Retaining the right manager is absolutely critical to the success of a cooperative. In fact, selecting and hiring a manager for the cooperative might well be the most important decision a board of directors will ever make. Managing a cooperative is a team effort that requires a strong and positive relationship between the board and the manager. Unsatisfactory board/management relations may result in high management or board turnover, in less than satisfactory financial performance, and even in the failure of the cooperative.

While both the board and management are responsible for establishing a good working relationship, ultimately it is the board who must develop governance policies that promote good board/management relations. The board and the manager have separate, distinct, and equally important roles, roles which are crucial to the success of the cooperative.

The board, at a minimum, should conduct an annual appraisal and evaluation of the manager.

- The assessment process helps the board to set the goals for the following year, to express support for the manager, to recognize what he/she is doing well, and to identify areas of needed improvement for both board and manager alike.

- Since the manager’s performance impacts the entire cooperative, the appraisal and evaluation process is a vital part of the board’s fiduciary and legal responsibilities.

- As they seek to continually improve their management skills and performance, managers should welcome constructive feedback from the board.

- Neglect of this board responsibility can be a costly mistake, causing higher manager turnover, generating mistrust, and permitting ongoing poor performance.
The goals of an annual manager appraisal and evaluation may include the following:

- Clarify expectations between board and manager roles, responsibilities, and job expectations.
- Provide insight into the board’s perception of the manager’s strengths, limitations, and overall performance. The evaluation process should identify and support educational opportunities that strengthen management skills.
- Evaluate whether the board’s goals and polices are being carried out.
- Ensure adequate fiscal controls are in place.

There is a distinct difference between an appraisal and an evaluation of the manager, although they are conducted at the same time.

The appraisal provides constructive feedback to the manager on his/her work performance and offers advice for strengthening this performance. The evaluation process focuses on the link between performance goals and manager compensation.

For example, assume that an agreed-upon goal for the year was to increase sales by five percent, but that the actual result was an increase of only two percent. The appraisal involves a dialogue between the board and the manager regarding what was done well as well as what can be done to improve sales. Evaluation involves determining how well the manager met the agreed-upon goal, and using this criteria for a pay raise or bonus.

The board’s appraisal and evaluation of the manager will usually follow six basic steps:

1. **Agree to conduct the appraisal and evaluation.**
   The board of directors and the manager should discuss and come to a consensus about an assessment process well before the start of the upcoming year in which it will be applied. The manager needs to know what the board expects of him/her and what criteria the board will be using to evaluate management performance. There needs to be an agreement that the criteria are reasonable and achievable. Ideally, potential pay raises and bonuses will also be part of this discussion.

2. **Decide who will lead and participate in the assessment.**
   The board chair usually leads the assessment, but the chair of a personnel committee can also carry out this function. In some cooperatives the personnel or executive committee conducts an initial assessment with the manager and then presents their appraisal and evaluation to the entire board for discussion. In most cooperatives, all board members are involved during the entire assessment. Either way, the entire board is responsible for assessing the manager, and all members
of the board should have a role in the assessment process. While staff members may be asked to provide input on the manager’s performance, it is important that the manager be fully aware of which employees will be involved. Confidentiality must be adhered to in this process, and care must be taken not to undermine the manager’s relationship with staff members.

3. **Develop an assessment instrument.**
   During step one, once the assessment process and performance criteria are agreed upon, the criteria should be incorporated into a written assessment form. During the assessment process the instrument will be used by the board to evaluate the outcome for each established criteria.

4. **Tabulate and analyze the assessment.**
   Many organizations use a scoring method. They may use a 10 to 1 scale, where 10 indicates that the criteria was fully met and 1 indicates the opposite. Different weights may be given to each criteria, as one may be more important to the success of the cooperative than another. Some boards ask the manager to rate their own performance. The manager’s rating can then be compared with the board’s rating. When differences of opinion arise, a constructive discussion between the board and management should ensue. Managers are often more critical of their own performance than is the board. The board should meet in an executive (closed) session, without the manager or staff present, to discuss their assessment and to agree on a strategy for communicating the results with the manager.

5. **Schedule an executive session of a board meeting to review the results with the manager and to develop an action plan.**
   Review the strengths and limitations of the manager’s performance. Large discrepancies between the board and the manager on the performance of a given criteria may indicate a communication problem regarding management responsibilities and board expectations. Constructive board/management dialogue can address this issue. The board should understand what constitutes unacceptable performance and discuss the related implications, which may include disciplinary action or release of the manager. After the appraisal process is completed with the manager, the board conducts the evaluation and determines the pay raise or other compensation. This salary adjustment or compensation should be based upon tabulation and analysis of the assessment instrument. A weighted score of the assessment criteria may be used in this compensation decision.

6. **Support the manager’s future development.**
   A major purpose of the assessment is to encourage self-discovery and improvement. Both board and management should agree upon annual goals, and upon criteria for the upcoming year as well as for the next annual review. They need to agree on strategies for rectifying any deficiency in management performance.
Each cooperative can customize the evaluation instrument to best meet their needs. Some evaluation criteria to consider are:

- The manager is fulfilling or supports the vision and mission of the cooperative.
- The manager accomplished specific management objectives, including selecting and motivating qualified employees, and implementing policies established by the board.
- Fiscal management: The manager provides the board with timely and accurate financial reports; the manager established a system linking strategic and operational planning with the cooperative’s budgeting process; the manager ensures that a clear and accurate accounting system is maintained.
- Operational management: The manager has in place sound risk management policies; the manager ensures compliance with all legal and regulatory requirements.
- The management/board partnership: The manager and board are clear about their respective roles; the manager provides timely and adequate information for the board to make decisions; there is an effective working relationship between the board chair and the manager.
- External liaison and public image: The manager maintains a positive professional reputation in the local community; the manager is well regarded by his/her professional peers.

In summary, at a minimum, the board should conduct an annual appraisal and evaluation of the manager. There is no one correct way to carry out this management assessment—each board will have its own process. Most importantly, the board and the manager should agree on the process and have a clear understanding of the appraisal and evaluation crite-