge, institutional kitchen, sleeping cabins and modern latrines. Waterloo recently held a retreat two hours away at a large farmhouse with access to a lake.

Many of the survey respondents strongly recommended weekend retreats in contrast with single-day events. Waterloo Co-op advises that retreat planners "ensure that enough free time is scheduled in and that there are things for people to do if they need to get off on their own...." Week-



ends furnish ample time to resolve issues, plan events, inform and train members, and still have time for relaxation and fun.

The predominant composition of retreat participants among those surveyed involve board members, staff, and some members, although some co-ops attempt a wider base of participation. USRHP advocates using outside facilitators to guide topical matters during retreats. These facilitators may be found on the staff of universities as aides to student groups, or may be the student co-op consultants at NASCO. USRHP suggests having "clear ideas of what you want to do" and meeting with the facilitator "several times to make sure they have enough background information to do a good job."

So as spring approaches and you begin watching the flowers bloom, the frisbees fly, and people disrobe, consider retreating. It could mean the difference between a hastily-conceived annual agenda and a professional, foresighted future plan.

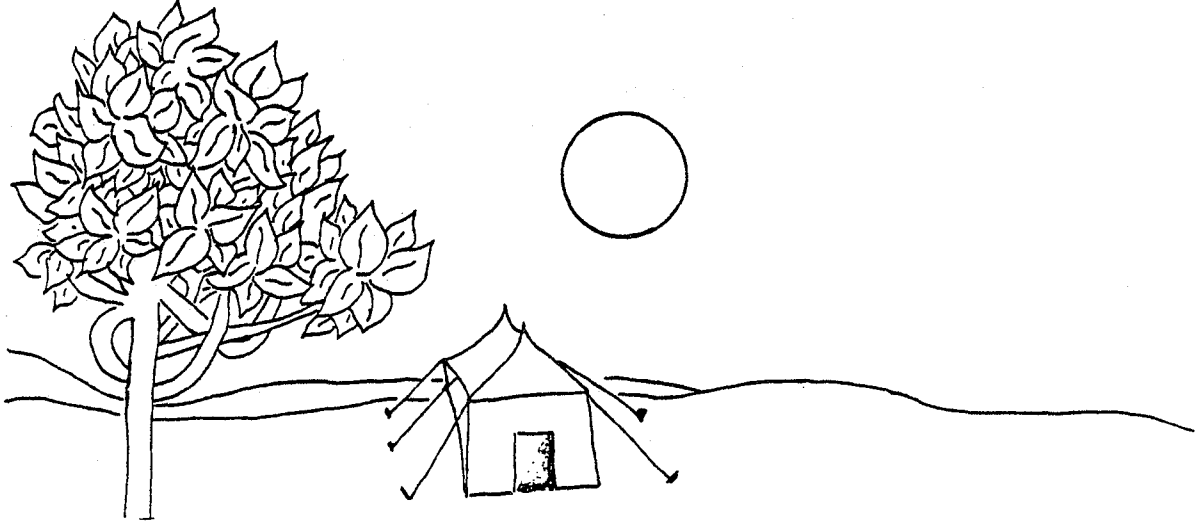
## RETREATS: TWO CLEVER CO-OPS

### College Houses

This co-op's latest retreat lasted five hours in Whitehall Co-op's living room, a few blocks from the College Houses buildings. Open to members, board, and staff, the retreat centered on "organizational value clarification, sort of like mission-setting--answering the question, 'What values/ideals would you like to have guide College Houses' future development?'" The co-op persuaded a member to cook lunch for the occasion, and the donuts provided cost about \$10. The office budget was able to cover the expense. About 12 people attended.

The program's goals focused on identifying values, deciding on priorities, preparing plans and budgets, and conceiving long-range plans. College Houses representatives feel that they achieved their goals, noting that "the outcome gave us a list which we can use as a measuring stick for our current operations." They also commented that as budget formulation time approaches, the issues discussed at the retreat have subtly resurfaced. The retreat "quietly set a tone" for the future.

Another benefit that resulted from the retreat was the invention of "The Board Game." Envisioned as an illustrative tool of member opinions, the game is constructed of a big piece of plywood with twelve major value areas drawn on it. Members may then vote for priorities with chips.



### Ann Arbor Inter-Cooperative Council

The ICC held its most recent retreat last May at a state recreational facility about 30 miles from campus. About 25 board members, committee members, staff, and general members attended the three-day event. The program cost \$600 and was funded through ICC's budget for education and social activities.

The retreat's goals stressed developing community and group identity, improving communications skills, increasing member involvement in and knowledge of co-op operations, and identifying issues and plans for the upcoming year. The retreat also emphasized roles and responsibilities, leadership skills, and vision building. Representatives believe that they accomplished their goals and that overall working conditions in the ICC have improved.

NASCO's Director of Member Services Karin Evans conducted several workshops. Staff from the Student Organizations, Activities, and Programs Office of the University of Michigan also conducted a workshop.

## 6. PERSONNEL —

### STAFF ARE THE PEOPLE WHO GET THE WORK DONE

Every co-op has a group of people who do the work, and they are always organized in some manner. These people "staff" the co-op — from a volunteer cook in a group kitchen to a full-time general manager. All these workers need to know their roles, their authority, and how to complete their tasks.

As a board, you are most concerned with those workers who report directly to you; who are responsible for major areas of operation of the cooperative; who manage your money; who you empower to make decisions regarding the co-op's operations; who coordinate other workers; who work extensively with your membership to determine and meet their needs. These people may or may not be paid for their work; some student co-ops have no paid staff.

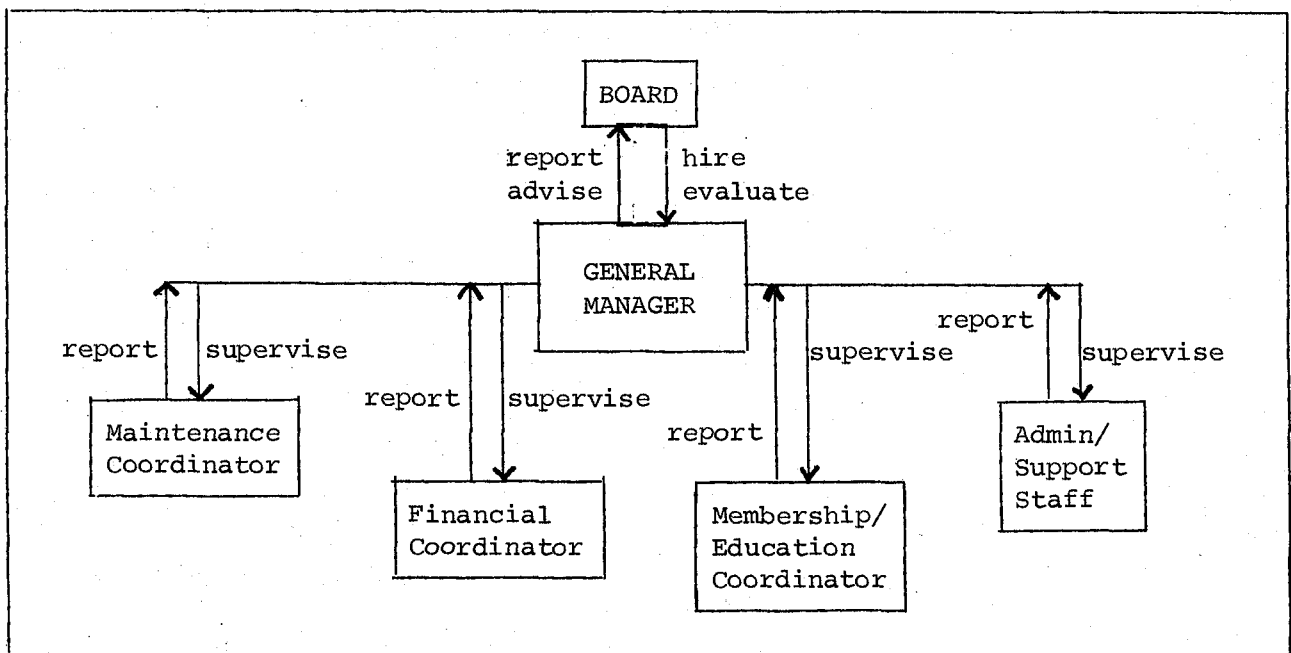
But if any organization is to grow and change according to a design, rather than being subject to the whims of history and the marketplace, it must have a body that is released from tending to daily operations. The board of directors must be free to plan, coordinate, and oversee for the co-op: to direct. Thus the essence of the board's role is to provide direction; the essence of the staff's role is to carry out the daily work required by that direction.

<u>PRIMARILY BOARD FUNCTIONS/DECISIONS</u>	<u>PRIMARILY STAFF FUNCTIONS/DECISIONS</u>
<ul style="list-style-type: none"><li>● Define corporate goals and policies</li><li>● Make long-term commitments of funds</li><li>● Selection of general manager</li><li>● Supervision and evaluation of manager</li><li>● Approve major plans and contracts</li><li>● Approve budget</li><li>● Decide when member decision is appropriate</li></ul>	<ul style="list-style-type: none"><li>● Define operating goals and policies</li><li>● Make short-term commitments of funds</li><li>● Selection of other staff</li><li>● Supervision and evaluation of other staff</li><li>● Develop/recommend major plans and contracts</li><li>● Prepare budget</li></ul>

### STAFF STRUCTURES

Student co-ops come in many shapes and sizes. Often their general outline looks like the following diagram, although job titles vary widely. And again, not all of the positions shown may be paid positions; perhaps not any.

### Flow Chart of Manager/Staff Accountability



Look more closely at the functions represented on the diagram. There are operational functions, such as maintenance and bookkeeping, and there are management functions, such as supervising and reporting. These are of equal importance.

The relationship between the board and the co-op's staff is the key management relationship in the cooperative. Usually the board directly oversees the general manager (executive secretary, general administrator), who in turn oversees the rest of the staff. At the same time, the general manager is the primary advisor to the board.

A common variation on this structure is that some form of a management team, composed of department heads or other primary staff, will all report individually to the board. This system has the advantage of reducing hierarchy among the staff and giving all primary staff direct access to the board. It has the disadvantage of being cumbersome and possibly more time-consuming for the board, and may result in a lack of staff coordination. The board often takes on more of the management functions, especially coordination of staff work.

It is essential that lines of authority and oversight in these relationships be clear. All staff must be accountable to someone for their work; systems of evaluation must be set up and followed; policy regarding personnel who are paid must cover certain critical areas.

## PERSONNEL POLICY AND PROCEDURE

Established personnel policies and procedures are tools that enable board and staff to communicate based on agreed-upon means and criteria.

### JOB DESCRIPTIONS

Perhaps the most basic personnel tool, a job description makes certain things clear to an employee upon hiring. A job description includes:

- Overall job responsibility
- Specific duties
- To whom the position is accountable
- Method and time of evaluation
- Required commitment
- Hours per week
- Salary and benefits.

### EVALUATIONS

Regular staff evaluation, performed in a consistent fashion, can provide a legitimate forum for both praising staff and recommending improvements. Done badly, they can also result in difficult confrontations and bad feelings, and contribute to staff turnover.

Evaluation of a general manager should be performed by a committee of board members. Evaluation of other staff should be performed by the general manager or direct supervisor with selected input from other sources such as co-workers or members with whom the evaluatee works closely.

Suggestions for holding effective evaluations:

- Evaluations should be held on a regular basis; the timetable should be known to all staff.
- Use a standard evaluation procedure and standard written forms.
- Evaluate performance based on objective criteria, such as the staffperson's job description, objectives, key indicators in his/her work area.
- Ask other employees and members to submit evaluations if appropriate to the person's work.
- Include self-evaluation.
- End all evaluations with a written document.
- Criteria for evaluation should be known to the staffperson throughout the period for which the evaluation is being performed.

## HIRING

Hiring practices vary widely among co-ops. Some set up hiring committees specific to a position; some hire through a standing personnel committee; in some cases hiring is done by the direct supervisor of a position.

In deciding on a hiring procedure, it is essential to consider the nature of the position. For example, a general manager would be hired by the board. Probably screening and interviewing would be done by a subcommittee of about three board members, who would make recommendations to the full board.

On the other hand, perhaps you're hiring a full-time maintenance coordinator. This person would report to your general manager, but would work extensively with members. An appropriate hiring committee might be composed of one board member, the chair of the maintenance committee, and the general manager, with the general manager making the final decision on who to hire with the input of the other two hiring committee members.

Now imagine you're hiring a part-time office assistant. The direct supervisor may easily hire for this position without the need for a process involving board members or committees.

## PROBATION AND FIRING

Firing an employee is not easy, and frequently the action will have legal implications.

Termination of the employee should occur only after a review and probationary period. If an employee is not performing satisfactorily, the following steps should be taken:

1. The supervisor should discuss with the employee the problems resulting from his/her poor performance, reviewing the goals of the position and needs of the organization that are being served by it.
2. The employee should state difficulties imposed on him/her that may contribute to or cause the problems, such as inadequate organizational support, unclear role, lack of training, or a personal crisis.
3. If necessary, the employee may be placed on probation following a written evaluation. The probation period should be for a specific number of weeks or months, during which time the employee should work on agreed-on written performance goals for improvement.
4. At the end of the probation period, after a follow-up evaluation, the supervisor may determine
  - a. That the employee has met the performance goals, and that he/she is no longer on probation.
  - b. That the employee has not met the performance goals and should be fired.
  - c. That sufficient improvement is shown that the probation period should be extended.

Any firing which results in an employee's feeling wronged or cheated can lead very easily to court. If for no other reason, personnel law is a very good reason for establishing a relationship with an attorney. Workers have many rights under the law, especially with regard to equal opportunity, collective bargaining, occupational safety, and compensation for injury or unemployment.

### CONTRACTS

Important pros and cons accompany the issue of whether or not to use employment contracts. Many of the clauses contained in an employment contract, such as wages, benefits, and policies regarding probation and firing, should be standard items in your personnel policy anyway.

The main advantage of a contract is that the terms of employment for a particular individual can be clarified and agreed on. Personnel policy should be designed to encompass all the co-op's paid employees.

The main disadvantage of a contract is that its date of expiration can be used by the co-op to rid itself of an employee without going through any real termination process. This puts the employee at a disadvantage and may create a situation of ill-will and unresolved conflict.

### SUMMARY OF PERSONNEL POLICY\*

The following is a comprehensive outline of personnel policies that should be covered by any co-op with paid staff.

#### 1. Lines of Authority

- a. Designate source of staff direction
- b. Define relationship of staff to co-op committees and members
- c. Designate supervisor or direct liaison to board for manager
- d. Designate supervisor for other staff

#### 2. Hours of Work

- a. Define number of hours in normal work week
- b. Specify authorization required for overtime and how it will be compensated

#### 3. Salaries

- a. Define basis for awarding and calculating increases
- b. Specify the timing of increases

#### 4. Benefits

- a. Vacation (rate of accumulation, any restriction on when taken, how long new employee must work before taking vacation, limits on accumulating vacation from year to year, any legal or other holidays recognized by co-op)



- b. Sick Leave (rate of accumulation; maximum)
- c. Health/Accident/Dental Insurance (details of coverage, family coverage, Worker's Compensation)
- d. Education

5. Leaves of Absence

- a. Specify who can authorize
- b. Specify acceptable circumstances
- c. Specify whether paid or unpaid
- d. Specify allowable duration
- e. Specify status of benefits during leaves

6. Performance Evaluations

- a. Specify frequency
- b. Specify who will conduct

7. Terminations

- a. Specify reasons for which termination may occur
- b. Specify who has authority to terminate
- c. Specify notice required
- d. Specify severance pay entitlement, if applicable

8. Grievances

Specify how staff grievance will be handled

9. Personnel Records

Specify degree of access and confidentiality

10. Definitions

- a. "Full time"
- b. "Part time"
- c. "Permanent"
- d. "Temporary"
- e. "Probationary"

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\*Co-operative Housing Federation of Toronto, 11/80

Leadership Directions, May/June 1982

## PERSONNEL

### PERSONNEL MANAGEMENT RECRUITMENT AND SELECTION

*By Gary Spicer*

*General Manager, Commonwealth Terrace Cooperative*

Modern management long ago succumbed to the scientific revolution and has, quite predictably, displaced the ordinary, descriptive terms of business with a much grander jargon. In no phase of management is this revolution of nomenclature more pronounced than in personnel.

What was once known as hiring is now "recruitment and selection." Getting along with employees is now "employee relations." Training has become "employee development." Finally, there are "progressive discipline" and "constructive termination" or, if you will, "involuntary separation."

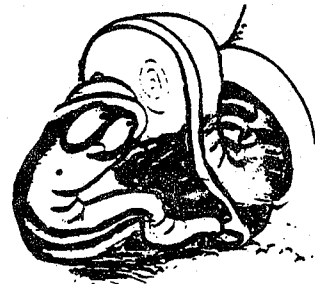
The revolution in personnel management involves a great deal more than terminology. The revision and ordering of policies and procedures has generally reflected the more humanistic values emergent in the post-industrial workplace. The fact that this trend has been bolstered by legislation regarding equal opportunities, wage standards, working conditions and collective bargaining has engendered employer-employee relations with a mysterious aura of legal peril for the unaware practitioner.

Inevitably, the legal intricacy and competition of the marketplace requires that all employers adopt some systemized and carefully-crafted approach to personnel management. Co-ops, because of their naturally humanistic bent and structural innovations, have in many cases permitted themselves to lag in pursuing comprehensive personnel policies. Lack of perceived need and experience have increased this tendency.

While it may be impractical to attempt a substantial discourse on personnel management in articles like these, it *is* possible to put forth some reasonable guidelines which co-ops might adopt pending their own personnel policy development. In that interest, the remainder of this article will be devoted to the first, and likely the most significant, personnel need of most co-ops—recruitment and selection.

Typically, personnel people will say that an effective search and selection process is the key to all other areas of personnel practice. However, hiring the person who will be compatible with co-workers, training programs, performance standards, grievance systems and planned changes in the organization is only a vaguely attainable goal. No candidate will be perfect. Each has her/his positive qualifications and negative attributes.

Hiring can be deceptive. Everyone, candidate and employer, is on their best behavior. It can also be extremely tricky. Hiring mistakes are so common



A new worker

and costly that many organizations will promote a less-than-qualified insider rather than take a chance on an unknown quantity from the outside. This can be an equally costly mistake. The chances of failure will be high, because of qualifications and because of an inevitable peer group reaction to whoever was promoted from their midst. Furthermore, the company has lost the value of the good work of the promoted employee in their previous position. This discourages the practice of promotions; however, promotions can work well. Employers must be attuned to the potential problems in any kind of job filling, by promotion or otherwise. Too often, the excited pleasure of hiring a new person, finally filling the job, rewarding a good worker, and giving somebody a job causes us to eagerly rush forward into disaster.

#### JOB DESCRIPTIONS

The best and simplest advice to those who are about to look for a new employee is to decide, as precisely as possible, what the co-op wants. The job description for the position should be updated before the recruitment process is set in motion. In cases where no description exists, one should be written before recruitment begins. The description should be revised by the immediate supervisor with input from the likely co-workers. If the previous position holder is available, use that advantage for additional specific information. In this way, the co-op can ensure clarity on the demands of the position to be filled. This benefits the co-op, since the individual with the most desirable qualifications can best be determined. It is also of greatest fairness to the candidates, who deserve a full understanding of the job as well.

After the job description is written, specific qualifications should be determined. It will probably become necessary for the search committee or individual doing the hiring to prioritize the job duties and qualifications. It

is, therefore, wise to discuss and identify those priorities as the job description and qualifications are written.

Determine early who will carry on the actual recruitment and do any interviewing. Early exposure to the job description and qualifications writing process will give interviewers background that augments any written information they have about the job. If a search committee is to be formed, it too should be created early in the hiring process. The search committee should be small enough to facilitate easy operations, but should represent the blend of perspectives prevalent in the co-op membership. Sexual and minority composition are important factors to consider in committee formation.

It is generally best to establish a hiring time framework with specific periods for background work, research, writing the job description, advertising, screening resumes, interviewing, the hiring date and, finally, the starting date. While this may sound difficult to establish, such time frames can keep the process from getting bogged down at critical stages.

#### RECRUITMENT

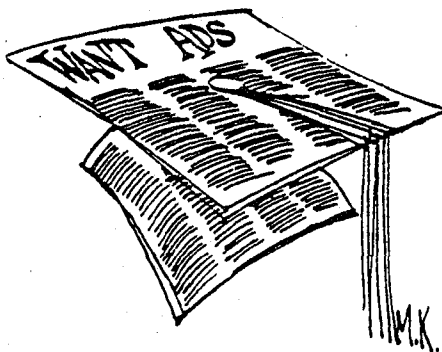
Once duties and qualifications are set, recruitment ought to be based on some sense of where appropriate candidates can be reached. If the co-op is looking for degreed candidates, college placement offices are a good place to advertise. It is a good idea to advise organizations similar to your own that you have an opening. Consider also your commitment to equal opportunity employment. Will your job announcements reach and appeal to minorities and women?

A job announcement or advertisement should include: a job title, a brief listing of principal duties, minimum qualifications, an application deadline, to whom and where applications are to be mailed, and (if you wish) an indication of compensation. More information can

be included, but be wary of limiting your own flexibility should the response indicate a need for adjustments. That is, after receiving several resumes, you may find that your announcement is being misinterpreted and requires some rewriting. You should be able to do that without substantially altering information previously included in the posting.

One common question is whether to advertise the intended salary. Some recruiters list higher than average pay rates and leave out lower ones. In making this decision, it is important to consider that job announcements are meant to solicit applications and resumes, not to hire. With the right candidate, you may, in fact, want to revise the salary based on some unusual value the candidate represents to your organization. For those wishing to avoid surprises, it might be well to include a salary minimum without stating the upper range. Be sure, however, to state the figure as a minimum.

Writing and distributing job opening announcements deserve a great deal of attention. Remember, while you are planning to evaluate applicants, they are sizing up your co-op as well. Everything you do, say, or publish will generate some reaction in potential applicants.



#### MAKING A SELECTION

Finally, the application deadline passes and you meet to review resumes. It is quite legitimate to determine beforehand the number of candidates to be interviewed. The critical issue is achieving an objective screening process. Initially, you will mechanically eliminate any resumes that do not meet the specific qualifications that you have set. Then, choose from the remaining qualified applicants the predetermined number to be interviewed. You can decide to interview additional candidates as well. Avoid prioritizing resumes individually as this may bias future selection discussions. Rather, divide the resumes into two piles, one pile being preferred over the other for interviewing. Eliminate the less desirable group and work toward a consensus on who is to be interviewed from among the remaining candidates. Repeat this process until you reach the desired number of applicants.

Prior to the interviews, specific questions should be devised and agreed upon by those who will do the interviews. It is important that all candidates be asked precisely the same questions, and that the questions be documented. Stay away from posing any questions regarding the applicant's race, religion, family status, disabilities not related to the job, medical history, age, or place of residence. This is not easy. Courts have found that questions about as insignificant an issue as place of residence may indicate ethnic or religious affiliations because of the concentration of these populations in specific areas. The best questions are impersonally premised on the established duties and qualifications of the job. Don't worry; the personality of the applicants will come through regardless of the questions.

During the interview, it is worth restating the conditions of employment to be sure the applicant understands the duties, compensation, benefits, accountability, probation, and starting date of

the position. It may later prove important to refer the hired employee back to statements made at the interview.

Finally, a word on references. Everybody's are wonderful! Who would give you the name of a potentially poor reference? Many companies have grown leery of providing references for previous employees because of legal complications. To provide information to be used in a hiring decision requires a willingness to stand behind that information legally. About the best you can expect in checking references is to verify the technical accuracy of information provided by the candidate.

When you settle on your top candidate for the position, let the immediate supervisor make the formal job offer. It is important to begin building the supervisor-employee bond immediately.

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The job offer by the supervisor also lets the new employee clearly know to whom s/he is responsible. The job offer should also be made contingent on the completion of a signed application. A resume is not a legal application. A candidate can be held to the accuracy of a signed application, but not to the information contained in a resume.

And that's it. You have a new employee. This hiring process works, but it can be successfully modified to suit the needs of your co-op. By developing a systematic approach before you start, and by using that system throughout the hiring process, your co-op will make the best possible selection in the most democratic fashion.

## 7. MAINTENANCE AND HOUSEKEEPING

Imagine one day you are walking down the sidewalk in front of one of the co-op's buildings, and you overhear one stranger say to another, "That's an attractive, comfortable-looking place. I'd like to live there!" Could this be your co-op?

If it couldn't, it might be time to assess the effect of your upkeep program and standards on your membership recruitment and retention, community image, and university support, not to mention outright physical deterioration of your property.

- Cosmetic appearance will be a major factor in your ability to attract new members. Maintenance problems — the leak in the roof, the "unique" bathroom plumbing — will drive them away.
- If university and community leaders can point to the co-op as an example of high-quality, low-cost services, that's your ticket to all good publicity and political favors you need. If they think of you as an eyesore, you'll have many more barriers to overcome next time you want a zoning waiver or a permit for something . . . .

What must the board know and understand about maintenance in order to fulfill their responsibilities? Too often, people dismiss maintenance as just cutting grass and fixing broken windows. Maintenance involves having an overall understanding of the physical condition of the property. When a crack appears in the wall, maintenance is not just fixing the crack, but asking why it appeared.

It also means finding ways to prevent problems or ensuring that they do not recur. If the plumbing in one building is continually causing trouble, the board must be informed enough to make a decision whether to repair it or replace it instead.

### OBJECTIVES

The first step in developing a maintenance program is to define its purpose and set objectives which complement and relate to the overall objectives of the co-op. Common objectives of a maintenance program are:

1. To maintain a sound building structure.
2. To keep mechanical systems in good working order.
3. To ensure good housekeeping and cleanliness.

## APARTMENT UNIT MAINTENANCE

In the case of apartment buildings or townhouses, individual member units need regular upkeep. The occupancy agreement that members sign when they move into the co-op should clearly outline the ongoing maintenance responsibilities which members must assume for their units.

A work order system is often used to allow members to indicate the need for repairs and other problems. The form is filled out in triplicate requesting the repair or indicating a problem and is passed on to the maintenance staff or volunteer committee. When the job is completed, one copy would go the unit file, one would go to a central work order file, and one would be sent to the member.

This system provides an ongoing record of the condition of the individual units and buildings and of those individual members who seem to require services more often than is usual or necessary. At the end of each financial year, the staff and committee can see exactly how and where money was spent. It can also be used as a check to see how quickly work is done.

## INSPECTIONS

The key to a successful preventative maintenance program is regular inspection of external and internal common areas and living spaces. All property must be inspected at least annually. For the building exterior and the mechanical and electrical systems, the co-op may want to employ someone with expertise to do the inspection. It is sometimes possible to have free inspections done by city inspectors. (Sometimes you may not have a choice!)

The manner in which inspections are handled by maintenance personnel can make a big difference in obtaining the cooperation of the members and in encouraging good relations generally.

## EMERGENCIES

Emergencies are almost self-explanatory. When a refrigerator breaks down or the heating ceases, it is an emergency. Someone must have the authority to call in servicepeople to repair the problem without a phone poll of the board!

Members must know how to use emergency systems. They also must have the security of knowing that the co-op can and will respond in an emergency. Mishandled emergencies cost not only dollars, but also co-op morale.

Too many emergencies suggest serious maintenance problems. It is important to track emergency repairs and get explanations.

## REPLACEMENTS AND IMPROVEMENTS

Strictly speaking, these are not maintenance, but they do involve large expenditures on items and systems related to maintenance. The key is to plan ahead as much as possible for large expenditures that cannot be covered in a single

year's budget. A co-op can either borrow money for the expenditure and pay it off over a number of months or years, or it can put money aside in advance.

Borrowing has the advantage of paying for the replacement out of the charges of the members who benefit from the replacement. If money is set aside in advance, some members may be paying for replacements that will be made after they move out.

However, the co-op may not be able to obtain the necessary loan, or the interest may be prohibitively high. Most co-ops do set aside money in reserves, which are funded by a regular allocation in the operating budget. Accumulating reserves is in the best interest of the co-op's present and future members — reserves are needed in emergencies, for routine replacements, etc.

#### MAINTENANCE PERSONNEL

The board has three alternatives to ensure that maintenance is carried out: paid employees, outside contractors, and volunteers. In deciding which alternative or combination of alternatives to employ, the board must consider getting the job done properly, budget constraints, and equitable treatment for all members. Some cooperatives hesitate to hire maintenance staff. This is dangerous. Poor maintenance is an excessive burden on the membership. Volunteer responsibilities must be kept to a reasonable level, and staff must be hired to perform functions which are beyond the expertise or level of commitment of members.

#### Volunteers

Volunteers are the basis for making substantial savings in carrying out maintenance responsibilities. Besides the obvious savings, there are the added advantages of strengthening the social relationship between members and developing an overall sense of responsibility for the project that grows out of shared work.

Whether or not the co-op has paid maintenance staff, a maintenance committee of co-op members can take on the responsibility for the actual administration and guidance of the maintenance program. The committee should work under board direction and report regularly.

#### MAINTENANCE POLICY QUESTIONS

1. Will volunteers be responsible for maintenance or will staff be hired? Will staff be full-time or part-time?
2. How will authority and spending responsibilities for maintenance be delegated?
3. If staff are hired, what are they responsible for? What are members responsible for? Are these responsibilities clear in the co-op's occupancy agreement with each member?
4. On what basis will decisions on decorative and structural changes within a member's living space be made?



5. What emergency procedures will be set up?
6. Should we ask for a maintenance deposit when new members move in?

In sum, a good maintenance program is worth the effort, because proper upkeep makes an immeasurable difference not only in savings on building repairs over time, but also in the appearance of the co-op to its members and outsiders. A co-op can only succeed if the co-op members want to live there and take pride in the co-op as their own home. Proper maintenance is a crucial part of that pride.

If your co-op has dirty floors or lawns full of weeds or roofs that leak every time it rains, ultimately the board must be aware of the situation, take action, and monitor the results of that action.

(This section on maintenance was adapted from How to Run a Housing Co-op and Maintaining Our Homes, both published by the Co-operative Housing Federation of Toronto.)

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## MAINTENANCE

### DEFERRED MAINTENANCE

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*By James Piper  
From Building Operating Management  
April, 1979*

From the moment a building is first occupied by its owners, it has started on a long process of decay.

When it is new, the rate of decay of the structure, the equipment, and the furnishings is slow. But as the building ages, the rate of decay gradually increases until the owners decide that the cost of upkeep has exceeded the building's worth, and a renovation program is undertaken.

In the lifespan of a building, several complete renovation and decay cycles may be undergone before the decision is made to abandon the facility and construct a new one. How many cycles can be completed before that decision is made, as well as how much time passes between renovations, depends on several factors, including how well the facility meets the needs of the occupants, and how well it is maintained.

Putting off maintenance items today will save money in the short run, until the effects of deferring begin to impact the use of the facility. At that point, it is too late to correct the deficiencies, for the cost of playing maintenance catch-up will by far exceed what that maintenance would have cost had it been performed earlier.

#### HOW MAINTENANCE BECOMES DEFERRED

In order to keep a building operating, maintenance forces are charged with carrying out those tasks necessary to operate, maintain, repair, replace and preserve the building and its site, equipment, and utility systems.

Generally, these tasks can be broken down into several categories:

- Routine maintenance:  
Those items, such as housekeeping, that are scheduled, repetitive work performed on a daily, weekly, monthly, or annual basis.
- Planned Maintenance:  
Tasks, such as equipment overhauling, that are scheduled but non-repetitive work performed on a non-emergency basis.
- Preventative Maintenance:  
Tasks, such as equipment inspection and adjustment, that are scheduled for the primary purpose of reducing the frequency of breakdowns.
- Emergency Maintenance:  
All unscheduled tasks that require immediate attention in order to restore normal building services.

If all maintenance tasks were performed when needed or when scheduled, there would be no need for deferred maintenance. But few building operators find that they have the time or resources to do all required maintenance. But the more items are deferred, the more the odds increase for those items to show up as emergency items, taking even more time away from other maintenance needs.

The lack of a sufficiently funded maintenance program is one of the strongest factors that results in deferred maintenance. Without the manpower to do all the work that should be done, only those items that are essential end up being accomplished. And without the proper equipment, tools and training, no maintenance force—regardless of its size—could carry out

its charged duties. Technical and engineering support is often omitted from the maintenance budget, yet this assistance is required in solving many maintenance problems. In addition, inflation has cut so deeply into operating budgets that, in many cases, funds for major equipment replacement aren't sufficient or are lacking completely.

Staffing and funding are only two aspects of the deferred maintenance problem. Few organizations give maintenance experts the opportunity to provide input into the planning, design, and construction phases of a project. Equipment is installed in such a way that it is inaccessible for proper care, or construction materials are chosen on a first cost basis rather than through life-cycle costing.

#### WHAT GETS DEFERRED

The most commonly impacted areas of maintenance are:

##### Building Exteriors

Of the elements that make up the building exterior, the roof is the one that gives the building operators the most problems. The time to repair a roof is when the defect is first detected and before water has had the chance to penetrate, yet most roof repairs are deferred until water has reached the occupied space. What repairs do get made are done so on an emergency basis to prevent further damage.

Building exterior masonry surfaces are another maintenance area prone to deferral. Joints and capstones weather and erode to the point where they are no longer waterproof. Exterior walls, porches, and retaining walls can develop cracks from settling.

As water in the cracks and voids goes through freezing and thawing cycles, it can expand the defect, allowing even more water to enter. If maintenance is deferred until water damage shows up in the building interior, the damage to the exterior masonry will have become fairly extensive.



Unless problems are highly visible, most may go undetected and uncorrected until they do become obvious. Deferring maintenance and regular inspections only permit the problems to spread.

##### Building Equipment

Deferring of maintenance occurs nearly every type of equipment, both electrical and mechanical, found in the building. In some instances testing is deferred, while in others total overhauls are held off for some future day that never arrives.

By deferring testing of electrical switchgear and transformers, minor electrical problems go undetected and develop into major problems that cause equipment failures and must be handled on an emergency basis.

Central boilers and chillers require periodic, scheduled maintenance including testing and cleaning to insure proper operation. If that is deferred, not only is the efficiency of the unit decreased, but its safe operation may be so impacted that the result is a premature failure.

Underground steam lines and other hidden utilities tend to be ignored until a large failure takes place. Since most of these lines are out of sight, it would

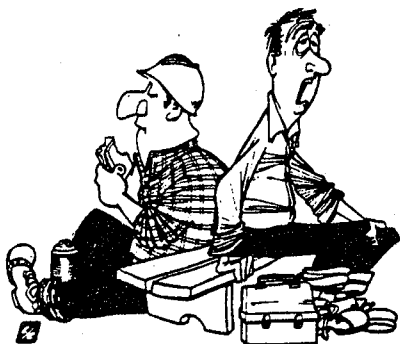
be impossible to evaluate their condition without the use of special equipment such as thermographic scanners. Few building operators have such equipment within their organizations, and therefore must use outside firms for assistance. Without testing, steam leaks may go unnoticed and uncorrected for months, or electrical cables may fail while in service.

Heat/ventilation/air conditioning systems are repaired primarily on an emergency basis. When systems go down, building operators are under pressure to restore service. Once service is restored, the pressure is off and any additional maintenance that should have been done is deferred.

#### The Building Site

Even though the building site is an important visual element of the organization, it too is subject to deferred maintenance. While there usually is a strong effort to keep the appearance of the site well-maintained, less obvious items frequently become deferred.

Asphalt surfaces without annual or semi-annual sealing fail prematurely. Drainage systems need to be cleaned of debris to prevent flooding. Building roof drains and gutters need frequent cleaning. Vegetation needs almost constant care.



Just once I'd like a contract without being blamed for inflation, wars, mid-east crises, mass layoffs, sink backup, gumple suicides, mange, seagull lice, dandelion infestation...

#### THE COST OF DEFERRING MAINTENANCE

On the surface, deferring certain maintenance items would appear to save the organization money. But in the long run, deferring maintenance may end up costing several times what was thought to be saved due to replacement, secondary failure, increased maintenance and energy costs.

If required maintenance on a unit is deferred, then most likely that unit will fail before it has lasted its expected life. Premature failure results in premature purchase and installation of replacement equipment. If enough equipment is failing, the owners might opt for a total building renovation, even though it might be several years ahead of schedule.

If the deferring of preventative maintenance and planned maintenance is permitted to continue long enough, the result will be an increase in overall maintenance costs. It may take some time, but eventually nearly every item that was deferred will show up in the form of emergency maintenance. Instead of performing the tasks according to a schedule based on the maintenance force's hours of operation, tasks will have to be dealt with as they occur: during days, nights, weekends, or holidays.

Since deferring maintenance eventually leads to more equipment failures, it also will lead to more lost operating time. Every time a major piece of equipment fails, service is interrupted to all or part of the building. Interruptions can lead to decreased operating capacity, lost income, and even lost rentals.

An often overlooked cost of deferred maintenance is increased energy costs. As equipment decays, its operating efficiency decreases so that more energy is required to provide the same services. Undetected steam leaks can waste hundreds of dollars in steam. Wet roof insulation can have a heat loss rate ten times that of dry insulation.

The best way to avoid getting caught in the deferred maintenance trap is to never defer maintenance. Routine, planned, preventative and emergency items should be dealt with as they arise.

## 8. LEGAL CONCEPTS FOR THE CO-OP BOARD OF DIRECTORS

A corporation is considered a "person" under the law. In a sense it has a life of its own. It may sue or be sued. It has many rights and responsibilities as a corporate entity. And of course, one of the attractions of the corporation as a business form is the limited personal liability of individual stockholders (members) for corporate debts.

However, members of a board of directors of a cooperative stand in a far different position relative to the cooperative than do individual members. A director is under an obligation of trust and confidence. He or she is expected to exercise the powers of office in good faith with the best interests of the cooperative always in mind. A breach of this trust could result in the director's being held personally liable to the cooperative, its members, or to corporate creditors. In extreme cases a director may be held criminally liable for misconduct committed while acting in an official capacity.

How can a director determine the scope of legal responsibility? The first place to look is in the cooperative's by-laws and articles of incorporation. These papers set down the authority granted to the board by its members. In addition, various federal, state, provincial, and local laws define and limit the responsibilities of corporate directors. These include state/provincial incorporation laws and federal tax and securities laws. The problem is that it is virtually impossible for any director to completely understand all of the rules regulating his or her conduct.

However, general standards of conduct for directors, established by courts over the years, do exist. Following these standards will help a director avoid financial or criminal liability.

- The "Prudent Person" Standard: a director is expected to exercise the same care in carrying out his or her duties as a prudent person would. The level of care expected is usually that which an individual would be expected to show in the conduct of personal affairs.
- The "Ordinary Skill and Intelligence" Standard: a director is expected to exercise at least ordinary skill and act with reasonable intelligence in the exercise of duty.
- A director is expected to always "Act in the Best Interests" of the cooperative and its members.

Many of these terms are vague. Their interpretation would be left to the discretion of an individual judge or jury. You cannot protect yourself absolutely as a director.

When directors become involved in litigation, most often the problem has arisen as a result of:

- Mismanagement. Decisions made in good faith but without careful attention to the future implications could result in financial losses to the co-op. Directors may then be charged with mismanagement.
- Misconduct, actions taken by directors which violate cooperative by-laws or general corporate law and result in losses to the cooperative directly, or indirectly by rendering the cooperative liable to pay damages to a third party. Misconduct could expose a guilty director to criminal as well as financial liability.

#### MISMANAGEMENT

The "business judgment rule" holds that directors are not liable for good faith decisions made with sound business judgment in carrying out their duties, so long as they did not neglect board duties, break the law, or overstep the powers granted them by cooperative by-laws. However, directors may be held liable where losses result from blatantly careless management decisions.

Directors may not escape their legal responsibilities by delegating the conduct of business to individuals. Part of the general duty of the board of directors is to exercise care in the selection of managers and officers and their supervision. Directors may at times be called upon to account for the actions of officers or managers even if they were not actually aware of the questionable actions beforehand.

While directors may be liable to the cooperative and its members for negligent mismanagement, they will almost never be liable to third party creditors unless their actions were deliberate.

#### MISCONDUCT

Director misconduct is quite simply any action taken by one or more directors which is either not authorized by the corporation's by-laws or articles, or is prohibited by law. Directors may be liable for misconduct not only to the cooperative and its members, but also to corporate creditors who have suffered financial loss as a result of misconduct.

Common examples of misconduct include the authorization of dividends above a statutory limit; a failure to disburse funds (such as patronage refunds) when required by law or by-law to do so; a failure to file required financial reports; the filing of false reports; the making of unauthorized loans to members or officers; the utilization of office for personal gain; or the authorization by a board of activities in violation of any by-law or article.

Directors also commit misconduct when they fail to live up to a more general duty to deal honestly and responsibly with the general public. A cooperative may be sued for fraud, misrepresentation, or negligence, and be required to pay damages to an individual who was legally wronged. Directors who either knew about, participated in, or should have known about the wrongdoing may be required to make up the loss to the cooperative.

Finally, in extreme cases, directors may be held criminally liable for certain corporate crimes in which they participated, either directly or by failing to intercede when there was a duty to do so. Common examples of such crimes include violations of laws governing liquor consumption, labor laws, and securities regulations; embezzlement of funds; issuance of worthless checks; and concealment of assets in contemplation of bankruptcy.

#### SUGGESTED PRECAUTIONS

Directors can protect themselves from civil or criminal legal problems by following these rules:

1. Get the facts. Read all reports. Examine corporate books and records. Consult with lawyers or accountants on difficult technical issues, and attend board meetings. If you don't have the time or inclination to understand the full picture, RESIGN. Let someone else do the homework necessary to being a responsible director.
2. Consider the implications of your decisions. Could personal motivations be behind a decision? Could it look that way?
3. Inform members of what's going on. Involve members in important decisions, particularly where charges of unfair dealings could be made.
4. Make sure there are good records of all meetings.
5. Protect yourself personally against wrongful resolutions and decisions. Request a rollcall vote and clearly dissent. When absent from a meeting at which a questionable decision is made, write to the secretary and ask that your dissent be entered in the minutes. Get written statements from lawyers or accountants when appropriate.

## 9. FINANCIAL PLANNING AND EVALUATION

The emphasis in financial planning for housing cooperatives should be placed on budgeting. In the budgeting process, the co-op attempts to predict its own future and make plans to cover its cost. This process of planning can be viewed in terms of the co-op's goals and objectives: money must be spent according to the needs, values, and priorities of the members. Financial planning is a tool for meeting the physical and social goals of the cooperative.

By the same token, monitoring the financial position and performance of the cooperative provides both a yardstick for comparing financial planning to actual performance, and information to make changes and develop future plans. Financial statements measure resources and point toward problems; it is the duty of the board to plan for the use of those resources and to respond to problems which interfere with the accumulation of resources needed to accomplish the co-op's goals.

### IMPORTANCE OF FINANCIAL KNOWLEDGE FOR DIRECTORS

First of all, directors need financial knowledge because of the board's legal and moral responsibility for the co-op's financial health.

Second, financial knowledge is needed so that the board can plan for meeting the goals and objectives of the co-op. Members gain control through the financial competence of the board, because their needs can be met.

Third, financial understanding is a tool for monitoring the co-op's management. The co-op's ability to meet its objectives, the effectiveness of staff, and the extent of the co-op's resources come to light through financial statements.

### FINANCIAL PLANNING AND THE BUDGET

Much financial planning can be done yearly through a budgeting process. Having a formal process at the same time each year helps to generate interest and input from the members, and also helps the board keep from drifting along without a conscious plan. Budgeting provides a guide to co-op operations, and is valuable for many reasons.

#### Budgeting ensures:

- Optimal allocation of resources.
- Accountability. Members can judge the board; board can judge the staff, based on the reliability of budgeting.
- Allocation of income for specific projects.
- Control by board and membership through choice of non-fixed expenditures.



## BUDGET CATEGORIES

### A. Fixed Property Expenditures (These are considered "fixed" because the co-op has no control over them.)

- Mortgages/Rent
- Taxes — considered fixed, but subject to unpredictable changes. Taxes usually go up, not down, so plan for some increases in this category.
- Insurance — cost is set in policy.

### B. Variable Property Expenditures

- Utilities — vary with rates, weather, and conservation; add an inflation factor. Utility costs should be tracked over many years to ensure that estimates are not based on a year with unusual weather conditions.
- Maintenance — a 10% margin should be added to expected maintenance costs in case of unexpected sudden needs.

### C. Discretionary Property Expenditures

- Furniture and equipment
- Capital improvements — such as adding a swimming pool or roof deck.

### D. Reserves

- Operating reserves — money put aside for lean years; an amount equal to at least 10% of annual budget should be adequate.
- Repair and replacement reserves — based on HUD guidelines, .6% of the value of the buildings, adjusted for inflation, should be placed annually in this fund.

### E. Overhead Expenses

- Employee salaries, benefits, and related
- Office

### F. Social, Educational, and Developmental Expenses

- Social and recreational — community-building activities.
- Member and board education programs — member empowerment and skill-building.
- Co-op association membership — contributions to the overall development of cooperatives; adding to the co-op's network of resources.
- Community relations
- Development — includes addition of new member services as well as expansion.

### G. Bad Debt Expenses

Student Housing Co-op, Inc.  
Cash and Accrued Budgets  
1 June, 1999 - 30 May, 2000

<u>Revenue</u>	<u>Cash Budget</u>	<u>Accrued Budget</u>
Rents	140,760	140,760
Less Allow. for Vacancies	(14,076)	(14,076)
Net Rent Revenue	126,684	126,684
Other revenues	6,000	6,000
Total	132,684	132,684
 <u>Expenditures/Expenses</u>		
Mortgage Payment	45,600	-NA-
Interest	-NA-	45,177
Depreciation	-NA-	19,651
Taxes	8,384	8,384
Insurance	1,600	1,600
Utilities	4,800	4,800
Maintenance	4,500	4,500
Furn. & Equip.	2,500	-NA-
Capital Improve.	12,000	-NA-
Trans. to reserves	24,000	-NA-
Salaries	18,000	18,000
Office	6,000	6,000
Social & Ed.	1,800	1,800
Bad Debts	2,000	2,000
Misc. & Conting.	1,500	1,500
Total	132,684	113,412
 Net Surplus/Savings or (loss)	---	<u>19,272</u>

#### H. Income Sources

- Non-rent sources of income — such as interest, membership fees, vending machines.
- Member assessments — always allow for some vacancies in your budgeting.

#### USING FINANCIAL STATEMENTS TO MEASURE PERFORMANCE

Student housing co-ops use a wide variety of accounting systems and statement formats. The purpose of all systems is the same, however: to monitor the financial condition of the co-op and determine its financial success or failure on a timely basis. This information is useless in a vacuum, and must be related to decision-making at management levels. The quality of financial statements should be judged by whether the information is easily accessible and easily understood.

Because we are focusing on financial planning, our emphasis will be on statements that compare actual performance to the budget. These are the Revenue and Expense Statement and the Variance Statement. The Revenue and Expense Statement shows actual income and expenses; the Variance Statement compares this information to the budget.

(The system shown is based on "cash" accounting, rather than "accrued" accounting. Cash accounting shows money in and money out. We recommend using cash accounting because it is more easily understood. If your statements are accrued, ask your treasurer or accountant for an explanation.)

#### The Variance Statement

Depending on the size of the co-op and whether it has paid staff, we suggest either a monthly or semesterly variance statement. The periodic statement categories and the budget categories should match each other for easy comparison. To budget one way and produce statements another way leads to confusion, and the board has less control because information is unclear.

This method of comparing budget to actual revenue and expenses might look like the following example:

Student Housing Co-op, Inc.  
Variance Statement for October, 1999

<u>Revenue</u>	<u>This Month</u>			<u>Year to Date</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under)</u>	<u>Budget</u>	<u>Actual</u>	<u>Over (Under)</u>
Rent Revenue	11,500	11,350	(150)	46,000	47,530	1,530
Laundry Machine	525	575	50	2,400	2,652	252
Member fees	-0-	-0-	-0-	300	425	125
Total	<u>12,025</u>	<u>11,925</u>	<u>(100)</u>	<u>48,700</u>	<u>50,607</u>	<u>1,907</u>
<u>Expenditures</u>						
Mortgage Payments	3,800	3,800	-0-	19,000	19,000	--
Taxes	--	--	--	2,795	2,500	295
Insurance	1,600	1,600	--	1,600	1,600	--
Utilities	475	350	125	3,900	3,754	146
Maintenance	375	500	(125)	1,875	2,045	(170)
Furn. & Equip	--	--	--	1,042	1,543	(501)
Cap. Improve.	--	--	--	5,000	2,000	3,000
Trans. to reserves	2,000	2,000	--	10,000	10,000	--
Salaries	1,500	1,500	--	7,500	7,500	--
Office	550	450	100	2,750	2,835	(85)
Social & Ed.	150	200	(50)	750	625	125
Bad Debts	--	--	--	600	325	275
Misc. & Conting.	125	100	25	625	700	(75)
Total	<u>10,575</u>	<u>10,500</u>	<u>75</u>	<u>57,437</u>	<u>54,427</u>	<u>3,010</u>
Savings or (Loss)	<u>1,450</u>	<u>1,425</u>	<u>(25)</u>	<u>(8,737)</u>	<u>(3,820)</u>	<u>4,917</u>

## REVENUE AND EXPENSE STATEMENTS

The revenue-expense statement, particularly when it represents totals for the semester, quarter, or fiscal year, can be an excellent barometer of performance. It is generally compared with the previous fiscal year (or the same period in the previous fiscal year) so that changes can be easily seen and analyzed. Comparing revenues and expenses with a previous period as well as with the budget can provide a good perspective on financial problems.

The "bottom line" of the revenue-expense statement is the "savings" or loss for that period. (The word "savings" is substituted for "profit" on many co-op financial statements.) "Savings" is an accounting term. The sum represents how much more the co-op is worth, not how much more cash it has. If a lot of money was spent on the purchase of assets such as furniture or equipment, there could actually be a "savings" for the co-op in the accounting sense, but a decrease in the amount of cash in the bank.

Look at the following example of a year-end revenue-expense statement, and then read on to see how the "savings" affects the co-op's balance sheet.

Student Housing Co-op, Inc.  
Revenue - Expense Statement  
Fiscal Year Ending May 31, 2000

<u>Revenue</u>	<u>1999-2000</u>	<u>1998-1999</u>	<u>Increase/ (Decrease)</u>	<u>%</u>
Rent	130,052	123,426	6,626	5.4
Laundry	1,050	1,087	(37)	(3.4)
Member Fees	4,025	3,700	325	8.8
Misc.	500	35	465	1328.6
Total	<u>135,627</u>	<u>128,248</u>	<u>7,379</u>	5.7
<u>Expenses</u>	<u>1999-2000</u>	<u>1998-1999</u>	<u>Increase/ (Decrease)</u>	<u>%</u>
Interest	45,117	45,223	106	.2
Depreciation	19,782	19,683	(99)	(.5)
Taxes	8,200	7,653	(547)	(7.1)
Insurance	1,600	1,600	--	--
Utilities	5,479	4,650	(829)	(17.8)
Maintenance	5,389	4,987	(402)	(7.5)
Salaries	18,000	17,000	(1,000)	(5.9)
Office	5,768	5,842	74	1.3
Social & Ed.	1,785	1,803	18	1.0
Bad Debts	1,487	1,753	266	15.2
Misc. & Conting.	537	835	298	35.7
Total	<u>113,144</u>	<u>111,029</u>	<u>2,115</u>	(1.9)
Net Savings or (loss)	<u>22,483</u>	<u>17,219</u>	<u>5,264</u>	30.6

## BALANCE SHEET

The balance sheet can be described as a "snapshot" of the condition of a business at a given point in time. This contrasts with operating statements, such as revenue-expense statements, which show what happened during a period.

The balance sheet shows three related sections:

- What the co-op has (ASSETS). Assets include all the THINGS the co-op has, such as buildings, furniture, cash in the bank, investments, loans it has made to other people, etc. They are almost always the things you can put your hands on. They are also the things the co-op has the right to use.

The other two groupings describe where the co-op got the money for the assets.

- What the co-op owes (LIABILITIES). Liabilities are the money that has come in from OUTSIDE the organization. They include money owed to members, like deposits; and money owed to people who supplied goods and services to the co-op and haven't been paid yet. They also include the money the co-op borrowed for purchasing of buildings (mortgages) and other loans.
- What the co-op owns (NET WORTH or EQUITY). This is what the co-op actually owns. It comes from INSIDE the organization, either from members purchasing shares or from earnings generated over time and not rebated to members.

One of the "iron rules" of finance recognizes that everything has to be paid for somehow. Therefore, what the co-op has by definition has to add up to the total of what the co-op owes and what the co-op owns. In financial jargon,  $ASSETS = LIABILITIES + EQUITY$ . Another way of explaining this relationship is that what you have less what you owe leaves what is really yours — your "net worth."

You will notice that the net worth of Student Housing Co-op, Inc. on May 31, 2000, is greater than for May 31, 1999. If you subtract, you will find that the difference is \$21,463 — the amount of the net savings shown on the revenue-expense statement. Savings increase net worth; losses reduce it.

Assets are always shown at cost. The figures in the books are never adjusted to show changes in the market value of land or buildings.

## ANALYZING AND EVALUATING FINANCIAL PERFORMANCE

As a start on analyzing the co-op's financial performance, take a look again at the Variance Statement. You'll notice that some lines (like the mortgage payments) are totally predictable. Others will show differences and trends over time. The board should watch the ones that change.

Student Housing Co-op, Inc.  
Balance Sheets

ASSETS

<u>Current Assets</u>	<u>May 31, 2000</u>	<u>May 31, 1999</u>
Cash	7,483	7,311
Investments	47,548	21,817
Accounts Receivable	2,547	3,107
Pre-paid Expenses	1,367	1,743
Utility Deposits	2,437	2,437
Total Current Assets	<u>61,382</u>	<u>36,415</u>
<u>Fixed Assets</u>		
Land	123,143	123,143
Buildings	254,064	254,064
Building Improvements	37,428	25,428
Furniture and Equipment	15,320	12,820
Less: Accumulated Depreciation	<u>429,955</u>	<u>415,455</u>
	(49,307)	(29,525)
Total Land and Buildings	<u>380,648</u>	<u>385,930</u>
Total Assets	<u><u>442,030</u></u>	<u><u>422,345</u></u>

LIABILITIES AND NET WORTH

<u>Current Liabilities</u>		
Accounts Payable	1,312	2,387
Member Deposits Payable	5,500	6,800
Current Portion of Long-Term Debt	438	423
Total Current Liabilities	<u>7,250</u>	<u>9,610</u>
Long-Term Debt, less Current Portion	<u>375,797</u>	<u>376,235</u>
Total Liabilities	<u>383,047</u>	<u>385,845</u>
<u>Net Worth</u>		
Retained Earnings	58,983	36,500
Total Liabilities and Net Worth	<u><u>442,030</u></u>	<u><u>422,345</u></u>

## KEY INDICATORS

Great amounts of money can be easily gained or lost in a few areas of the co-op's operations. These KEY INDICATORS must be monitored much more closely than other revenues and expenses. In student housing co-ops, the most important are:

- "Rent" revenue; vacancies can literally be the death of the co-op.
- Bad debt expense; trends in this area can be an indication of how well the co-op is holding together as a social group, as well as a reflection of the effectiveness of payment policies.
- Maintenance; this is a particularly important indicator to monitor if your repair and replacement reserves are low.
- Utilities;
- Food;
- Overhead;
- Other unexpected problems such as tax reassessment or the failure of an aging furnace.

Regardless of how often formal financial statements are given to the board, directors should be informed of variances in these key indicators monthly.

The finances of a student housing cooperative are like those of no other business. Planning, understanding, and making changes in the finances are the legal and moral responsibility of the board of directors. NASCO is ready to provide training and consulting as needed, but the primary responsibility will always remain at the local level with the members. Responsibility, as always, is the cause and result of cooperative control.



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