

Cooperative Governance: A Look at Policy Governance Principles

NASCO Institute 2015

Resource Packet

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External Resources:

CDS Consulting Co-op www.cdsconsulting.coop

This consulting cooperative organization exists to help cooperatives succeed by providing various services and free online resources. CDS Consulting is geared towards grocery cooperatives, but the governance consulting principles apply. They assisted ICC Austin's adoption of a new cooperative governance system, including the use of the Policy Governance framework.

Carver Policy Governance www.carvergovernance.com

For more detailed information on the theoretical framework of Policy Governance, look no further than the book *Boards That Make a Difference* by John Carver. The first 32-page chapter really contains the crux of the system and is definitely worth a read.

Partners in Policy Governance www.policygovernanceconsulting.com

The website has a lot of good information on the Policy Governance system.

Cooperative Governance:

Policy Governance Principles Applied to Student Cooperative Housing

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Demystifying Policy Governance: Objectives

- Understand why having a theory of board governance can help
- Show how policy governance is only one part of a larger cooperative governance system
- Explain the principles and essential elements of policy governance
- Show how policy governance might look in a student housing cooperative
- Explain the ICC Austin process of board strategic leadership as independent and distinct from the policy governance tool
- Reflect on what board governance issues can and cannot be addressed through policy governance



**What are the problems,
issues and/or challenges
with your current Board
governance processes?**



Boards exist for one reason:

To ensure on behalf of the organization's owners or stakeholders that the organization performs as it should.

**-John Carver
Boards that Make a Difference**



Board's can exist and operate in a many ways, but one function is common to all of them: the governance function. Making a clear distinction between governance and everything else that happens in an organization is one of the essential policy governance characteristics.

Governing Roles of the Board

1. Maintaining oversight of the organization's operations including evaluating the ED/GM/CEO
2. Setting the strategy and direction of the organization
3. Ensuring compliance with laws and ethical standards
4. Acting on behalf of, and in the best interest of, the collective membership

This is governance!



The essence of the governing function is both holding ultimate accountability for the success of the organization and providing strategic leadership, all on behalf of the membership. And here lies the board's leadership challenges: How can a group of lay people be responsible owner-representatives, exercising authority over activities they will never completely see, toward goals they will never fully measure, through jobs and disciplines they themselves don't have? How can they fulfill their own accountability while at the same time not infringing unnecessarily on the expertise, creativity, and prerogatives of those they have assigned responsibilities, e.g. staff? How can a group of peers do so when with themselves they disagree, there is a limited time, and there is an unending stream of organizational details demanding inspection?

And finally, if the board doesn't do this time-consuming and difficult work, who should? who will?

Everything else is Operations!

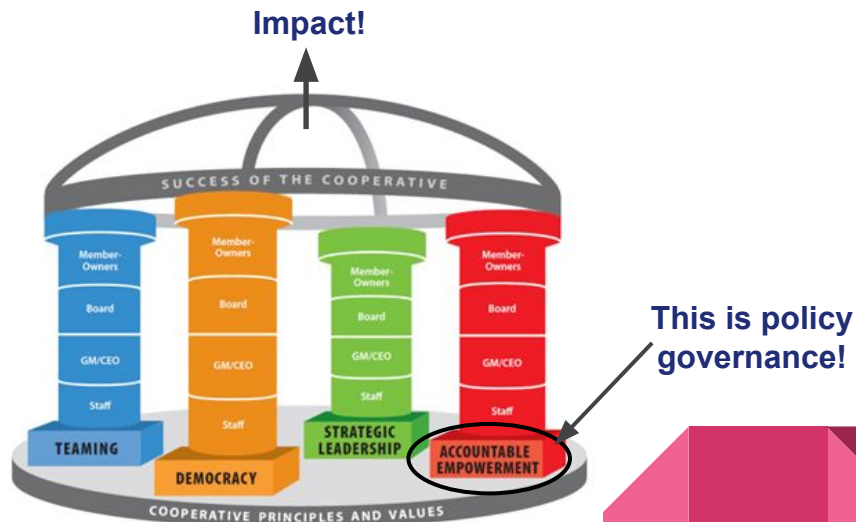
- Rent rates
- Fees (late fees, cancellations)
- Business planning
- Operational (daily) policies
- Marketing / outreach
- Budgeting
- Facilities planning
- Personnel (except ED/GM/CEO) - compensation, insurance, vacation, hiring / firing, etc.
- Member contracts
- Paint colors
- Risk management

***Most boards (student and non-student) do not have the time, knowledge or insight to effectively manage all daily operations.**

So if those are were the governing functions, what is everything else? Under policy governance the everything else is considered “operations”. One myth about policy governance is that the board is not allowed to have any say in operations; this is not the case. Policy governance simply demands that a board engaging in operational activities recognize and separate those activities from the governance function.

In larger organizations, taking the board out of daily operations allows the board adequate time to focus energy on governance, that is, leadership and accountability. Boards generally have very limited time that needs to be used very wisely. Policy governance allows boards the time to think about the future and consider what impacts they want the co-op to have on the world.

4 Pillars of Cooperative Governance



In governing the board has a lot of work to do, generally with very limited time. While it's certainly possible to make up the process on the fly, having a theoretical framework to organize the board's work and make sure nothing important slips through the cracks can provide the efficiency needed to enable the board to fulfil its charge.

ICC Austin uses the four pillar model developed by CDS Consulting Coop. In their model, cooperative governance is the act of steering cooperatively owned enterprises toward economic, social and cultural success - that is, the impact the organization has on the world. The four pillar framework was developed specifically for cooperatives, and provides a logical framework showing how the cooperative's impact flows upward from the cooperative principles and values.

The four pillars in this system are teaming - working effectively together in various groups, democracy, strategic leadership, and accountable empowerment. In this framework, policy governance provides a tool for helping boards with accountable empowerment. Again, policy governance is only one potential tool, in one pillar, of this cooperative governance model.

We need to say a little more about strategic leadership at this point, because of the way strategic leadership works under the policy governance system. One common criticism of policy governance is that "staff is doing everything, and the board has no say in their affairs, so how can the board provide leadership?" or "how is this not just board rubber-stamping?" We'll get back to this concern as we wrap up the presentation later - once there is a better understanding of the nitty-gritty of policy governance.

Ask attendees to categorize list of problems/complaints.

Accountable Empowerment

Accountability

- Having clear expectations - and writing them down!
- Assigning responsibility
- Checking to make sure things got done

Empowerment

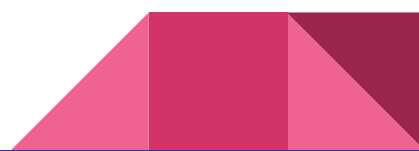
- Enabling and allowing people to accomplish goals and outcomes using their creativity, strengths and skills



The theory behind accountable empowerment rests on the idea that people perform their best work when expectations are clearly defined but also allow the maximum leeway for personal creativity and flexibility in exactly *how* the work is done. In turn, having individuals and groups do their best work for the cooperative should improve the functioning and success.

**The most effective governance
controls what needs to be controlled,
yet sets free what can be free.**

**-John Carver
Boards that Make a Difference**



Or, as John Carver says more eloquently:

In considering this statement, remember that it is the sole prerogative of the board to determine what needs to be controlled and what can be set free.

Policy Governance Simplified

1. Have expectations (and write them down)
2. Assign authority
3. Check (will need information)

***Remember, policy governance is only one piece (accountable empowerment) of the cooperative governance model.**



So what is policy governance in a nutshell?

Governing Roles of the Board

1. Maintaining oversight of the organization's operations including evaluating the ED/GM/CEO
2. Setting the strategy and direction of the organization
3. Ensuring compliance with laws and ethical standards
4. Acting on behalf of, and in the best interest of, the collective membership

This is governance!



Policy governance again provides a framework for board governance, as opposed to other work - operations.

So the policies are not related to operations, but to governance. Operational policies (expectations) are important, but not part of the board governance work.

Steps 1 & 2: Have Written Expectations & Assign Authority


- A. **Ends** - the strategic direction of the organization
- B. **Executive Limitations** - maintains oversight, ensures compliance and holds accountability to members
- C. **Board Governance Process** - ensures compliance and holds accountability to members
- D. **Board-Staff Relationship** - maintains oversight and holds accountability to members

Authority
assigned to
others

Expectations the
board sets for
itself

In the policy governance system, the board considers policies that fall into three broad categories: Ends - the statement of what impact the organization should have on the world, Executive Limitations - which contain the boundaries of what is acceptable to accomplish the Ends, the board's expectations of its own behavior. and the board's relationship with those to whom authority has been assigned.

A. Ends

- Statement(s) that declare the purpose of the organization
 - Should clarify:
 - What
 - For whom
 - At what cost
 - Similar to a mission / vision
 - Achievement of Ends = organizational success
 - Authority assigned to staff (usually ED/GM/CEO)
- 

Under policy governance, the Ends are considered operational activities - not governance activities. Thus, the board typically assigns accountability for making sure the Ends are achieved to others.

Cooperatives are mission-driven organizations that exist to create a difference in the world. However, it is not uncommon for organizational purpose to be expressed in various different (sometimes contradictory) forms - articles of incorporation, bylaws, mission/vision statements, and policies. The result is that everyone in the organization may have a slightly different idea of why the organization exists. Further, it is not uncommon for organizations to go long periods of time without considering if they are making the impact on the world they desire.

To correct this common problem, policy governance puts the Ends policy at the forefront. It becomes the single source for organizational purpose - gets everyone on the same page. Whereas a vision/mission statement often gets hung on the wall and ignored for long periods, the Ends policy lives and breathes through ongoing board review and revision - not to mention that accountability for achieving the Ends gets assigned, usually to staff.

Cooperatives provide a benefit and value on behalf of member owners.

What : These is the desired outcomes. What difference are we expecting to as a result of our co-op?

For whom : Who is the desired recipient of the outcome?

B. Executive Limitations

- Policies that define what is not OK (limit authority)
 - Intentionally written in the negative!
 - Think : It's not OK to _____.
- Board maintains oversight of operations
- Board ensures compliance with laws and ethical standards
- Board holds accountability to the membership
- **Encourages empowerment!**
 - Enables staff to accomplish the organization's ENDS using their creativity, strengths and skills
- Assigned to staff (usually ED/GM/CEO)

After the board sets the Ends for the organization, the board needs to consider the limitations on how those Ends will be achieved - particularly since responsibility achieving the Ends will be assigned to others.

This is where the Board outlines all the means by which the Executive Director, or other person(s), may not achieve the Ends, aka the Executive Limitations. (It is far easier to write down all the things that you can't do than an ever ballooning list of prescriptions.)

Conventionally, staff tend to report on seemingly *everything they do*, which can make board meetings extremely painful. In fact, it's basically impossible to report on everything you actually do, and thus quite difficult for a board to determine if staff is actually doing all that needs to be done or not.

In policy governance, the basic idea is to create a policy "sandbox" in which staff can be creative in fulfilling the operational activities assigned to them in an empowering way, while also enabling the board to hold staff completely accountable. As long as staff stays within bounds, they are ok - and the board can maintain ultimate accountability. In addition, it is much easier for a board to check to make sure that a relatively few prohibited things don't happen than that the enumerable necessary ones do get done.

C. Board Governance Process

- Describes the expectations the Board has for itself
- Ensures compliance with laws and ethical standards
- Holds the Board accountable to the membership
- Empowers the Board to stay focused on the big picture
- Authority assigned to the Board



Most cooperatives have policies governing board behaviour and processes. Policy governance does not differ significantly in that regard. The main benefit policy governance brings is the routine self-evaluation by the board - a routine that dovetails with the ongoing routine of monitoring all the board policies.

D. Board-Staff Relationship

- Describes the relationship between the Board and ED/GM/CEO
- Board maintains oversight of operations
- Board holds accountability to the membership
- Empowers the Board to maintain accountability
- Empowers staff to get the work done
- Authority assigned to the Board

Because it is so important to clearly assign authority and responsibility, policy governance recommends having policies that spell out the exact nature of the relationship between the board and those to whom it has assigned responsibility. Typically, this will be a single staff person, such as the Executive Director or General Manager.

Policy Governance Simplified

1. ✓ Have expectations (and write them down)
2. ✓ Assign authority
3. Check (will need information)

With expectations written down and assigned, the final step is checking to make sure the stuff gets done.

Step 3 - Check

- Board must ensure policies are being followed
 - This is accountability!
- Three ways a board might check to make sure staff complies with board policies:
 - Request Staff Monitoring Reports
 - Conduct Direct Inspections
 - Hire 3rd Party Consultants

Accountability is not achieved if boards write down policies and put people in charge of them, only to never follow up. Checking on things is not unique to policy governance, of course, but policy governance does emphasize the need as well as handle the checks on staff in a specific way.

For board self-reflection, that is, the board checking to see if it did what it said it would do, did it follow its own policies, the process can be a simple matter discussing one of the board policies at each meeting, forming a committee to write a report, or having board members fill out a survey.

For the board to check to see that policies it has assigned to others, typically staff, is an entirely different matter. Because the board is not involved in all the operations of the organization, it lacks information. For it to be able to make a determination, information is required. There are at least three obvious ways the board can get this information, but the most common (and cost effective) is usually to have staff provide a report with proof.

Staff Monitoring Reports

- Closes the accountability loop
- Requires staff to:
 - Interpret policy
 - Demonstrate expectations have been honored (or have plan for “getting into compliance”)
 - Show concrete examples of performance

Because staff monitoring reports play such a prominent role in policy governance, it is worth taking a look at them in more detail. Again, typically the board assigns responsibility for the Ends and Executive Limitations to staff. In order for the board to know if their policies are being followed, normally staff must provide regular monitoring reports for board review.

These reports should interpret the board policy, provide a measurable definition, and have sufficient evidence to demonstrate that the policy is being followed by that measure. Noncompliance - not following policy - needs to be noted, along with plans for getting into compliance.

Any Reasonable Interpretation

- Executive limitations are written only to the detail needed
 - Allows for staff creativity towards solutions / outcomes
- Board must be willing to accept any reasonable interpretation
 - If not, Board needs to re-evaluate policy.

Another of the defining characteristics - one which enables the board to hold ultimate accountability, empower staff, and make efficient use of time - is the concept of *any reasonable interpretation*.

The board policies, whether the Ends or the Executive Limitations, are written as broadly as possible - or again as Carver put it 'control what needs to be controlled... set free what can be free'. The broad policies, by design, are open to interpretation and can be as flexible as the situation demands. However, it does not mean that everything is subject to staff whim or the four winds.

Staff is expected to take the board policies assigned to them, and provide both reasonable written interpretations and measurable operational definitions. The work of the board, is simply to determine if the interpretation is reasonable rather than spend time debating between numerous reasonable options. If a reasonable interpretation is put forward that is not acceptable to the board, the board goes back and evaluates/changes the policy rather than get bogged down in the particulars.

Policy Governance Simplified

1. ✓ Have expectations (and write them down)
2. ✓ Assign authority
3. ✓ Check (will need information)

Just to recap the policy governance. Here is the basic framework.

In addition, remember the following defining characteristics:

maintain clear distinction between governance and operations
when assigning responsibility for operations, write governance policy in the form of limitations - create a sandbox
accept any reasonable interpretation

Governing Roles of the Board

1. Maintaining oversight of the organization's operations including evaluating the ED/GM/CEO
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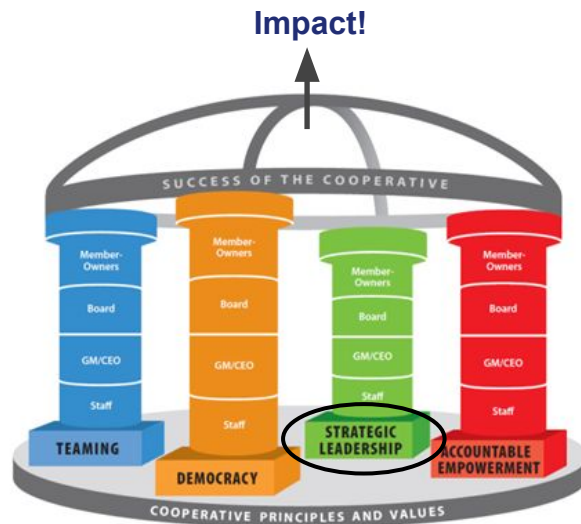
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4 Pillars of Cooperative Governance



Again, policy governance is only one potential tool, in one pillar, of this cooperative governance model. To finish up we'll take a quick look at board strategic leadership.

Strategic Leadership

Board sets the strategy and direction of the organization

- The Board must:
 - Learn
 - Have active, thoughtful conversations
 - Decide what, if any, action is necessary (policy updates)
- Staff must:
 - Listen
 - Align daily operations with Board vision
 - Interpret policies using Board conversations as the guide

Again, we want to stress that policy governance is not a monolithic, bureaucratic, or dogmatic system. Instead, policy governance simply provides one systematic approach to accountable empowerment. And accountable empowerment is but one part of a larger system that is needed for successful cooperative governance.

That said, we thought it would be useful to look at how strategic leadership works in the context of also using policy governance:

By assigning responsibility for operations to others, the board is free to concentrate on holding ultimate accountability, and more importantly, providing strategic leadership. But the questions arise: How does the Board define the direction of the organization without 'meddling' in daily operations? If they're not supposed to "do anything"?

For ICC Austin, strategic leadership at the board level takes place through board conversations and learning. These conversations do not take place in a vacuum. Rather, staff is present, listening and responding as the board understanding evolves. Thus, the board is able to shape organizational direction both directly through governance policy, and indirectly as staff listen and respond. By allowing this decoupling, that is not directly telling staff what to do, allows the board to continue holding staff fully accountable.

Examples at ICC Austin include staff operational changes regarding house autonomy rules being incorporated into member trainings, as well as a significant number of

changes resulting from board conversations on inclusivity and diversity.

Contact & Resources

- Billy Thogersen, ICC Austin Executive Director
 - billy@iccaustin.coop
- Ashleigh Lassiter, ICC Austin Membership Director
 - ashleigh@iccaustin.coop
- CDS Consulting Co-op
 - cdsconsulting.coop
- Boards That Make a Difference (Third Edition)
 - By John Carver
 - carvergovernance.com



ICC Austin

Board Policy Register (annotated)

A. Ends

This is where the Board articulates the purpose for which ICC Austin exists. Accountability for achieving the Ends has been assigned (by the Board) to the Executive Director.

B. Executive Limitations

B Global Executive Constraint

- B1 Financial Condition and Activities
- B2 Business Planning and Financial Budgeting
- B3 Asset Protection
- B4 Membership Rights and Responsibilities
- B5 Staff Treatment and Compensation
- B6 Communication to the Board
- B7 Board Logistical Support
- B8 Emergency Executive Director Succession

This is where the Board outlines all the means by which the Executive Director *may not* achieve the Ends, aka the executive limitations. (It is far easier to write down all the things that you can't do than an ever-ballooning list of proscriptions.)

C. Board Governance Process

C Governance Commitment

- C1 Governing Style
- C2 The Board's Job
- C3 Governance Cycle
- C4 Board Meetings
- C5 Directors' Code of Conduct
- C6 Officers' Roles
- C7 Board Committee Principles
- C8 Governance Investment

This is where the Board states how it will govern itself.

D. Board-Staff Relationship

D Board-Management Connection

- D1 Unity of Control
- D2 Accountability of the Executive Director
- D3 Delegation to the Executive Director
- D4 Monitoring Executive Director Performance

This is where the Board clearly defines its formal relationship with staff.

Note the "nesting" structure of the policies, starting with the broadest statements agreeable to the Board, and then drilling down to whatever level of detail is desired. The idea is to have in policy *only what is truly necessary* so as to leave plenty of leeway for staff and members to exercise their creativity and judgement in doing their work and adapting to the moment. The underlying (debatable) premise here is that humans produce their best work when given reign to use all their capacities and tend to be stifled by excessive proscriptive rules.

Policy Type: Ends
Policy Title: A – Global End
Last Revised: **January 29, 2014**

The ICC Austin Board regularly reviews their Ends policy and requests an annual monitoring report from staff demonstrating organizational progress.

The purpose of ICC Austin, a Texas non-profit corporation, is to create a mutually beneficial, diverse, and inclusive community so as to promote the transformation of society toward cooperation, justice, and non-exploitation. To achieve this vision, ICC Austin provides affordable housing to students, on a cooperative basis, in an environment that enhances member education, encourages the formation of long lasting communities, and fosters responsible citizenship.

Policy Type: Executive Limitations
Policy Title: B – Global Executive Constraint
Last Revised: **April 9, 2013**

Policy statements start from the broadest level, like this one, and drill down into more detail as-needed.

The staff shall not cause or allow any practice, activity, decision, or organizational circumstance that is unlawful, imprudent, or in violation of commonly accepted business and professional ethics and practices, or in violation of the Cooperative Principles.

Policy Type: Executive Limitations
Policy Title: B1 – Financial Condition and Activities
Last revised: **April 9, 2013**

The executive limitation policies are stated in the negative in order to create a bounded “sandbox” such that anything within the “sandbox” will be considered acceptable.

With respect to the actual, ongoing financial conditions and activities, the staff shall not cause or allow the development of fiscal jeopardy or material deviation of actual expenditures from Board priorities established in Ends policies.

The staff will not:

1. Allow operations to generate an inadequate net income.
2. Allow liquidity (the ability to meet cash needs in a timely and efficient fashion) to be insufficient.
3. Allow solvency (the relationship of debt to equity) to be insufficient.
4. Incur debt other than trade payables or other reasonable and customary liabilities incurred in the ordinary course of doing business.
5. Acquire, encumber or dispose of real estate.

6. Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.
7. Allow late payment of contracts, payroll, loans or other financial obligations.
8. Use restricted funds for any purpose other than that required by the restriction.
9. Allow financial record keeping systems to be inadequate or out of conformity with Generally Accepted Accounting Principles (GAAP).
10. Operate without an adequate reserve fund used to facilitate the funding of the repair, renewal or replacement of the co-op's capital assets.

Note that this form of policy writing can still be quite specific.

Policy Type: Executive Limitations
 Policy Title: B2 – Business Planning and Financial Budgeting
 Last revised: **April 9, 2013**

The staff shall not cause or allow business planning and budgeting to deviate materially from the Board's Ends priorities, risk financial jeopardy, or fail to be derived from a multiyear plan.

The staff will not:

1. Create plans or budgets that
 - a. Risk incurring those situations or conditions described as unacceptable in the Board policy "Financial Condition and Activities."
 - b. Omit credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions.
 - c. Would result in default under any of the Cooperative's financing agreements or cause the insolvency of the Cooperative.
 - d. Have not been tested for feasibility.
2. Provide less for Board prerogatives during the year than is set forth in the Governance Investment Policy.

By writing in the negative, the Board avoids extensive proscriptive rules.

Policy Type: Executive Limitations
 Policy Title: B3 – Asset Protection
 Last revised: **July 17th, 2014**

The staff shall not allow assets to be unprotected, unreasonably risked, or inadequately maintained.

The staff will not:

1. Allow equipment and facilities to be inadequately insured or otherwise unable to be replaced if damaged or destroyed, including coverage for any losses incurred due to business interruption.
2. Allow unnecessary exposure to liability or lack of insurance protection from claims of liability.
3. Allow deposits or investments to be unreasonably risked.
4. Allow inadequate security of premises and property, including that of the members and the co-op.
5. Allow data, intellectual property, or files to be unprotected from loss, theft or significant damage.
 - a. Allow improper usage of members' personal information.
6. Allow purchasing that is uncontrolled or subject to conflicts of interest.
7. Allow lack of due diligence in contracts.
8. Operate without an inventory of assets which is regularly updated, including tracking of any asset initially valued over \$2000 and its current condition.
9. Allow damage to the Cooperative's public image.

Policy Type: Executive Limitations
 Policy Title: B4 – Membership Rights and Responsibilities
 Last Revised: **April 9, 2013**

Shorter policies are much easier to read, review, and hold people accountable for.

The staff shall not allow members to be uninformed or misinformed of their rights and responsibilities.

The staff will not:

1. Operate without a policy on member relations, including rights and responsibilities as co-op members and as tenants.
2. Allow any member to be treated inequitably, unfairly, or disrespectfully.

Policy Type: Executive Limitations
 Policy Title: B5 - Staff Treatment and Compensation
 Last revised: **July 16, 2015**

The Executive Limitations are written to whatever detail the Board believes is required such that they would accept *any reasonable interpretation* from staff.

The Executive Director shall not treat staff in any way that is unfair, unsafe, or unclear.

The Executive Director will not:

1. Operate without written personnel policies that:
 - a. Clarify rules for staff.

- b. Provide for fair and thorough handling of grievances in a way that does not include the Board as a participant in the grievance process.
 - c. Are accessible to all staff.
 - d. Inform staff that employment is neither permanent nor guaranteed.
2. Cause or allow personnel policies to be inconsistently applied.
 3. Provide for inadequate documentation, security and retention of personnel records and all personnel related decisions.
 4. Establish compensation and benefits that are internally (within ICC Austin) or externally (comparable to similar staff duties and qualifications at similarly-situated organizations) inequitable.
 5. Change the Executive Director's own compensation and benefits, except as his or her benefits are consistent with a package for all other employees.

Because staff can use *any reasonable interpretation*, creative energy can be harnessed to meet the immediate needs of the organization.

Policy Type: Executive Limitations
 Policy Title: B6 – Communication to the Board
 Last Revised: **April 9, 2013**

The staff shall not cause or allow the Board to be uninformed or unsupported in its work.

The staff will not:

1. Submit monitoring reports that are untimely or inaccurate, or that lack operational definitions and verifiable data directly related to each section of the policy.
2. Report any actual or anticipated noncompliance with any Board policy, along with a plan for reaching compliance, in an untimely manner.
3. Allow the Board to be unaware of relevant legal actions, media coverage, trends, public events of the Cooperative, or internal and external changes.
4. Withhold his/her opinion if staff believes the Board is not in compliance with its own policies on Board Governance Process and Board-Management Relations, particularly in the case of Board behavior that is detrimental to the work relationship between the Board and the staff.
5. Deal with the Board in a way that favors or privileges certain Board members over others except when responding to officers or committees duly charged by the Board.
6. Fail to supply for the Board's consent agenda all decisions delegated to the staff yet required by law, regulation, or contract to be Board-approved.
7. Fail to provide to the Board the co-op's annual Budget and quarterly financial data in a timely manner.

Policy Type: Executive Limitations
Policy Title: B7 –Board Logistical Support
Last Revised: **April 9, 2013**

Staff must define the *reasonable interpretations* and provide objective evidence that they are compliance with the Board policy.

The staff shall not allow the Board to have inadequate logistical support.

The staff will not:

1. Provide the Board with insufficient staff administration to support governance activities and Board communication.
2. Allow the Board to be without a workable mechanism for official Board, officer or committee communications.
3. Allow Board Directors to be without an updated copy of the Policy Register and the Bylaws.
4. Provide inadequate information and notice to members concerning Board actions, meetings, activities and events.
5. Allow insufficient archiving of Board documents.

The Board has sole discretion over whether or not a staff interpretation is reasonable, and whether or not they are complying with the Board policies.

Policy Type: Executive Limitations
Policy Title: B8 – Emergency Executive Director Succession
Last revised: **July 16, 2015**

To protect the Board from sudden loss of Executive Director services, the Executive Director shall not have less than one other staff member sufficiently familiar with Board and Executive Director issues and processes to enable her/him to take over with reasonable proficiency as an interim successor.

The Executive Limitations policies are reviewed by the Board according to a schedule determined by the Board. ICC Austin currently requires annual reporting by staff on each of the Executive Limitation policies, except the Financial Condition policy which is “monitored” twice per year. When evaluating the staff “monitoring reports”, the Board asks at least the following questions:

- Is the operational definition reasonable?
- Is there adequate documentation to determine compliance with the policy?
- Does the data demonstrate compliance?
- If there is non-compliance, is there an acceptable plan/timeline for achieving compliance?
- Is the Board prepared to proceed without any additional information?
- Does the Board need to impose consequences on the Executive Director?
- Is this the policy that the ICC Austin Board wants?

Policy Type: Board Governance Process
Policy Title: C – Global Governance Commitment
Last Revised: **April 9, 2013**

The other Board policies define the Board’s expectations for themselves, again starting with the broadest statement and then getting more detailed.

Acting on behalf of our members, the Board ensures that our cooperative produces benefit and value, while avoiding unacceptable actions and situations.

Policy Type: Board Governance Process
Policy Title: C1 – Governing Style
Last Revised: **April 9, 2013**

The Board policies are not written in the negative because the Board always gets to determine what is acceptable – within the confines of the Bylaws and other external laws.

The Board will govern in a way that emphasizes empowerment and clear accountability. In order to do this, the Board will:

1. Focus our vision outward and toward the future.
2. Observe the 10 Policy Governance principles
 - a. Ends Policies
 - b. Ownership (Membership)
 - c. Board Process Policies
 - d. Board Holism
 - e. Board-Management Relationship Policies
 - f. Governance Position
 - g. Limitations Policies
 - h. Policies (Decisions) Come in Sizes
 - i. Any Reasonable Interpretation
 - j. Monitoring
3. Maintain group discipline, authority and responsibility.
4. Clearly distinguish Board and staff roles.
5. Encourage and actively listen to diverse viewpoints.
6. Obey all relevant laws and bylaws.

These Board policies are not specific to the policy governance system, but instead are generally suited for achieving good cooperative governance

Policy Type: Board Governance Process
Policy Title: C2 – The Board’s Job
Last Revised: **July 16, 2015**

In order to govern successfully, the Board will:

1. Create and sustain a meaningful relationship with members.
 - a. The Board’s fundamental accountability to the members includes fiduciary and legal responsibility.
 - b. The Board shall communicate regularly to the members on the Board’s role, activities, and decisions.
2. Hire, compensate, delegate responsibility to, and hold accountable an Executive Director. (See D. Board-Staff Relationship Policies)
3. Have expectations in the form of written governing policies that realistically address the broadest levels of all organizational decisions and situations. The Board will write these policies in the form of Ends, Executive Limitations, Board Governance Process, and Board-Staff Relationship, as described in the Policy Governance principles.
 - a. Oversee the development and maintenance of guidance documents to support these governing policies. These documents will include Procedures for ICC Austin General Election and Membership Votes, Audit Committee Procedures, Procedures for Director Compensation, Director Participation Requirements, General Membership Meeting Guidelines, Procedures for Board Minutes, and Board Meeting Procedures.
4. Assign responsibility in a way that honors our commitment to empowerment and clear distinction of roles.
 - a. Ends (A) and Executive Limitations (B) policies will be assigned for policy monitoring to the Executive Director.
 - b. Board Governance Process (C) and Board-Staff Relationship Policies will be assigned for policy monitoring to the Board of Directors.
5. Rigorously monitor operational performance in the areas of Ends and Executive Limitations, and Board performance in the areas of Board Process and Board-Management Relationship.
 - a. In addition, the Board will appoint external monitors including the financial auditor and will receive the report directly. A financial audit will be conducted at least every other year.
6. Ensure perpetuation of a governing body that provides effective leadership over time. The Board accomplishes self-perpetuation through recruitment, election, and development of skilled, committed, and motivated Directors.
7. Obey all laws and ensure that Bylaws are current, complied with, and meet the needs of ICC Austin. As needed, the Board shall propose Bylaw amendments to the members for approval.

What the policy governance system brings to bear is to really systematize Board self-reflection. These policies are monitored regularly according to the Board schedule.

Policy Type: Board Governance Process
Policy Title: C3 – Governance Cycle
Last Revised: **July 16, 2015**

The Board will follow an annual governance cycle that allows our attention to be focused on both accountability and visionary leadership.

1. The Board creates, and modifies as necessary, an annual calendar that includes tasks and events related to our governance process, visionary leadership, membership meetings, Board training schedule, monitoring schedule, and the Executive Director evaluation and compensation decisions as outlined in the Board-Management Relationship policies.
2. The Board’s annual calendar will be developed with consideration of routine Board turn-over related to annual and semester time-cycles.

These policies define all the areas Board “governance”. All other activities are considered “operational” activities.

Policy Type: Board Governance Process
Policy Title: C4 – Board Meetings
Last Revised: **January 29, 2014**

Board meetings are for the task of getting the Board’s job done.

1. The Board will use its meeting time only for work that is the whole Board's responsibility. The Board will avoid committee issues, operational matters and personal concerns.
2. Meetings will be open to the membership except when executive session is officially called.
 - a. Executive session may be used to deal with confidential matters, as long as the purpose of the session is stated. When possible, announcement of the executive session should be on the published agenda.
 - b. The Board may include or exclude anyone it chooses from executive session, as further described in Board Meeting Procedures Document.
 - c. The Board will take no official minutes during Executive Session.
 - d. The Board will come out of executive session to take official action.
3. The Board will seek consensus through discussion. The Board will then finalize and document decisions through the use of motions, seconds and majority vote.
4. The meeting agenda will be determined by the Board president, and may be modified at the meeting by a majority vote of the Board.

Policy Type: Board Governance Process
Policy Title: C5 – Directors’ Code of Conduct
Last Revised: **July 16, 2015**

Directors commit to ethical, professional, and lawful conduct.

1. Board Directors are required to sign a Statement of Agreement that includes three sections: Code of Ethics, Code of Conduct, and Conflict of Interest Disclosure.
2. Every Director is responsible at all times for acting in good faith, in a manner which she/he reasonably believes to be in the best interests of the Cooperative, and with such care as an ordinarily prudent person in a like position would use under similar circumstances.
3. Directors must demonstrate unconflicted loyalty to the interests of the Cooperative’s members, as a whole. This accountability supersedes any conflicting loyalty such as that to advocacy or interest groups, membership on other Boards or staffs, and the personal interest of any Director acting as—or on behalf of—an individual member.
 - a. All Directors have a duty to disclose, in writing, any potential or perceived conflict of interest and must provide all material facts to the Board of Directors. The Board shall determine the process for participation by the Director.
 - b. There will be no self-dealing or any conduct of private business or personal services between any Director and the Cooperative except as procedurally controlled to assure openness, competitive opportunity and equal access to “inside” information.
 - c. When the Board is to decide on an issue about which a Director cannot reasonably be expected to prioritize the interest of the Co-op, that Director shall recuse him/herself from the discussion and the vote.
 - d. A Director who applies for full-time employment at ICC Austin must first resign from the Board.
 - e. Any Director who is receives remuneration for service on the ICC Austin Board of Directors, including reduction in the standard charge for room and board, has the same duties and responsibilities as any other Director and has the additional duty of clearly segregating their self-interest from their Board responsibilities.
4. Directors may not attempt to exercise individual authority over the organization.
 - a. When interacting with the Executive Director or employees, Directors must carefully and openly recognize their lack of authority.
 - b. When interacting with the public, the press, or other entities, Directors must recognize the same limitation and the inability of any Director to speak for the Board except to repeat explicitly stated Board decisions.
5. Directors will respect the confidentiality appropriate to issues of a sensitive nature and must continue to honor confidentiality after leaving Board service.
6. Directors will prepare for and attend all Board meetings and trainings.
7. Directors will support the legitimacy and authority of the Board’s decision on any matter, irrespective of the Director’s personal position on the issue.
8. Any Director who does not follow the code of conduct policy can be removed from the Board by a majority vote of the remaining Board.

9. The Board will report adherence to this policy at the General Membership Meeting.

Policy Type: Board Governance Process
Policy Title: C6 – Officers’ Roles
Last Revised: **January 29, 2014**

Officers are elected annually or may be appointed by the Board, pursuant to Bylaws Article VII (“Officers”) in order to help us accomplish our job.

1. No officer has any authority to supervise or direct the staff.
2. Officers may delegate their assigned tasks but remain accountable for ensuring that the tasks are accomplished.
3. All Officers will be an active participant in the Executive Coordinating Committee (ECC), including consistent attendance at monthly ECC meetings
4. The Board President ensures that the Board acts consistently with Board policies.
 - a. The President provides oversight to ensure that the Board Officers function as an effective team.
 - b. The President will co-chair the General Membership Meeting Committee along with the Vice-President.
5. The Vice-President will perform the duties of the President for any temporary absence.
 - a. In addition, the Vice-President will co-chair the General Membership Meeting Committee along with the President.
6. The Secretary will ensure that all current Board Directors have access to accurate, up to date, and appropriately–maintained documents as required for the discharge of Board duties.
 - a. In addition, the Secretary will oversee the ICC Austin general election and other general membership votes as described in the Procedures for ICC Austin General Election and Membership Votes.
 - b. The Secretary will chair the Nominations Committee, which leads the work of Board perpetuation.
7. The Treasurer will lead the Board’s process for creating and monitoring the Board’s (not the ICC Austin operational) budget.
 - a. The Treasurer will ensure that all Directors are oriented with regard to ICC Austin’s finances as needed to fulfill their duties.
 - b. The Treasurer will chair the Audit Committee (in conformance with policies C.2.5.a and C.7).

Policy Type: Board Governance Process
Policy Title: C7 – Board Committee Principles
Last Revised: **April 9, 2013**

We will use Board committees only to help us accomplish the Board’s job, not to do the Board’s job for it, nor to help the staff do its/their job.

1. Board action is required to form a Board committee.
 - a. The Board will establish, regularly review and control committee responsibilities in written committee charters.
 - b. The Board will carefully state committee expectations, authority, and resources.
 - c. The Board will ensure that committee expectations and authority do not conflict with authority delegated to the staff.
2. Committees will reinforce and support the wholeness of the Board.
 - a. In particular, committees help the whole Board move forward when they research alternatives and bring back options and information.
3. Board committees may include members who are not Directors.
4. Board committees may not speak or act for the Board except when formally given such authority for specific and time-limited purposes.

When reflecting on performance, the Board asks itself:

Policy Type: Board Governance Process
Policy Title: C8 – Governance Investment
Last Revised: **April 9, 2013**

How did we do?
Is this the policy we want?
What can we do to get better?

The Board will invest in its governance capacity.

1. The Board will make sure that Board skills, methods and supports are sufficient to allow excellent governance.
2. The Board will incur governance costs prudently, though not at the expense of endangering the development and maintenance of superior capability.
 - a. The Board will use training and retraining liberally to orient new Directors and candidates for Board service, as well as to maintain and increase existing Directors’ skills and understanding.
 - b. The Board will arrange outside monitoring assistance as necessary so that the Board can exercise confident control over organizational performance.
 - c. The Board will use outreach mechanisms as needed to ensure its ability to listen to membership viewpoints and values.
 - d. The Board will use professional and administrative support.
3. The Board will develop its annual budget in a timely manner so as to not interfere with the development of the ICC Austin’s annual budget.

Operational responsibility needs to be clearly assigned. For ICC Austin, operational responsibility has been assigned to the Executive Director.

Policy Type: Board-Staff Relationship
Policy Title: D – Global Board-Management Connection
Last Revised: **July 16, 2015**

The Board’s sole official connection to the operations of the cooperative will be through the Executive Director.

Similarly, only the Board acting as a whole controls the Executive Director.

Policy Type: Board-Staff Relationship
Policy Title: D1 – Unity of Control
Last Revised: **July 16, 2015**

Only decisions of the Board acting as a body are binding on the Executive Director.

1. Decisions or instructions of individual Directors, officers, or committees are not binding on the Executive Director except in rare instances when the Board has specifically authorized this power.
2. In the case of Directors or committees requesting information or assistance without Board authorization, the Executive Director can refuse any requests that, in the Executive Director’s opinion, may disrupt operations or that require too much staff time or resources.

The ICC Austin Executive Director is responsible for *everything* operational that happens, even when unable to exercise direct control – a situation quite common in student housing cooperatives.

Policy Type: Board-Staff Relationship
Policy Title: D2 – Accountability of the Executive Director
Last Revised: **July 16, 2015**

The Executive Director is the Board’s only link to operational achievement and conduct.

1. The Board will view Executive Director performance as identical to organizational performance so that ICC Austin’s accomplishment of Board-stated Ends and avoidance of Board-proscribed means will be viewed as successful Executive Director performance.
2. The Board will not instruct or evaluate any employee other than the Executive Director.

Policy Type: Board-Staff Relationship
Policy Title: D3 – Delegation to the Executive Director
Last Revised: **July 16, 2015**

There is no reason why operational responsibility must be assigned to a single person, but it does have the enormous benefit of simplicity.

The Board delegates authority to the Executive Director through written Ends and Executive Limitations policies.

1. As long as the Executive Director uses any reasonable interpretation of the Board’s Ends and Executive Limitations policies, the Executive Director is authorized to establish all further policies, practices, and plans for the cooperative.
2. The Board will respect and accept the Executive Director’s choices as long as those choices are based on reasonable interpretations of Board policies.
3. If the Board changes an Ends or Executive Limitations policy, the date for compliance will be stated. Until that date the existing policy will stand.

In effect, the Board’s Ends and Executive Limitations policies are the job description for the Executive Director. This clearly assigned responsibility makes accountability and evaluation much easier for the Board.

Policy Type: Board-Staff Relationship
Policy Title: D4 – Monitoring Executive Director Performance
Last Revised: **July 16, 2015**

The Board will systematically and rigorously monitor and evaluate the Executive Director’s job performance.

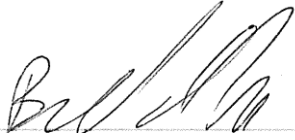
1. Monitoring is how the Board determines the degree to which the Executive Director is following Board policies. Information that does not directly relate to Ends or Executive Limitations policies is not monitoring information.
2. The Board will acquire monitoring information by internal report, in which the Executive Director discloses interpretation and compliance information to the Board, and additional methods when specifically called for, including (a) by external report, in which an external, disinterested third party selected by the Board assesses compliance with Board policies; or (b) by direct Board inspection, in which a designated Director or committee assesses compliance with the policy criteria.
3. In every case, the standard for compliance will be any reasonable Executive Director interpretation (as described by operational definitions and metrics) of the Board policy being monitored. The Board is the final arbiter of reasonableness but will always judge with a “reasonable person” test rather than with interpretations favored by individual Directors or by the Board as a whole.

4. The Executive Director is compliant with a policy if he/she presents a reasonable interpretation and adequate data that demonstrate accomplishment of that interpretation.
5. The Board will monitor all policies that instruct the Executive Director. The Board can monitor any policy at any time by any method listed above but will ordinarily follow the schedule outlined in the Board monitoring calendar.
6. The Board's annual evaluation of the Executive Director based on a summary of monitoring reports received from March 1st through February 28th, will be completed by the March Board meeting. The Board will make its decisions concerning the evaluation and the employment contract no later than the Spring General Membership Meeting.

Ends Policy

I report incremental progress (compliance) with all parts of this policy and certify the accuracy of this report.

For purposes of compliance, this report covers fiscal years 2013-14 and 2014-15.



Billy Thogersen – General Administrator

ENDS POLICY (as approved by Board January 29, 2014)

The purpose of the University of Texas Inter-Cooperative Council (ICC), a Texas non-profit corporation, is to create a mutually beneficial, diverse, and inclusive community so as to promote the transformation of society toward cooperation, justice, and non-exploitation. To achieve this vision, ICC provides affordable housing to students, on a cooperative basis, in an environment that enhances member education, encourages the formation of long lasting communities, and fosters responsible citizenship.

Texas non-profit corporation

INTERPRETATION

Among the various business types available, ICC incorporated as a non-profit educational organization. Non-profit status confers significant economic benefits to the organization, especially income and property tax exemptions, and should be protected both for the sake of ICC itself and to fulfill the societal obligation expected of entities receiving this entitlement. Any limitations contained in, or implied by, the corporate charter, as the legally binding framework under which ICC exists, take precedence when in conflict with any other ICC operational directives. ICC staff will not deviate from the stated purposes in the ICC corporate charter. ^{1,2}

OPERATIONAL DEFINITIONS

1. Compliance will be achieved if no written communication from a governing agency causes ICC to lose, or threatens the loss of, its non-profit status.
2. The total economic benefits from being a non-profit educational organization will increase over time.

DATA MEASURING PROGRESS

1. ICC received no communications, written or otherwise, indicating any threat to the organizations non-profit status. In addition, the most recent audits conducted by Wegner CPAs included no notices of concern regarding the potential loss of ICC 501(c)3 status.

- The ongoing annual savings from non-profit status broke the \$200,000 mark in fiscal year 13-14. As you can see, ICC benefits financially in a profound way from these entitlements. With the recent City of Austin award of \$630,000, the total savings for the past two years will be over \$1M – about 30% of the total savings since ICC incorporated in 1971. As property taxes continue to climb, and with the Board’s recent acceptance of a budget plan that increases profit margin over the next five years, the benefits of being a 501(c)3 will also increase, allowing ICC to continue providing affordable housing to students.

(To put the \$3.6M total savings in perspective, consider that the book value ICC’s total assets in May 2014 was \$3.6M. Another way to look at it: The FY 14-15 savings of \$232,750 means \$107 per member per month in rent savings.)

Non-Profit Status Cumulative and Current Period Benefits

Constant FY 13-14 Dollars

	Prior	estimated FY		New Total
	Cumulative	FY 13-14	14-15	
Sales Tax Savings	257,145	10,569	10,500	278,214
Income Tax Savings	445,881	11,002	22,250	479,133
UNO Trust Fund*	-	630,000	-	630,000
Property Tax Savings	1,838,607	190,324	200,000	2,228,931
	<u>2,541,633</u>	<u>841,895</u>	<u>232,750</u>	<u>3,616,278</u>

*UNO funds can be given to for-profits, but non-profits receive priority

Data notes: The prior cumulative numbers are reasonable estimates based on a review of the available information. Sales tax savings is relatively low because most of the organizational purchases, e.g. groceries, are not taxed anyway. The estimates for income tax savings are based on audited financial net income, less the effects of losses and insurance proceeds. The property tax exemption began in 2000. The estimated property tax savings is based off the Travis County Appraisal District data, which is probably somewhat inaccurate (low) because they do not spend too much time assessing properties that have 100% tax exemptions.

Mutually Beneficial Community

INTERPRETATION

For a cooperative organization, *Community* extends well beyond the confines of active members. A *Mutually Beneficial Community* arises when the wellbeing of all stakeholders is carefully considered. To accomplish this, all voices and perspectives must be brought to the table, including those of people external to the organization.

Communities consist of various inter-relationships. Active, constructive, and reciprocal arrangements create the mutually beneficial relationships necessary for building healthy communities. For ICC, these relationships can usefully be classified into these categories:

Members with other members:

Measures of conflict management effectiveness and subjective judgment can gauge the quality of member-to-member relationships.

Interpersonal conflict is inevitable both in ICC communities and in life in general. The healthy management of conflict creates mutually beneficial outcomes. ICC devotes significant resources to conflict management, including training members in conflict mediation. The most serious problems can result in formal membership reviews, but the member review process emphasizes achieving resolutions early on - before situations spiral out of control. ^{3,4,5}

Members with the co-op (same as the co-op with Members):

While most members naturally have the strongest bond and engagement with their house communities, they are deeply bound to the often less visible structure of their larger co-op, ICC. New member orientations, house officer trainings and general membership meetings provide important linkage between members and ICC, and attendance at these functions provides a reasonable measure of progress. In addition, a subjective judgment through feedback of overall member satisfaction should be measured. ^{6,7,8,9}

House communities with the larger co-op (same as the co-op with Houses):

A mutually beneficial relationship between the house communities and their larger co-op, ICC, is critical to the wellbeing of the whole ICC community. On an operational level, ICC provides house communities with service through house officer trainings and the various processes contained in the House Operations Policy.

The ICC processes contained in the House Operations Policy balance the sometimes competing desires of individual house communities with legal compliance, business efficiency, and ensuring progress towards the Board-determined organizational Ends. In keeping with notion that it is the conversation which is the essential democratic process, member participation to maintain relevant House Operations Policies is a reasonable way to assess progress towards creating a mutually beneficial community. ^{10,11}

ICC with the greater outside community:

To create mutually beneficial community beyond the confines of current Class A members requires substantial effort. With some notable exceptions, such as providing investments and donating capital to other local co-ops, and strong participation with NASCO, ICC has generally been an insular organization. Nevertheless, incremental progress in this area should be made over time. ICC engagement in this area should strive to be mutual, as opposed to charitable, one-sided giving, or self-serving. ¹²

OPERATIONAL DEFINITIONS

Members with other members:

3. An increasing number of members will be trained in conflict mediation each fiscal year.

4. Members utilize the conflict resolution process.
5. Exit surveys will demonstrate year over year increases in respondents agreeing that their relationships with other members were mutually beneficial.

Members with the Co-op:

6. A majority of new members attend new member orientation.
7. New members complete an online educational training before signing a contract.
8. A majority of current members attend the general membership meeting each fall and spring semester.
9. On the exit survey, an increasing number of respondents will indicate ‘Satisfied’ or ‘Extremely Satisfied’ when asked about their overall satisfaction as an ICC member. Incremental increases to this number will indicate progress.

House communities with the Co-op:

10. House officer training attendance will meet minimum levels based on semester (summer - 30% / fall - 50% / spring - 40%).
11. Attendance by members at dedicated forums for the purpose of discussing operational policies impacting houses will increase.

ICC with the outside community:

12. Mutually beneficial interactions with the outside community will increase over time.

DATA MEASURING PROGRESS

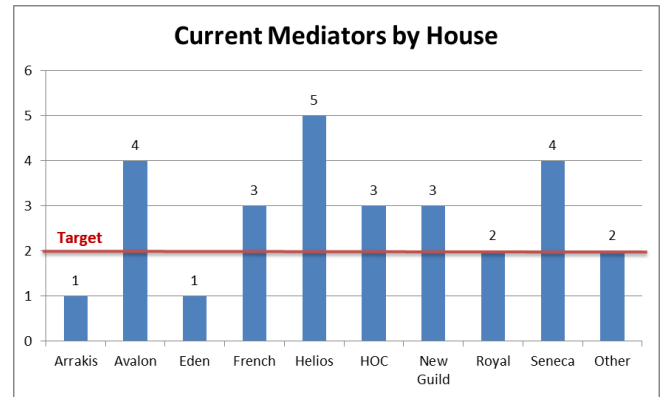
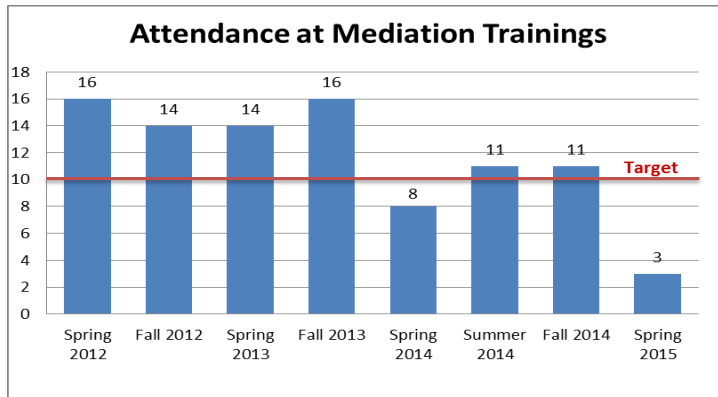
3. ICC began utilizing the current conflict resolution process and training in February 2012 which provides a solid starting point for data collection. Over the last four years, ICC has trained 93 members in conflict resolution and this number continues to grow each semester.

Trained Mediators by Fiscal Year

	<u>Total Trained</u>	<u>Cumulative Total</u>
FY 11/12	16	16
FY 12/13	28	44
FY 13/14	24	68
FY 14/15	25	93

This fall staff set a target for ten members to attend each semester training. Ten was established because it is an ideal number for training participants to hold a mock member review. And, ten participants would ideally mean at least one member from each house attends. The spring 2015 training was low with only three members participating.

There are currently 28 trained mediators in ICC with at least one trained member at each house. Over the last year no complaints have come forward from a Trustee or other member unable to obtain a mediator. This might mean that the participation targets should not be measured by training event. Rather an overall target to maintain 25-30 mediators at any given time and/or at least two members trained at each house would be better and more realistic measures. These will be tracked and reported in future Ends monitoring.

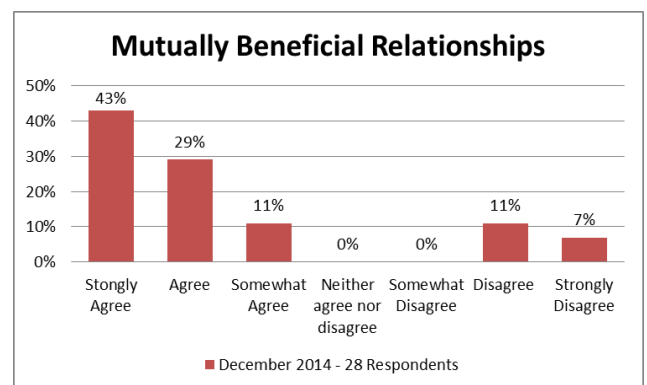


- Historically, data on member reviews and use of the conflict resolution policy has not been well tracked. The table indicates the total number of member reviews based on available records. Moving forward data will be formally tracked for one-on-one meditations, house level mediations and member reviews. Having an increase or decrease in the various forms of mediation will not necessarily reflect positive or negative trends. Rather the goal is for members to make use of healthy conflict resolution processes. Tracking overall usage and categorizing the reviews (i.e. member conflict, missed labor, etc) for the next few years will provide a starting point for greater analysis.

Year	Number of Reviews
2007	3
2008	1
2009	No data
2010	8
2011	3
2012	4
2013	9
2014	9

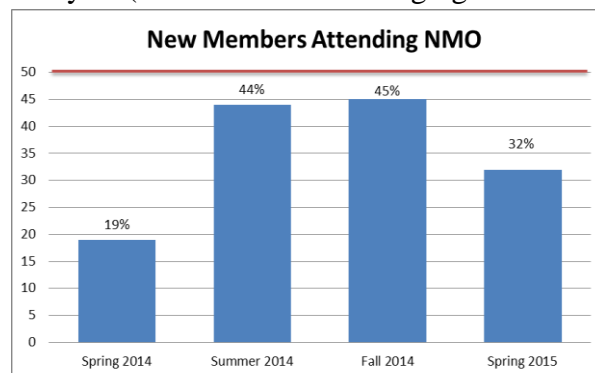
- The new Exit Survey went into effect for the December 2014 (fall) move-outs. Members were asked: “Would you agree your relationships with other ICC members were mutually beneficial? Or in other words, do you feel the relationships were constructive, reciprocal and contributed to a healthy community environment?”

Overall, 72% of respondents indicated they agreed or strongly agreed their relationships with other ICC members were mutually beneficial. This is a starting data point and trends will be measured over time. It will be particularly interesting to monitor fall move outs as this might be a time where members are more likely to leave due to member conflict. Four of the five adverse responses in December were related to an isolated incident involving one member, an issue which is being actively addressed.



- New Member Orientation (NMO) was historically organized and led by the Board coordinators. With the switch to policy governance, NMO was designated an operational event and turned over to staff beginning spring 2014. The target goal is for a majority of new members to attend. ICC has yet to achieve attendance from 50% or more of new members. This can be attributed to a wide array of factors including conflicting schedules, lack of understanding on the importance of attending, and perhaps, lack of current member buy-in (i.e. members encouraging attendance among each other).

One-hundred percent attendance would be ideal! This, however, is a long range goal. For now efforts are being made to achieve the 50% mark. Future plans include involvement from the education committee to lead portions of the orientation, offering more than one orientation (at least for the fall semester) and continuing to refine the information so the orientation is concise and meaningful.



- ICC has no formal organizational-level educational training or orientation process to help make prospective members understand what they were getting in to before signing a contract. (Of course, the house application processes serve an important role – but they concentrate on the house-level side of membership.) This year, the business plan made progress towards this aspect of the Ends through a goal to develop and implement an online orientation by January 2016, in time for the FY 2016-17 signing period.

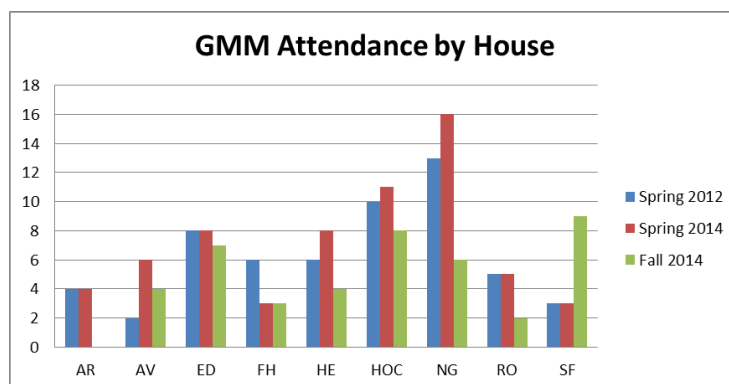
- General membership meetings (GMM) are organized by the Board once per long semester. GMM is an opportunity for all ICC members to come together and embody their cooperative organization. GMM is also a space where the general membership is involved with the highest level of decision-making. It is an important and key event that provides linkage between members and the larger organization.

GMM Attendance

Spring 2012	31.0%
Spring 2014	35.2%
Fall 2014	22.9%

Given the limited data available there is no substantial evidence to support attendance trends (or lack thereof). Based the data and historical knowledge at the staff level, spring 2014 was the largest attendance at any GMM – still far from the goal of majority attendance.

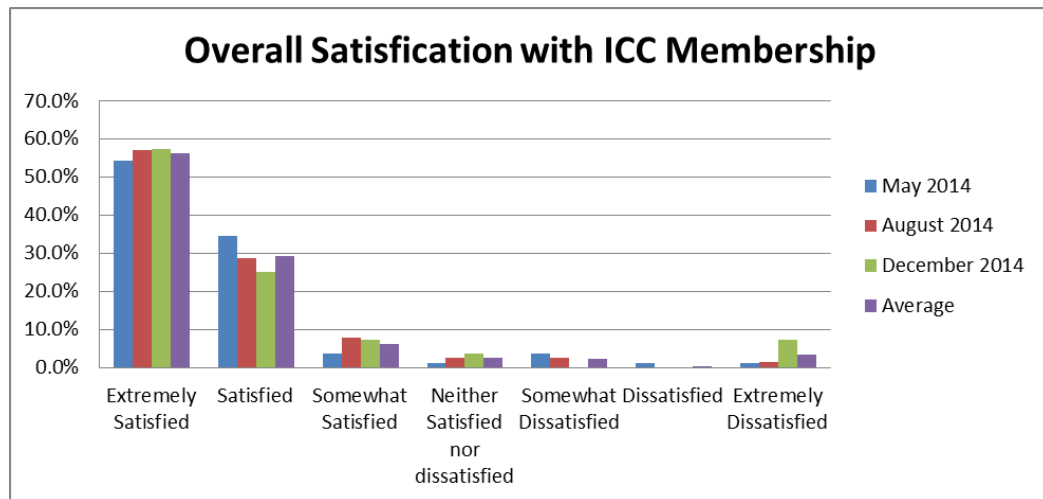
In addition, while 50% attendance would be a record for ICC, it would be far less noteworthy if, for example, four houses had 100% attendance and five houses had less than 10% attendance. Therefore tracking participation of the houses is also an important measurement for GMM attendance.



- Living in ICC requires substantially more responsibility and commitment than living in an apartment or dorm. Members are required to do labor, attend meetings and be cooperative with other housemates. Members also provide the overwhelming majority of the labor to keep ICC functioning. It is therefore important that members are having a positive experience. Members should leave ICC feeling satisfied that they made the decision be part of the organization and that ICC has benefited them in some way.

A subjective question on the exit survey is a sound way of measuring overall satisfaction. Members were asked, “Overall, how satisfied were you with your membership experience in ICC?” Overwhelming the results indicate that members are *Satisfied* or *Extremely Satisfied* with their membership experience. As mentioned with the question regarding mutually beneficial relationships, it will be interesting to monitor the difference in satisfaction between fall and spring move-outs.

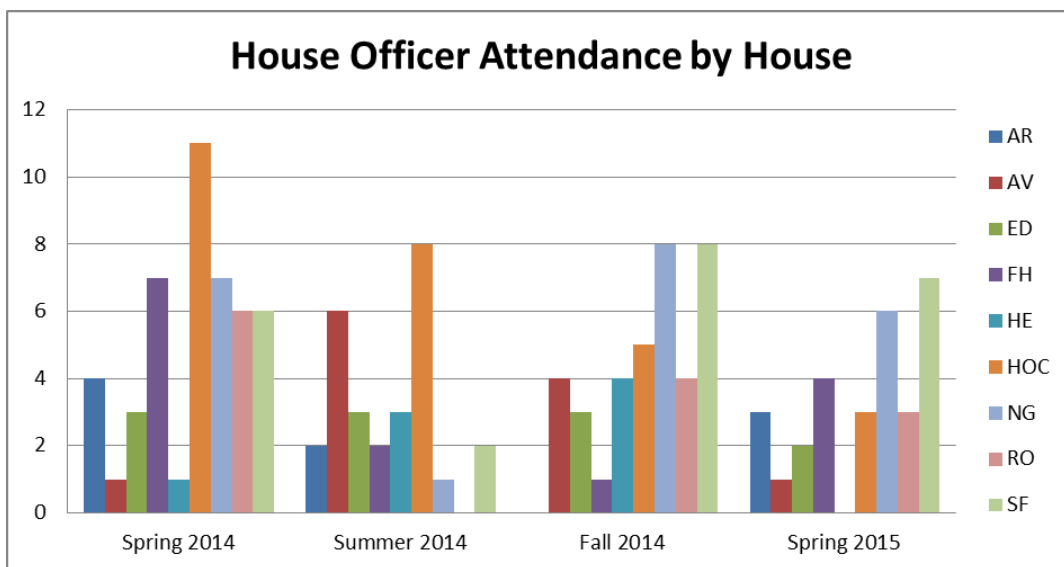
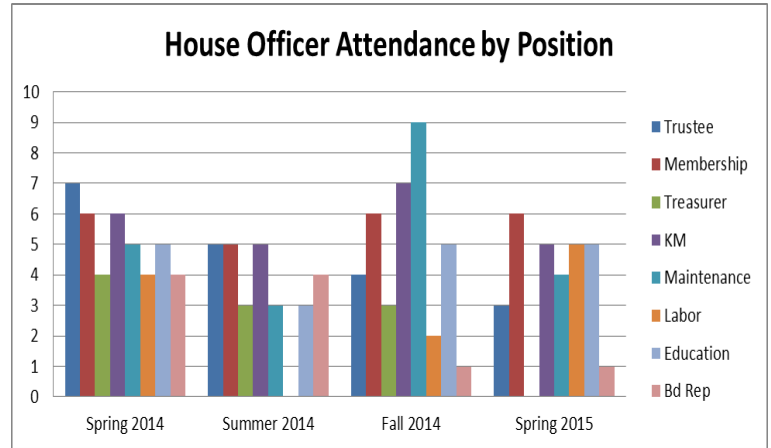
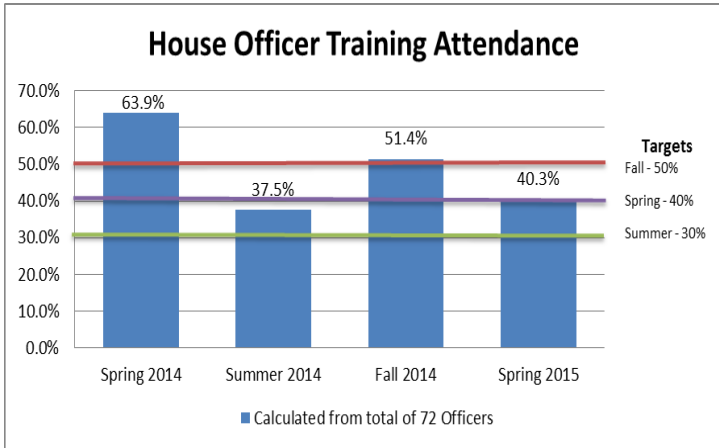
Overall ICC Satisfaction	
May 2014	88.9%
August 2014	85.7%
December 2014	82.4%
*Total respondents answering Satisfied or Extremely Satisfied.	



- Attendance at house officer training has reached the minimum set targets for the last four semesters. It is important to monitor overall attendance but it is equally important track participation by house and by individual officer groups. Similar to GMM, having the majority of members attend from only three or four houses is not as beneficial to the houses (or to the members) as having representation from all houses. This is also the case with the individual officer roles. While having all nine officer from one position attend is great, it is not beneficial (or even fair) if, for example, only one trustee attends. How does that Trustee gain group wisdom without others Trustees participating?

House officer training, like new member orientation, is an operational event falling under the scope of staff. Staff is continuing to adapt and change the program to be beneficial and time worthy for all officers, even a member who has held their role for multiple semesters.

*Noted that Board Representative training took place at the board retreats each semester.



11. Only one operational policy forum has been held for this reporting period. Two members attended the Conflict Resolution Policy discussion in September 2014. Member probation was redefined as a result of this conversation. Beginning this spring, staff will host two town-hall/open forum gatherings in the long semesters and one in the summer. These will be open conversations surrounding operational policies and other projects happening at the staff level.

12. ICC supports the larger cooperative movement through strong attendance at the annual NASCO Institute. Since 2008, one hundred forty-four members have attended the Institute. The multi-year budget allocates funds for at least 20% of ICC, or 38 members, to attend NASCO by fiscal year 16-17.

NASCO Institute

	attended	cumulative
prior	400	400
2008	17	417
2009	18	435
2010	16	451
2011	21	472
2012	21	493
2013	21	514
2014	30	544

Diverse Community

INTERPRETATION

The Ends call for both a *Diverse* and *Inclusive* community, terms which are intertwined. For the purpose of implementation, staff makes the distinction between measuring diversity (*Diverse*) and the means used to attain diversity (*Inclusive*). For ICC, diversity is not a simple demographic numbers game that can be managed through pigeonholing. Nevertheless, characteristics must be examined to evaluate diversity. ¹³

UT students form the majority of the ICC membership. Thus ICC should strive to achieve diversity commensurate with the levels found in that student population. Diversity includes age, race, ethnicity, religion, gender, sexuality, national origin, disability, economic status, and area of study. ¹³

All that said, even within a relatively homogenous group, there is good reason to celebrate diversity in the sense that all people are unique. Subjective member satisfaction with the level of diversity in their cooperative communities provides a reasonable measure. ¹⁴

OPERATIONAL DEFINITIONS

13. Member diversity will at generally match the UT population, or other relevant benchmarks, and if deficient, will increase over time.
14. On the exit survey, an increasing number of respondents will indicate ‘Satisfied’ or ‘Extremely Satisfied’ when asked about the ICC environment providing sufficient diversity. Incremental increases to this number will indicate progress.

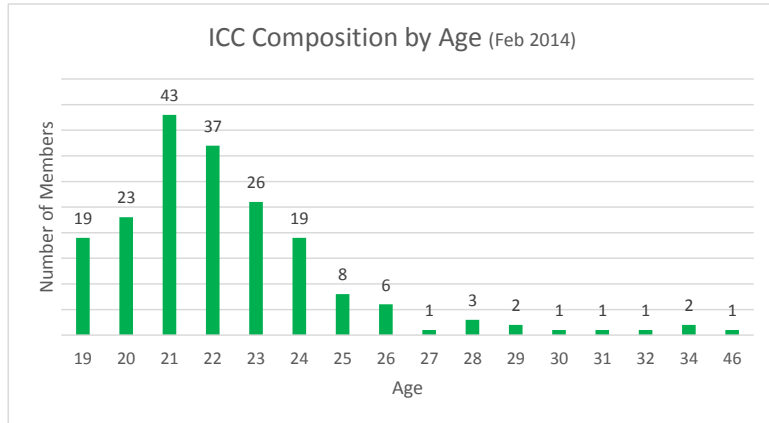
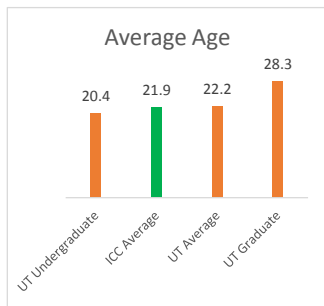
DATA MEASURING PROGRESS

13. The first demographic sampling took place in the spring 2014, giving ICC a starting point for looking at changes in diversity from various perspectives. The next survey will be conducted as part of the spring 2015 contract signing process. UT data is from their published 2014-15 statistical handbook.

On a side note, as part of the last survey, members were asked if the following factors should be considered in a discussion of diversity at ICC. All received very positive responses:

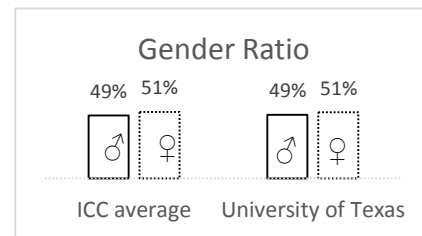
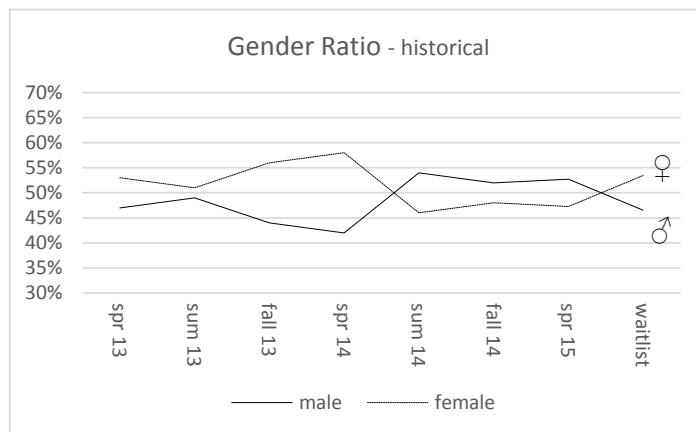
Race and ethnicity	87%
Gender	88%
Sexual orientation	77%

Age:



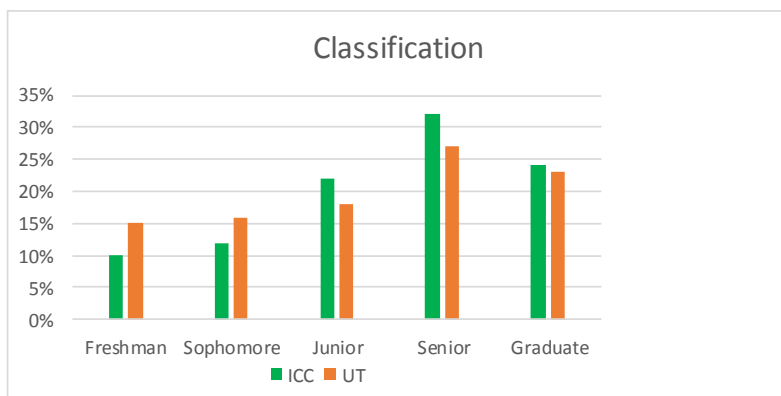
The ICC age distribution compares favorably with the UT population.

Gender:



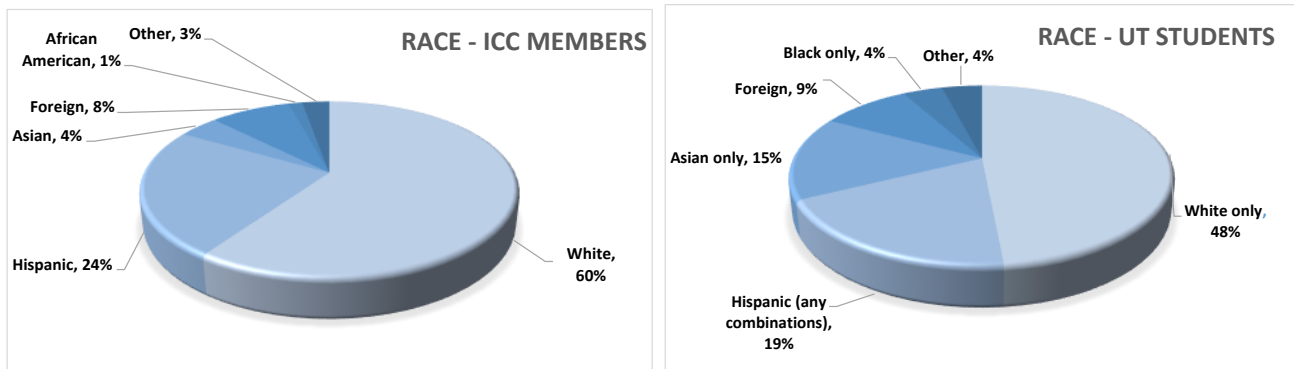
Because ICC does not discriminate based on gender and the relatively small population, there is normally some fluctuation in the gender ratio. However, the most recent seven semester average matches the UT ratio.

Classification:



ICC approximates the UT distribution in terms of student classification, with an expected greater representation of junior and higher levels. This is likely due to ICC's lack of marketing – potential members simply have not heard about ICC until they've been at UT for a while. The current classification data is derived from age, so there could be significant error. Future data surveys will ask members for their current classification.

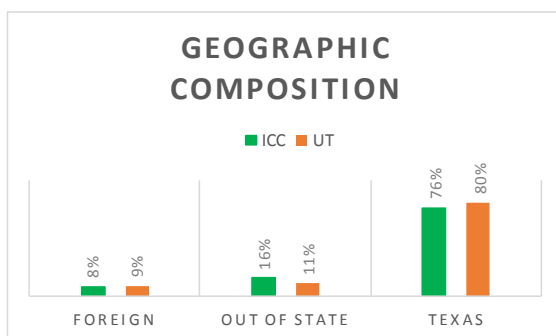
Race:



Based on the data available – and as has long been known in less formal terms - the ICC population is not representative of the overall UT student population (or the Texas population). In particular, Asian and African American groups are under-represented. Although the size of the ICC foreign student population at 8% is similar to the UT population, the ICC foreign student composition is 93% European (see the geographic data for more details).

Over the years (decades really), improving racial diversity has been a major aspiration for ICC. And now, we have some data by which to gauge future changes. The business plan addresses the racial characteristics of the ICC population in two ways: First, staff will continue work to promote safe, inviting, and healthy communities using existing and to-be-developed programs, e.g. anti-oppression training. Secondly, staff will create a targeted market and outreach plan. Part of that plan will be careful listening – to make sure that ICC isn’t unknowingly biased against certain populations, and part will be just getting the word out to groups that may just not know ICC is even an option, or perhaps has an unfavorable impression.

Geographic Composition:



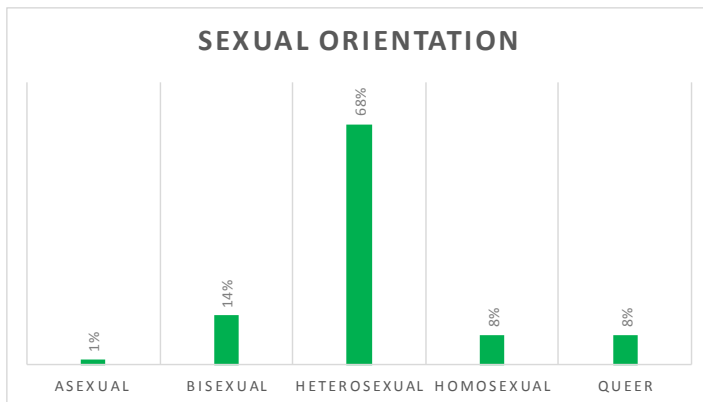
Country of Origin	Count
Australia	1
Britain	1
France	5
Germany	3
Italy	1
Mexico	1
Portugal	2
Spain	1

Overall ICC compares favorably with the UT population in the three large categories reported by the University. However, when looking within the foreign student population, extreme differences arise. The table lists the nationality of the fifteen ICC foreign students in the fall 2014 (93% European). By contrast,

67% of UT foreign students are from either China, Korea, India and Mexico.

Improving diversity in this area is not currently a high priority under the business plan. However, staff hopes that work to improve racial diversity will indirectly improve this characteristic.

Sexual Orientation:



Not surprisingly, UT does not collect or publish data on sexual orientation. Further, there is no consensus or reliable objective basis for determining adequate diversity in this area. What we can do, though, is track changes over time. This will provide some valuable insights about this important characteristic.

Disability (Accommodation):

	ADA Accommodation Requests
FY 07/08	1
FY 08/09	0
FY 09/10	0
FY 10/11	0
FY 11/12	0
FY 12/13	0
FY 13/14	1
FY 14/15	2

Disability data for the UT student population is not available. However, ICC can perceive various conditions, and make note of requests for accommodation under the Americans with Disabilities Act (ADA). This is also an appropriate section to make note of progress towards compliance with ADA, in terms of building accessibility.

	building access (ramp)	bathroom access	bedroom access	kitchen access	notes
Arrakis	2004	2004	2004	2004	full downstairs accessibility
Avalon	1994	no	no	1994	
Eden	no	no	no	no	
French House	no	no	no	no	
Helios	no	2013	2013	no	ramp scheduled FY 17-18 / kitchen too small
HoC	no	no	no	no	accessibility scheduled for FY 16-17
New Guild	2008	2008	2008	2008	bedroom scheduled for FY 15-16
Royal	no	no	no	no	
Seneca	2012	2012	2012	no	kitchen too small to be made accessible

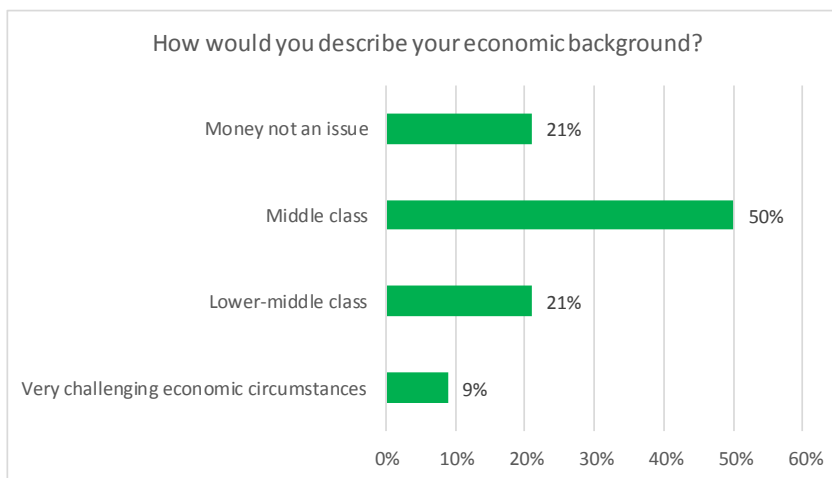
Providing facilities that are accessible is both legally required, and necessary to promoting a diverse environment. The business plan calls for creating a facilities plan that incorporates full ADA compliance.

Economic Status:

UT Need-Based Financial Aid

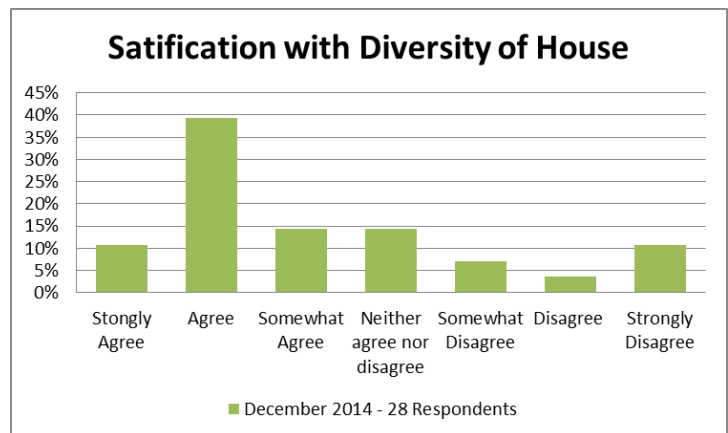
	FY 14-15	FY 13-14	FY 12-13	FY 11-12	FY 10-11	FY 09-10
total undergraduates	39,523	39,979	39,955	38,437	38,420	38,168
awarded need-based financial aid	15,482	16,447	16,621	16,345	16,102	15,336
	39.2%	41.1%	41.6%	42.5%	41.9%	40.2%

In the FY 14-15 survey, 42% of ICC members indicated they received need-based financial aid. This corresponds well to the UT population. A more subjective survey question yielded the following results:



The data show a substantial amount of diversity in terms of overall economic situation. This is important, because diverse and inclusive communities, that is, healthy communities, should bring together people from different backgrounds under the umbrella of cooperation.

14. Tracking diversity through measurable data provides ICC with a clear understanding of where we stand in different demographics. We can also monitor subjective opinion on diversity. Starting with the fall 2014 move-out survey members were asked, “How satisfied were you with the diversity of members in your house?” A comment from one responder sums up the overall data. “ICC is full of open minded people that embrace diversity, but houses generally are not that diverse.”



Inclusive Community

INTERPRETATION

Based on Board discussions, diversity at ICC should be achieved primarily through creating safe, inviting spaces that would appeal to a diverse range of people. Non-exploitation and anti-oppression, that is to say actively challenging exclusive structures, are considered essential to achieving a respectful, inclusive environment. In short, inclusion requires teaching, self-reflection, and willingness to change exclusive patterns of behavior. 15,17

Actively reaching out to underrepresented potential members about the availability of ICC cooperative housing is necessary to be truly inclusive. 16

Inclusion includes not only fighting exclusion, but also ensuring minority voices are heard in ICC democratic decision-making. A subjective question regarding minority voices provides a suitable measure. 18

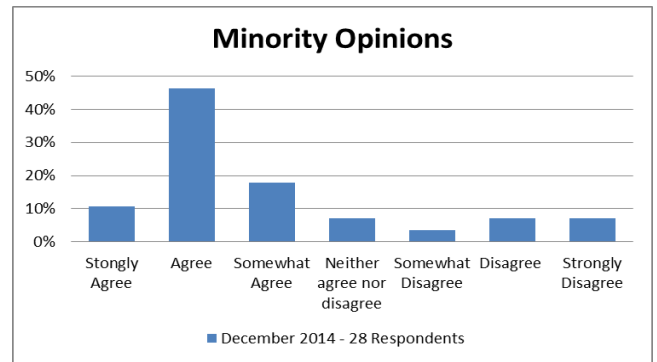
OPERATIONAL DEFINITIONS

15. An increased number of members from the previous semester will attend the annual anti-oppression training each year.
16. The results of targeted marketing campaigns will demonstrate increases in diversity.
17. The diversity of house communities, as self-defined by each house, will increase over time.
18. On the exit survey, an increased number of respondents will indicate that minority opinions were adequately heard during formal and informal decision-making while they lived at ICC. Incremental increases to this number will indicate progress.

DATA MEASURING PROGRESS

15. ICC hosted its first anti-oppression training in fall 2014. Nine members and one staff member attended. Participation for this annual event will continue to be monitored.
16. One of the nine strategic objectives in the business plan is developing an external marketing plan (ICC currently operates without one). Within that broad category, developing an outreach plan to increase diversity is a specific goal with an anticipated completion of December 2015. Once developed, ICC will be able to start measuring the results.
17. Another strategic objective in the business plan is to foster an environment that creates diversity and inclusivity. Specific near-term goals include developing a process for “house summits” to discuss house themes, think about their identity, and give feedback on how they want their houses promoted. The current diversity among houses, such as upper division, vegetarian, meat-always, etc. is great, but having even more diverse house atmospheres could attract an even wider range of people. Feedback from the houses on their self-identification will be reported in the future.

18. Members were asked on the Exit Survey, “Would you agree that minority opinions were adequately heard and considered during formal and informal decision making?”. The survey results indicate minority opinions are being heard and considered. However, note the relatively small number of respondents. Many written survey comments alluded to patterns of ‘group think’ within houses. Providing meeting facilitation training might bring out the quieter voices.



Promote the Transformation of Society Toward Cooperation, Justice, and Non-Exploitation

INTERPRETATION

Adhering to cooperative principles naturally leads to justice and non-exploitation. Operating ICC on a cooperative basis will help achieve greater cooperation in the world as experienced, educated members leave the organization to live elsewhere in society. 19

Member conversations consistently speak of the transformative impact of ICC upon their lives. A subjective question about how members believe living in ICC will impact their future use of cooperatives provides a suitable measure. 20,21

Perhaps the best measure of ICC’s effectiveness would be getting feedback from the members who have lived in ICC since inception. Unfortunately, this data will not be available until a functional alumni network is established (also see long term communities section).

OPERATIONAL DEFINITIONS

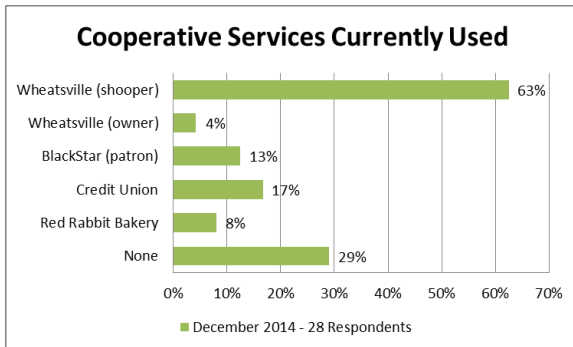
- 19. ICC membership, consisting of both class A and B members, grows.
- 20. The number of ICC members using services from other cooperatives, grows.
- 21. On the exit survey, an increasing number of respondents will indicate that, at least in part due to living at ICC, they plan to use cooperative services after leaving ICC. Incremental increases to this number will indicate progress. (Add or change question to be about “transformative” impact of ICC?)

DATA MEASURING PROGRESS

Total Membership

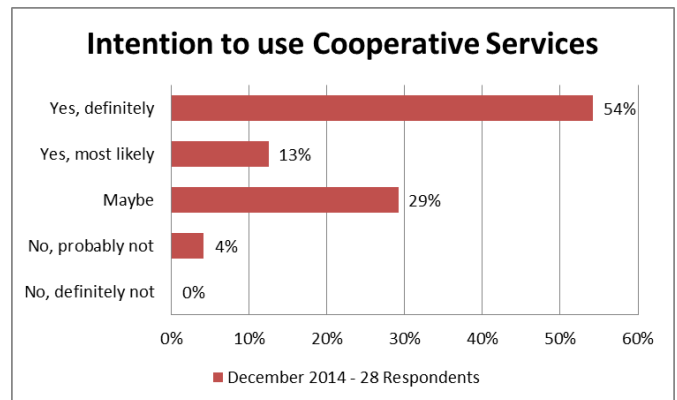
Fiscal Year	New Members	Total Members (Class A & B)
14-15	142	6,130
13-14	156	5,988
12-13	149	5,832
11-12	176	5,683
10-11	144	5,507
09-08	148	5,363
08-09	159	5,215
07-08	182	5,056
06-07	182	4,874
05-06	181	4,692
04-05	166	4,511
03-04	176	4,345
02-03	169	4,169
Prior	4,000	4,000

19. Over the past two years, ICC added almost 300 new members. Although this number is a little lower than in the recent past, it is good because it is due to better member retention.



20. On the exit survey, members are asked, “Other than ICC, what cooperative services, if any, do you currently use?”. This question was asked for the first time for the December 2014 move-outs. Monitoring trends overtime will indicate if the number of members using cooperative services grows.

21. In addition to establishing what cooperative services members currently use, there was also a question to determine intent to use cooperative services in the future. Members were asked, “Do you intend to use cooperative services in the future?” Over 50% of respondents indicated they definitely intended to use cooperative services after leaving ICC.



Provides Affordable Housing

INTERPRETATION

There are inherent limitations and tensions in a system where you pay to provide part of something, consume part of it, and want what you pay in to be as little as possible. This is especially true when the part you give is easily measurable (money) and how much you use is very difficult to quantify. ICC finds itself in exactly this position. Because the vast majority of ICC economic resources are generated from current members, *providing affordable housing* to those same current members always requires a balancing act.

Staff considers *Provides* from three perspectives. First, we should respect the sacrifices of past members who gave more than they took, making ICC available to the future. To honor that legacy, current and future members should also put in more than just the minimum. Second, ICC has duty to provide meaningful affordability to current members. And third, ICC should work to provide expanding cooperative opportunities to future members. The desire to expand, and not merely maintain a status quo, has been enshrined in the ICC bylaws since inception. 24, 25

A definition of *Affordable* that will allow ICC to provide ongoing affordability must be relative. For starters, we must consider *Affordable* from the perspective of past, present, and future members. For example, a large across the board rent increase today may seem unreasonable, but could look like a great deal in the future. And conversely, self-serving decisions made today may simply stick it to future generations.

Further, relative affordability needs to acknowledge, to a reasonable degree, the unequal and inequitable socioeconomic reality. Namely, what might be really affordable to one person may be totally unaffordable to another. This situation can be partially managed through differential pricing between private and shared rooms, with the deepest levels of affordability possible in shared rooms. 22

ICC should strive to dig even deeper though, to provide (as reasonable) the cooperative living opportunity to members under extreme economic hardship. Over time, this can be managed through the development of scholarship funding. 23

OPERATIONAL DEFINITIONS

22. Rent rates for private rooms will stay below the 65% efficiency limit and for shared rooms below the 30% efficiency limit based on HOME Program Rent Limits published annually by US Department of Housing and Urban Development (HUD).
23. The development of scholarships enabling ultra-low-income members to attend UT will increase over time.

24. ICC total investments in expansion will increase over time.
25. The amount of cooperative housing capacity provided by ICC will increase over time.

DATA MEASURING PROGRESS

22. The table below shows the rent rates changed over the past three years as well as the Board-approved rates for the next four years. In all cases, they are below the affordability threshold.

ICC Rent Rates versus HUD Rent Limit Definitions

	Fiscal Year Beginning	2012	2013	2014	2015	2016	2017	2018
DOUBLE	30% HUD Rent Limit	384	398	396	396	403	411	419
	ICC rent (shared)	368	357	360	357	369	382	396
	Over/(Under) Limit	(16)	(41)	(36)	(39)	(34)	(29)	(23)
SINGLE	65% HUD rent limit	833	833	858	858	873	890	908
	ICC rent (private)	498	487	493	512	529	548	566
	Over/(Under) Limit	(334)	(345)	(365)	(346)	(343)	(343)	(342)
	Food	115	120	120	120	122	125	127
	Utilities	72	78	84	87	91	94	97

For an organization that depends on member payments for nearly 100% of operating revenue, being able to provide these levels of affordability, sustainably, is a major accomplishment.

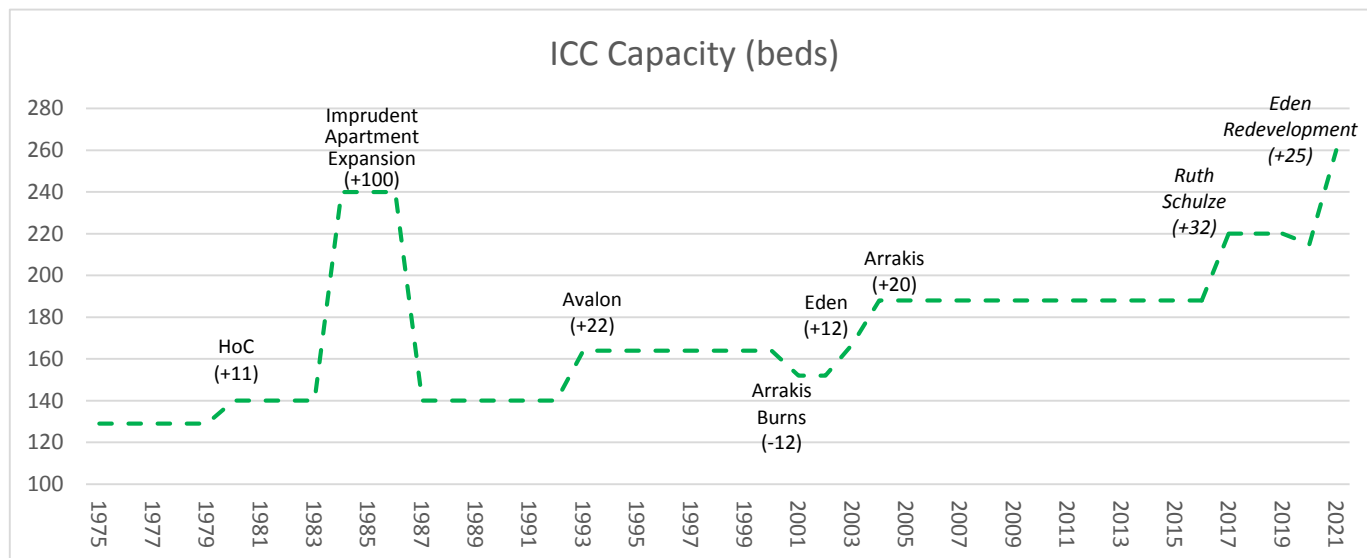
23. Board discussion over the past two years indicates strong support for ICC scholarship programs. However, scholarships would be a new frontier both in terms of figuring out where to get the funding, and ensuring fair and equitable member treatment. As with the alumni program, ICC needs to develop a strategy and resources over the next few years before jumping in. In the meantime, staff is developing an operational policy to direct a portion of extra revenues – when ICC performs better than expected due to higher occupancy and/or lower expenses – into a reserve fund for future scholarships. (Any FY 2014-15 scholarship reserve will show up on the Financial Condition monitoring reports next fiscal year.)

Investments in Expansion

	Fiscal Year	Contribution	Accumulated Total
24. Prior to 2000, it does not appear that ICC set aside funds specifically for expansion as called for in the bylaws. However, since then, this has been an organizational priority. The table to the left shows the increasing investments in expansion over the past fifteen years. Since FY 08-09, most extra savings and income was directed to the expansion fund, and the last two fiscal years continue this pattern.	00/01	14,423	14,423
	01/02	15,250	29,673
	02/03	15,550	45,223
	03/04	18,115	63,338
	04/05	16,729	80,067
	05/06	17,178	97,245
	06/07	16,399	113,644
	07/08	18,092	131,736
	08/09	39,248	170,984
	09/10	30,674	201,658
	10/11	36,404	238,062
	11/12	67,921	305,983
	12/13	44,118	350,101
	13/14	41,508	391,609
	14/15	41,871	433,480

25. The University of Texas has about 50,000 students, 8,000 of which are housed in on-campus dorms, leaving about 42,000 potential UT co-ops. Of that number, about 750 actually live in co-ops, and ICC's share of 188 comes out to 0.5% of potential UT student members. There is definitely room to grow.

Over the past 44 years, ICC has very gradually increased capacity, and is now considering a major development: The Ruth Schulze house. In addition, longer range expansion projects are being developed as part of the current business plan. Through these Ends reports, the Board and members will be able to see the progress of these multi-year, even multi-decade, strategic movements – as well as look at what has already been accomplished.



Over the past decade, ICC has invested heavily in expansion – in terms of savings, developing robust governance structures, community involvement, and active investigation. These efforts paid off in 2013 with the purchase of the lot for the potential Ruth Schulze expansion project. Over the past two years, incremental progress has been made to ready the property for development. Beginning in the spring 2015, the Board started digging into the project in earnest, and is scheduled to make a decision on final approval by the end of the year. As part of the expansion component of the business plan, we are also looking ahead to the potential Eden redevelopment, which is tentatively scheduled for 2020 once the current “big loan” will be paid off.

Students

INTERPRETATION

The articles of incorporation call for ICC to exclusively support educational purposes relating to the University of Texas students. Because of the significant cross-feeding of local non-profit colleges, especially Austin Community College, providing housing to members attending any local, accredited non-profit higher educational institution reasonably, although often indirectly, supports education at the

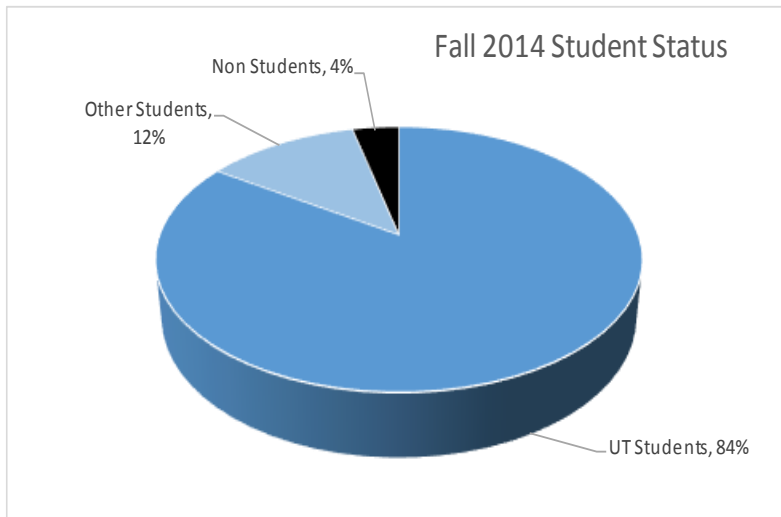
University of Texas. A person is considered a student if they are enrolled at least half time (six credit hours or more) at a local accredited non-profit higher education institution. 26

During summer, when student availability can be severely limited, ICC may provide housing to non-students to maintain consistent operations and thereby provide better service to student-members during the academic year.

OPERATIONAL DEFINITION

- 26. Except for those receiving the “grandfather” exemption, all members signing for academic year contracts demonstrate proof of enrollment.

DATA MEASURING PROGRESS



- 26. Ten members currently qualify for the grandfathering and do not have to show proof of enrollment. However, three of those members are current students. All other members signing academic year contracts for FY 14-15 showed proof of enrollment and certified that they would be qualified students.

	Students	Non Students	Students (% of Total ICC Members)
Fall 2014	183	7	96.3%
Fall 2013	178	8	95.7%
Fall 2012	161	24	87.0%
Fall 2011	159	25	86.4%
Fall 2010	161	25	86.6%
Fall 2009	169	18	90.4%

School Attended		
Fall 2014		
	Count	% of Total Students
UT	160	87%
ACC	19	10%
Other	4	2%

The student status requirement for academic year contracts, enacted in 2013, has already enabled more than 30 student members to use ICC services than would otherwise have been the case. Further, at least one of the grandfathered members chose to attend school, partly as a result of the policy. As previously demonstrated, the benefits of being a non-profit educational

organization serving UT students are huge. The data indicate ICC serves its target population increasingly well and does not face significant of losing non-profit status for unrelated business activities, i.e. providing housing to non-students.

Cooperative basis

INTERPRETATION

Though not incorporated as a cooperative, ICC operates to the extent possible following the values and principles of cooperation promulgated by the International Co-operative Alliance. The requirement to operate on a cooperative basis, and progress towards this goal, is fully addressed at least annually as part of the B-Global Executive Constraint limitations monitoring report. ²⁷

OPERATIONAL DEFINITION

27. Board acceptance of the most recent B-Global Executive Constraint monitoring report adequately demonstrates ICC operates on a cooperative basis.

DATA MEASURING PROGRESS

27. The Board accepted the B-Global Executive Constraint monitoring reports in September 2013 and March 2015. Both reports indicated full compliance with the policy. See those reports, available at iccaustin.coop/boardinfo, for exhaustive details of ICC operations in the context of the seven cooperative principles.

Enhances member education

INTERPRETATION

Per the Articles of Incorporation, ICC promotes “excellence in standards of education.” To accomplish this, ICC fosters learning and personal development. To begin with, simply learning to live in a cooperative community naturally provides an avenue for personal growth. In addition, ICC hosts multiple education events each semester. Some of these events include new member orientation, house officer training, conflict resolution training and an annual anti-oppression training. These workshops offer practical skills that members can use to further develop the ICC community while also providing valuable, real-world tools that can be used throughout a member’s life. ICC continuously refines the education offerings based on member feedback and interest – and most importantly to make wise use of the limited time of our student members.

Measuring participation at the trainings, as well as the variety of trainings offered, demonstrates progress towards creating environments that enhance member education. ²⁸

OPERATIONAL DEFINITIONS

28. Participation targets will be set and tracked for each ICC event.

DATA MEASURING PROGRESS

- 28. See data previously presented on new member orientation, house officer training, conflict mediator training, anti-oppression training, NASCO and general membership meetings. 3,6,8,10,12,15

Encourages the formation of long lasting communities

INTERPRETATION

Encourages means optional and enticing methods. *Long lasting* implies durability, resilience, and continuity. ICC houses persist through time though members spend only a short time living in ICC. Thus, long lasting communities should both be measured both in the shorter academic year timeframe of specific groups as well as longer periods. 29, 30

The longer periods should demonstrate stable house cultures and the building of lasting relationships that extend beyond the world of ICC (alumni). 31

OPERATIONAL DEFINITIONS

- 29. The average member stay in ICC will be at least four semesters.
- 30. House member retention will be above the following thresholds: summer/fall - 30%, fall/spring - 70%, spring/summer - 50%, spring/fall - 50%
- 31. An alumni network will develop over time.

DATA MEASURING PROGRESS

- 29. Four semesters is a reasonable goal because it covers members staying an entire calendar year plus a summer, as well as those living at ICC for two academic years. In both those cases, that member experience plays a vital role in community longevity by providing the essential overlap during the regular semester turnover.

	Semesters Lived at ICC Per Member (end of spring semester)							
	Spring 15	Spring 14	Spring 13	Spring 12	Spring 11	Spring 10	Spring 95	Spring 90
Average	4.5	4.1	4.4	3.6	3.7	3.5	2.6	2.7
Median	3.5	3.0	3.0	2.0	3.0	3.0	2.0	2.0

The data show that over the past three years ICC has seen a marked increase in length of stay, and even more promising, a possible shift in the median stay. This year, half of all members stayed four or more semesters.

30. In order to maintain long lasting and healthy communities, there needs to be enough member retention each semester to allow houses to absorb new members. In cases when this doesn't happen, the organization may need to step in to help. This is not the end of the world, but does take resources.

This year, houses had great retention with members continuing on semester-to-semester, as well as spring members returning in the fall.

House Member Retention

	Spring to Summer 2014	Summer to Fall 2014	Fall 14 to Spring 15	Spring 14 to Fall 14
Arrakis	50%	30%	60%	50%
Avalon	59%	59%	91%	59%
Eden	53%	40%	93%	67%
French	30%	55%	50%	55%
Helios	53%	47%	88%	59%
HoC	33%	44%	74%	37%
New Guild	55%	42%	87%	48%
Royal	41%	24%	82%	29%
Seneca	58%	47%	63%	37%
Average	48%	43%	77%	49%
Target	50%	30%	70%	50%

31. Several notable past efforts to begin an alumni program include the 1996 ICC 60th anniversary bash, 2004 Arrakis post fire reconstruction alumni drive, and 2007 Austin Coop Fest. All ultimately failed because of inadequate follow-through. Successful alumni programs require the dedication of resources over a sustained period – and more importantly – a good strategy.

The ICC business plan puts an alumni program on the radar, to begin in earnest in perhaps three years. This schedule recognizes ICC's organizational limitations and overall priorities. As ICC exits a major governance and staff transition period this year, it enters a period of capacity and competence building. Part of what will be developed is the ability to create and maintain a successful alumni program. In the meantime, staff will be informally studying the extremely successful Berkeley Student Cooperative alumni program, working with College Houses to see if collaboration might be possible, and otherwise gaining information that will help ICC hit the ground running in the future.

Fosters responsible citizenship

INTERPRETATION

At ICC, members learn how democracy functions within a self-determined governance structure. This experience of working with groups to get things done enables more and better participation in their communities, states, and country during the rest of their lives.

Fostering responsible citizenship also includes developing leaders who can provide society with strength and guidance. At ICC, leadership development opportunities abound in the elected officer positions at both the house and organizational level. ^{32,33}

When responsible citizens enter into agreements, they make every effort to fulfill them. Analyzing the completion of contractual obligations and late fees provide reasonable measures. 34,35

OPERATIONAL DEFINITIONS

- 32. Voting participation in ICC elections and ballot referendum will be at least 50% and increase over time.
- 33. The total number of elected leaders will increase over time.
- 34. The percentage of members not fully completing their contractual obligations as measured through bad debt expense will decrease over time.
- 35. The number of late fee charges will decrease over time.

DATA MEASURING PROGRESS

- 32. Historically, ICC-wide votes occur just after the fall and spring General Membership Meetings (GMM). Fall and spring GMMs may or may not feature a ballot referendum, while the spring GMM always provides the venue for the board officer candidate presentations and subsequent election. Despite the limited records, there appears to be two different levels of participation for fall and spring, with the fall being significantly lower.

Ballot Referenda and Board Officer Elections Participation

	Fall 2004	Spring 2008	Fall 2009	Spring 2009	Spring 2010	Spring 2011	Fall 2013	Spring 2014	Fall 2014
Arrakis	3	6	8	n/a	3	19	2	12	4
Avalon	2	4	5	n/a	4	15	6	4	4
Eden	4	7	3	n/a	5	5	11	12	6
French	8	10	7	n/a	8	8	17	7	3
Helios	12	3	3	n/a	0	6	12	10	13
HoC	5	5	8	n/a	4	11	4	14	3
New Guild	2	10	6	n/a	5	11	4	15	5
Royal	11	16	7	n/a	6	7	8	7	3
Seneca	9	4	5	n/a	1	3	10	13	8
TOTAL	56	65	52	75	36	85	74	94	49
Participation %	30%	35%	28%	40%	19%	45%	39%	50%	26%

Based on past experience, 20-30% participation rates are the norm. Last spring, with the combined efforts of the Board committees and staff, ICC finally managed to get more than 50% of members to participate in organization-wide election – perhaps a first. Unfortunately, the fall bylaw referendum had disappointing participation rates, which may be due to the trivial nature of the proposed changes.

Looking forward, the Nominations Committee is investing a lot of time into recruiting great candidates for the spring 2015 board officer elections. Great candidates, hopefully competing with one another, should produce a high level of interest among all members. As for future fall ballot measures, the Board and staff may want to consider new ways to present the information in an engaging way to boost participation. The Board secretary is also looking into alternative voting options, e.g. web-based, to get more people casting ballots.

As with everything we are doing, this is not a numbers game. We truly want members engaged in the decision-making, not thoughtlessly ticking off boxes to win a prize or just voting for their friends.

33.

ICC Elections

	House Elections	Board Officer Elections	Total
Prior	7,400	200	7,600
FY 13-14	208	4	212
FY 14-15*	216	4	220
Total			<u>8,032</u>

estimated 1971-2012

ICC holds quite a few elections each year, mostly at the house level with members voting for their house officers.

*assumes four spring board officers elected

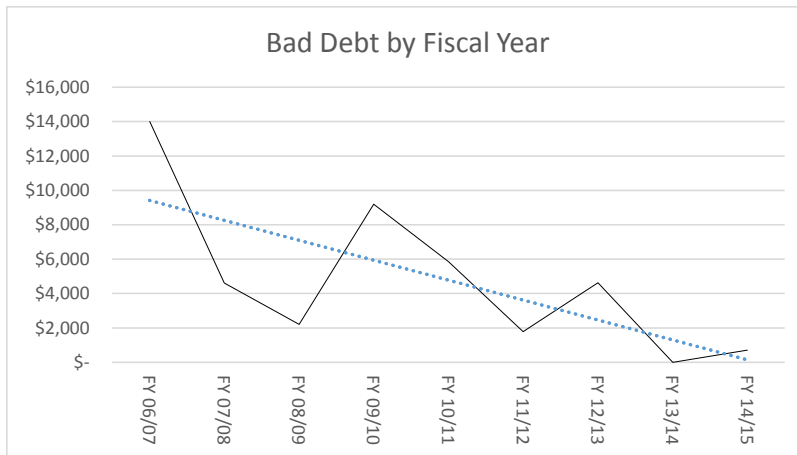
Number of New Leaders Elected

	summer	fall	spring	Total
Prior				3,800
FY 14-15	37	36	33	106
Total				<u>3,906</u>

estimated

Another useful measure is to look at the number of new leaders, that is, members who have not previously served in an elected ICC position. We see that nearly half of all elected leadership positions in ICC are held by new leaders. Fostering leadership is an important way ICC promotes responsible citizenship.

34. In the area of bad debt, we a continued trend towards zero, demonstrating that the vast majority of members fulfil their financial obligations towards their cooperative. Good organizational policies and communication produced at least a part of the bad debt reduction over the past two years. ICC no longer allows members to get too far behind in rent without a plan. This is both fair to the member falling behind, and to the rest of the ICC membership.



FY 06/07	\$ 13,998
FY 07/08	4,609
FY 08/09	2,204
FY 09/10	9,193
FY 10/11	5,853
FY 11/12	1,779
FY 12/13	4,633
FY 13/14	-
FY 14/15	707

35. Consistent and fair policies have played a major part in the reduction in the number of times ICC has had to apply late fees to member accounts. The 30% fewer late fee charges in FY 13-14 and FY 14-15 translates into much better use of staff time for productive purposes. (It takes a significant amount of time to notify members.)

Number of Late Fees Assessed

	monthly													annual	jun-jan
	average	jun	jul	aug	sep	oct	nov	dec	jan	feb	mar	apr	may	total	total
FY 10-11	81	78	63	153	79	65	52	82	89	74	70	84	81	970	661
FY 11-12	69	64	54	70	99	60	65	70	99	65	59	61	64	830	581
FY 12-13	76	69	52	105	88	76	75	75	101	65	57	67	78	908	641
FY 13-14	53	57	66	63	66	43	42	41	82	62	44	41	31	638	460
FY 14-15	52	33	42	65	31	58	63	55	72						419

September 1, 2015

Policy B3 – Asset Protection rev. 7.17.14

I report compliance with all parts of this policy **except 3.2, 3.4, 3.6, and 3.7.**

Unless indicated otherwise, all data in this report is for the twelve month period ending September 1, 2015 and is accurate as of that date.

I certify that the information contained in this report is true.

Signed  Billy Thogersen – Executive Director

INTRODUCTION

When Arrakis burned down in December 2000, the insurance company paid ICC Austin about \$180,000 for the loss. Rebuilding the house cost about \$1.3M, and with interest the total cost to members will be around \$1.8M through 2019. Contrast this with the House of Commons fire in 2009: The insurance company paid \$290,000 of the \$300,000 cost of repairs AND provided lost income payments while the house was being fixed.

These examples clearly show the importance of asset protection. ICC Austin was struggling financially in 2000, but in the end forgoing good property insurance to save money placed an enormous burden on future members. And property is only one of ICC Austin's assets. This executive limitation policy report on asset protection is one Board opportunity to see how risk to the entire range ICC Austin assets have been managed.

B3 MONITORING HISTORY

November 2014	Noncompliance in 3.2, 3.4, 3.6, and 3.7
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Policy B3 – Asset Protection

The staff shall not allow assets to be unprotected, unreasonably risked, or inadequately maintained.

INTERPRETATION

In the sub-policies below, the board has fully interpreted this policy for all assets except for inadequate maintenance.

Operation Definition (*inadequate maintenance*):

1. Maintenance will be deemed adequate under this executive limitation if there are no regulatory fines levied for, or loss of income attributable to, adverse property conditions which could reasonably be remedied by ICC Austin.

DATA SUPPORTING COMPLIANCE

1. ICC Austin has not been fined by any external agency; the financial statements do not reflect any regulatory fines. No members indicated property condition as a reason for leaving ICC Austin; no income losses due to property condition were noted on the quarterly financial statements.

B3.1 Staff will not allow equipment and facilities to be inadequately insured or otherwise unable to be replaced if damaged or destroyed, including coverage for any losses incurred to due to business interruption.

INTERPRETATION

ICC Austin will have in place insurance that would be sufficient, in conjunction with emergency savings reserves, to replace all property and equipment if destroyed, while maintaining adequate cash flows for operations during reconstruction.

Operational Definitions:

1. ICC Austin will maintain full replacement coverage for property, equipment, and lost income.
2. A reliable 3rd party will assess our insurance coverage to determine its adequacy.

DATA SUPPORTING COMPLIANCE

1. The following data is from the insurance policy in effect April 2014 – March 2015:

<u>Category</u>	<u>Insurer</u>	<u>Market Value</u>	<u>Coverage</u>
Property	Lloyds of London	7,680,000	7,680,000
Equipment	Lloyds of London	161,000	161,000
Lost Income	Lloyds of London	1,127,000	1,127,000

The following data is from the current insurance policy current started April 2015:

<u>Category</u>	<u>Insurer</u>	<u>Market Value</u>	<u>Coverage</u>
Property	Lloyds of London	7,680,000	7,680,000
Equipment	Lloyds of London	161,000	161,000
Lost Income	Lloyds of London	1,127,000	1,127,000

Note that the emergency reserve fund is about \$225,000 which is sufficient to cover the \$200,000 in deductibles if all eight ICC Austin-owned buildings were destroyed.

**ICC Austin insurance does not currently cover earthquake, flood, war, or terrorism events.

- HUB International, the insurance agent for ICC Austin and a large proportion of student housing cooperatives nationally, reviewed the coverages and found them to appear adequate for the business. Mike McHone Real Estate was consulted for independent review of the property replacement costs used to calculate the coverage level.

B3.2 Staff will not allow unnecessary exposure to liability or lack of insurance from claims of liability.

INTERPRETATION

Unnecessary exposure to liability refers to insurable risks that could have been prevented by knowledge of and adherence to labor laws and personnel regulations, and all policy and procedures of the co-op.

Adequate liability insurance reasonably protects ICC Austin’s assets in the case of an adverse legal judgment.

Operational Definitions:

- The Staff Policy will be reviewed at least annually by a qualified 3rd party.
- Coverage for business liability, and directors and officers, insurance is deemed sufficient by ICC Austin’s insurance broker. Additionally, insurance carriers must have a financial strength rating of “A” or better as determined by Standard & Poor’s and/or A.M. Best

DATA SUPPORTING COMPLIANCE

- ICC Austin attorney Xavier Medina, and Wegner CPAs, reviewed the Staff Policy in July 2015.
- ICC Austin carries the specified coverages as of September 2015 (similar levels applied during the period covered by this monitoring report):

Type	Individual Occurrence Limit	Aggregate Limit	Carrier	Rating
General Liability	1,000,000	2,000,000	Burlington Ins Co	A
Workers Compensation	1,000,000	1,000,000	Texas Mutual	A
Directors & Officers	1,000,000	1,000,000	RUSI	A

Compliance Plan: No Directors and Officers (D&O) was in place from September 2014 – February 2015. D&O insurance was obtained in March 2015 and has been incorporated into the budget plan. No further noncompliance is anticipated.

B3.3 Staff will not allow deposits or investments to be unreasonably risked.

INTERPRETATION

Because ICC Austin’s routine operational cash needs are generally well below the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Share Insurance Fund (NCUSIF) limit of \$250,000, significant uninsured deposits are unreasonable. ICC Austin currently does not have any speculative investments, but if and when ICC Austin does, they must be managed competently. Risk for ICC Austin investments made in other cooperatives must be evaluated on a case-by-case basis.

Operational Definitions:

1. All bank deposits must be FDIC or NCUSIF insured. Deposits may exceed the insured limit by no more than \$50,000, for periods less than two weeks, no more than two times per year, and still be considered reasonably insured.
2. Investments in other cooperatives have been assessed for risk.

DATA SUPPORTING COMPLIANCE

1. Summary of cash deposits as of August 15, 2015:

<u>Institution</u>	<u>Deposits Held</u>	<u>Amount Insured</u>	<u>Notes</u>
Bank of America	26,324	250,000	Used for services unavailable from credit unions
UFCU	186,675	250,000	
National Co-op Bank	90,046	250,000	
A+ FCU	232,302	250,000	
Amplify CU	178,032	250,000	

Bank deposits did not exceed the FDIC or NCUSIF limit for during the period covered by this monitoring report.

2. Wheatsville Co-op \$10,000, and BlackStar Co-op \$5,000 investments have been evaluated by staff. The risk associated with the Wheatsville investment has not changed appreciably since the last monitoring report, i.e. it is still low. The risk associated with the Black Star Co-op investment has increased significantly with the Black Star Board’s decision to not make interest payments on investor shares again this year. The immediate result is a small income loss of \$250 for ICC Austin, but there is a significantly greater likelihood that the Black Star cooperative may not be operating sustainably. Given the relatively small size of the investment, the known high risk nature of the original investment, and the commitment to cooperative development, no action is planned to request a refund of the \$5,000 at this time.

B3.4 Staff will not allow inadequate security of premises and property, including that of the members and the co-op.

INTERPRETATION

Building security, including the office, houses, and member rooms, need to be adequate. ICC Austin losses due to inadequate security should not be material.

Operational Definitions:

1. Documented security procedures will be reviewed by staff on a periodic basis.
2. Any material ICC Austin losses due to inadequate security will be documented.

DATA SUPPORTING COMPLIANCE (NONCOMPLIANCE)

1. **Written building security procedures, for member rooms, houses, and office were not drafted for the majority of this reporting period.**

Compliance Plan: Adequate security protocols have been in place for many years, but they have not been formalized and written down. In the last B3 monitoring report staff planned to develop and have documented security procedures in place on or before March 31, 2015. This did not happen, and the Board was updated monthly on the status. Written procedures were completed in August 2015. Future noncompliance is not anticipated.

2. There were no losses due to inadequate security to report during this reporting period.

B3.5 & B3.5a Staff will not allow data, intellectual property, or files to be unprotected from loss, theft or significant damage or allow improper use of members' personal information.

INTERPRETATION

Sensitive information must be given adequate protection. No member should ever worry that their personal information is collected unnecessarily or used properly. This is an integral part of maintaining a trusting relationship with our members.

Operational Definitions:

1. Paper records will be kept in locked files or non-public office space.
2. Electronic records will be regularly backed-up.
3. ICC Austin regularly reviews the information collected from members.
4. No member will submit a valid complaint regarding the use of their personal information.

5. All complaints, (valid or not) will be investigated and reported to the board.

DATA SUPPORTING COMPLIANCE

1. Sensitive printed information, including employee records, are kept in locked filing cabinets and/or secured non-public office space.
2. Computer data is continuously backed up to redundant drives on-site, and to two separate off-site locations at least daily.
3. Information collection primarily occurs during contract signing. The last review of contract signing procedures took place January 2015.
4. No members submitted a valid complaint regarding the use of their personal information during this reporting period.
5. No complaints regarding personal information were received during this reporting period.

B3.6 Staff will not allow purchasing that is uncontrolled or subject to conflicts of interest.

INTERPRETATION

ICC Austin assets should be protected via written purchasing control procedures. The procedures should address how conflicts of interest are managed.

Operational Definitions:

1. ICC Austin will have operating procedures in place that define our purchasing procedures and controls.
2. The auditor's notes or management letter included in the annual independent auditors report will contain no significant criticism regarding receipt, processing, or disbursement of funds.

DATA SUPPORTING COMPLIANCE (NONCOMPLIANCE)

1. **Written purchasing procedures in place were not drafted for the majority of this reporting period.**

Compliance Plan: The vast majority of ICC Austin purchases are relatively small in number, routine, and fairly easy to oversee. Further, functional informal procedures have been in place for years, e.g. staff do not normally sign checks for expenses they authorize. In the last B3 monitoring report, staff planned to develop written purchasing procedures on or before March 31, 2015. This did not happen and the Board was updated monthly on the status. Written procedures were completed in August 2015. Future noncompliance is not anticipated.

2. The 2013-14 audit by Wegner CPAs noted no procedural deficiencies in the purchasing area. The audit for 2014-15 was not completed as of this report, but the auditors have not informally communicated any procedural deficiencies to-date.

B3.7 Staff will not allow a lack of due diligence in contracts.

INTERPRETATION

Prudent investigation and evaluation will determine risk to ICC Austin assets when entering into contracts. For ICC Austin, contracts fall into three categories:

For contracts needing board approval (primarily real estate and loan transactions) due diligence requires them to be reviewed in advance by a competent 3rd party.

For member-resident agreements (leases) due diligence requires review by a competent 3rd party at least once every two years.

For contracts involving capital expenditures exceeding \$2,500, but not requiring direct board approval, due diligence requires following written contract review procedures.

Operational Definitions:

1. All board-approved real estate and loan contracts will be reviewed by ICC Austin's attorney.
2. Member-resident agreements will be reviewed by ICC Austin's attorney within the past 24 months.
3. ICC Austin will have updated (reviewed within the past twelve months) operating procedures in place that define the operational contract review process.

DATA SUPPORTING COMPLIANCE (NONCOMPLIANCE)

1. ICC Austin did not enter into any real estate acquisition or loan contracts during this reporting period.
2. The member-resident agreement was thoroughly reviewed by ICC attorney Xavier Medina from January through March 2014.
3. **ICC has some contract review procedures in place, but they have not been revised for at least five years.**

Compliance Plan: The vast majority of contracts subject to a contract review process are facilities-related. The processes currently in place are working, but should be tightened up. In the last B3 monitoring report, staff planned to expand and revise the contract review processes on or before March 31, 2015. This did not happen and the Board was updated monthly on the status. Written procedures were completed in August 2015. Future noncompliance is not anticipated.

B3.8 Staff will not operate without an inventory or assets which is regularly updated, including tracking of any asset initially valued over \$2,000 and its current condition.

INTERPRETATION

ICC Austin’s asset inventory is reasonably tracked using the fixed asset schedule tied to the accounting system, and the depreciated values carried on the schedule represent a reasonable proxy for asset condition. Ongoing updates to the fixed asset schedule, in conjunction with annual auditor review, ensures the schedule is current.

Operational Definition:

1. There will be no notes in the most recent auditor’s report to the board indicating inaccuracies in the fixed asset schedule.

DATA SUPPORTING COMPLIANCE

1. The 2013-14 audit by Wegner CPAs noted no deficiencies in the fixed asset schedule.

B3.9 Staff will not allow damage to the Cooperative’s public image

INTERPRETATION

ICC Austin will maintain its position as a healthy environment for members and the public. Negative publicity could lead to decreased trust, so there should be an absence of negative publicity in local media and other public arenas.

Operational Definition:

1. In the past twelve months, there will be no valid negative stories about ICC Austin in local news media outlets.

DATA SUPPORTING COMPLIANCE

1. The following table summarizes stories from the local news media:

12 months ending:	<u>9/30/15</u>
# of stories found	0
# of negative stories	0

(sources: Austin Chronicle, Daily Texan, KXAN, KVUE, KEYE)

Note, in the previous reporting period, two non-negative stories were found.

Policy B3 – Asset Protection

The staff shall not allow asset to be unprotected, unreasonably risked, or inadequately maintained.

- 1. Staff will not allow equipment and facilities to be inadequately insured or otherwise unable to be replaced if damaged or destroyed, including coverage for any losses incurred to due to business interruption.*
- 2. Staff will not allow unnecessary exposure to liability or lack of insurance from claims of liability.*
- 3. Staff will not allow deposits or investments to be unreasonably risked.*
- 4. Staff will not allow inadequate security of premises and property, including that of the members and the co-op.*
- 5. Staff will not allow data, intellectual property, or files to be unprotected from loss, theft or significant damage.*
 - a. Allow improper use of members' personal information.*
- 6. Staff will not allow a lack of due diligence in contracts.*
- 7. Staff will not operate without an inventory or assets which is regularly updated, including tracking of any asset initially valued over \$2,000 and its current condition.*
- 8. Staff will not allow damage to the Cooperative's public image*

9. Policy Monitoring – C4 Board Meetings

Monitoring Report C4 - Board Meetings

Monitoring Results - 10/8/2015

	C4 Board meetings are for the task of getting the Board's job done.	C4.1 The Board will use its meeting time only for work that is the whole Board's responsibility. The Board will avoid committee issues, operational matters and personal concerns.	C4.2 Meetings will be open to the membership except when executive session is officially called.	C4.2.a Executive session may be used to deal with confidential matters, as long as the purpose of the session is stated. When possible, announcement of the executive session should be on the published agenda.	C4.2.b The Board may include or exclude anyone it chooses from executive session, as further described in Board Meeting Procedures Document.	C4.2.c The Board will take no official minutes during Executive Session.	C4.2.d The Board will come out of executive session to take official action.	C4.3 The Board will seek consensus through discussion. The Board will then finalize and document decisions through the use of motions, seconds and majority vote.	C4.4 The meeting agenda will be determined by the Board president, and may be modified at the meeting by a majority vote of the Board.
Dawson	4	3	5	4	4	4	4	5	3
Tyler	5	4	5	Don't know	Don't know	Don't know	Don't know	5	5
Charlotte	4	4	5	5	5	5	5	4	4
Huyler	5	4	4	4	4	4	4	5	3
Andre	4	4	4	4	4	4	4	4	4
Noah	5	Don't know	5	Don't know	Don't know	Don't know	Don't know	5	5
Josh	5	4	4	Don't know	Don't know	Don't know	Don't know	5	5
Ivy									
Philip	Don't know	4	Don't know	Don't know	Don't know	Don't know	Don't know	5	4
Sydne									
Gaby	4	4	4	4	3	4	Don't know	4	4
Cara									
Luca	4	4	5	4	5	5	4	4	4
J.T.									
Anne Claire	5	5	5	5	5	Don't know	5	5	5
AVERAGE:	4.50	4.00	4.60	4.29	4.29	4.33	4.33	4.64	4.18
ST DEV:	0.53	0.47	0.52	0.49	0.76	0.52	0.52	0.50	0.75
LOW/HIGH:	4/5	3/5	4/5	4/5	3/5	4/5	4/5	4/5	3/5

9 . Policy Monitoring – C4 Board Meetings

Monitoring Report C4 - Board Meetings

Monitoring Results - 10/8/2015

Do you have any comments or thoughts about our performance relative to this policy? What can we do to get better at fulfilling this policy?

Charlotte	To adhere better to policy C4.1, we could do a better job of informing our membership about what kind of matters are relevant to the board, and what is not. That said, member open time is rarely utilized so this does not amount to a lot of misused meeting time.
Dawson	I believe that we are following this policy well. The two items I marked as a 3 are not because we are not following them, but have teetered on the edges of following them in the past.
Luca	I think explicitly giving those who dissent an opportunity to say why is a really good idea. Glad we started doing that. ++Nicole, IIRC.
Gaby	Why would we need to exclude someone from an executive session? I didn't see an explanation in the "procedures for board meeting minutes."
Josh	I do not know what an executive session is, but would like to know. The board does occasionally get into operational matters, but not significantly. Meetings are open to the membership, but we never have members coming to member open time; is this due to bad advertising or a lack of pressing issues that members care about?
Anne Claire	I'm curious as to why minutes wouldn't be taken at an executive session.

"Is this the policy we want?" If not, do you have any comments or suggestions on potential revisions to this policy?

Charlotte	I'm wondering if we should change policy C4.4 to say ECC instead of only "Board president", since in reality we set the agenda collectively.
Noah	This is the policy we want.
Philip	I don't have any concrete objections to this policy, but I don't understand what requires something as secret as the "executive session". It seems counter to some of ICC's other policies and goals.
Dawson	Yes, definitely. My only concern is wording in C4.4, as I do not usually type out the agenda, but do discuss, approve, or amend it. How would the board like to handle this?
Luca	Yes. Seems good.
Huyler	Should C4.4 be revised? In practice the board president does not extend more oversight over the agenda than the rest of the ECC.
Anne Claire	Other than that minor confusion, I think this is a great policy.



Board of Directors Regular Meeting
Thursday, October 8th, 2015, 6:00 – 9:00 PM
Location: U.T. Student Union – Room 4.224 (Asian Cultures Room)

Time	Page	Item	Action
6:00		1. MEMBER OPEN TIME	LISTEN
6:10		2. HOUSE UPDATES	LISTEN
6:20 (10 min)		3. CONSENT AGENDA September 12, 2015 Board Meeting Minutes Fall 2015 Board Retreat Minutes October Occupancy Report October 2015 Monthly Operations Update Quarterly Financial Report	VOTE
6:30 (5 min) (10 min) (10 min) (5 min)		4. COMMITTEE WORK Executive Coordinating Committee GMM Committee Audit Committee Form Nominations Committee	LISTEN DISCUSS LISTEN VOTE
7:05 (45 min)		5. GOVERNANCE Operational Budget, part 1	LISTEN
7:35		6. BREAK	ENJOY!
7:45 (25 min)		7. POLICY MONITORING Monitoring Policy B1 - Financial Condition (full)	VOTE
8:15 (20 min)		8. STRATEGIC LEARNING Potential formation of new “diversity” committee	LISTEN
8:35 (5 min) (5 min)		9. POLICY MONITORING Monitoring Policy C4 - Board Meetings Monitoring Policy D2 - Accountability of the ED	VOTE VOTE
8:45		10. NOVEMBER MEETING PREVIEW	LISTEN
8:50		11. MEETING EVALUATION	LISTEN
9:00		ADJOURN	

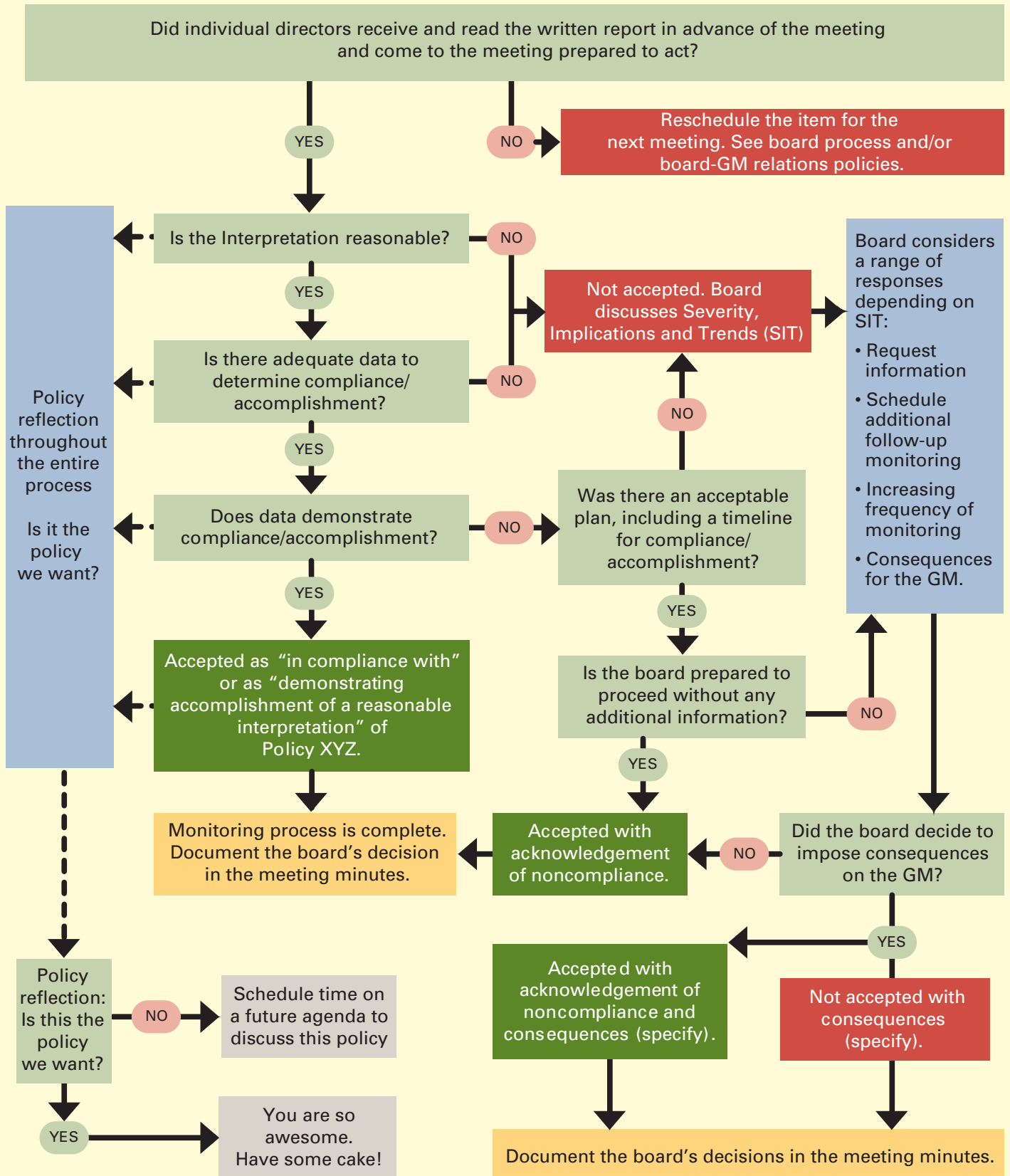
ICC Austin Board Calendar 2015-2016

ITEM	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY
Board Meeting Date	Saturday 11:30am-1:30pm 6/27/2015 SFC	Thursday 6-9pm 7/16/2015 U.T. Union - 4.224	Thursday 6-9pm 8/13/2015 U.T. Union - 4.224	Saturday 11:30am - 1:30pm 9/12/2015 SAC - 1.106	Thursday 6-9pm 10/8/2015 U.T. Union - 4.224	Thursday 6-9pm 11/5/2015 U.T. Union - 4.224	Thursday 6-9pm 12/3/2015 U.T. Union - 4.224	Saturday Time TBD 1/30/2016 TBD	Thursday 6-9pm 2/25/2016 TBD	Thursday 6-9pm 3/24/2016 TBD	Thursday 6-9pm 4/21/2016 TBD	None
ECC Meeting Dates	Monday 6/8/2015 6-8pm Wheatville Co-op	Wednesday 7/1/2015 6-8pm New Guild Monday 7/27/2015 6-8 PM Wheatville Co-op	Thursday 8/20/2015 6-8pm Wheatville Co-op	Monday 9/21/2015 6-8pm Wheatville Co-op	Thursday 10/22/2015 6-8pm ICC Upstairs Office	Thursday 11/19/2015 6-8pm ICC Upstairs Office		Tuesday (tent.) 1/12/2015 6-8pm Wheatville Co-op	Tuesday (tent.) 2/9/2015 6-8pm Wheatville Co-op	Tuesday (tent.) 3/8/2015 6-8pm Wheatville Co-op	Tuesday (tent.) 4/5/2015 6-8pm Wheatville Co-op	Officer Transition Meeting <i>TBD</i>
Board Education	BOD Retreat Saturday 6/27/2015 9:30am-6pm Sustainable Food Center			BOD Retreat Saturday 9/12/2015 10:30am-6pm SAC - 1.106			Board Self-Evaluation	BOD Retreat Saturday 10am-6pm 1/30/2016 TBD				
General Membership Meetings					Saturday 2-5pm 10/24/2015 University Presbyterian Fellowship Hall						Saturday 2-5pm 4/2/2016 TBD	
Informal Board Events	Retreat Dinner 6:15-8:30pm 6/27/2015 Clay Pit			Retreat Dinner 6:30-9pm 9/12/2015 Clay Pit				Retreat Dinner 6:30-9pm 1/30/2016 Clay Pit				
Board Work/Agenda Items	Bylaws review	Bylaws review; Quarterly Financial Report	Bylaws review	Board Budget - learning; GMM agenda review	Approve GMM agenda; Operational budget part 1; Quarterly Financial Report	Board Budget approval; Operational Budget part 2	Accept Operational Budget	ED Evaluation - learning; Quarterly Financial Report	ED Evaluation; GMM Agenda review	Approve GMM Agenda	Elections; Select auditor; Transition meeting with new officers; Quarterly Financial Report	
Committee Formation & Dissolution	Form GMM Committee					Dissolve Audit Committee; Form Nominations Committee		Form Audit Committee			Dissolve GMM Committee; Dissolve Nominations Committee	
Committee Meeting Dates			GMMCom Tuesday 8/25/2015 5-6 PM ICC Upstairs Office	GMMCom Thursday 9/10/2015 6-8 PM Seneca Falls								
Strategic Learning & Discussion Topics		<i>TBD</i>	<i>TBD</i>		NASCO learning discussion	<i>TBD</i>	<i>TBD</i>		<i>TBD</i>	<i>TBD</i>	<i>TBD</i>	
Board Governance Process		C1 - Governing Style	C2 - The Board's Job	C3 - Governance Cycle	C4 - Board Meetings		C8 - Governance Investment	C5 - Director's Code of Conduct	C6 - Officer's Roles	C7 - Board Committee Principles	C - Global Governance Commitment	
Board-Staff Relationship			D1 - Unity of Control		D2 - Accountability of the ED		D3 - Delegation to the ED			D4 - Monitoring ED Performance	D - Global Board-Management Connection	
Ends										ENDS Monitoring Report		
Executive Limitations	B6 - Communication to the Board	B5 - Staff Treatment and Compensation	B8 - Emergency Executive Director Succession	B3 - Asset Protection	B1 - Financial Condition (Full)	B7 - Board Logistical Support	B2 - Business Planning and Financial Budgeting	B1 - Financial Condition (Full) B4 - Membership Rights & Responsibilities	B - Global Executive Constraint			

****All future dates are subject to change. Please read your most recent Board packet.****

****Draft items/dates are in italics****

Decision Tree for Acting on Internal Monitoring Reports from the General Manager



The decision tree is downloadable as a PDF in the CBLD library

Monitoring the Manager

An Episode of “The Accountability Zone”

BY MARK GOEHRING

There is a fifth dimension beyond that which is commonly known to directors and managers. It is a dimension open to interpretation—potentially as vast as space and as timeless as infinity. It is the middle ground between too much and too little, between knowing and doing, and it lies between the pit of a director’s fears and the summit of her aspirations. This is the dimension of expectations. It is an area we call...THE ACCOUNTABILITY ZONE.*

Picture this

An average member of your cooperative, now serving on the board of directors, is at home, pulls on a T-shirt that reads, “I am accountable for everything that goes on in my co-op,” and heads to the cozy chair in the study for one of the most important readings of the month: the monitoring reports from the general manager. The director adjusts the light and begins reading—not for entertainment, not because she wants to manage (or micromanage) a cooperative, and not even to be “well-informed” about what’s going on at the co-op, but rather to determine whether the board’s expectations are being met.

Rod chimes in again: “You’re traveling through another dimension, a dimension not only of sight and sound but of mind—a journey into a wondrous land whose boundaries are the pre-established, written criteria of the board followed by the irrefutable interpretations of the general manager. With a co-op board meeting coming up in just a few days, this director has just entered... The Accountability Zone.”

What questions will the director be asking? Will there be interpretations by the general manager? Will they be reasonable? Will they be irrefutable? Will there be data? Will the director be placed in the position of wondering if it is the right data? Just what are the decisions being made tonight, alone, right here in the study, by this co-op director?

In order to truly appreciate these probing questions, it’s important that we first see things on the broadest level. For example, what exactly is going on here?

It seems that the director is preparing for a board meeting by reading the monitoring

reports submitted in advance (excellent!) and in writing (way to go!) by the general manager (our hero!). We are also working under the assumption that the board has articulated in writing its expectations (smart!). In addition, noting the co-op T-shirt statement of accountability, we understand that the director is not just reading the reports for personal fulfillment, but to satisfy her job of being accountable for everything that goes on in the co-op—a big job!

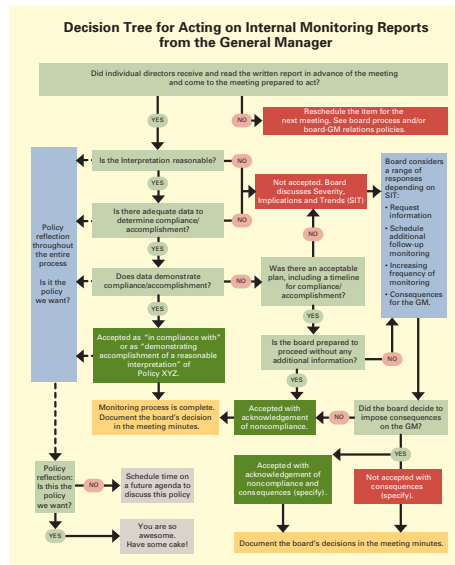
Pulling out of our dramatic context, we could summarize it this way:

- 1) **The board has expectations for the general manager** and has written them down—also (but not part of this episode) for itself, the board of directors, and for the cooperative as an organization.
- 2) **The board has assigned authority** for accomplishing these expectations.
- 3) **The board checks to see if its expectations** have been met. Directors are going to need some information in order to know this.

Just how good do these reports need to be?

This director is focusing on the last part of the sequence—the “checking” part. By reviewing the general manager’s monitoring reports, the director hopes to answer the question: Have the board’s expectations been met? We will watch the director answer other, smaller questions, but this is the finale. An answer of “Yes” here—and these typically come one expectation at a time—means she is done checking.

Lucky for the director (and the general manager), this board has an annual calendar, spreading a variety of monitoring reports out over a year. Tonight’s work won’t be dealing with all the board’s expecta-



See page 73 for a full page, color version of the decision tree.

tions, just the ones that are scheduled to be checked now.

The first thing the director looks for is an acknowledgement that the document is, indeed, a monitoring report for a specific set of expectations. A simple and direct statement such as the following clarifies the purpose of the document:

I hereby present my monitoring report regarding accomplishment of your expectation _____ according to the schedule set out. I certify that the information contained in the report is true.

Signed _____, general manager of _____, on this date _____.

In fact, this statement is so simple and powerful that when it is read, the lettering on the director’s T-shirt (see above) glows: “I am accountable for everything that goes on in my co-op.”

The report follows a certain pattern that is familiar to the director. Earlier episodes focused on helpful concepts: for example, that expectations come in sizes; that it’s helpful to work from broad to specific when setting expectations and from specific to broad when reporting on them; that it is

essentially human and quite natural for words to be interpreted; that an interpretation just needs to be deemed reasonable and not necessarily a director's favorite; and that it is part of the general manager's job to figure out how to demonstrate accomplishment of the board's expectations.

The distinct pattern is the same in all reports and looks something like this:

- an exact restatement of the board's expectation;
- the general manager's interpretation of the board's expectation;
- data to determine accomplishment as determined necessary in the general manager's interpretation;
- a statement of compliance or accomplishment;
- if out of compliance, an explanation, plan, and timeline.

What questions will the director be asking?

The pattern of the report shapes the questions the director will be asking. Since the director has limited time available to fulfill her role of being accountable for everything going on in the organization, the reports focus solely on written, pre-established criteria as set forth by the board.

She knows which expectations this report is responding to and that the information in the report is true. By including the exact language of the board's expectation, the general manager is helping the director stay focused on what the board has said. (The director is, in the background, always asking, "Is this the policy we want?"—not so much as it relates to the monitoring report in hand, for that is about stuff that already happened, but in light of the board's expectations for the future.)

The first question: *Is the interpretation reasonable?* (This is a Yes/No question.) In The Accountability Zone, once the board has assigned authority to fulfill an expectation to the general manager, then everything flows from the manager's interpretation of those expectations. In the interpretation, the general manager clearly establishes what data will demonstrate accomplishment of the board's expectation. The director simply wants to know if the interpretation is reasonable. Can she answer "Yes" based on the written report?

Knowing this, the general manager has taken great care to craft the interpretation so that:

- **The interpretation makes the board expectation measurable.**

How does the GM know if an expectation has been accomplished? What data will be used to demonstrate accomplishment of the specific board expectations being reported on?

- **The interpretation uses third party support whenever possible.**

Why choose that interpretation, methodology and data? Is there support for this measurement approach?

- **It is irrefutable.** Will this interpretation stand the tough test of scrutiny by a diverse set of directors concerning what is reasonable? This is particularly meaningful to our director who, like the other directors, wants to determine reasonable accomplishment at home, alone, in the study with a written, compelling monitoring report.

The next question: *Is there adequate data to determine compliance/accomplishment?* (This is a Yes/No question.) This section of the report directly follows from the interpretation. The interpretation specifies that certain specific and measurable data will determine accomplishment, and here is where the director is presented with that data. Nothing more, nothing less. In The Accountability Zone, the lights flicker if director has to wonder whether it is the right data.

The last question: *Does the data demonstrate compliance/accomplishment of the board's expectations?* (This is a Yes/No question.) If the interpretation posits that certain specific data qualifies as accomplishment of the board's expectations, and if the data presented meets or exceeds those qualifications, then the case has been made for accomplishment. The general manager has presented a statement

After having defined its expectations, the board must monitor.

of compliance or accomplishment of the board's expectation.

If the data demonstrate that the expectation has not been met, which the general manager is aware of as the author of the report, the manager dutifully includes an explanation and a plan with a timeline that shows when the expectation will be met. Consistent with the whole process, the point of this plan is to forecast accomplishment of the

board's expectation by a certain date in the future. And since board expectations are subject to intense scrutiny during this process, it's also possible that the general manager might suggest the expectation be revised.

Just what decisions were made, alone, in the study, using a report?

Our director concludes her review of the monitoring report by deciding whether she is in agreement with the general manager's conclusions regarding a reasonable accomplishment of the board's expectations. (The shirt is glowing.) But she is not really alone in The Accountability Zone: all of the directors begin the next board meeting knowing how they answered these same questions, and they are prepared to act on the report. A group decision followed by documentation in the meeting minutes concludes the accountability loop on the expectations being monitored.

The room glows when, moments later, the directors whip out their nifty co-op caps that boldly state, "Our board has time to define the future" and begin work on another aspect of accountability.

The Accountability Zone in the co-op landscape

Directors live in the vast middle ground between too much and too little, between knowing and doing. A monitoring process that reports to pre-established expectations, that relies on any reasonable interpretation, and that insists on measurable data to determine accomplishment allows each director to enter The Accountability Zone and emerge with fulfillment of her responsibilities as a director.

Individual directors and managers are not alone in this work, for across the country hundreds of co-op directors enter and emerge from the Accountability Zone on a regular basis. To work with directors system-wide on effectiveness governance, the Cooperative Development Services Leadership Team (Marilyn Scholl, Peg Nolan, Linda Stier, Michael Healy, and I) ran a pilot program with 24 co-ops in the eastern corridor in 2005. This year, the program, now called Cooperative Board Leadership Development (CBLD), includes more than 40 co-ops in the central and eastern corridors

As part of this program, newly elected directors are encouraged to attend Cooperative Board Leadership 101 (CBL 101) a board orientation class. In 2005, 41 directors from 20 co-ops attended one of these co-op group sessions. In January 2006 alone, 47 directors from 18 co-ops attended CBL 101, and several more sessions are scheduled for later in the year.

Accountability presented itself during the first year of the program as a theme worthy of focus and development. Two Cooperative Accountability Conferences will take place in the east so board leaders and general managers can begin working on the topic together. The first one took place in late January with 16 co-op board leaders and 10 general managers. The second one will be in April in the northeast.

Ends: notes

It's true that the word "expectation" shows up 40 times in this article. Hmmmm, maybe boards should have expectations and write them down (smile). In this case, the word is nearly always synonymous with the word "policy." I do believe that reading "policy" 40 times would have been more painful than reading about expectations. The point is that having policies is the same as having expectations. You take it from there... See you in the Zone. ■

Democracy in Cooperatives

BY MICHAEL HEALY

Alexis de Tocqueville, in the first half of the 19th century, visited our still-wet-behind-the-ears nation and penned his famous treatise *Democracy in America*. In this book, de Tocqueville noted that “the American learns to know the laws by participating in the act of legislation; and he takes a lesson in the forms of government from governing. The great work of society is ever going on before his eyes and, as it were, under his hands.” As owners of locally controlled businesses, we cooperators are learning how to do the great work of society, and in doing that work for our local community, we can also affect the larger society in which we live.

Last June in Minneapolis, along with several hundred other cooperators, I was inspired by Michael Hartoonian’s keynote presentation, “Creating Wealth in a 21st-Century Market-Driven Republic: The Value of Cooperatives in a Democratic Economy.” Of the many ideas he presented, I was particularly struck by the image of democracy as an unending argument about divergent principles: whether we more highly value private wealth or common wealth, diversity or unity, law or ethics. Hartoonian did not say that democracy is the choosing of, or a vote on, either position; rather, democracy is the conversation and argument that precedes and follows the choice.

I heard a similar statement while watching “You Can’t Be Neutral on a Moving Train,” a recent documentary about the life of historian and activist Howard Zinn. In a quote from one of his many books, Zinn says that democracy is not a series of votes; it is a series of actions. Here again was an insightful and thoughtful person telling me something about democracy that I had never before considered. In light of these congruent statements from two disparate sources, I have observed and questioned the way democracy is practiced in my country and in my cooperatives. I haven’t yet figured out how to impact and improve the way we practice democracy as a nation; but I have begun to see how this ideal can come to life at a more local level in our food co-ops.

Along my journey of discovery, I also read “The Co-operative Values: Their Meaning and Practical Significance,” by Sidney

Pobihushchy. Pobihushchy, who also spoke at a recent CCMA, has taken a closer look at the cooperative values as formulated by the International Cooperative Alliance. About democracy, Pobihushchy notes: “Popular elections in and of themselves do not a democracy make. Free and open discussion, deliberation, and consultation are essential preconditions to elections as democratic elements.” The cooperative principles themselves speak of “members who actively participate in setting their policies and making decisions.” I can’t help but notice that democracy is again equated not with voting but with actively participating and discussing. Sometimes I have to get hit on the head with a hammer before I pay attention; sometimes, though, I just have to hear a good idea from enough trusted and respected sources.

Looking further at the cooperative principles, I find one about education: Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. As I look carefully at this principle, I have to ask: what kind of education contributes to cooperative development?

As a consumer-owner, I appreciate the education I receive from my co-op about consumer issues. I can learn about the hazards of pesticides, the hidden costs of big agribusiness, and how to cook using whole grains. These are all worthy topics; they just happen to miss the essence of this cooperative principle as it applies to my role as an owner.

To what could this principle be referring? I believe it refers in particular to democratic control. If we are to learn how to control something democratically, we must learn it through our participation in local self-help and self-governing organizations, specifically in our cooperatives. As consumer-owners of food stores, we must unlearn the lesson fed to us since infancy that we vote with our dollars. If we are nothing but consumers, the



ILLUSTRATION BY BANNIKE

implication is that we have nothing but dollars with which to vote; and, like it or not, whoever has the most dollars gets the most votes. But in a cooperative, we are not just consumers; we are also owners. As such, we have not merely votes but our voices to add to the conversation. We have our piece of the truth to add to that grand argument Michael Hartoonian mentions. Cooperatives provide a place in society in which we can learn to use, and practice using, our voice.

Peg Nolan, in the January–February 2005 issue of *CG*, suggested that we can see a cooperative’s relationship with its members “not as a discreet function to be managed by the member relations department, but rather as the organizing principle for the entire co-op.” With this in mind, how do we make democratic control so pervasive that member-owners participate not only as consumers, but also as citizens? Can we learn, through our participation in this local organization, how democracy could function in other aspects of our society? To answer these questions, we can look to some of the tools of democracy we have already chosen to use in our co-ops.

The first and foremost of these tools is the board of directors, that small group of owners empowered to make decisions on behalf of all owners. Most aspects of owners’ democratic control emanate from and revolve around this form of representation. If, however, we believe that voting for directors is the limit of democratic control, we miss the importance of Hartoonian’s and Zinn’s words. Remember: by itself voting is not democracy. Participating in the conversation

about who should be a director, and why, is at least as important as the vote itself. And in order to participate in that conversation, members must be educated about the desired qualities of effective board members and the importance of those qualities.

This, then, is one of the essential duties of a board: to ensure that the members, the citizens who will elect directors, know how one choice differs from another. You know the standard joke at election time: Vote early and vote often. Well, boards that understand their duty as keepers of the democratic flame will educate early and educate often.

Long before any election, boards should inform their members about such elections by putting out an open call for candidates. Early in the election cycle, the board should encourage potential applicants to acquaint themselves with the role of the board and board policies and procedures by attending meetings, talking with current directors and reviewing the board's written documents. In addition, the board should provide an application packet that includes a summary of board structure, desired qualities of directors, and a job description. We cannot compel members to read or learn from this material. But we can make it available in a variety of formats, in a variety of locations, and over a reasonably long period of time. In this way, even members who don't run for office, or even those who don't vote in the election, have access to a succinct summary of their board's invaluable role of working on behalf of all the co-op's members.

Elections are just one small part of a board's and co-op's democratic engagement with its member-owners. If democracy is a series of actions, and if those actions are, in large part, the conversations and arguments about owner values, then a board will constantly engage the members in that ownership conversation. Robert Greenleaf, in *Servant Leadership*, illuminates the dual nature of a board's role. Just as physicists came to understand light as simultaneously a wave and a particle, Greenleaf understood and explained that boards must simultaneously serve and lead their co-op's owners.

What does this mean in the context of a conversation about democracy? Asking members to state or explain their desires as owners, and trying to incorporate those varied perspectives into policy decisions, are parts of serving the membership. Explaining to members the potential impact of certain decisions, actions, or investments—whether or not those choices were previously considered by the members—is part of leading. In both the serving and the leading, directors initiate and participate in an exciting and essential dialogue with the members.

As an example, look to Mark Goehring's description, in the previous issue of this magazine, of the Brattleboro Food Co-op board's development of the Neighboring Co-ops idea. When Brattleboro Co-op held member meetings about moving the store, members spoke less about location and more about the value of community. The board, having initiated a conversation with their member-owners, took the stated value of community, learned more about the meanings and implications of this value, and created policy that led them to the Neighboring Co-ops project. Included in this board's long-term plan is an interactive and educational community engagement project that will encourage members and other stakeholders to participate in this visionary conversation.

Along with the conversation with the member-owners, at the board table, we should find directors having a vibrant debate and exchange of ideas over how to understand and reconcile the members' expressed desires. If, as Hartoonian suggested in that keynote speech, cooperatives really are something that a democratic culture has created to protect itself, then a board might ask: Which part of our culture should we protect? Which of our community concerns do we believe we should address through this democratically controlled business?

In earlier years, cooperators debated whether earnings (a.k.a. profit) were a good or bad thing. Today, having recognized that earnings are part of a healthy business, maybe boards and owners will instead debate what is the highest and best use of those earnings. Should all the earnings of a cooperative business return directly to the member-owners in the form of patronage refunds or discounts? Can we use our earnings, our economic capital, to address other community concerns? Could or should we pool our capital with that of other co-ops to address the needs of a regional "neighborhood"?

The answers to such questions can and will vary from co-op to co-op. In Carrboro, N.C., the member-owners of Weaver Street Market have used the wealth created by their business in an entrepreneurial manner, creating new businesses in their community that further their mission to create "a vibrant, sustainable commercial center." At Community Mercantile in Lawrence, Kansas, the member-owners have created a foundation to further their educational and outreach goals. We have the potential, in any democratically controlled cooperative business, to engage our owners in a conversation about wealth: Do we more highly value common wealth or private wealth? How does the cooperative create

and accumulate wealth? Should we use wealth to make our world a better place? If so, how?

In all such idealistic aspirations, we must recognize the necessity of the pragmatic work involved. In order to use democratic processes to change the world, we must learn to use the tools of democracy. We should make good use of our co-ops as gardens in which to germinate and nurture the seeds of democracy.

This brings me back to focus on the board itself. If our boards are to be responsible for making democracy work in our cooperatives, and our boards are composed of people whose essential qualification is their desire to actively participate in leading their democratic organization, then we must ensure that our servant-leaders receive the education and training they need to responsibly fill this role. In order to participate productively and intelligently in the types of conversations and debates our boards must have, our elected representatives should learn about their legal duties, about the world of cooperation, about the needs of their community, about how to make decisions as a group, and much more.

In essence, our boards must learn how to govern effectively and how to transmit that knowledge to succeeding generations of directors. Many boards from co-ops in the eastern corridor of the NCGA have made a commitment to such learning. And these co-ops have chosen to invest some of their common funds in this endeavor. This investment is not just intended to help the directors currently serving, though it will certainly do that. Even more, this is an investment in the future of democratic control of these co-ops; effective boards will learn how to perpetuate themselves, ensuring that the member-owners will always have an effective mechanism by which to control their cooperatives.

It's not a hammer to the head, but rather the insight of Alexis de Tocqueville that now rings in my ears: "the great work of society" is always in our hands. Here in our co-ops, with our own hands, we can govern together that which we own together. We can practice being citizens. We can learn and teach each other what it means to be an owner and a citizen. We can take action, involving ourselves and our neighbors in a conversation about that which we hold in common. And we must recognize that our boards have a singularly important role to play in making all of this happen. To ask any less of ourselves, or of our boards, is to give up on the possibility that any people can truly control their own destinies. ■

Cooperative Governance

Cooperative governance is the act of steering cooperatively owned enterprises toward economic, social, and cultural success. It consists of:

- answering key questions
- defining roles and responsibilities
- establishing processes for setting expectations and ensuring accountability.

Four Pillars of Cooperative Governance

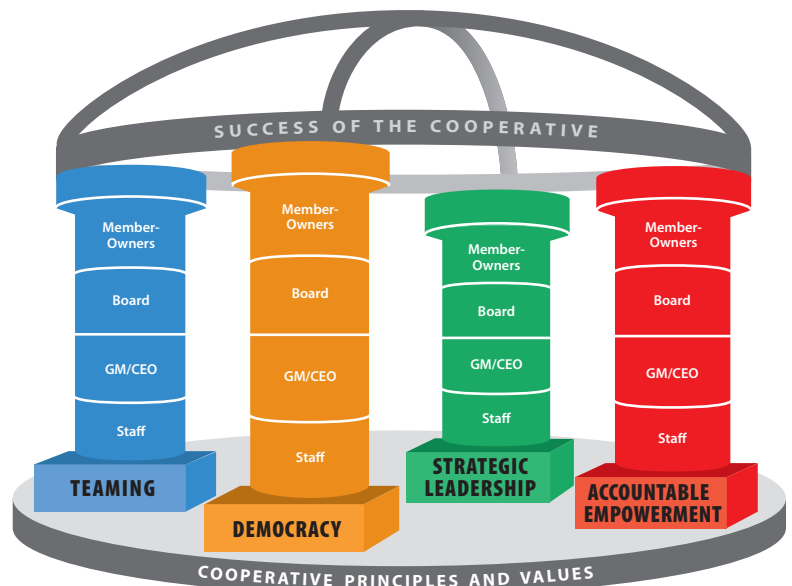
A model built on the Cooperative Principles and Values.

Teaming: successfully working together to achieve common purpose.

Accountable Empowerment: successfully empowering people while at the same time holding them accountable for the power granted.

Strategic Leadership: successfully articulating the cooperative's direction/purpose and setting up the organization for movement in this direction.

Democracy: successfully practicing, protecting, promoting, and perpetuating our healthy democracies.



A larger, color version of the Four Pillars can be found on the back cover.

Roles

Governance happens at all levels:

- Member-owners
- Board
- General Manager/CEO
- Staff

Each role has its own:

- Responsibilities
- Processes
- Skills and knowledge
- Tools and resources

FOUR PILLARS OF COOPERATIVE GOVERNANCE

BOARD ROLE

	Teaming	Accountable Empowerment	Democracy	Strategic Leadership
Responsibility	Perpetuate Board excellence Be self-responsible Protect the process Create and sustain culture Maintain Board/CEO/GM relationship	Be Vigilant Hire, support, evaluate & compensate CEO/GM Have Expectations Assign Authority Check performance against expectations	Facilitate and support Participation Practice Protect Promote Perpetuate	Set strategic direction— purpose Support and facilitate movement
Process	Recruit/Screen/Nominate/Elect Orientation & training Self-evaluation Effective decision-making Effecting meetings Accountable empowerment of Board leaders, committees Culture development Celebration	Clear expectations (policies) Effective delegation Monitoring CEO/GM Evaluation CEO/GM Compensation	Annual meeting, report, elections Understanding diverse needs and values Building shared understanding and alignment Transparency Recruitment, screening, nomination of Board candidates	Purpose, impact (e.g. Ends) Education, build wisdom, cognition Communication Participation: Own, Use, Serve Capitalization Building alignment
Skills/ Characteristics	Communication Honesty and integrity Problem solving Facilitation Planning Delegation Diversity skills Gratitude and appreciation	Ability to delegate power Assess risk Interpret data Financial understanding Judgment - Reasonable Interpretation - Sufficient and appropriate data	Communication: Dialogue, Information, Listening Courage Citizenship Openness	Listening Suspending judgment Foresight Critical thinking Systems thinking Big picture and long term view
Tools/Resources Examples. See CBLD Library	Servant Leadership Team building Forming, Storming, Norming, Performing, Transforming Code of conduct Self-evaluation Pool of candidates Screening mechanisms Communication technology	Policy Governance & Policy template Monitoring report decision tree Sample monitoring reports Accountability Zone article Reasonable & Prudent article How to hire a CEO/GM toolbox Process for CEO/GM Compensation CEO/GM Evaluation Understanding the Balance Sheet	Annual meeting/report Social Media Community Conversations Health assessment of democracy Education materials Orientation to democratic leadership Pool of candidates	SWOT External trends analysis Growth roadway article Safe conversations Ends to Ends process Ends development process

The complete Cooperative Governance Model consists of four pillars of Cooperative Governance (Democracy, Accountable Empowerment, Teaming and Strategic Leadership) that apply to each of four roles (Member Owners, Board, CEO/GM, and Staff). Each role has related responsibilities, process, skills/knowledge and tools/resources.

Cooperative Governance Model, CDS Consulting Co-op

Feedback welcome: CooperativeGovernance@cdsconsulting.coop

Four Pillars of Cooperative Governance

A new model grounded in the cooperative difference

BY MARILYN SCHOLL AND ART SHERWOOD

Great leaders demonstrate how to be a force for good in local communities and beyond. Our cooperative heroes—the Rochdale Pioneers—were striking weavers who opened a grocery co-op in 1844 in Rochdale, England, to help themselves and others get free from indebtedness to the company store.

The Pioneers asked and answered some compelling questions: Shouldn't the economy serve the people rather than the people serve the economy? What does it look like when that happens? Their belief in economic equity and fairness led to the worldwide consumer cooperative movement.

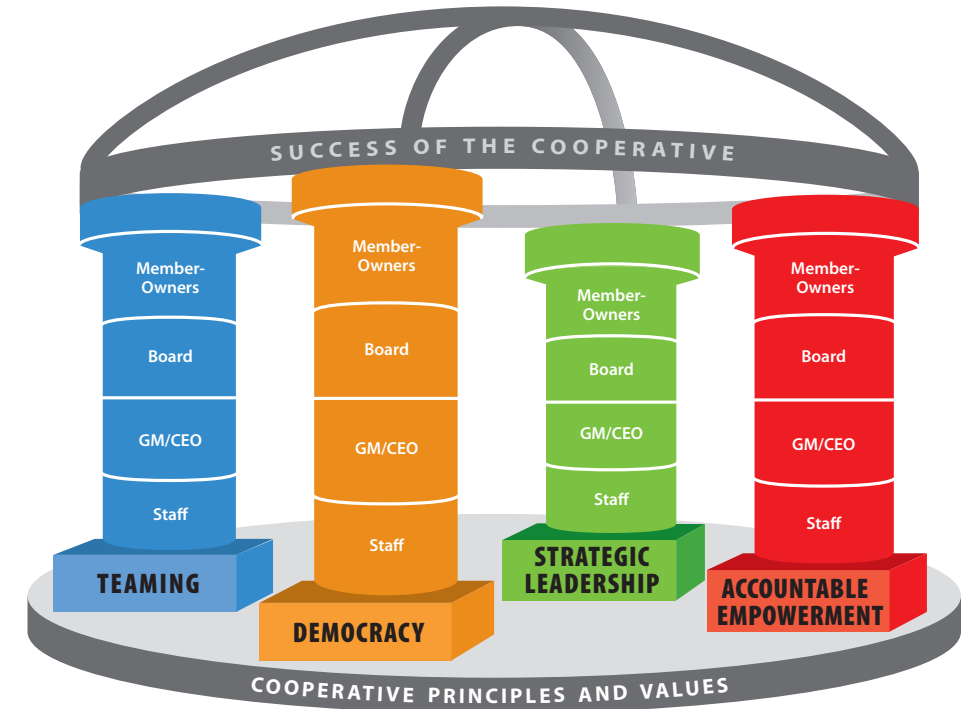
In keeping with the Rochdale Pioneers' vision, and a well-defined current global need for financial and environmental stability, the International Cooperative Alliance (ICA) in 2012 outlined a strategic agenda for cooperatives.

At the same time, the present authors had been asking ourselves whether there should be a model of cooperative governance, and if so, what would it need to look like to support and drive forward the success of our cooperatives?

Tools for cooperatives

Co-ops have many governance tools at their disposal that have served them well, such as Policy Governance, a system for defining Ends and clarifying roles and structure for organizing the board's work. Over the last decade, co-op boards have been strengthened by a solid focus on Ends accomplishment and good process and systems. This has helped create positive and effective relationships with general managers. We have seen the outcome this has had on both business growth and social impact in our movement.

However, the cooperative boardroom does not share all the same purposes as the boards of investor-owned corporation or nonprofits. Co-ops are organized to benefit their owners,



and that is more important than a financial return on investment. We concluded it was time to re-create our understanding of cooperative governance.

Last spring, one of the authors, Art Sherwood, was invited to be a visiting scholar to address our questions at the world-renowned Vincent and Elinor Ostrom Workshop on Political Theory and Policy Analysis at Indiana University. Based on Nobel Prize Laureate Elinor Ostrom and Vincent Ostrom's work, Sherwood conducted research addressing the expectations we have of cooperative governors and how this might differ from investor-owned corporations.

Based on the results of this research (see References) and our team's deep experience with cooperative leadership, we designed the Four Pillars of Cooperative Governance model. We have since presented it at the International Cooperative Governance Symposium in Halifax, Nova Scotia, and we explain the model below.

Four Pillars of Cooperative Governance

Cooperative governance is the act of steering cooperatively owned enterprises toward economic, social, and cultural success. It consists of answering key questions, defining roles and responsibilities, and establishing processes for setting expectations and ensuring accountability.

A model is a way of framing so that the parts and processes make sense. Our Four Pillars model is a not about changing systems but is a new way of making sense of cooperative governance. We think it addresses current gaps in strengthening owner relationships and democratic practices that are not clearly part of other business or governance models. The Four Pillars of Cooperative Governance are:

Teaming: successfully working together to achieve common purpose.

Accountable Empowerment: successfully empowering people while at the same time

holding them accountable for the power granted.

Strategic Leadership: successfully articulating the cooperative's direction/purpose and setting up the organization for movement in this direction.

Democracy: successfully practicing, protecting, promoting, and perpetuating our healthy democracies.

Within a co-op, no matter what the role, the expectation is that everyone is responsible for working together effectively, to be accountable and able to empower others, to be focused on purpose, and to participate in ensuring a healthy democracy. It is what co-ops are working to achieve, not only in the boardroom but also in the workplace and with members in the co-op. Governance—steering, making key decisions, working together for common goals—happens throughout the co-op at every level.

Therefore, the Four Pillars of Cooperative Governance is a framework for connecting the co-op's values to governance activities at all levels: staff, management, board, and owners. Each of the four pillars—Teaming, Accountable Empowerment, Strategic Leadership, and Democracy—is relevant to each constituency in a co-op. Again, Four Pillars of Cooperative Governance is not about changing systems, but a new way of thinking about the role of governance in a co-op.

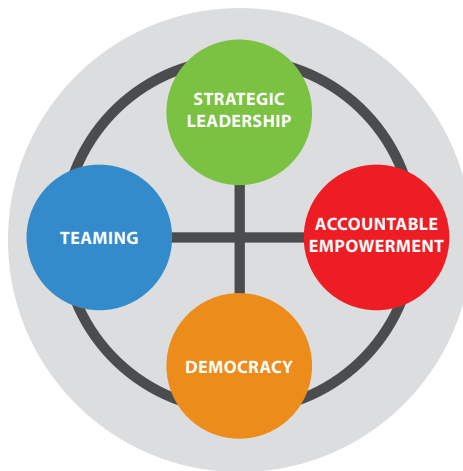
Four pillars at the board level

The remainder of this article will focus on understanding cooperative governance at the level of the board of directors. The work that co-op boards are charged with (stewardship of a community-owned asset) is being carried out, but it is currently missing a framework for directors to easily define it and have a vocabulary for it.

We need to build on what we've learned about effective governance to demonstrate with intention how boards express cooperative values in the way they govern. When the Rochdale Pioneers created structure for their ideas by shaping a set of Cooperative Principles, cooperation became a bona fide business model that allowed the idea to grow beyond one single group into a worldwide movement. What the Pioneers did is give cooperatives a framework, based on the practical application of their values. This allowed cooperation as an economic philosophy, and a business, to grow.

In our work with boards, we find that they need to understand the big picture and

Each of the four pillars is relevant to each constituency in a co-op.



also be able to home in on specific skills, processes, or tools that they need at any given time. We see the Four Pillars of Cooperative Governance as a way to do both—to have a good perspective on the whole mission and yet be able to focus in on specific needs. The Four Pillars is also a way to identify things that are working well within a particular co-op and show opportunities for areas of advancement and improvement. (We will explore these opportunities in more depth in a followup article).

Teaming

The board is responsible for perpetuating board excellence and for organizing and managing its own work. The board must work together effectively as a team to make this possible. This includes having a common agreement about the work, clear expectations

of individuals and the group itself, an effective decision-making system, and effective leadership of the group.

The board has power as a unit. An individual director's only power, beyond that of any other co-op owners, is the ability to influence the board group. Diversity of opinion is necessary and valuable. Yet the group must have the ability to think and learn together, to come to a decision and support that decision. The board must create and maintain a group culture that supports their work. Viewed through the lens of the Four Pillars of Cooperative Governance, self-responsible teaming is the first step for board effectiveness.

Accountable empowerment

To fulfill its fiduciary duties on behalf of owners, a board needs to be vigilant. The board also delegates power to the general manager or CEO to empower him or her to act. Power is the ability to get things done and to be effective. Power is necessary and good. The ideal situation is having both a powerful board and a powerful general manager. Unaccountable power is a problem, however, so boards must have effective systems of accountability.

Accountability is having clear expectations, assigning responsibility, and checking. Policy Governance is one model for ensuring accountability, and it has been an excellent method for role clarity, accountability, and focus. Because many co-op boards have effectively used Policy Governance, it is a valuable tool for accountable empowerment in the Four Pillars of Cooperative Governance.

Democracy

The board must practice, protect, promote,

Blueprint for a Cooperative Decade

The Blueprint for a Cooperative Decade is the overarching agenda for the ICA, its members, and the cooperative movement. It is a five-point plan with individual strategies:

- Elevate **participation** within membership and governance to a new level.
- Position cooperatives as builders of **sustainability**.
- Build the cooperative message and secure the cooperative **identity**.
- Ensure supportive **legal frameworks** for cooperative growth.
- Secure reliable cooperative **capital** while guaranteeing member control.

The strategy intends to take the cooperative way of business to a new level. At the heart of the blueprint is the "2020 challenge" which is that by 2020 cooperatives will become:

- The acknowledged leader in economic, social, and environmental sustainability.
- The business model preferred by people.
- The fastest growing form of enterprise.

www.ica.coop/en/blueprint

Join the Cooperative Cafe Conversations

Co-ops are growing.

Participation can be a driving force for cooperatives. The 2014 Cooperative Cafe will explore how we can harness the power of participation to help move our co-ops forward. (Cooperative Cafe was formerly named Strategic Seminar.)



The Cooperative Cafe is a series of regional one-day events produced by CDS Consulting Co-op and sponsored by the National Cooperative Grocers Association (NCGA) to connect local co-op leaders to a national dialogue about the future for food co-ops. The Cooperative Cafe is a day of focused conversations that advance our thinking, build shared understanding, and create alignment. The day is highly interactive, with brief presentations and guided exchanges that offer co-op leaders a how-to for cultivating similar involvement in their local communities.

The Cooperative Cafe is for everyone involved in creating and sustaining a development culture at their co-op. Being part of the conversations at the Cooperative Cafe will improve the conversations back home... in board meetings, retreats, management team meetings, and everyday discussions with members, staff, and community.

If you have not attended the Cooperative Cafe, 2014 offers excellent opportunities to take part in a conversation about the impact greater participation has in your community. If you attended in 2012 or 2013, come back for a new theme, different questions, and fresh conversations.

Who should attend: Directors, managers, membership and marketing leaders, staff, committee members, and anyone involved in your co-op's relationship with members and community.

Cost: There is a cost per person of \$50 to cover meals and incidentals. Bring eight or more people and we'll pay for one (eight can attend for \$350). More are welcome!

When and Where:

March 1, Northwest: Portland, Ore.

March 8, California: Sacramento

March 15, Northeast: Keene, N.H.

March 22, Southeast: Asheville, N.C.

March 29, Minnesota/Wisconsin: Rochester, Minn.

Oct. 18, Southwest: Albuquerque, N.M.

Oct. 25, Michigan: Mount Pleasant

Nov. 1, Mid-Atlantic: Philadelphia

For more information, visit www.cdsconsulting.coop/services/in-person, or contact Mark Goehring at MarkGoehring@cdsconsulting.coop.

Cooperative Cafe resources are available online at www.cdsconsulting.coop/co-op_cafe.

and perpetuate the democratic nature of the cooperative. Democracy in cooperatives is about more than voting. A healthy democracy gives owners opportunities to meaningfully participate in reflection and change in their organization. All owners have the right to participate in the cooperative regardless of their wealth, investment, patronage, or values and beliefs. Owners are entitled to information, voice, and representation, and boards must understand the diverse needs of their owners.

Further, the board needs to build alignment and shared understanding among owners about the strategic choices the co-op needs to make. From newsletter articles and member meetings to surveys and focus groups, co-op leaders have a plethora of opportunities to build relationships with member owners. Ownership and democracy are at the heart of what makes a co-op different from other businesses.

The Four Pillars of Cooperative Governance includes this all-important aspect of co-op governance to provide critical focus on an area that has not reached its full potential.

Strategic leadership

Strategic leadership is about defining purpose and setting direction. How can the cooperative most effectively meet owner needs? How can it distinguish itself in the marketplace? What should the co-op achieve?

The board has a responsibility to establish direction and to facilitate movement toward the desired direction through their choice of management, ensuring adequate resources, and monitoring progress. Providing strategic leadership requires information, knowledge and wisdom. Boards need to be able to learn and build wisdom together in order to develop foresight and make informed decisions. Boards need a way to free up board agendas to focus on strategic thinking and have a process for building the knowledge pool.

Elevate participation and governance

Over the last decade, we have observed that co-op boards have learned ways to systematically work better together and to practice accountable empowerment. Now that boards have become more skilled at that, the next phase of co-op governance is to clearly articulate democracy in how we work together with all our stakeholders and express strategic leadership in ways that demonstrate the co-op difference. We see many opportunities and synergies for co-ops to match their efforts with those happening globally through the 20/20 Challenge and the ICA's Blueprint for a Cooperative Decade.

When we look to icons of leadership throughout history, we are struck by their abilities to speak well, be courageous, and solve problems with compassion and creativity. Yet those whose legacy will be most lasting are the ones who powerfully embody the values they champion. There is no substitute for authenticity. This is also part of the cooperative advantage.

What is more, directors of co-ops are some of the most dedicated, passionate, and dynamic cooperators out there. We can help lead the way toward answering the question of what leadership in an economic democracy looks like. The Four Pillars of Cooperative Governance is an invitation for you to participate in this emerging conversation.

In the next issue of the *Cooperative Grocer*, we will further this discussion by talking about the practical application of the Four Pillars of Cooperative Governance model. ■

Thank you to Patricia Cumbie and Mark Goehring for their assistance with this article.

References

Sherwood, A.L. (2013), Democratically owned and controlled businesses: Identifying common and unique expectations of co-op board governance systems. Last accessed 11/20/13, www.indiana.edu/~workshop/colloquia/materials/spring2013_all_workshopcolloquia.html#022513

Four Pillars of Cooperative Governance

What Is Cooperative Governance?

Cooperative Governance is a model that clarifies different components and roles of cooperative organizations. Cooperative Governance identifies **Four Pillars** that define distinct roles and responsibilities to achieve the combined social and economic success of cooperatively owned enterprises.

Four Pillars of Cooperative Governance

The Four Pillars of Cooperative Governance are:

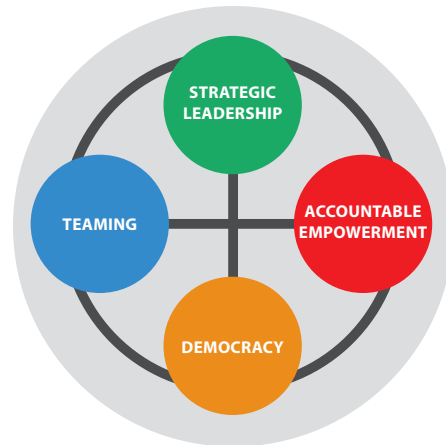
- **Teaming**
- **Accountable Empowerment**
- **Democracy**
- **Strategic Leadership**

The pillars are built upon a foundation of the **Cooperative Principles and Values** and are all interconnected.

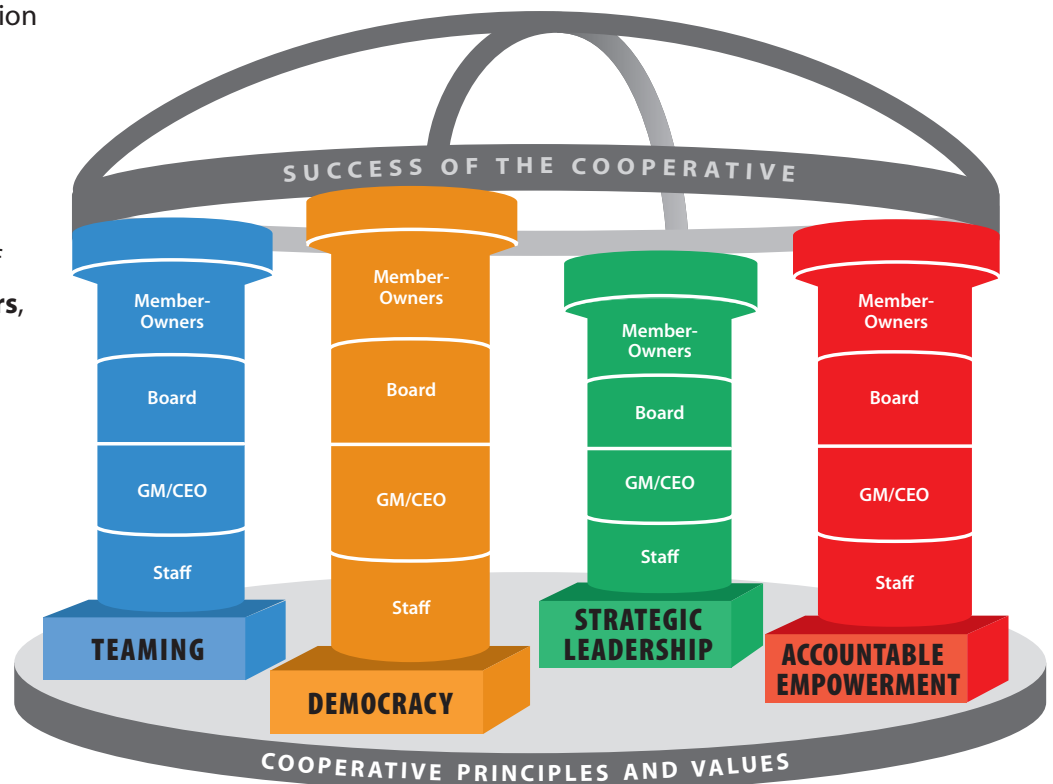
Roles

Governance happens at all levels of the organization—**member-owners**, the **board**, the **CEO/GM**, and **staff**. Each level within the cooperative has a relationship to governance and responsibilities within each of the four pillars.

Each role has its own set of responsibilities, process, skills, and knowledge, as well as related tools and resources.



Four Pillars of Cooperative Governance



Taking Policy Governance to Heart

The practical significance of the 10 principles of Policy Governance

BY MARK GOEHRING

A great cooperative thinker, Sid Pobihushchy, wrote an article in 2002 to help us understand the 10 cooperative values, “The Cooperative Values: Their meaning and practical significance” (find it at www.cdsconsulting.coop/cbld). In his opening paragraph, he asserted that the cooperative movement and its businesses are the only way to accomplish the objective of community, the optimum condition for human fulfillment; that cooperative education is required; and that the 10 cooperative values provide the foundation for that education. While there are many ways for us to discuss aspects of cooperatives, the values provide the foundation.

Similarly, the 10 principles of Policy Governance* provide a foundation to understand the governance operating system used by many cooperatives (and other types of organizations). Governance education is required to realize effective governance in much the same way that cooperative education is necessary to realize functional cooperatives. To learn and understand the Policy Governance system, the place to start is the fundamental principles that define the system.

In his article, Pobihushchy offered a nifty framing so that his definitions would convey enough of the meaning of each of the 10 cooperative values to serve as a starting point for further thought and deliberation. Here, I too ask that you accept this article as a starting point.

1. Ends policies

Cooperatives are clearly mission-driven organizations. Cooperatives exist to create a difference in the world, to provide a benefit and value on behalf of member owners. Ends describe this, in three parts:

Desired outcomes. What difference are we expecting as a result of our co-ops? The preamble that I’ve found to be useful to get me into “outcome thinking” mode is:

* Policy Governance* is a registered service mark of John Carver.

Governance principles summarized

Following are the 10 Policy Governance principles organized to reflect their functions:

Four types of policies:

- Ends
- Board process
- Board/general manager (or equivalent) relationship
- Executive limitations

Fundamental to having policies:

- Policy and decisions come in sizes
- Any reasonable interpretation
- Monitoring

Fundamental to the organization:

- Ownership

Fundamental to delegation, empowerment, and accountability:

- The governance position

Fundamental to successful group dynamics and board authority:

- Board holism

Note: The article discusses these items in a slightly different order.

As a result of all we do, all the programs and activities of everyone involved in our co-op, we will have _____ (fill in your expectation for desired outcomes).

Recipients of the desired outcomes.

Thinking about the intended desired outcomes, who is it that we name as the beneficiaries of those outcomes?

Relative cost. There are various approaches to understanding this aspect of an Ends policy. My favorite: Is the outcome that we’re creating worth all the effort and resources it takes to deliver it? While I believe this is a critical governance question that may, in time, help us make a strong case for the cooperative advantage, I haven’t seen it play out yet in a meaningful way. (To read a great “at what cost” report, read the book, *The Three Trillion Dollar War: The true cost of the Iraq conflict*, by Stigiltz and Bilmes.)

2. Ownership

The organization exists because we have owners, and it exists to create a benefit and value on behalf of owners. Owners autho-

rize the board to act on its behalf, and when we consider the flow of empowerment and accountability through the organization, it starts and ends with our member owners.

When giving the introduction to Policy Governance in our Cooperative Board Leadership 101 “foundations class” for newly elected directors, I’ve found it useful to point out that our owners don’t always agree about everything (smile), which is at least one good reason for the board to fully assume its leadership position as authorized by a diverse group of member/owners.

This principle coupled with the Ends principle show the strong synergy between Policy Governance and cooperatives: We know we have owners; we know our cooperatives are purpose-driven.

3. Board process policies

These policies describe the expectations the board has for itself and its work—the agreements the board has made about how it intends to perform its role. Here’s the global policy from our sample set:

Acting on behalf of our owners, the board ensures that our cooperative produces benefit and value, while avoiding unacceptable actions and situations.

It's typical to include subpolicies (see principle 8 "Policies come in sizes"). Here are the types of policies included in our sample set: governing style, the board's job, agenda planning, board meetings, officers' roles, directors' code of conduct, board committee principles and governance investment.

Note: the cooperative board leadership development team of the CDS Consulting Co-op has recently revised its set of policy samples. It was a major revision and, in our view, transformational. We encourage you to give them consideration. (www.cdsconsulting.coop/cbld)

4. Board holism

The board runs such a good process that each director fully supports board decisions even when a director doesn't agree with the decision. This is a powerful concept, a high bar for being in touch with group dynamics and the board's authority. This expectation is typically embedded in the director code of conduct policy, but my sense is that accomplishment of the expectation comes from a mature understanding of board policies and its process for deliberation and decision-making. Board holism does not mean that all directors are supposed to think the same; it does mean that all directors are expected to support all board decisions.

5. Board/general manager (or equivalent) relationship policies

These policies describe the relationship between the board and its delegate, the general manager (or equivalent). The concept of "sole point of delegation" is in play here and is described in these policies.

Here's the global policy from our sample set:

The board's sole official connection to the operations of the cooperative will be through the general manager.

Again, it's typical to include subpolicies. Here are the ones included in our sample set: unity of control, accountability of the general manager, delegation to the general manager and monitoring general manager performance.

6. The governance position

This principle represents the line that is drawn whenever delegation occurs. If the board says, "We authorize _____ to do this work," then the person named has the responsibility for this work and no one else.

Here is a personal example I give in class where the relationship was blurred: When I was a child, my mom told me to clean my room and then cleaned my room for me. True, my room was always clean, but whose job was it? From my view at the time, it was easy for me to say that it was my mom's!

The board, being near the top of the accountability chain, gets to determine the governance position line in its policies. Once that's done, be clear in honoring the authority, delegation, and accountability reflected in the policies.

7. Executive limitation policies

In its Ends policies, the board described its expectations for organizational accomplishment. Limitation policies limit the authority of the general manager (or equivalent) as it goes about accomplishing the Ends. Don't confuse limitation policies with organizational accomplishment; limitation policies are not intended to explain why the co-op exists or how great it is!

Here's the global policy from our sample set:

The general manager shall not cause or allow any practice, activity, decision, or organizational circumstance that is unlawful, imprudent, or in violation of commonly accepted business and professional ethics and practices, or in violation of the Cooperative Principles.

Again, it is typical to include subpolicies. Here are the ones included in our sample set: financial conditions and activities, business planning and financial budgeting, asset protection, membership equity and benefits, treatment of consumers, staff treatment and compensation, communication and support to the board, board logistical support, and emergency general manager succession.

The board is accountable for ALL the countless actions, decisions and organizational circumstances of the cooperative. This principle provides a powerful method for the board to provide values-based boundaries and limits of authority to the general manager.

Do not think of limitation policies as a way to tell the general manager what to do, just using negative language. Rather, think of them as saying, in advance, what's not OK. "It's not OK if _____."

In a recent session, a director offered up this example of use of limitation policies: Just tell the child, "It's not OK to throw the blocks." It's easier and more effective than providing directives if the goal is for the child to have fun with the blocks.

We are quite pleased with our new sample

limitation policies and encourage boards using or considering using Policy Governance to check them out.

8. Board decisions (policies) come in sizes

The board's decisions, written down as policies, are organized using a "broad to specific" concept. This principle is often illustrated using a nested bowls concept: largest bowl controls all the bowls nested inside that bowl. The "global" policy for each type of policy is the broadest expectation.

The starting point for understanding the board's expectations, leadership, and control is always the global policy in one of the four policy areas of Ends, board process, board/general manager relationship, and executive limitations. An easy way to practice this is by asking: What have we already said about this? Then go to the global policy, and step down to the specific policy under consideration.

How does a board know when to stop writing policies (that it has been specific enough)? The answer to this comes when coupling the "broad to specific" concept to the "any reasonable interpretation" principle, below.

9. Any reasonable interpretation

The board agrees that it is willing to accept any reasonable interpretation of its policies.

As a result, those granted authority by board policy (the general manager and board chair, for example) may assume their responsibilities knowing that all related actions, decisions, and circumstances will be judged based on reasonableness.

In the abstract, "reasonable interpretation" may seem vague. Here are the two ways it typically comes into play for the board:

Policy setting: When a board is stepping down from the broadest policy level to a more specific one, with each step it asks, "Are we willing to accept any reasonable interpretation of this expectation?" Taking this process seriously will result in the board having only the policies it really needs to do its job. (Note: using the "broad to specific" concept is critically important to realizing this objective.)

Monitoring: When a board is judging a monitoring report supplied by the general manager (Ends and limitation policies) or from the board chair or a board member (board process and board/general manager relationship), acceptance begins with the question: "Are we able to accept the interpretation(s) of policy as being reasonable?" Thane Joyal's article on "reasonable" did a great job framing the notion

(*Cooperative Grocer*, Sept.–Oct. 2008). As Joyal also points out, honoring this principle is consistent with how Kathryn Sedo describes what’s necessary for directors to fulfill their legal duties in her article, “Legal Duties and Responsibilities of Board Members” (*Cooperative Grocer*, April–May 1986).

10. Monitoring

If a board goes to the trouble of having expectations and writing them down (a good idea!), it must also follow through and check to see if its expectations are being met. The monitoring principle closes the accountability loop by requiring a response that demonstrates that the expectations expressed in the policies have been met or honored.

Typically this is done via a monitoring schedule, so that all parties know when monitoring reports are presented to the board. All four types of policies should be checked:

Ends and Limitation policies are presented to the board by the general manager; board process and board/general manager relationship policies are presented by either the board chair or another director assigned the task.

In an earlier article, “Entering the Accountability Zone,” I describe the task of considering a monitoring report presented by the general manager (*Cooperative Grocer*, March–April 2006).

These 10 principles work in concert to provide a complete operating system for effective governance. Sid Pobihushchy’s paper guides us to deepen our understanding of cooperative values to expand what’s possible in the cooperative movement. Aspiring to that model, I encourage directors to deepen their understanding of these principles of Policy Governance to advance what is possible through effective governance of our cooperatives. ■

FURTHER READING

- The International Policy Governance Association maintains a **Policy Governance Source Document**, which you can find here: www.policygovernanceassociation.org/PG-SOURCE-DOC.doc
- **Boards That Make a Difference: A New Design for Leadership in Nonprofit and Public Organizations** by John Carver (Jossey-Bass, 1990; 2nd edition, 1997; 3rd edition, 2006). From www.carvergovernance.com. This book is the “flagship” explanation of the Policy Governance model as it relates to nonprofit and governmental boards. It is the single most inclusive text on the model.

The Ten Principles of Policy Governance

*Looking for a precise description of the 10 principles of the Policy Governance model?
This official document that lays out what IS and IS NOT Policy Governance.*

POLICY GOVERNANCE® SOURCE DOCUMENT

Why a Source Document?

A “source” is a point of origin. A source document is a “fundamental document or record on which subsequent writings, compositions, opinions, beliefs, or practices are based.” (Websters)

Without a simply expressed clear point of source, interpretations, opinions, writings and implementations may intentionally or unintentionally diverge from the originating intent and ultimately be undifferentiated. The point of source (“authoritative source”) is John Carver, the creator of Policy Governance, with Miriam Carver his fellow master teacher.

Without a simply expressed clear source document, Policy Governance is not reliably grounded and not transferable as a paradigm of governance. It is left vulnerable to interpretation, adaptation and impotence. This document has been produced by the International Policy Governance Association and approved by John and Miriam Carver as being true to source.

What Policy Governance is NOT!

1. Policy Governance is not a specific board structure. It does not dictate board size, specific officers, or require a CEO. While it gives rise to principles for committees, it does not prohibit committees nor require specific committees.
2. Policy Governance is not a set of individual “best practices” or tips for piecemeal improvement.
3. Policy Governance does not dictate what a board should do or say about group dynamics, methods of needs assessment, basic problem solving, fund raising, managing change.
4. Policy Governance does not limit human interaction or stifle collective or individual thinking.

What Policy Governance IS!

Policy Governance is a comprehensive set of integrated principles that, when consistently applied, allows governing boards to realize owner-accountable organizations.

Starting with recognition of the fundamental reasons that boards exist and the nature of board authority, Policy Governance integrates a number of unique principles designed to enable accountable board leadership.

Principles of Policy Governance

1. **Ownership:** The board connects its authority and accountability to those who morally if not legally own the organization—if such a class exists beyond the board itself—seeing its task as servant-leader to and for that group. “Owners,” as used in the Policy Governance model, are not all stakeholders, but only those who stand in a position corresponding to shareholders in an equity corporation. Therefore, staff and clients are not owners unless they independently qualify as such.
2. **Governance Position:** With the ownership above it and operational matters below it, a governing board forms a distinct link in the chain of command or moral authority. Its role is commander, not advisor. It exists to exercise that authority and properly empower others rather than to be management’s consultant, ornament, or adversary. The board—not the staff—bears full and direct responsibility for the process and products of governance, just as it bears accountability for any authority and performance expectations delegated to others.
3. **Board Holism:** The board makes authoritative decisions directed toward management and toward itself, its individual members, and committees only as a total group. That is, the board’s authority is a group authority rather than a summation of individual authorities.
4. **Ends Policies:** The board defines in writing the (a) the results, changes, or benefits that should come about for (b) specified recipients, beneficiaries, or other targeted groups, and (c) at what cost or relative priority for the

various benefits or various beneficiaries. These are not all the possible benefits that may occur, but are those that form the purpose of the organization, the achievement of which constitutes organizational success. Policy documents containing solely these decisions are categorized as Ends in the terminology of the Policy Governance model but can be called by whatever name a board chooses, as long as the concept is strictly preserved.

5. **Board Means Policies:** The board defines in writing those behaviors, values-added, practices, disciplines, and conduct of the board itself and of the board's delegation and accountability relationship with its own subcomponents and with the executive part of the organization. Because these are non-ends decisions, they are called board means to distinguish them from ends and staff means. All board behaviours, decisions and documents must be consistent with these pronouncements. In the terminology of the Policy Governance model, documents containing solely these decisions are categorized as Governance Process and Board-Management Delegation but can be called by whatever name a board chooses, as long as the concept is strictly preserved.

6. **Executive Limitations Policies:** The board makes decisions with respect to its staff's means decisions and actions only in a proscriptive way in order simultaneously (a) to avoid prescribing means and (b) to put off limits those means that would be unacceptable even if they work. Policy documents containing solely these decisions are categorized as Executive Limitations in the Policy Governance terminology, but can be called by whatever name a board chooses, as long as the concept is strictly preserved.

7. **Policy "Sizes":** The board's decisions in Ends, Governance Process, Board-Management Delegation, and Executive Limitations are made beginning at the broadest, most inclusive level and, if necessary, continuing into more detailed levels that narrow the interpretative range of higher levels, proceeding one articulated level at a time. These documents are exhaustive, replacing or obviating board expressions of mission, vision, philosophy, values, strategy, and budget. They are called policies in the terminology of the Policy Governance model but can be

called by whatever name a board chooses, as long as the concept is strictly preserved.

8. **Delegation to Management:** If the board chooses to delegate to management through a chief executive officer, it honors the exclusive authority and accountability of that role as the sole connector between governance and management. In any event, the board never delegates the same authority or responsibility to more than one point.

9. **Any Reasonable Interpretation:** In delegating decisions beyond the ones recorded in board policies, the board grants the delegatee the right to use any reasonable interpretation of those policies. In the case of Ends and Executive Limitations when a CEO exists, that delegatee is the CEO. In the case of Governance Process and Board-Management Delegation, that delegatee is the CGO (chief governance officer) except when the board has explicitly designated another board member or board committee.

10. **Monitoring:** The board monitors organizational performance solely through fair but systematic assessment of whether a reasonable interpretation of its Ends policies is being achieved within the boundaries set by a reasonable interpretation of its Executive Limitations policies. If there is a CEO, this constitutes the CEO's evaluation.

All other practices, documents, and disciplines must be consistent with the above principles. For example, if an outside authority demands board actions inconsistent with Policy Governance, the board should use a 'required approvals agenda' or other device to be lawful without compromising governance.

Policy Governance is a precision system that promises excellence in governance only if used with precision. These governance principles form a seamless paradigm or model. As with a clock, removing one wheel may not spoil its looks but will seriously damage its ability to tell time. So in Policy Governance, all the above pieces must be in place for Policy Governance to be effective. When all brought into play, they allow for a governing board to realize owner accountability. When they are not used completely, true owner accountability is not available.

Policy Governance boards live these principles in everything they are, do and say.

Produced by International Policy Governance Association in consultation with John and Miriam Carver, 2005-2007-2011.

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