



# Democratic Management

**A practical guide for  
managers and others**



The School for  
Democratic Management at DAWI

# What People Are Saying...

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“This is a rich and well-designed user’s manual. Keep it at your desk, revisit it, dog-ear it, then when you encounter something new, pick it back up.”

– *Molly Hemstreet, The Industrial Commons*

“There is no way that we cannot imagine using this Guide! It allows the principles and practices of democratic management to be dispersed throughout the co-op community and beyond.”

– *Adria Powell and Denise Hernandez, Cooperative HomeCare Associates*

“This is a good balance of introductory content for novices and a review of key elements for seasoned readers. The step-by-step instructions for facilitating meetings is excellent. Managers often feel daunted about how to format a meeting to practice equity and encourage people to step up and the manager to step back.”

– *Miriam Noriega, Radiate Consulting*

“Thank you to everyone who put work into this document. I can see it helping support the worker cooperative movement in a significant way. I’m excited to share particularly with a few up and coming managers...in East Oakland.”

– *Anj Talley, Mandela Grocery Cooperative*



# About the School for Democratic Management at DAWI

The School for Democratic Management at DAWI offers virtual and in-person training, on-demand webinars, and direct coaching and consulting to businesses and organizations. Find out more at [www.democraticmanagement.org](http://www.democraticmanagement.org).

The School is a program of the Democracy at Work Institute, a national think and do-tank expanding the promise of worker ownership to communities locked out of good jobs and business ownership opportunities. Find out more at [www.institute.coop](http://www.institute.coop). Learn about our sister organization, the U.S. Federation of Worker Cooperatives at <https://www.usworker.coop>.



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# Credits

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This Guide would not have been possible without the valuable contributions from the individuals and organizations listed below.

The content is largely based on training and resources provided by experts in the field of democratic management including Jennifer Briggs, advisor to employee-owned companies; Dr. Chris Mackin of Ownership Associates; PHI; and Linshuang Lu of Praxis Consulting Group.

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# Who this Guide is for

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This Guide was created to support managers of conventional companies that have recently transitioned to a worker-owned cooperative. The information in this Guide will also be useful to managers and workers of start-ups as well as seasoned worker cooperatives and democratic ESOPs. It may also be useful for any company that wants to learn how to increase its democratic practices.

*You never arrive  
at democracy,  
you have to develop  
and work on it always.*

Management is hard work. You have competing priorities and have to make hard decisions all the time. Democratic management is perhaps even harder. It requires that you overcome personal barriers based on fear of change, loss of power, or distrust that workers can take on increased responsibility. You might need to unlearn what you have been taught about conventional business management. You may also have to overcome a perceived lack of time to put these ideas into practice, lack of experience or skill in doing so, or even resistance from workers or other managers.

But just as you learned a set of skills to manage, so too can you learn and practice the skills of democratic management. **This Guide is here to help.** In it we share practical activities, assessment tools, planning ‘checkpoints’ and meeting instructions to improve your workplace.

The content comes from worker cooperative managers and consultants who have supported democratic practices in worker cooperatives and Employee Stock Ownership Plans.

This is not a complete set of management practices; instead it is a curated set of tools to help you put *more* democratic practices in place, no matter where you are on your journey.



# How to use this Guide

There is no single or right way to use this Guide.

Here are some guidelines that will help you decide what approach is best for you:

**Answer your own question.** Jump in directly with any topic or any section of the document that helps you meet your immediate needs.

For example, if you wonder:

- “What decisions do worker-owners make?”, go to the **Power** section
- “How can workers start to act more like owners?”, go to the **Information** section
- “Does supervision still matter in a worker cooperative?”, go to **People** section

**Assess yourself.** If you want to understand how democratic your workplace or your management practice is currently, you can begin with:

- [Democratic Workplace Checklist](#)
- [Democratic Management Skills and Traits Assessment](#)

**Navigate the Guide from beginning to end.**

You can work through the entire Guide in the order it is presented to understand the full scope of tools available.

Each section includes one or more of the following:

- an **activity** to complete
- instructions for leading a **meeting**
- directions for completing an **assessment**
- a **planning checkpoint**
- a **story** from a company putting these ideas into practice

**Start with tools.** If you are in an early stage of transitioning to worker ownership and have questions about what information to share with workers, or how to start off on the right foot, look here:

- [How Much Financial Information Do You Want to Share?](#)
- [Defining Rights and Responsibilities](#)

Throughout this Guide we use the terms worker-owners, owners and members interchangeably.



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# Why Democracy in the Workplace?

The combination of shared ownership and participation in the workplace has been shown to have financial, strategic and workforce impacts. These benefits include increased productivity, profitability and worker retention.\*

When a company offers profit-sharing, workers pay close attention to the bottom line and contribute ideas for how they can increase income or decrease costs. When managers share power and responsibility, workers' psychological sense of ownership increases. When managers focus on developing people through coaching and training, workers' capacity increases, as does their commitment to the company, their willingness to support business goals and their desire to stay with the company. When managers share information about the business's financial, strategic and day-to-day decisions (and engage workers in setting goals) they demonstrate trusting and valuing workers as central to the company's bottomline, and build a knowledge base so that workers can make better-informed contributions. When everyone is aligned toward the same goals, the company can more quickly avert a crisis or seize a new opportunity.

**This Guide gives you tools and learnings rooted in the lived experience of worker cooperatives,** demonstrating that high worker participation is not just another passing fad, but key to democratic workplace success.

We want to help you—as manager—put democracy to work.

*Worker participation coupled with shared ownership creates a robust workplace that profits by increasing productivity and efficiency.*

\*Blasi, Joseph R. and Freeman, Richard B. and Kruse, Douglas L., [Do Broad-Based Employee Ownership, Profit Sharing and Stock Options Help the Best Firms Do Even Better?](#) (March 2016). British Journal of Industrial Relations, Vol. 54, Issue 1, pp. 55-82, 2016.





# What is a Democratic Workplace?

Worker cooperatives are businesses that compete in the marketplace just as any conventional business does. The business fills a need for services or products, makes money by doing so, provides a living for its workers, and aims to turn a profit. Similarly, a worker cooperative can look a lot like any of the best companies to work for. These are companies that invest in profit sharing, open up the books, create opportunities for worker participation and decision making, allow workers to evaluate their managers, and invest in professional development. These are companies where employees feel cared for and where they are proud to work.

What distinguishes worker-owned cooperatives from even the best conventional companies is that the business's purpose is to maximize benefits to its members, the workers, not simply to provide return on investment to outside shareholders. Growth and profit are not necessarily the primary drivers of business decisions. Instead, job security, quality of life or community benefit are at the forefront of decision-making, in balance with growth and profit.

Worker-owners reap the financial rewards when the company prospers, and carry the burden of financial risk.

And, as owners, they have certain rights and responsibilities concerning “governance” of the business. To understand governance, it helps to think of three different roles or ‘actors’ in a worker cooperative: the entire membership, the board of directors, and management—each with different types of powers. The entire membership has the power to make *significant* decisions about the nature of the business as well as the opportunity to elect a representative board. This board can make *extensive* decisions that commit the cooperative to a long period of time or large amounts of money, as well as oversee management. This leaves operational decisions to the manager. In the best circumstances the manager regularly engages workers in contributing their ideas and expertise to inform management decisions.

Worker cooperatives differ from Employee Stock Ownership Plans (ESOPs), another form of worker ownership, in legal form, in stock valuation, and in purpose. All ESOPs are set up as employee retirement programs and most don't require democratic participation within the workplace.

Last, while worker cooperatives share some common features with other types of cooperatives, like consumer cooperatives or producer cooperatives, that are owned by their members and democratically controlled, it is the basis of membership that differentiates worker cooperatives. The member of a worker cooperative is the worker, and power at work fundamentally changes when workers are also owners.

Creating the legal documents that outline economic ownership rights and responsibilities is a first step toward creating a democratic worker cooperative, but they don't guarantee participation. Democracy lives in its practice.

*Democracy lives in the DNA of worker cooperatives—in their legal documents and their practice.*





# Constructing a Democratic Workplace

**Constructing a democratic workplace is similar to building a house. Both require a solid structure and ongoing attention.**

Just as a building won't stand without four corner posts, neither will the workplace. If you want to create the fullest expression of democracy and the fullest productive potential for business success, all four corner posts must be strong.

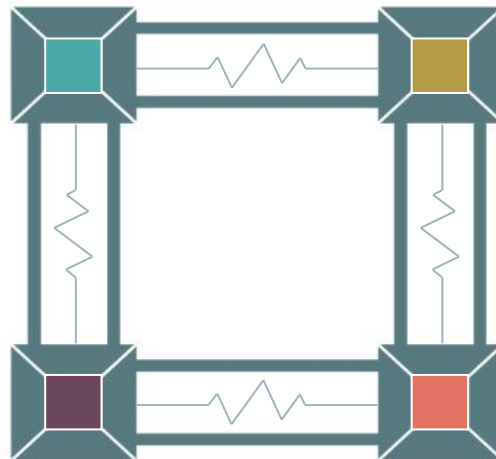
The four corner posts of a democratic workplace are:

## Power

Worker-owners know and exercise their rights and responsibilities; they understand who makes what decisions, and how.

## People

Managers develop workers' capacity through training and human-centered supervision, in support of democratic participation.



## Information

Financial and strategic information is shared with workers, and workers' input is shared and valued.

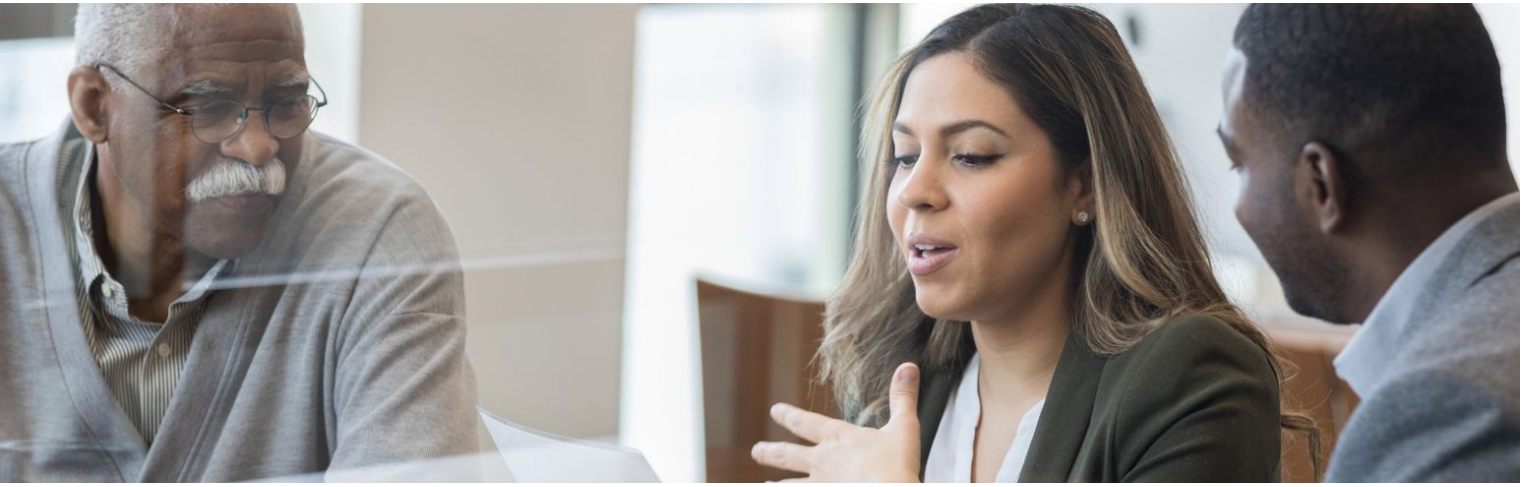
## Money

In addition to wages, workers experience the financial rewards of business success and share the financial risks.

The foundation for these four posts is the company's mission and values. The wiring that connects the posts is trust and the current running through the wires is participation. An annual 360 review of management and democratic workplace practices, and a survey of worker satisfaction can be likened to a building inspection.

We believe all of these components are necessary to create the best conditions for workplace democracy.





# What is Democratic Management?

The role of any business manager is to move people and resources toward a goal. This is also true for democratic managers.

This means that, in addition to being a financial, marketing, or operations expert, you have a key role in constructing and maintaining a democratic workplace.

As manager, you may start out as the general contractor but then transition to the role of the custodian, conscientiously maintaining the integrity of your democratic “house”. Keeping the cooperative’s purpose of member benefit in mind, you need to ensure that the four corner posts are in place and sound; that there is a clear mission and values statement as your foundation; and that the wiring of trust is functioning. You cannot do this work alone. Over time, these posts are strengthened by *everyone’s* level of commitment, their skills in communication, and the trust that has been built. As custodian, you play a role in educating, organizing and supporting the board and the entire membership to use their power wisely to keep the building sound, improving its efficiency, and deciding whether and when to build on.

Democratic managers are committed to high levels of participation not only for success in the marketplace, but to also make the workplace better. “Balancing the demands of the market and workers’ desire for participation is not simple,” comments Joseph Tuck, who worked as General Manager of the Alvarado Street Bakery cooperative for more than a generation, “but it is worth it.” “However,” he warns, “if your form of democratic organization creates a burden for serving your customers, I would fear for your long term sustainability. But without some sort of worker empowerment, you are just another profit based business using workers as a means to an end. Cooperatives and other organizations that empower and treat workers as partners are worth the effort. Why? Because exploitation is inherently wrong and because they can be the most nimble, effective way of meeting your customer's needs.”

## If You Want More Information:

- The [Democratic Management Skills Checkup Recording](#) is a 20 minute review of the four corner posts of a democratic workplace, a description of democratic management skills, and a short assessment
- [Workplace Democratization](#) written by Paul Bernstein, provides research backing for the conditions necessary for democracy in the workplace
- [Creating an Ownership Culture](#) is a quick read from the Ohio Employee Ownership Center

*Democratic managers guide their business toward success by teaching worker owners what they know and sharing power.*



## ASSESSMENT / MEETING

# Democratic Workplace Checklist

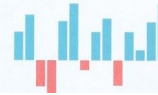
Donut Chart



Line Chart



Bar Chart



Pie Chart



The **purpose** of the Democratic Workplace Checklist is to assess your current democratic practices as an organization. The **outcome** is that you name your top priorities for the coming year to increase participation and democracy in your workplace. We recognize that this list is aspirational and encourage you to identify one or two top priorities that you can realistically address, while trusting that you will be able to put more of these practices in place in the future.

**Instructions:** Read through the following agenda, timeframe and materials in order to create a participatory and effective meeting.

You may find that as you read through the activity that you will need more time to discuss the ‘aha’ moments or to realistically set priorities. This depends largely on the size of the group involved in this discussion. If you know in advance you will need more time, you can set a longer meeting time than what is suggested here, or divide the activities described into two separate meetings. If you find that during the meeting you need more time, you can ask people to stay longer (give a set period of time), you can move people into pairs or small groups by category to more efficiently complete the activity, or you can invite people to contribute their thoughts to a shared document after the meeting.

**Timeframe:** 2 hour meeting

### Prep Work:

- Use the [Meeting Facilitation](#) materials from this Guide to:
- Design the agenda, including purpose, outcomes and meeting roles
- Notify attendees about the meeting— where, when, how long, and who is invited
- Circulate materials, including agenda, in advance

### Materials You Will Need:

- [Democratic Workplace Checklist](#)
- The [image](#) of the corner posts of a democratic workplace
- The agenda and instructions on the following 5 pages.



# Democratic Workplace Checklist

(Page 1 of 5)

The following instructions are for leading a 2 hour meeting with members of your management team or your entire company.

## Review Purpose & Outcomes

10 min

Start the meeting by letting people know the purpose and outcome of the process (see description), what you will be doing and how long the process will take.

## Description of a Democratic Workplace

20 min

Explain the metaphor for thinking about constructing a democratic workplace like constructing a house. You need a solid structure, with four corner posts and a sound foundation to hold up the house. You can't just have one or three, you really need to have all of them.

Next, go over each of these corner posts in more detail, using the descriptions below. Show this image of the corner posts of a democratic workplace and describe:

### **The first corner post is power.**

Power can mean workers' power to voice opinions and contribute ideas in meetings, in teams, committees and in the cooperative as a whole. Power can also mean workers' power to vote on key decisions or to vote for a board to represent the interests of worker-owners. Democratic workplaces should have a written document that clarifies what worker-owners' rights and responsibilities are. Your list of rights and responsibilities should be developed with participation of everyone. The manager can make sure this list exists. The list should be a part of new member orientation processes, and it should be regularly updated or at least reviewed during annual membership meetings.

To share power effectively, it is critical to define who makes what decisions and why? What decisions does the board, the management, or the entire membership each make? Who needs to be solicited for input before those decisions can be made? Who needs to be informed after they are made? The manager plays a role in making sure that the zones of decision making are clear and working, and that decisions are communicated to everyone. Doing these things helps create and strengthen a culture of trust. It demonstrates commitment to transparency, clarity about roles, and regular communication.



# Democratic Workplace Checklist

(Page 2 of 5)

## Description of a Democratic Workplace continued

### **The second corner post is management-level information.**

In any business, managers should be watching outside the company for market changes and inside the company for resource use. Managers use this information to make choices and pivots, in service of business stability, growth and profit. In a democratic workplace, this kind of management level information needs to be shared with workers. By sharing financial information, workers are motivated to improve business operations. When they connect their work performance to the business's financial success, it empowers them to make more strategic decisions. A very common system for doing this is open book management, which shares financial reports as stories, tracks critical numbers that workers can impact, turns over financial reporting to workers, and invites them into shared analysis and goal setting. Democratic managers seek input from workers from all parts of the company to hear their thoughts and experiences with customers and competitors, as well about inefficiencies and opportunities. Many worker cooperatives expand their management teams to include shop floor or front-line workers.

### **The third corner post is developing people so they can meaningfully contribute to the success of the business.**

*Learning the skills needed to govern and to engage in financial planning requires training.*

Education and human development are essential to workplace democracy. The skills needed to govern, contribute to financial and strategic decisions, and create fair personnel policies need to be learned. Managers play an important role in ensuring resources are set aside for the planning and budget required for success.

Supervision does not go away in a democratic workplace. In a worker cooperative, supervision should reinforce company values. It should be human-centered. It should help resolve conflict in an atmosphere where transparency, higher accountability and shared decision making may produce conflict. The manager makes sure that conflicts are addressed in a responsible and productive way.



# Democratic Workplace Checklist

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## Description of a Democratic Workplace continued

### The fourth corner post is money.

Sharing the financial rewards of the business is one of the strongest incentives for participation. When workers own a portion of the value they create in the form of shares or patronage, they are likely to want to create more of it. The role of the manager is to connect the dots, share information, and help worker-owners make wise decisions that track to management imperatives.

Democratic managers need to know the many ways workers can receive and feel this ownership incentive. Profits can be distributed as patronage or as bonuses. Some of the business profits can be reinvested in the business or donated for community projects that will give workers pride. The key in all of this is that the workers who created the value can help determine where the money goes.

With shared financial responsibilities also comes shared risk, including cutbacks in hard times. Worker cooperatives have demonstrated time and again that they put their values of equity and fairness into practice and will share the burden of reduced hours or furloughs across the board. Their ability to go lean when needed gives managers a powerful tool for business resiliency.



# Democratic Workplace Checklist

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## Checklist Completion

30 min

Next, review this [Democratic Workplace Checklist](#) to assess the current state of your business, and set some goals for progress along the way to becoming more democratic. Ask everyone to take a few minutes to review the checklist independently and mark where they think your company is strong, and where they think you should prioritize investment in the coming year. They can also work in pairs.

You can remind the group that you are looking at the four corner posts of democratic management: power, information, people, and money. Repeating the questions on the checklist, go through them section by section.

### Start with power and ask:

- Are we clear about rights and responsibilities of ownership?
- Are we clear about decision roles and functions of the three actors: board, management and members?
- Do board members have job descriptions and are there clear processes for effective board meetings?

### Next is information. You should ask:

- Do members have the skills to engage meaningfully with the information they are given?
- Do members know how to read financial statements and, perhaps more importantly, do they know the critical numbers that will help the company advance?
- How often are finances reported on and are members engaged in strategic discussions and plans?

### Third is people. Ask:

- What training program do we have in place, and is professional development a line item in our annual budget?
- What is our HR system's status? Are future members oriented to what ownership means? Are members supported through coaching? Are there accountability systems such as job descriptions and work plans and evaluations?
- Is there a written document that has employee and member policies?
- And what about communication—are there conflict policies and practices in place?

### The fourth corner post is money. You can ask:

- What do our co-op bylaws say about member investment, return, and payout?
- What systems are in place to track money and report on it?





# Democratic Workplace Checklist

(Page 5 of 5)

## Checklist Completion

continued

**The foundation is critical for holding up the four corner posts. Ask these questions:**

- Does our mission statement include anything about worker ownership?
- Do we have values written down that people can find and relate to in their daily work?

**Next, ask these questions about the wiring:**

- Do we have a culture of trust and do we know how trust is built or rebuilt?

**Inspections. Ask these questions:**

- Do we review our democratic structure and identify gaps and opportunities for improvement?
- Do we evaluate management on a regular basis, and do all workers contribute to this evaluation?
- Do we survey members regarding their job satisfaction, or the ownership culture and its impact on quality of work life as well as retention and productivity? Do we do this regularly?

## Reflection and Analysis

45 min

Take a few minutes to review everyone's results on the checklist and combine all of the different marks onto the same document (Google doc or large piece of newsprint). As a group, analyze where you are aligned or not aligned. Identify and answer any questions. Next, ask where each person thinks the organization should move in the coming year and why. Finally, use a system for prioritizing (such as dot voting) to come to an agreement on what to prioritize, or identify if you need more information before moving forward.

## Closing and Next Steps

15 min

Organize a small committee to drive this process. This includes coming up with a plan, developing a budget and bringing this to management and/or the board for approval, and communicating the plan back to everyone.





# Peninsula Homecare Cooperative

16 worker-owners; 21 total workers  
Homecare Services, Port Townsend, WA

For Peninsula Homecare members, caregiving is easy; it is their chosen and passionate profession. But they are more than a caregiving agency, they are also a worker-owned cooperative where the principles of a democratic workplace need to be understood and practiced by everyone.

Toward the goal of strengthening their ownership culture, they created the following group exercise at their 2019 Annual Meeting.

The exercise began with all members standing in a circle, facing each other. Each member held a placard with one of the following four ideas as described in this Guide::

- **One Co-op** represented by their vision and mission statement
- **Two Desires** for a successful business and a functional democracy
- **Three Actors:** the members, the board and the management
- **Four Corner Posts:** power, information, people and money

The purpose of this exercise was to educate cooperative members about the fundamentals of a democratic workplace, with the placards serving as a visual learning tool.

To understand how the four corner posts fortify their democracy, the members looked at current issue concerning their cooperative—deciding how to use their profit—and discussed how each corner post played an active role in their decision-making process.

They began by taping the four corner post placards onto the wall in preparation for a breakout group exercise. They then divided into small groups to further discuss how the four corner posts of power, information, people and money and how they relate to the individual experiences of member-owners. Each group created a sticky-note with one or two sentences defining each corner post in a practical and relatable manner. When the groups were finished, they formed a semi-circle around the placards, and each group shared their sticky-note definitions while placing them on the corresponding placards. Having this framework helped members use a common language and take on bite-sized, manageable change. They closed by asking each member, “What corner post do you resonate with?”

Unsurprisingly, most of the members stood near the People placard. They are in the profession of caring for others after all. And, they made the decision that their annual profits should be distributed to the people who work in the cooperative.





## ASSESSMENT

# Democratic Management Skills

The **purpose** of completing this Skills and Traits Assessment is for you to identify your current strengths and gaps as a democratic manager. The **outcomes** of the assessment are that you identify your priorities for professional development, you can share with your board to approve and review as part of your annual management evaluation.

**Instructions:** Read the description of democratic management below, then complete this [Democratic Management Skills Assessment](#). Identify your top professional development goals. Share these professional development goals with your board and include questions about your progress in your regular evaluation check up.

**Timeframe:** 30 minutes

**Materials You Will Need:**

- [Democratic Management Skills Assessment](#).

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Learning the role of a democratic manager is as easy as learning the ABCs.

**Accountability:** Democratic managers are one of three actors in a democratic workplace along with the board of directors and the entire membership. Democratic managers have certain responsibilities to delegate power and maintain accountability to the board and the entire membership.

**Balance:** Democratic managers must pursue a balance of meeting business needs and democracy needs. Managers work to ensure that resources are being deployed to meet the demands and goals of the business.

At the same time, they also ensure that employees have enough information, and the appropriate opportunities, to meaningfully participate.

Because conventional management can be very command-and-control, business needs may seem to compete with democracy. But, done well, they can be mutually reinforcing; many high-participation workplaces can prove how participation has driven growth and reduced costs. Over time and with skillful management, increased participation positively impacts business success.

**Construction:** The manager works with the membership to determine which powers of decision making are granted to the full membership, to the board, and to management. The manager then ensures agreed-upon decision-making powers function.

The manager is responsible for sharing financial information with members, engaging the board, and all members in strategic planning, as well as setting



# Democratic Management Skills

(Page 2 of 2)

the tone and practice of developing people through education and coaching supervision. The manager works with the board to set policies on financial compensation and profit distribution and then ensures that the financial management systems are in place to carry out the policies. Finally, the manager is responsible for maintaining a culture of trust.

## What traits and skills are needed to do this job?

The two lists in the [Democratic Management Skills Assessment](#) include traits that balance business and democracy. Take a few minutes to read over the lists. First, look at the business side, and mark the skills you have. Then total your score. Next, look at the democracy side and do the same thing. Mark the skills you have, and then total your score. How do they compare? Do you fall on one side of the balance? What does this mean for you? What, if anything, surprises you?

Can you see how a trait on one side of the balance could reinforce a trait on the other side? For example, how could being a financial wizard help you to be an effective teacher? Or, how could having confidence in others help you become better at seizing opportunities?

After reading through these lists, you may feel you want to make a change. Here are a couple of ways to think about how to prioritize making any changes:

- Think about a flaw that trips you up frequently enough that you know it gets in the way of personal or business success. A common one is conflict avoidance. A critical trait needed in democratic managers is to not just be unafraid of conflict, but to see it as a positive. How do you see conflict?
- Ask what the business needs right now. If you don't have the trait needed, how will you learn it or where will you find it? With your flaw or the business need in mind, write two traits you want to improve in the coming year.

A similar self-assessment can be done for specific skills that you can read on page two of the assessment. After reading through the list of business and democracy skills, can you identify one or two you want to prioritize learning? Can you make a plan for skill development in the coming year? Where can you get training or support to improve? From a local university or association? From coaches or peers?

Your plan needs to be doable for you, and your company. With all of these competing important interests, it may feel like you have to address everything at once.

Please remember you are constructing a democratic workplace, and democracy takes time. So, you need to set priorities and goals in order to build what you can. In time, your experience will seem less like business success *versus* democracy and more like democracy *for* business success.





## ASSESSMENT / MEETING

# What Kind of Institution Do You Want To Be

The **purpose** of completing this assessment is to understand where your company is situated on a racial equity continuum. The **outcome** is to help your company build a shared framework, language and process for creating a better place to work.

**Instructions:** Read through the following agenda, timeframe and materials in order to create a participatory and effective meeting. Review the two Continua and select which one you choose to use.

Whether you are transitioning your company to a cooperative, or are already operating as one, you are doing so in the context of the greater world where systems of oppression (such as racism, sexism, xenophobia, heterosexism, classism, ableism, etc.) are rampant. Any democratic system, from country to cooperative, faces the challenge of inequity. Inequity undermines the core principles of cooperatives and can ultimately erode the trust required to thrive as a company. It also impedes our ability to fully benefit from the diverse leadership of workers.

We can expect that these forms of oppression will arise in our democratic workplaces (just like they do in other democratic settings) *and* that we can develop the skills to address them. In this section, we provide a tool to help you assess where your company sits on an equity continuum.

In a democratic workplace, it is important that everyone be involved in *establishing* where the company falls on an aspirational trajectory. A smaller group can *analyze* the input. A skilled external facilitator can help you navigate conversations, proposals for change and their implementation.

**Timeframe:** 1+ hour meeting plus on-going work by smaller committee

**Prep Work:**

- Use the [Meeting Facilitation](#) materials from this Guide to:
- Design the agenda, including purpose, outcomes and meeting roles
- Notify attendees about the meeting—where, when, how long, and who is invited
- Circulate materials, including agenda, in advance

**Materials You Will Need:**

- [Anti-Racist Continuum](#) or [Continuum of Transformation](#)
- Red and green sticky dots or pens

**If You Want More Information:**

- [Identifying an Equity Challenge Worksheet](#) can help you prioritize what challenge you want to address
- Race Forward's [Adding Racial Equity to the Menu: An Equity Toolkit for Restaurant Employees](#) includes an assessment and recommended practices on hiring, promoting and training.
- BCorps testimonial on anti-racist work as an [individual](#) and as an [organization](#)
- Contact DAWI or the USFWS for more resources or facilitator suggestions



## ASSESSMENT

# What Kind of Institution Do You Want To Be

(Page 2 of 3)

The following instructions are for leading a 1 hour meeting with members of your entire company (depending on your size, you might want to organize smaller groups to start).

### Review Purpose & Outcomes

10 min

Start the meeting by letting people know the purpose and outcome of the process (see description), what you will be doing and how long the process will take. Clarify that this meeting is to generate ideas and not solve problems or decide anything. You are hoping to form a small group to take the ideas shared and form next steps, but that you wanted to start with everyone's ideas. You may also say that you plan to work with an external facilitator, skilled in this kind of work, to help guide this process. You expect this to be a long term commitment of the company, and that this is a starting place.

### Racial Equity Assessment

30 minutes

Explain that any democratic system faces challenges of inequities, including ours, and we all have to work against them. Say that you have a tool to help everyone better understand where the company is currently and where we might want to improve or move along a continuum.

Ask each person to take a few minutes to read the descriptions in each column on either the Anti-Racist Continuum or Continuum of Transformation document and mark (individually) which column they think describes where the company is currently. Next, ask them to mark where they would like the company to be. They do not have to turn this in to anyone, this is just for them.

When everyone is ready, ask them to mark a shared document (Google doc or large print out of the continuum posted on the wall) with a check mark or dot for where they think the company is now (everyone uses the same color, like red dots or use red pens.) Then, ask them to again mark a shared document (Google doc or large print out of the columns) with a check mark or dot indicating where they would like the company to be eventually (everyone uses a different color, like green dots or green pens.)

### Reflection and Analysis

15 min

Take a few minutes to review everyone's check marks on the document. As a group, analyze where you are aligned or not aligned. Identify and answer any clarifying questions.



## ASSESSMENT

# What Kind of Institution Do You Want To Be

(Page 3 of 3)

### Closing and Next Steps

15 min

Thank everyone for their contributions.

Explain that you would like to create a committee who can collect these initial ideas about where we are now and where we want to go and organize them. Explain that you wanted the opportunity for everyone to contribute at this stage, the next stage of work can be best completed by a small group who is in communication with you and is responsible to keep the entire group informed about progress and outcomes. Say that this is not something that will be solved or resolved through a series of trainings, or a set of policies. This committee however can help shepherd the process that will take time, intention, training and effort on the part of everyone.

Note: You will need to determine in advance how many people and from which parts of the company you want to serve on this committee. We suggest you have a mix of skills and perspectives, and a balance of identities and roles.

### Committee Work

This process will take multiple meetings

The first step is to decide who will be on the committee and communicate that to the entire company. Next, the committee needs to hold its first meeting to discuss the purpose and outcomes for the committee as well as the amount of time available to meet. The purpose is to work with you as manager to assess where the cooperative lands on the racial equity continuum, where you want to move and to monitor progress. The outcome is a time-bound action plan for making changes. Building and solidifying trust is essential. (Connect this work to the [4Cs](#) tool in the Wiring Trust section and the [Courageous Conversations Worksheet](#) in the People section of this Guide).

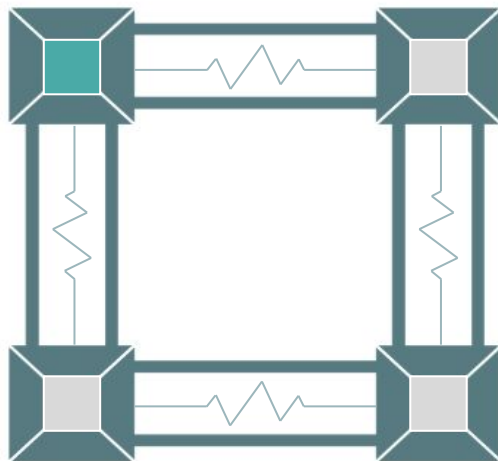
The committee can review the completed shared Continuum document and discuss where there is alignment and where not and what to do about it. If there is alignment about where people want the company to move, then the committee can use the [Identifying an Equity Challenge Worksheet](#) to create actions that the company could take. The committee could do this step all together or work as individuals to complete and then meet to review as group.

If at any point you believe that you have gone as far as you can and need support, then the committee can help you create criteria for selecting a facilitator to help with this process, then join you in interviewing, selecting and evaluating the facilitator. On an ongoing basis the committee can meet to do any work required between trainings or meetings with the failicator, and communicate updates with the entire company on a regular basis.



# Power

Worker owners know and exercise their rights and responsibilities; they understand who makes what decisions, and how.



**This corner post represents power.**

For members, rights and responsibilities can include the power to *voice* opinions and contribute ideas as well as the power to *vote* on key decisions, and for the board who represents their interests.





# Power

Managers of companies transitioning to worker ownership sometimes express concern that worker-owners may be ‘stepping over the line’ in wanting to make management decisions. This concern is real, especially since most managers aren’t trained to integrate worker input into decision-making, and may fear that they are opening the door to losing control of the job they were hired to do.

We suggest you take a step back and evaluate expectations. Managers should ask, “What is my role as a manager given the reality of worker ownership?” To gain clarity about your role, you need to know: “What do workers understand to be their rights and responsibilities as workers and as owners?”

Democratic workplaces should have a written document that clarifies owners’ rights and responsibilities. If this list doesn’t exist, you can help owners create it. Defining ownership together will bring differing assumptions, concerns, and hopes to the surface so they can be addressed and incorporated. Creating and updating a list of rights and responsibilities contributes to the building of your ownership culture.

As manager, you can support this process by ensuring that a review of owner rights and responsibilities is included in member orientations. Worker-owners are the ones that ensure the list is up to date and used by fellow worker-owners. They can support this process by reviewing and updating it regularly, such as during an annual meeting.

### If You Want More Information:

- [The ICA Group Design of Governance Systems](#) pp. 6-7 explains model governance systems in more detail
- [Representative Structures in Employee Owned Firms](#) by Mackin & Freundlich provides a theoretical backdrop for changing power relationships
- The book [Ideas Are Free](#) by Robinson and Schroeder makes the case for why soliciting input broadly and frequently from workers leads to better companies

It is also important to clarify decision making. Which decisions do you make as a manager? Which decisions does the board make? Which are important for the entire membership to make? Knowing who makes what decisions, why, and how gets at the core of a member’s expectations about ownership as well as what will make their experience of work different in a cooperative than a more conventional workplace. It will also help you as a manager support appropriate participation in decision-making.

In your management role, you can remind workers and board members of the zones of decisions that different actors are responsible for, and negotiate tensions that may arise about when, how and who has made decisions.

Last, and perhaps one of the most direct ways you can share power is through the way you run meetings. Modeling effective meeting facilitation, sharing facilitation responsibilities, and inviting many voices into the room all help to build your culture of participation for all workers.

In this section we give instructions for a series of meetings to create or update your list of member rights and responsibilities, and define who makes what decisions and why. We end with a planning ‘checkpoint’ for how to share power through meeting facilitation and how to encourage and solicit worker voice and participation in meetings.



## MEETING SERIES

# Defining Rights & Responsibilities

Credit: Dr. Chris Mackin, Ownership Associates

The **purpose** of this activity is to come to an agreement about what shared ownership means for your company. The **outcome** of this activity is that you will have a written document that defines ownership rights and responsibilities that you can use to build and solidify your ownership culture when orienting new members, supervising and evaluating workers or navigating roles and responsibilities at different levels of your company.

**Instructions:** Read through the following agenda, timeframe and materials in order to create a participatory and effective meeting series.

You will need to clarify whether this meeting series is for surfacing ideas and discussing them, or for deciding. If this is not the group that will decide, then explain who will and why. When managers are not clear about setting expectations, it can damage trust. If people think they have the final say and they don't, or they don't see their idea reflected in a final document it can cause problems. It is important that you make it a habit to clarify when you are soliciting input, when you are crafting something together, and who is the final decider.

You may find that as you read through the activity you will need more time for discussion and decisions. This depends largely on the size of the group involved in this discussion. If you know in advance you will need more time, you can set a longer meeting time than what is suggested here, or organize the activities described into a meeting series, or make a plan for soliciting ideas outside of meeting time by using a shared document.

**Timeframe:** Two 75 minute meetings plus work between sessions.

### Prep Work:

- Use the [Meeting Facilitation](#) materials from this Guide to:
- Design the agenda, including purpose, outcomes and meeting roles
- Notify attendees about the meeting—where, when, how long, and who is invited
- Circulate materials, including agenda, in advance
- Meeting 1: Select facilitator and/or bring in outside support.
- Meeting 2: Synthesize comments from Meeting 1.

### Materials You Will Need:

- Newsprint or a whiteboard
- Pens
- Post-its or sticky notes
- ¾" sticky dots
- [Rights and Responsibilities Examples](#)
- [Rights and Responsibilities Template](#)
- [Levels of Influence](#)
- [Sticky Dot Voting Instructions](#)
- Your company's bylaws
- One copy of the following five pages agenda and instructions.



# Defining Rights & Responsibilities

(Page 1 of 5)

## Meeting 1 What Does Ownership Mean? Agenda and Instructions

### Review Purpose & Outcomes 5 min

Start the meeting by letting people know the purpose and outcome of the process (see prior page), what you will be doing in each meeting, and how long the process will take. You can ask that they bring their best thinking to these meetings and that you want to hear everyone's ideas. State what the process will be to finalize the document, and how this activity fits into it.

### How We Define Ownership 15 min

Write the word 'ownership' in the center of a big piece of butcher paper (this could be placed in the center of a table, taped to a wall, or written on a virtual whiteboard). Give everyone a sharpie pen and a stack of post-its, and ask them to write as many ideas that they have about what ownership means to them on the post-it. One idea per post-it. The goal is to get everyone to say everything on their minds and not hold back. They can put the post-its anywhere on the paper. You might need to give prompts or examples such as 'more money,' 'time off,' 'thinking like an entrepreneur,' or 'setting your own schedule.'

### Organizing Ideas 40 min

Next, with the help of a volunteer from the group, if needed, take a few minutes to cluster what people have said/written into some categories. They often fall into the categories of power (rights/responsibilities), or money (risk/reward). Read all of the post-its aloud. If the same idea is written many times, read one of them and acknowledge that it was written by a lot of people. If there are nuanced differences, see if everyone can come to a common description. If that is not possible, flag them for future discussion. Invite questions to help clarify what has been written.

Next, you will need to have a sheet of paper with a line down the middle and the headings of Rights on the left-hand side, and Responsibilities on the right-hand side. Ask people to retrieve the post-its they wrote, move them to this sheet of paper, and place them either on either the side of rights or on the side of responsibilities.

If your company has listed rights and responsibilities in your bylaws or operating agreements, add them if they are not already stated. Put an asterisk by the ones that are listed in the legal document. The point here is to build off what was created at the outset of the company and include the ideas of those who have joined afterwards to make both the rights and responsibilities come alive for everyone.



## MEETING SERIES

# Defining Rights & Responsibilities

(Page 2 of 5)

## Meeting 1 Agenda and Instructions *(continued)*

### Organizing Ideas continued

Once everyone has placed their post-its on the paper, ask the group what they notice. Are there more rights than responsibilities? More responsibilities than rights? What do they think about that? Then read the post-its on the side of rights and ask the group to talk about how this shows up in different parts of the company, such as their day-to-day work, as well as in their role as 'owners'. Do the same for responsibilities. Ask if they would like to add or change anything after this discussion.

### Closing and Next Steps 10 min

Ask if there are any questions or comments or reflections that people have. Thank everyone for their contributions. Remind them of the next meeting and its purpose: to look at other companies' lists of rights and responsibilities and compare, adjust and finalize your own.

Ask for a volunteer to write the list of rights and responsibilities up in a document, commit to sharing it with people by X date in the near future (before the next meeting), and ask people to think about it between now and the next meeting. Explain to everyone that the final list will be drafted by (a volunteer, or by you, or by a committee) and then approved by the full membership following this series of meetings.



MEETING SERIES

# Defining Rights & Responsibilities

(Page 3 of 5)

## Meeting 2 Balancing Rights & Responsibilities Agenda and Instructions

**Review Purpose & Outcomes**  
5 min

Welcome everyone back and remind them that the purpose of this meeting is to compare your list with other companies' in order to refine it, then to finalize. Restate what the process of finalization will be, and how this activity fits into it.

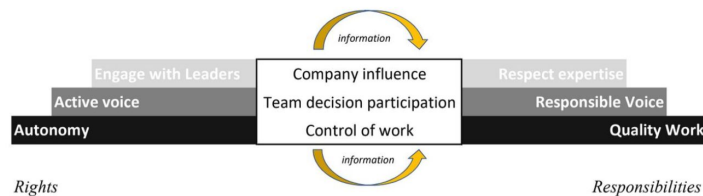
The outcome is a living document for your company that lists rights and responsibilities of ownership.

**Comparison**  
15 min

Write your draft list of rights and responsibilities from the previous workshop on butcher paper and put it back on the wall. Then, pass around Rights and Responsibilities Examples from other cooperatives to compare. Take a few minutes for people to read these either silently or aloud. Talk about what is different, and what is the same. Ask if there is anything someone would like to add or clarify that might be missing from your list. Make additions or changes to your list.

**Tool**  
20 min

Share another resource for clarifying rights and responsibilities. This one comes from the work of Dr. Chris Mackin, of Ownership Associates. One of the tools that OA developed, Levels of Influence (shown below), can help you deepen your understanding of different levels of ownership control and influence.



Credit: Ownership Associates

Explain how to read this tool: On the left side of the page, you will see rights listed from the bottom up, starting with rights of workers for autonomy; the desire to control work. The corresponding responsibility on the bottom right side of the page is to do quality work. The second level of influence is the desire for voice at the team level; to make suggestions about how things are done, changes, improvements, safety concerns, and so on. The corresponding responsibility is to use a responsible voice. This means that ideas and opinions are brought forward respectfully, as positive suggestions for the good of the team and company.



# Defining Rights & Responsibilities

(Page 4 of 5)

## Meeting 2 Agenda and Instructions *(continued)*

### Tool continued

At the top level, workers have the right to engage with leaders; whether they are in management, on committees, or on the board of directors. This engagement can take place formally or informally. The corresponding responsibility is to respect the expertise of those serving in leadership, and allow them to make decisions that you may not have had the time or knowledge to understand fully. That doesn't mean that you can't disagree, but that you start with respect and trust for what they know and have learned to do for the company.

Ask if these examples bring up any new ideas for anyone. Then invite people to place their new post-its on the paper. Ask the group what they notice. Are there more rights than responsibilities? Or vice versa? What do they think about that?

*Too many rights creates a culture of entitlement. Too many responsibilities lead to martyrdom.*

Then read the post-its on the side of rights and ask the group to talk about how rights show up in different parts of the company, such as their day-to-day actions as workers, as well as in their role as owners. Do the same for how responsibilities show up in their work. Ask if they would like to add or change anything after this review.

The entire system depends on good information flow about work, decisions and direction and that flow needs to move in all directions. The manager has a critical responsibility to ensure transparency and communication.

Given this brief description of levels of control, participation, and influence, ask if anyone has any additional ideas of rights and responsibilities that they would like to suggest for your company? Ask them to also to think about past workplaces, and what they might want to bring forward or not repeat.

Now, look again at your list and take stock of the list of rights and responsibilities. Ask if they are balanced or close to it? For every right there should be a responsibility and vice versa. If there is an imbalance, see if you can come up with corresponding ideas. Review again.

**Looking for Balance**  
15 min



## MEETING SERIES

# Defining Rights & Responsibilities

(Page 5 of 5)

## Meeting 2 Agenda and Instructions *(continued)*

### Looking for Balance continued

Now, use Dot Voting to come to agreement about your top priorities. Give everyone 6-8 sticky dots to use to identify their top priorities. They can put their dots just on one side of the equation (rights) or dots on both sides. You are aiming to have a reasonable list of rights and responsibilities, so try to not have a list longer than 8-10 on either side (you want to be able to remember them!)

### Coming to Agreement 15 min

Look at the dots and mark the ones that got the highest votes. Make a proposal that those become your starting definition. Try to limit the number. For example, do not include anything that just got one vote. Ask if people can live with this list or if there are any more comments, questions, need for clarification, or concerns. If you need more time, ask if people can stay X minutes longer to wrap this up.

### Closing 5 min

Close the meeting by thanking everyone. Say the next step will be to share the list one final time with the entire membership, who will then vote to approve.

Name who will be responsible for drafting the final list that will go to the members for a vote. You can hold the vote at your next member meeting or arrange a special meeting on this topic alone. Tell people when that vote will happen. Once approved, put the final list up on the wall or in some shared physical or virtual space, share with everyone who is on an ownership track in your company during their orientation, include relevant content in your supervisory meetings and evaluation questions/reviews, and review and update it at your annual meetings.





# Technicians for Sustainability

22 worker-owners; 65 total workers  
Solar Installation, Tucson, Arizona

When Kevin and Nicole Koch began leading their solar installation company Technicians for Sustainability in 2005, their values went beyond protecting the environment. They also wanted to share prosperity through shared ownership. However, when they introduced the idea to the 14 staff members, they were met with resistance. They wanted to focus on solar, on the environment, and they liked the leadership as it was. They didn't have the time or desire to become owners, at least as it was being presented.

This response didn't deter Kevin and Nicole from their dream. They decided to go ahead and draft a more detailed shared ownership proposal, and sought out examples of other worker cooperatives' bylaws. "We brought a more 'fully baked pie' back to the staff a few years later", says Nicole. "This included the length of candidacy (1 year), the size of the board (5) and that in the case of sale or dissolution, the retained earnings not assigned to workers will be donated to a non-profit or another cooperative." We asked, "Do you like this? Help us make the final tweaks. That worked for us." In 2017, TFS became a worker cooperative.

Two years into their shared ownership experience, Nicole felt it was time to revisit the question, "What does ownership mean for us?". She organized a series of meetings following the Rights & Responsibilities Meeting instructions described in this Guide. The series included two one-hour

meetings over the course of six months. As a result, the company made some significant changes:

The first is that the CEO is no longer a member of the board. For Nicole, "This demonstrated workers' faith in the model, and that our governance system was strong. The owners elect board members who oversee the CEO. They were no longer as preoccupied with the people in those roles but could trust the system".

Second, they realized the number of member responsibilities far outweighed their list of member rights. So, they moved to create a more balanced list.

- **Member Rights:** To be trusted; to participate; return on mental investment; using voice/vote/democratically participate; collaborate; share success/prosperity/wealth.
- **Member Responsibilities:** To act with integrity/transparency; to invest; share knowledge/educate self; listen responsibly; support the will of the majority; deal with loss; support the mission.

Finally, they changed the process to become a member. Now, during their twice yearly candidacy process, owners ask candidates to describe what they think ownership means, which leads to a rich conversation and reflection about ownership culture. "We have gotten the most feedback from candidates about what this means, and that it is eye opening."







## MEETING SERIES

# Gaining Decision Clarity

Credit: Dr. Chris Mackin, Ownership Associates

The **purpose** of this meeting series is to come to a shared understanding of what decisions can be made by which of three different actors in a cooperative: the board, management, and worker-owners. The **outcome** is greater clarity and less confusion and conflict over who makes what decisions and why.

**Instructions:** Read through the following agenda, timeframe and materials in order to create a participatory and effective meeting series.

You will need to clarify whether this meeting series is for surfacing ideas and discussion them, or for deciding. If this is not the group that will decide, then explain who will and why.

You may find that as you read through the activity that you will need more time for discussion and decisions. This depends largely on the size of the group involved in this discussion. If you know in advance you will need more time, you can set a longer meeting time than what is suggested here, or divide the activities described into a longer meeting series, or make a plan for soliciting ideas outside of meeting time by using a shared document.

**Timeframe:** Three 75 minute meetings (or one longer meeting)

### Prep Work:

- Use the [Meeting Facilitation](#) materials from this Guide to:
- Design the agenda, including purpose, outcomes and meeting roles
- Notify attendees about the meeting—where, when, how long, and who is invited
- Print materials listed below and circulate materials, including agenda, in advance
- Ask people to bring a list of decisions from their daily work, or bigger questions about decision making at their team or the company level.

### Materials You Will Need:

- Newsprint
- Post-its
- [Standard List of Corporate Decisions](#)
- [Decision Zone Zone Chart](#)
- [Sample Decision Grid](#)
- [Decision Template](#) large print out
- [Decision Scenarios](#)
- [Decision Report](#) template
- One copy of the meeting instructions on the following 10 pages.





# Quick Tips on Decision Making

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**Straw Poll** A straw poll is an unofficial vote. Straw polls can be useful in meetings to quickly determine the overall sense of the group. For example, if a conversation runs long, you may call a straw poll asking the group if most people already agree, or if they should continue the discussion. Straw polls work by judging majority opinion using a quick show of hands or online yes/no vote.

**Dot Voting** Sticky dot voting is a simple way to help a group narrow many ideas down to a few favorites or even make a final decision. It helps to assure you are getting the ideas that most people will be happy with and shares ownership over the final plan or decision.

The first step in dot voting is to brainstorm, or invite ideas and write them up on newsprint or whiteboard or shared Google Doc. Then, give out a limited number of dots to each person to place them on their favorites. (You may or may not decide to allow a participant to place all of their dots on one item.) You may have gained enough information to continue. But, if you need to come to a final decision (just one option), you can do the following: after you have narrowed down to the top five or so, invite the group to vote again, but this time using just one dot.

To get the best results:

- Keep the number of dots to a minimum (under 8-10)
- Make sure the topics are distinct from one another
- Don't add new options once the voting has begun

**When you can't come to a decision in the allotted time:**

- Ask permission from the group to extend the time
- Pause and continue later
- Bring in more information/data/research
- Bring in an outside facilitator
- Move future discussion to smaller groups
- Delegate authority to decide

# Circle of Delegation and Authority



Power and authority flows from worker-owners, through the board they elect, to management empowered to oversee operations and personnel.



Workers are held accountable to managers, who are held accountable to the board, which is empowered by the workers.

Graphic Credit: [The ICA Group](#)



## MEETING SERIES

# Gaining Decision Clarity

(Page 1 of 9)

## Meeting 1 Agenda and Instructions: Who Makes Decisions

### Review Purpose & Outcomes

5 min

Start the meeting by letting people know the purpose and outcome of the process, what you will be doing in each meeting, and how long the process will take. The purpose is to gain clarity on who makes what decisions and how decisions are made. The outcome is more clarity and less confusion, leading to more efficient work. You can ask that members bring their best thinking to this meetings series and that you want to hear everyone's ideas.

### What Kinds of Decisions Get Made in Companies and by Whom

15 min

Share a copy of the [Standard List of Corporate Decisions](#) from Ownership Associates. Ask if anyone has any questions about the list. Point out that the levels of decisions move from less to more significant. Discuss who makes those decisions typically in a small business, then in a conventional corporation, and begin to differentiate what kinds of decisions managers make vs. the board or shareholders. Next, invite members to generate other kinds of decisions they can think of that take place at your company. Repeat the same process to determine who makes those decisions (management or shareholders). Finally, ask members if they have experience contributing to decisions that are made, even if they are not the 'official' decision-maker. Ask for examples of a time when they were asked for their opinion or knowledge that may have influenced a final decision? Explain that the act of decision-making is often done with the input of others. Even doing background research and presenting options can have a lot of influence on a final decision that gets made. Close this section by acknowledging that power lies in decision-making but it also lies in influencing how decisions are framed.

### Circle of Delegation and Accountability in a Co-op

15 min

Show an image of the circle of delegation and accountability (diagram on previous page). Explain that there are three different actors in a worker-owned cooperative: the board, the management and the worker-owners. Each plays a different role in relationship to decision-making. And each is delegated power by the others depending on their role. Worker-owners delegate power to the board that represents them to carry out their desires. The board delegates power to the manager(s) to carry out the strategy they have defined. The manager delegates work to the workers to reach the company goals. Notice that the arrows move in one direction to signify this delegation of power. The arrows also move in the opposite direction of accountability. Workers are accountable to management to do their work well. Management is accountable to the board of directors to meet goals. The Board is accountable to the worker-owners who elected them to carry out their desires.



# Gaining Decision Clarity

(Page 2 of 9)

## Meeting 1 Agenda and Instructions: Who Makes Decisions

### Circle of Delegation and Accountability in a Co-op continued

The purpose of introducing these circles is to lay the groundwork for identifying who among these actors makes what decisions and why. Explain that you just talked about the list of decisions that are common to most companies and that the list of decisions moved upward in increasing significance. In a worker cooperative, decisions don't move up in a hierarchy, but rather in a circle. You can use a simple 'test' to help you determine who should make a given decision. This is called the 'test' of significance and extensiveness, developed by The ICA Group, that can come in handy to more quickly identify the type of decision and the zone in which it belongs.



### Who Decides?

#### « Extensiveness »

**Does the matter...**

- Affect a large number of co-op members?
- Commit a substantial portion of the financial resources?
- Affect operations over a long period of time?

Is the impact broad?  
Yes? Consult the board.

#### ≡ Significance ≡

**Does the matter...**

- Affect the likely survival of the co-op?
- Affect policies for hiring or terminating members?
- Affect the basic character of the cooperative?

Is the impact deep?  
Yes? Consult the members.

Explain that every other decision defaults to management. However, management should bear in mind that the people who are impacted by a decision should be able to influence that decision through input.

Ask if people have any clarifying questions.



## MEETING SERIES

# Gaining Decision Clarity

(Page 3 of 9)

## Meeting 1 Agenda and Instructions: Who Makes Decisions

### Practice with Scenarios and Discuss 25 min

This is the time to put some of the ideas regarding the three actors and the significance and extensiveness test into practice, by using scenarios.

Ask people to divide up into groups of two or three. Each group will take one of the scenarios and discuss who should make the decision posed in the scenario and why (they don't need to answer the "how" question just yet.) Ask them to be ready to report back. You can stagger which groups start with which question and let them know if they have time they can move to the next scenario. Make sure that each group has an opportunity to report back. Give each group 10 minutes, then bring them back with 3 minutes each for report back and questions. Encourage curiosity and examination about each group's opinion. Clarify that there is no right answer. Listen closely and comment if you hear that the entire group is leaning more towards delegating decision-making to smaller groups or wanting the entire membership to be involved.

### Closing and Next Steps 15 min

Ask if there are any questions or comments or reflections that people have. Thank everyone for their contributions. Remind them of the next meeting, the purpose of which will be to identify the different actors and decision zones for your company.



## MEETING SERIES

# Gaining Decision Clarity

(Page 4 of 9)

## Meeting 2 Agenda and Instructions: Creating Decision Chart

### Review Purpose & Outcomes

5 min

Welcome everyone back and remind them that the purpose of this meeting is to clarify the different decision zones for your company with the outcome being a living document that lists these decision types.

### Creating our Decision Zone Chart

60 min

Bring a print-out of the blank [Decision Template](#) and write it on a large piece of newsprint or a shared Google Doc. Ask everyone to write examples of key decisions on post-its, place them on the first column in the category in which they think makes most sense, and identify which group should make a decision (worker-owner, board, management or worker). Take 10 minutes to do this then ask everyone to read the list. Ask if anyone would like to make a change and why. Encourage the group to engage in a discussion on this and see if there is agreement about if and where to move the post-it. Identify a notetaker to write if there are particular areas that require future discussion.

Share the [Decision Zone Zone Chart](#), along with a [Sample Decision Grid](#) from another cooperative. Ask if these examples change anything for anyone—did they think of a new decision or a different decision maker? Look over the list again and ask for confirmation of where there is agreement about decisions and the decision maker. Revisit any examples where the group didn't agree on the placement of the decision or decision maker. Ask them if it is ok to leave the example where it is for now, mark it with a question, and take it up at a later date. If that is not ok, ask how urgent it is and whether it could be reviewed and discussed at the next meeting.

### Closing

10 min

Close the meeting by thanking everyone. Affirm what you were able to accomplish. Encourage people to keep thinking about this and assign a person to whom ideas can be sent. Clarify who will decide on the final list and why.

Name a date in the near future (ideally within 3 months) to review this one more time (in a meeting or through a shared document they comment on) before it becomes a document you will use.



# Gaining Decision Clarity

(Page 5 of 9)

## Meeting 3 Agenda and Instructions: How to Come to a Decision

### Review Purpose & Outcomes

5 min

Welcome everyone back and remind them that the purpose of this meeting is to clarify how decisions are made in your company with the outcome being a living document that lists these decision methods publicly. Clarify that you are soliciting input and discussion, and that the final decision about decision-making methods will be made by the board.

### How Decisions are Made and Factors that Influence This

15 min

Explain that when multiple people are engaged in decision-making, whether in work teams, committees, the board, or the full membership, there are several ways to come to a decision. Show the 2 most frequently used methods, each with a variation:

- Voting simple majority (51%)
  - supermajority (75%)
- Consensus (everyone comes to agreement)
  - Consensus minus one

Remind people that everyone has experience in voting (majority). Ask if anyone can give examples of using **super majority, consensus, or consensus minus one**? What was the decision to be made, how many people were involved, and how did it go? Thank people for these examples.

Explain that some factors to consider when deciding how to decide are:

1. The **time** it will take to decide and the urgency of the matter. Consensus takes more time than simple majority vote and assures greatest buy-in, since it takes into account everyone's concerns. Simple majority voting is faster, but there is less certainty of buy-in. **Many management and operational decisions tend to be made by an individual or very small group to allow for quick and nimble decisions.**
2. The **significance** of the decision: You might consider using super majority voting when you want to have a greater level of buy-in than just half of the group. Many worker cooperatives start out with major decisions being made by a super majority. They live with that for a while and then may adapt it as they have time and reason. The exception is in regards to any decision that concerns the possible closing of the business. Generally, this decision is made by consensus or consensus minus one of the entire membership because of the significance of the decision. Many board level and strategic decisions tend to be made by supermajority or consensus.





## MEETING SERIES

# Gaining Decision Clarity

(Page 6 of 9)

## Meeting 3 Agenda and Instructions: How to Come to a Decision cont.

### How Decisions are Made and Factors that Influence continued

3. What degree of **change** the decision will cause: consensus decision making tends to be more conservative. It is harder to decide to make changes than keep the status quo. When there are situations of impasse or difficult personalities involved, consensus minus one can move the group forward.
4. The importance of **buy-in**. When people participate in decisions that impact them, they are more committed to making something work

#### Here are some examples you can share from worker cooperatives:

**Consensus minus one.** For many years, the Arizmendi Bakery cooperative in Oakland, CA operated with a 100% consensus for deciding on new members. The probation period for membership was six months, and applicants were required to complete several rounds of orientation and training related to baking as well as ownership. The company invested a lot of time and money into these trainings. Yet, on several occasions, when a probationary member was up for a vote into membership, they could not come to 100% consensus, often by just one vote. Because of the 100% consensus rule, they had to let that probationary member go, and ultimately lost their investment. In time, the cooperative realized that if they moved to a consensus minus one approach to decision-making, they could move forward with accepting new members without sacrificing the broad consensus they desired.

**Ratification** is used in an instance where one actor (like the Board) has voted on something but wants another actor (like the membership) to approve it. The second actor cannot modify the proposal, they can only vote for it to pass or fail. Equal Exchange, a fair trade coffee, tea and chocolate import worker cooperative based in Massachusetts, uses a ratification process, due in part to their large size. This means that after the Board has made a major decisions that could have an effect on the membership, the membership as a whole has the final word, to ratify or not ratify the decision. This is a thumbs up or down vote, without modification. Examples of these types of decisions include creating a long-term vision document or modifying the organization's compensation policy. Likewise, decisions made by the manager, such as creating an annual budget, setting annual goals, changing the budget over X%, or out of budget borrowing needs the ratification of the board. These processes take place at regularly or specially scheduled board or worker owner membership meetings.



## MEETING SERIES

# Gaining Decision Clarity

(Page 8 of 9)

## Meeting 3 Agenda and Instructions: How to Come to a Decision

### How Decisions are Made and Factors that Influence This continued

Ask if anyone has any questions or anything more to add before jumping into practice of these principles.

### Practice with Scenarios 20 min

Now explain that you are going return to the same decision scenarios from the previous meeting, but this time you want to ask the small groups to:

- keep the three actors in mind (worker, manager, board)
- consider the significance and extensiveness of the decision
- discuss how the decision should be made

Divide up into the same groups of two or three that you had the last time. This time, each group will take one of the scenarios (you can assign) and discuss *how* the decision should be made and why. Ask them to be ready to report back. You can stagger which groups start with which question and let them know if they have time they can move to the next scenario. Make sure that each group has an opportunity to report back. Give each group 5-10 minutes, then bring them back for reporting (3 minutes each for report back and questions.) Encourage curiosity and examination about each group's opinion. Clarify that there is no right answer. Listen closely and comment if you hear that the entire group is leaning more towards consensus or voting decision-making.

### Return to Decision-Matrix 20 min

Ask, "Given each group's reflections on these scenarios, *how* do we want to make certain decisions in our company?" Explain that deciding how could be based on the experience they just had with real scenarios, as well as particular values, the current business conditions, the significance or extensiveness of the decision or any other criteria you might want to set. Use the decision tool you drafted in the last session and break into small groups to discuss how each of those decisions should be decided and why. Give each group 5-10 minutes, then bring them back for reporting (3 minutes each for report back and questions.) Encourage curiosity and examination about each group's opinion. Clarify that there is no right answer. Listen closely and note our loud whether the entire group is leaning more towards delegating, consensus, or simple majority, and why.

To move forward, assign the task of finalizing decision making methods to the board of directors. Set a timeframe for doing this and for bringing this back to the membership.



# Gaining Decision Clarity

(Page 9 of 9)

## Meeting 3 Agenda and Instructions: How to Come to a Decision

### Influencing Deciders 10 min

Before you close, explain that it is important to clarify that there are many ways to influence decisions without being a ‘decider’:

- Research has shown that many workers want to be heard, rather than wanting to have a vote. Managers can create opportunities for workers to give input into an issue, and be a part of discussion and debate.
- Create committees comprised of people who care about an issue, regardless of whether they have a management or board role. Their task is to research the topic and present options or scenarios to help in the deliberation. There is a lot of control that rests in the framing of the topic, even if individuals are not part of the final decision making.

Ask if anyone can think of any other ways that they might influence the deciders that they would like to suggest you use. Ask what the role of the manager might be in facilitating these methods (i.e. creating time or space for input, supporting dialogue, etc).

### Closing and Next Steps 5 min

Close the meeting by thanking everyone. Affirm what you were able to accomplish. As you wrap up, explain the following key questions to ask when trying to understand a decision to be made:

1. What is the decision to be made? How significant is it? How extensive is it?
2. When will it be made? How quickly does it need to be made?
3. What are the forums or committees for conducting research, soliciting input, raising concerns and having debate?
4. Who makes the decision, using what methods and criteria?
5. Which of the 3 actors might need to ratify the decision?
6. How, when, where, and to whom will the decision be communicated. You can use this [Decision Report](#) form as a guide.

Assign the board to finalize the draft of your decision document for your company use. Ask them to reference your bylaws/operating agreement and bring the draft back to the full group for review and discussion. Clarify who will report back to all members and when.

You may also create a physical or online folder or notebook that holds your decision reports, including the names of the decision makers and decision methods, referring to it when questions about decisions arise. Review and update the notebook on an annual basis.





# Mandela Grocery

9 worker-owners; 11 total workers  
Grocery, Oakland, CA

The human resources committee at Mandela Grocery Co-op was concerned about their interviewing and hiring practices. The job application form was too brief and the questions didn't give the right information. In addition, the interview process wasn't communicating to applicants the co-op's expectations for workers to be highly communicative and hands-on. "Nor did it provide an opportunity to introduce the concept of an ownership mentality," says General Manager Anj Talley. Yet, the committee members didn't feel they had the power to change the forms or the policies.

To solve this problem, the membership took a step back from the challenges faced by this one situation, and began to look at the whole. Anj brought a copy of a decision chart she had drafted, as a starting point, to the full membership for discussion. When she presented it, "everyone really liked it and said the visual gave clarity to the loose way decisions were being made."

This changed everything for the HR committee. According to Anj, "They felt empowered to change our hiring system after they realized they hold the decision-making power to do so."

One member immediately drafted new and more detailed questions on the job application form. The committee reviewed the new document and made edits. Going further, they adjusted the interview schedule and made changes to the content for new member training. The committee then reported all proposed changes to the general membership and the changes were approved into policy.

According to Anj, "Tools like the [Decision Chart](#) help our practices to be more inclusive. With increased clarity around who, when, and how decisions are made, members are more empowered to participate."





## PLANNING CHECKPOINT Meeting Agendas & Facilitation

Credit: Aorta Collective

The **purpose** of this check point is to introduce the steps to effective meetings, and the role of the facilitator in sharing power. The **outcome** is you will have more efficient and effective meetings.

**Instructions:** Use the Meeting Agenda Template to plan and facilitate a participatory and effective meeting.

Meetings happen all the time at work to plan, to communicate, to make decisions, etc. What happens in meetings reflects your work culture, and you can use meeting time to strengthen and build it in positive ways. Sadly, most of the time, it is the exact opposite. People dread meetings, disengage, and check out. Most people don't know how to lead effective meetings.

### If you want more information:

- [Facilitation in Motion](#) from the Aorta Collective describes specific ways to engage people in meetings
- [Getting Started with Online Training & Facilitation](#) by Jeanne Rewa helps you do this virtually
- [Facilitator's Guide to Participatory Decision-Making](#) by Sam Kaner gives clear instructions for facilitating diverse perspectives

**Timeframe:** On your own time

### Materials You Will Need:

- [Meeting Agenda Template](#)



## PLANNING CHECKPOINT

# Meeting Agendas & Facilitation

(Page 1 of 2)

## Here are 3 steps to help you have effective meetings

### Prepare

- Create an agenda using the [Meeting Agenda Template](#)
- Send agenda out in advance
- Send out proposals and background materials
- Gather any background information
- Prepare the space
  - If in-person, set up room and refreshments
  - If virtual, make sure tech works and people know how to use it

### Meet

- Check-in
- Role Reminders
- Review Tasks
- Announcements / Approvals
- Discuss/Decide
- Close

When most people plan meetings, they think of using the time to communicate, to plan, to decide, etc. We'd like to suggest that you think about how you organize the content of your meeting—no matter its purpose—in the shape of a bell. You put easy topics at the beginning, including check-ins to ask how people are (culture building,) remind people of roles (facilitator, note taker, time keeper,) review simple tasks, and make announcements. Put the topics that require deeper thinking and discussion in the middle, once people are warmed up. Then, close out with simple topics again, including a review of tasks, a meeting evaluation, and appreciations. This method of organizing your agenda helps people warm up before jumping into difficult or complex thinking, and then wraps up with specific things such as next steps, and a positive feeling following appreciations.

### Follow Up

Send out the minutes

- List decisions made
- Separate out action steps/tasks (in minutes and email)
- State the next meeting time, location, facilitator

File agendas, minutes

The third part of a meeting is making sure people are reminded of what happened, what decisions were made, who is supposed to do what, and when you are meeting next. Lastly, ensure that the meeting agenda and notes are filed.

The facilitator can take the lead on preparing and facilitating the meeting. The note taker can take the lead on the follow-up.



# Meeting Agendas & Facilitation

(Page 2 of 2)

## Facilitation

### Meeting facilitation is about power.

The facilitator holds power. But, facilitation of a worker cooperative is about the power of the group, not the facilitator's power. The facilitator can support the power of the group by drawing people into the purpose and content of the meeting, by drawing people toward each other and by monitoring the power dynamics that take place between people. Last, the facilitator helps the group make decisions that will move the cooperative forward toward its goals.

Think of the facilitator's role as having three related parts:

The **first** part of the role is to guide the meeting participants through the agenda. This includes stating the purpose of the meeting—is it to discuss, to plan, to decide? The facilitator holds the roadmap and destination about where the group is going and makes sure everyone is working together to get there.

The **second** part of the role is to manage participation. In a worker cooperative, you want to bring multiple voices into the meeting, and this means that the facilitator has to manage who speaks too much or not enough, and work to keep people interested and engaged by keeping the conversation relevant and on-topic.

**Third**, the role of the facilitator is to help the group reach decisions that are best for the group. This means to summarize the discussion, synthesize people's comments if needed, note key areas of agreement, and clarify proposals before voting/testing consensus. They notice when comments should become proposals, and then help the group make decisions.

### So, what is the role of the manager?

You may not need to always be the facilitator. In a conventional business it is assumed that managers need to lead the meetings. However, the role of the democratic manager is to make sure that meetings follow the three parts: pre and post communication, and a well designed agenda.

Managers can demonstrate best practice in facilitation by following the agenda, managing participation, moving the group to decisions, and building a positive culture.

Then—and this may seem the most surprising—you want to begin to share that role. There are good reasons for sharing facilitation in a democratic worker cooperative. When many people get to rotate in and out of facilitation, they get experience in leading. It is a way of sharing power, hearing more voices and building skills.

That said, you need to make sure facilitators are trained in how to make meetings effective. The best way for them to learn is to watch good facilitation, debrief, and when they lead the facilitation, make sure to give direct feedback and support.





# Quick Tips on Meetings

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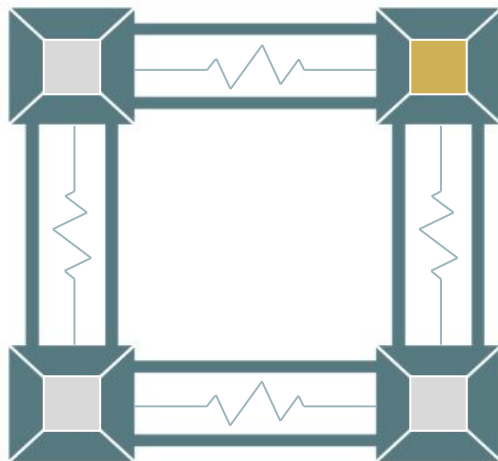
Why are we meeting? If you do POP, people never need to ask again.

- Say what the **Purpose** of the meeting is (i.e. to discuss and decide on our budget)
- Then what the **Outcome** will be (i.e. we will be able to move forward with spending)
- **Process** is the agenda: “Here’s how the meeting will go: We will check in for 5 minutes; we will review our tasks for another five minutes; then Diana will share the budget; we will look over the budget; we will identify specific changes from last year, answer questions and concerns; then we will take a vote to approve it. We have allowed 30 minutes for this. Then we will close the meeting.”
- For every meeting you plan, ask yourselves, what is the POP? Answering the WHY we are meeting, or the purpose, will help people be more engaged. Sharing the outcome will help people know what they will be able to do after the meeting. Going over the process or agenda will help them know how much time each part will take, and the order of activities, so they can pay better attention and engage.
- The facilitator should also ask themselves: Are the pieces of the POP aligned? The process should follow from the purpose and outcomes. The time, shape, activities, and even preparation and follow up can look very different depending on the purpose of the meeting. A meeting to surface initial ideas and input may look very different from a meeting to make a final decision. Do not be afraid to design the meeting process to most effectively accomplish its purpose.



# Information

Financial and strategic information is shared with workers,  
and workers' input is valued.



**This corner post represents information.**

Sharing financial and business strategy information with workers is one of the most important elements of building a democratic workplace. It is what aligns everyone to the goals that need to be met, and allows the team to be more agile or adaptive when changes need to be made. On the flip side, workers need opportunities to share their ideas for changes and improvements based on their direct experience with customers, suppliers and competitors. Why? So you can harness the power of everyone's thinking and expertise to succeed.



# Information

If you worry that members are not ‘acting like owners’, you can begin to change that by helping them understand how money works in your company. This is something that many conventional companies do through the Great Game of Business and other methods of open book management. The cooperative difference is that members have the right to see the books, and to make financial decisions in their role in governance.

Opening the books is a tangible and immediate way to build and strengthen ownership culture, and can help members move from ‘me’ thinking to ‘we’ thinking. *“What can we do to save costs? What can we do to increase sales?”*

Democratic managers use financial reports as conversation starters. They use numbers to tell a story of how the company is doing today, where it has been and where it is headed. To help tell the story, they show trends using graphs and charts, then ask questions to start a discussion about what is important.

While sharing financial information can build trust if done with intention and thoughtful communication, it is not a silver bullet. It is something that will amplify your organizational culture. If there is a culture of

mistrust, opening the books may raise suspicion or cause conflict. So, it is important to tie open book efforts to your organizational purpose and values and to ask yourself what you hope opening the books will do for your company.

In this section we share an assessment tool, a planning ‘checkpoint’ and an activity to help you get started sharing reports in a new way.

The first tool will help you assess what kind of information you and your management team are prepared to share with workers and why. One of the most common concerns is whether or not to share wage information, and different cooperatives handle this question differently. This assessment can help you plan for that and more.

Next, we offer a planning ‘checkpoint’ for implementing the what, when, who and how of open book management.

We end with an activity to help you turn standard financial reports into stories. With our simple tool, you can turn basic financial data into graphs and charts you can share with workers to stimulate discussion about the company’s financial state.

**If You Want More Information:** check out the

- [OBM Reporting Video](#) for more information on Open Book Management
- The book [Stake in the Outcome](#) by Jack Stack
- The book [Get in the Game](#) by Rich Armstrong and Steve Baker
- The book [Open Book Management: The Coming Revolution](#) by John Case



ASSESSMENT

## How Much Financial Information Do You Want to Share?

Credit: Jen Briggs

The **purpose** of this assessment is to define what financial transparency means for you and your company. The **outcome** of this activity is that you, as manager, will better understand how much financial information you want to share to build understanding and increase engagement. This assessment will lead you to set goals and make a plan for who, what, when, where, why and how you will engage worker owners in the financial considerations of the company. We suggest you review and update this plan on an annual basis.



*We suggest you complete this as a management team, or a board-management team. It is important that you come to agreement about what level of information you will be sharing and why. Taking different approaches and providing different levels of transparency across the company, in different teams, can foster distrust.*

Managers sometimes hold beliefs that can stall the process of sharing financial information. Do any of these sound familiar to you? *Workers don't or won't understand financials; finance is too complex; this will mean too many meetings; we are too busy; there is no time to keep people informed in a fast or changing environment; this will take focus off of what matters.*

Some managers are afraid of losing control, exposing management weakness; telling people hard or bad news; or having to answer the 'hard questions.' These are real concerns, especially if you don't have the tools and support you need to deal with what may come up. Our hope is that by assessing your comfort with transparency and putting some of the open book management processes in place, you can identify and dispel some of these beliefs, and build the skills you will need to support effectively moving to a more open system.

**Timeframe:**

- 1 hour if completing as a team

**Materials You Will Need:**

- [Financial Transparency Assessment](#)
- Instructions on the next page
- 1/4" red and green sticky dots.



ASSESSMENT

## How Much Financial Information Do You Want to Share?

**Instructions:**

The accompanying worksheet describes three interlocking elements that need to be considered in relation to becoming more financially transparent. They are described below as, ‘What kind of financial information will be shared? How will that information be shared? How will decisions about the company financials be made?’

1. Ask each member of the team to complete the Financial Transparency Assessment. Each person will use a red dot to mark where they are now and a green dot for where they would like to be.
2. Consolidate the dots onto one document, creating a map of opinion variance.
3. Discuss the variances, the pros and cons of each, and come to agreement about your plan for sharing financial information.
4. Create a plan and set skill building goals to help you move to new points on the continua.
5. Revisit this assessment on an annual basis.

The idea is to get a picture of where you are now, where you might want to move, and make a plan for getting there. Most important is to talk about the ‘why’ of where you are now.

Over time, worker-owners may press for greater transparency and openness along any of these continua. Or they may disengage or lose interest in finances. Knowing where you are starting and where you want to go will help ease any tensions that may come up related to these desires.



*There is no “right” place to be on these continua. Rather, there are many considerations to take into account, including the size of your company, its stage of growth, and financial and business literacy of employee owners, to name a few.*





**PLANNING CHECKPOINT**  
**Open Book Management**

Credit: Jen Briggs

The **purpose** of this section is to help you understand key elements of open book management, including the difference between financial reporting and management, how to identify your critical numbers, and ways to share the responsibilities for reporting on the company's financial information and direction. **The outcome** is greater engagement in financial and business analysis by all workers.

**Instructions:**

Answer the following questions as you move toward implementing an open book management system in your company. These questions will be described in more detail in the following 5 pages:

1. **What** will you share?
2. **When** will you share it?
3. **Who** will be responsible for sharing the information?
4. **How** will you engage workers in financial discussions and decisions?

**Timeframe:**

On your own schedule

**Materials You Will Need:**

- [Sample OBM Reports](#)
- [Scorecard Worksheet](#)



## ASSESSMENT

# Open Book Management

(Page 1 of 5)

## What will you share?

**Financial Statements:** Many managers start opening the books by sharing the company's main financial statements: (1) the profit and loss or income statement, which shows income and expenses, and (2) the balance sheet, which shows the balances in asset and liability accounts. Yet, managers often report frustration with workers' lack of experience in reading these statements, or what often appears to be lack of interest.

The purpose of reporting is not that it be one-directional, from management to workers. Instead, financial reporting should become a way to engage workers in conversations about what is happening with the company, and then generate ideas for making changes, which might increase revenues or decrease costs. This can include all workers, those who are owners and those who are employees. With this in mind, here are some tips for making financial information as relevant and engaging as it can and needs to be. If you are sharing financial reports, you can think about what workers are most interested in:

- Profit and Loss Report (also called Income Statement):
  - Comparison: Create a story by comparing actuals to budget, or this year to last year.
  - Pull out a simple success indicator for your industry, one that workers have a daily lived experience of, so they can compare their direct experience to the financials.
  - Worker-owners are interested in how the company is doing as it relates to the possibility of generating surplus, that they as owners, will share.
  - Worker-owners also may concentrate on labor costs. They know what they get paid, and they also know the amount of labor each member contributes is the basis of profit sharing. To provide good detail, show labor costs separated out from other costs and expenses.
- Balance Sheet:
  - Big picture health of the company: Show how the company's long-term health (retained earnings, equity, etc.) impacts its ability to support jobs in the future.
  - Track their individual accounts: The chart of accounts should have an actual account line for member equity, with sub accounts for each individual, which shows the balance of their equity shares and retained equity sub accounts.
- Cash position or cash flow projection: The cooperative needs enough cash on hand to pay out retained patronage and any equity refunds. Members need to be paying attention to cash.

Your goal in teaching financials isn't to build a company of accountants or economists. Rather, it is to support entrepreneurial thinking and to encourage conversation. You want to develop skills so people can ultimately be involved in budgeting, forecasting, etc. Business and financial terms and concepts don't come naturally for many, so you will need to teach financial skills and model communication practices that are based in curiosity and healthy debate. You will need to practice presenting information in a way that is accessible. And remember, the more people see and engage with numbers, the more comfortable they will become. So, find ways to make the numbers relevant to people, and come back to it again and again.



## ASSESSMENT

# Open Book Management

(Page 2 of 5)

One critique of focusing only on the standard income/expense and balance statements is that it is backwards facing. You look at what happened in a past month or quarter and assess what happened and why. An alternative is to face forward by identifying one or two critical numbers, then set goals for each and track progress in real time. Following are three examples of monitoring success in new ways. You can use this [Scorecard Worksheet](#) to identify which one makes sense for your company at this point in time. You can change depending on the state of the company or the current market conditions.

**Critical Number:** This is a number that drives success, one that at any given time will have the greatest impact on your business. It is common for companies to define their critical number as net income, but you may also want to identify an additional number that is more immediate and tangible to workers. It could be as simple as the number of babies that need to be cared for in your childcare center on any given day, or the number of beer bottles sold on a daily or weekly basis. The point is that this number is clear, memorable, and at-a-glance tells everyone if you are succeeding or not.

**BHAG (Big Hairy Audacious Goal):** This is a goal you set in order to move your company to the next level. It might mean paying off a loan or buying an expensive new piece of equipment. This goal sets a new peak for the company and may motivate people to new levels of interest and output.

**Balanced Scorecard:** This is a richer set of numbers that can align day-to-day work with strategic priorities. This set includes more data than a single critical or BHAG number and can help you track several impacts that reflect your values including community benefit or environmental impact. For these, you will need to identify the right measures, increments that can mesh with your target goals, the data source, and then review the mix of goals a regular basis.

## When will you share?

It is critically important that financial reporting happens at regular intervals. It is not helpful to see a report every week for three weeks and then not again for a year. You want to build habits and rituals for reporting. Some companies have weekly status updates. Typically, these are short meetings of about 15 minutes to help build understanding and fortify connections between the work that is being done and the short-term financial goal you have set with your critical number. Ideally, there are smaller teams that are meeting more regularly to keep the pulse on how the team, department, or project is running. The company-wide monthly or quarterly financial reviews may be longer, anywhere from 1-2 hours with supporting reports and materials shared in advance.



ASSESSMENT

# Open Book Management

(Page 3 of 5)

## Who will share?

One of the most exciting and empowering aspects of open book management is that the responsibility for reporting financial information moves from the manager or finance committee or CFO to others who learn to 'own' their own numbers. How do you do this?

1. **Assign a champion for a specific line item of the budget.** Rather than having the manager or finance committee report on status updates, this person owns the 'backstory' on specific numbers and leads the budgeting/forecasting of the specific line. The finance committee or manager can help with financial guidelines or other support. Responsibilities of the champion:
  - a. Budgeting the line within established guidelines
  - b. Monitoring and explaining costs relative to budget
  - c. Soliciting team inputs and insights
  - d. Educating the team
  - e. Forecasting or re-forecasting the future.
2. **Set up opportunities** for pre-existing teams or departments to:
  - a. Present over/under line item reporting
  - b. Lead daily or weekly check-ins on financials
  - c. Explain what they think the next quarter or year will hold related to the goals of the company
  - d. Propose what they think they can change to add more value to the company to help meet the company's goals: to be more effective, more efficient, create new products, acquire new customers, cut costs
  - e. Contribute to budgeting
3. At the company level, **create opportunities for workers** to:
  - a. Participate in company SWOT (Strength, Weakness, Opportunity & Threat) assessments, which help everyone better understand industry trends and other environmental impacts on the company
  - b. Brainstorm new products and names
  - c. Contribute ideas for the future





## ASSESSMENT

# Open Book Management

(Page 4 of 5)

## How will you engage workers in this information?

There are a range of ways that you can report and, more importantly, engage members in owning the business's future. Options include games related to income and expense, storytelling on trends, discussing the difference between your critical number goal and actuals, and looking at strategic patterns using a SWOT (Strength, Weakness, Opportunity and Threat) analysis. Where you start to engage workers depends on your company. Where you end is with knowledgeable stakeholders able to own numbers, contribute valuable ideas and participate in decision making. More detail on each of these approaches are described in the activities below.

**Put it in context.**

- Ask workers to guess how much money is left over after all expenses are paid. Put it in language that they can understand. Show it in a picture!
- Tie it to a dollar. Explain that for every \$1 of revenue, we spend X on labor, Y on supplies, Z on transportation, etc. Print an image of a dollar, take scissors and ask people how much money goes to each expense. If 50% of your costs are labor, ask them to cut the dollar in half, and continue with other expenses to see how much is really left. Most people think that businesses retain more net income than they really do. This exercise brings the truth home.
- Tie it to your product. This example is from a brewing company: for every barrel of beer produced, we make X in profit. They drew a picture of a beer barrel, and drew a line on the barrel to show the amount of profit made for each barrel sold. Here are some [Sample OBM Reports](#) from other companies to help stir your creative juices.
- Compare productivity and efficiency. Ask workers to answer this question: if we waste \$1 on lost material, how many dollars in sales do we have to do to make up that dollar? (Example: if your company has 5% profit margins, for every dollar spent, you need to make \$20 in sales.) Generate a discussion about where cuts can be made to save costs.



ASSESSMENT

# Open Book Management

(Page 5 of 5)

**Tell a story through your company's P&L, balance sheet, and cash flow statements.**

- Compare: always compare what is happening now with the past and the future. People need context for the numbers they see and you can tell the financial story as a human drama. How we did last year tells us where we came from. How we are doing now tells us where we are. Our budget tells us where we need to be going. Tell the story in words, show it in graphs.
- Share trends: make it visual, show trends with simple line graphs or bar charts. You may or may not want to include numbers or percentages. Most people are familiar looking at graphs: they may look at the weekly weather or sports results. You can create graphs that help people see trends in ways they are already accustomed. However, we suggest you don't stop there. Instead, add a question at the bottom of every chart to encourage thinking and to help guide a discussion. Asking "why" is a good place to start, "Why do you think we are doing better this month than last year at this time?" or "Why are our revenues steadily declining over the course of the year?"
- Track your critical number, Big Hairy Audacious Goal (BHAG), or balanced scorecard: Create two columns on a piece of newsprint: Our Goal and Our Current State. Discuss, "What do we want/need to do to meet our goal?"

**Explain the business plan, and how the financials are just a snapshot of the plan.**

- Explain how the company creates value and how members can create value, why sales are the way they are, competitive dynamics and choices you have made. Encourage questions and discussion.
- Consider sharing the highlights of your business strategy in a simple graphic or one-page handout.

**Look at strategic patterns.**

- Do a SWOT analysis (Strengths, Weakness, Opportunity, Threat) as a participatory process and f discussion with workers. Ask questions about external opportunities and threats, "How is the marketplace doing?" How are others doing in our industry and what can we learn from them?" Then ask questions about internal strengths and weaknesses, "What changes can we make that would have the most impact and be the easiest to implement?"



## ACTIVITY Financial Statement Storytelling

The **purpose** of this section is to help you easily create visual graphs and charts for sharing financial information at a glance. The **outcome** is that workers will be more interested in financial reports, and be better prepared to analyze and discuss the state of the company.

### Instructions:

1. You can use this spreadsheet template to create graphs and charts of your financials, once the books are clean for the month. The numbers come from your profit and loss statement.
2. The information is shown as monthly trends, which are more intuitive and recent to people than quarterly reporting.
3. The yellow cells are the ones you change, everything else you leave alone. There are some practice numbers in the yellow cells in the practice tool.
4. Enter new numbers into Tab 1.
  - a. The tool asks you to input 5 numbers from your profit and loss statement: Income, Cost Of Goods Sold (COGS), Labor, Expense, Other Income
  - b. The one that is sometimes tricky is labor cost. Some companies have labor costs embedded in COGS, some have it in Expenses. We recommend separating it out, at least as a sub-category.
5. You do not need to change anything on Tab 2.
6. Open Tab 3 which automatically fills in the graphs and charts.
7. You can copy and paste any of the graphs into an email or print out any of the charts to share.
8. To move the charts forward one month in time, change the three letter Month (ie “Dec”) on the first tab

**Timeframe:** On your own schedule. Once you have set it up, this report can take 5 minutes to create, using just 5 numbers.

### Materials You Will Need:

Make your own copy of the Google Sheet templates linked here:

- Visual Financial Statement Tool with [practice numbers](#)
- Visual Financial Statement Tool [template](#)

This tool creates graphs that show the following:

1. Line charts showing **dollar changes over time** compared to the previous year
2. Line charts showing **percent changes over time** compared to previous year, and
3. Up / down bar charts showing how much **better or worse** we are doing compared to previous year.



**ACTIVITY**

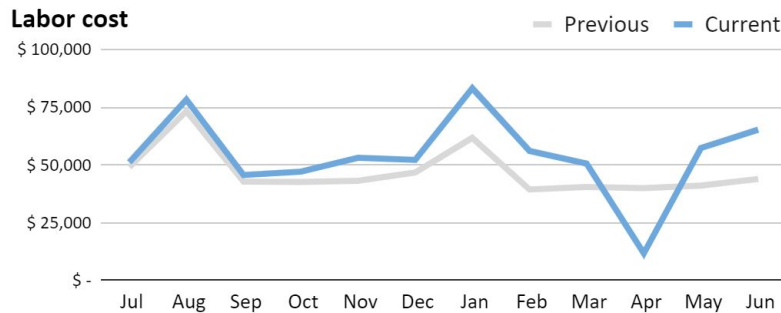
# Financial Statement Storytelling

(Page 2 of 3)

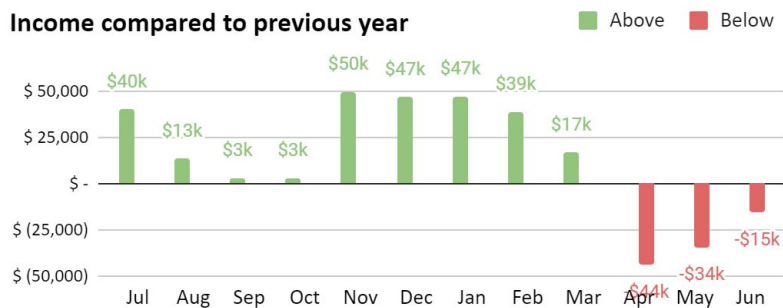
## Analysis

There are a few things that are particularly useful to consider as you move toward analysis.

- These graphs show a whole year, which we recommend you do in order to look at the whole story, not just a quarter. Two years are even better.
- The gray line shows the previous year. For example if the line for net profit went down, but not as far as last year, you know that there is a story there, something negative happened. You can spin it positively and say, “We are doing better this year. Why?”



- The graph that seems to connect people most emotionally is the red and green up down graph. If members see income has increased and they see green every month, that builds morale. If the line is red, people see they need to make a change. You can ask, “Are we keeping up the positive streak?” and “What accounts for these changes?” If you have one minute to communicate something, try this chart.



ACTIVITY

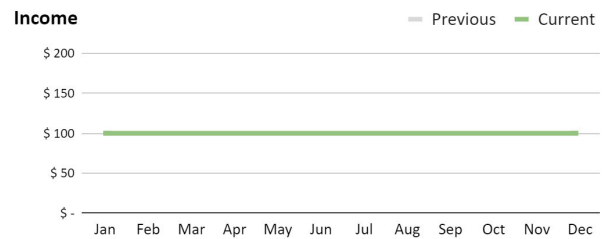
# Financial Statement Storytelling

(Page 3 of 3)

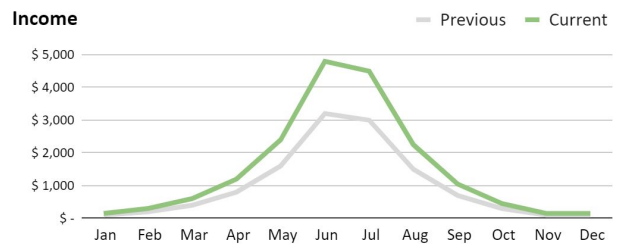
## Communication

There are four possible stories and subsequent questions that you might see in your graphs (shown in small scale below). Be sure to include questions alongside the charts you share to spur inquiry and conversation.

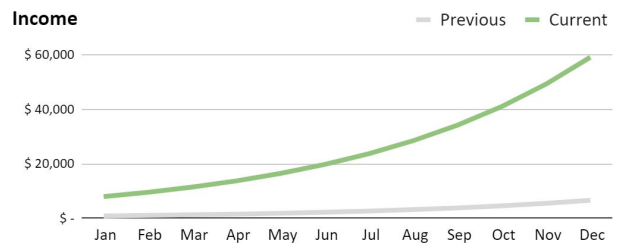
**The income line is flat.** Does that tell a story? You may think it doesn't, but you could ask the question, "Do we really want to stay flat or do we want to go somewhere?"



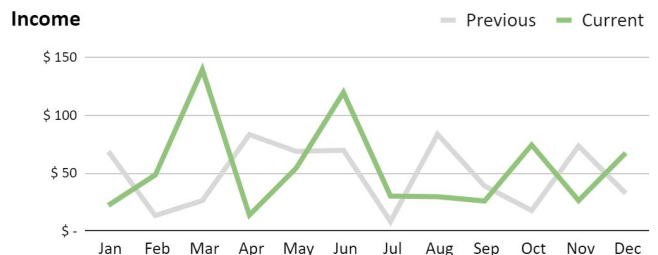
**The income line is an arc.** This usually indicates seasonal changes. Members sometimes might read this like the weather, and think there is nothing they can do about it. In this case, you may want to ask, "How can we emphasize the highs and de-emphasize the lows?" Or, "How can we get prepared now, if we know December may be a low month?"



**The income line is a slope.** If it is rising, you might ask, "What are we doing well? How can we recognize people and showcase good work?" Or, "Do we need to take a break and rest?"



**The income line is inconsistent with no trends or regularity.** If it feels out of control, people will stop reading the story. Here, you might ask, "What is one thing we could do that would be more predictable?"





# South Mountain Company

22 worker-owners; 36 total workers

Integrated Architecture, Engineering, Building, Interiors & Solar, Martha's Vineyard, Mass.

Since its transition to a worker cooperative in 1987, South Mountain Company (SMCo) has regularly shared its financials with members. But over the last three years SMCo has stepped up the practice of open book management with all employees. They began by organizing a full-day financial training during their annual 'Day of Business', reviewing in detail their profit and loss statements and balance sheet. The following year, again at their 'Day of Business', they repeated the financial training and introduced KPIs (Key Performance Indicators). Hearing positive feedback from employees on the benefits of repeated training, they continue to include this piece each year to reinforce the information for existing employees and teach new employees.

The management team started with just a few critical indicators in order for them to focus on the story behind the numbers. They wanted to be sure they could make the case for why these numbers were important to the company and that individual members would understand the levers available to enhance the company's financial performance. According to Director of Finance Siobhán Mullin, "The KPIs we introduced initially were our project pipeline, percentage of billable hours, unrealized revenue, and net profit. We wanted to focus on these few profit levers and fully understand how we could influence positive change in these areas."

They now track five critical numbers:

- Project Pipeline – 18 months
- Percentage of Billable Hours to Total Labor Hours – Compared to company target
- Unrealized Revenue – Tracks warranty work and amounts over budget
- Net profit – Monthly net income, a percentage of which will be distributed to employees at the end of each fiscal year
- Percentage over or under budget on their completed projects

The management team reviews the KPIs every month, accompanied by a financial narrative and monthly financial reports. A summary of the narrative and KPIs are distributed companywide. At quarterly company meetings, Siobhán presents detailed financial reports along with the KPIs. She then leads a discussion, inviting questions from all. "The story behind the numbers becomes richer and involves others who have insights about a particular job or situation. This process encourages transparency, and we learn how we can influence these profit levers every day."

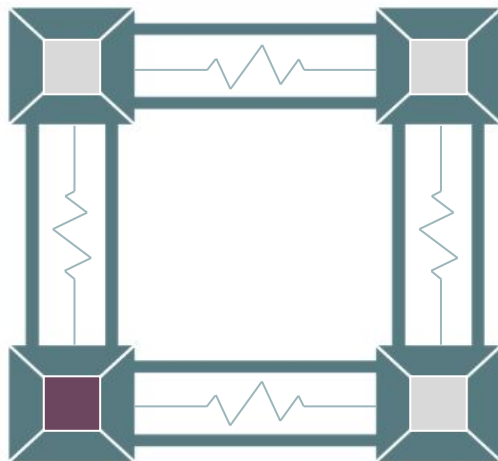
At first, management thought sharing financials through annual trainings, monthly reports and quarterly meetings might be too much repetition. On the contrary, they found that repetition deepens everyone's knowledge and that members move from listening, to curiosity, to inquiry, and to greater engagement over time. Says Deirdre Bohan (COO), "Financial literacy filters into every corner of the business. This process is self-reinforcing; it encourages us to get better at developing and sharing our financial story."



# People



**Managers develop workers' capacity through training and human-centered supervision, in support of democratic participation.**



**This corner post represents People.**

Democracy requires developing peoples' capacities to engage. The principle of centering the 'worker' in a worker cooperative permeates all aspects of the business and includes your commitment to training workers, as well as your approach to supervision. This corner post is focused on developing people so they can meaningfully exercise their rights and responsibilities as worker-owners and take on increasing levels of leadership.



# People

Learning the skills needed to govern, to create fair policies, and to contribute to financial and strategic decisions requires training. Managers can support worker education by developing a plan, identifying who will teach, and ensuring there is a line item in the budget for member education.

This section includes a planning ‘checkpoint’ for member training that lists different topics that *new worker-owners* need to learn as you are orienting them, what *board members* might need to learn to do their job well, as well as what you might teach to *all worker-owners* on an annual basis. These lists are comprehensive, so we encourage you to prioritize and decide what is doable for you.

It is important to aim to create a learning environment that doesn’t replicate negative experiences that workers may have had in the past. On an individual level, we encourage you to help people take control of their own learning goals by completing a Self Leadership Assessment. We show you how to do this here.

Some workers (as well as managers) assume that supervision is not necessary when everyone is an owner. This is not true! Worker-owners need to work, and follow the stated rules. And, just like any workplace, sometimes there are problems. Many cooperatives adopt a coaching approach, a method of supervising that gives support to individuals while also

holding them accountable. Coaches ask questions and work with people to find solutions to a problem together, rather than being authoritative and directive.

In this section we introduce activities that highlight the four key skills required for coaching supervision: self-awareness,

*We believe that education is even more critical in a worker cooperative than in a conventional company. Why? People have to learn to think and act like owners.*

self-management, active listening and the ability to give constructive feedback.

Lastly, we share an activity to help you address conflicts that may arise at work. Democracy in the workplace does not reduce the amount of conflict; in fact, it may even increase. New types of conflict can arise from differing expectations of accountability, transparency, as well as from owners expressing their differing opinions. Because the democratic atmosphere can invite more conflict, managers need to be able to see conflict as a positive and use it to drive performance.

### If You Want More Information:

- [Onboarding New Employees](#) Ginny Vanderslice and Linshuang Lu describe what kind of critical information you can share about ownership from the start.
- [Supervision Matters](#) by Rita Sever gives bite-sized ideas about how to supervise well.
- [The PHI Coaching Approach to Supervision](#) provides a detailed description of coaching supervision, skill building and change management with homecare workers.
- [Human Resources and Justice](#) by RoadMap shares principles and practices for addressing racism and sexism.
- [Thanks for the Feedback](#) by Douglas Stone and Sheila Heen helps the receiver to own the feedback.







## PLANNING CHECKPOINT How to Design Member Training

The **purpose** of this checkpoint is to introduce you to training topics and planning tools that will help you build a strong ownership culture. The **outcomes** are worker-owners and board members who know enough to be motivated and engaged in contributing to business strategy and success as well as their role in creating a positive workplace.

Each of the actors in a democratic workplace needs to learn to meet the requirements of their role, whether it is as a worker-owner, as a manager, or as a board member.

**Instructions:** Read through the planning checkpoint and materials in order to create a participatory and effective member or board training program in your company.

**Timeframe:** 1 hour to review the materials below. More time is required to plan and implement your different types of training programs.

**Materials You Will Need:**

- [Facilitator Agenda Planning Template](#)
- [Onboarding Training Template](#)
- [Sample New Member Orientation](#)
- [Annual Member Training Template](#)
- [Board Training Plan Template](#)



## PLANNING CHECKPOINT

# Member Training

## Getting Started

Review the following documents that encompass the kinds of skills and topics that need to be taught and learned at different stages: [Onboarding Training Template](#), [Annual Member Training Template](#), [Board Training Plan Template](#)

## Choosing Trainers

It is important to think about who will teach in each of these settings. Will the topics be taught by the manager, by a peer, by members of the education committee, or by a board member. Consider selecting trainers who are NOT the expert in the subject matter as those who have had to learn may be best suited to teach their peers. Or you may want to bring in an outside facilitator for certain trainings. Doing so will allow you to participate and show you are also sometimes a learner.

## “POP” Purpose, Outcome, Process

It is also important to think about how information is taught. We have all experienced poorly facilitated trainings that seem to have no purpose and drag on. We assure you that it can be different. We encourage you to create a [Purpose, Outcome, Process](#) (a POP) for your training. Your POP describes the *purpose* of the training, the learning objective or *outcome* you want, and how you will teach the content, or the *process*. You can share this POP with people at the start of the training so they can be best prepared to participate.

## Agenda & Scripts

You will want to plan all the activities, the materials you will need, who will teach what, and how much time each of the activities will take. You may even want to create a script so you are prepared to offer this training again or so that another person can offer it. You can use this [Facilitator Agenda Planning Template](#) as a planning resource as well as this description of facilitation [from AORTA](#).

## Equipment, Supplies, Setting

In addition, you will want to plan for the equipment and supplies you will need to teach, and how you want to set up the room for interaction (chairs in a circle or around a table so learners can face each other rather than the facilitator).

## Engaging & Motivating Learners

Finally, you will want to plan ways to engage and motivate adult learners by:

- Considering their needs and abilities
- Drawing on their experience
- Teaching to different learning styles: visual, auditory, tactile
- Explaining the WHY of what you are teaching
- Accommodating introverts and extroverts
- Making the learning relevant to their work

## Create a Doable Plan & Budget

The important thing to remember about developing a member training plan is to make it doable for your company: choose priority topics, categorize them, and estimate the time it will take. Finally, remember to budget for training and include it as a line item in your annual budget. This may include sending people outside of your company for training, bringing experts inside, paying peers to teach, or paying workers for their time spent in training.



## ASSESSMENT

# Self Leadership and Supervision

Credit: Jen Briggs

The **purpose** of this Assessment is to help the worker and the manager better understand that worker's level of competence in specific areas of work and agree upon the types of support needed. The **outcome** is that workers take leadership over their own jobs and their own learning to best contribute to the success of the company.

As a manager you have the opportunity with this Assessment to *create a demand for learning, build confidence, and understand how best to support people* by helping each person identify what stage they are in and where they want to move. We hope that everyone in your company can use this framework and language about learning and that everyone can 'own' their own stage of learning.

### Instructions:

When you meet with a worker to introduce this tool, begin by sharing an example of when you had to learn something new. Tell a story that follows these stages: as a beginner, you may have been overly confident, but maybe succeeded. Later, after you practiced, you might have done all right but maybe made some mistakes and got discouraged. Once you finally learned it, and were capable, it felt great. But then, over time, you might have become a little bored.

Once you have told your story, explain that this is what happens at each stage of the learning cycle. This is true in life as well as at work. Explain that you want to introduce a tool to better understand where the person is at with their competence in their job in order to help you determine the best way that you can support them as a supervisor.

**Timeframe:** 30 - 60 minutes

### Materials You Will Need:

- [Self Leadership Assessment](#)

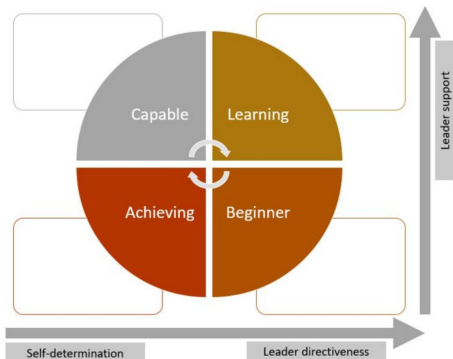


## ASSESSMENT

# Self Leadership and Supervision

Share this [Self Leadership Assessment](#) with everyone that you supervise, in a one-on-one conversation.

Share and explain the Self Leadership Assessment graphic (shown below and linked above) by starting at the bottom right quadrant with 'Beginner', and then moving up to 'Learning', then counterclockwise left and across to 'Capable' and then back down to the lower left quadrant 'Achieving'. Explain that on the bottom horizontal arrow, the continuum moves from self determination on the left to leader directiveness on the right; and on the side vertical arrow it moves from the bottom up; from less to more leader support.



Credit: Hersy & Blanchard

Ask the worker to think of their current job and assess where they are in their competence level. Use the Assessment Tool to together identify where they are currently/what stage they are in.

### Explain each stage in the following order:

1. **Beginner:** At the beginning, you are confident, sometimes overly so. When someone is a new employee, they may say they know how to do something, but as a supervisor/teacher you can make the mistake of interpreting their enthusiasm for knowledge. You actually have to do more directing than you think.
2. **Learner:** As they start to move to the next stage of learning, they might hit some bumps and get frustrated. Here, they will need your support in the form of modeling how to do it, or testing your ideas against theirs.
3. **Capable:** Then, once they have got it, they move to the capable stage, where they may feel that they 'have this'. At this stage, they can be supported with affirmations, but they don't need a lot of directives any longer.
4. **Achieving:** Finally, when they are in the achieving stage, they may actually get bored, and potentially sloppy. Their motivation may live in teaching others. Your job as manager is to help them identify where they can find more challenge and help teach others.

Ask the worker to assess where they might place themselves in the above categories with respect to their job or role. Ask them to identify what kinds of support they think they need in order to be capable and motivated. Then discuss ways that you can appropriately direct, teach & support, affirm and ultimately help them learn to teach others. Aim to come to an agreement about this and plan a check in within a reasonable time period to see how the supervision is working, and if you need to make any adjustments.





## ACTIVITY

# Coaching Supervision

Credit: PHI

The **purpose** of introducing you to Coaching Supervision is to support you in becoming a better supervisor and communicator. The **outcome** is that you will be better equipped to support worker accountability and success.

### Instructions

You can read through the following section, and complete the activities alone, but it would be even more effective to you to practice the activities in pairs that help you with active listening and giving constructive feedback. The key to getting good at this is practice, practice, practice!

Here we introduce four key skills required for coaching supervision:

- Skill 1: self-awareness
- Skill 2: self-management
- Skill 3: active listening
- Skill 4: the ability to give constructive feedback

### Timeframe:

- 30 minutes if solo
- 1-2 hours if working in pairs

### Materials You Will Need:

- [Ten Common Blocks to Listening](#)
- [Four I's of Giving Feedback](#)
- [Conflict Scenarios](#)
- Print out the following six pages.



## ACTIVITY

# Coaching Supervision

(Page 1 of 6)

## Skill 1: Self-awareness

**Self-awareness** refers to the ability to be conscious of one's emotions, assumptions, and biases that lead to prejudging or negatively judging others. In truth, our emotions can often get in the way of listening to others, and create barriers to good supervision. Self-awareness is critical. Following is a list of behaviors, people or situations that can trigger emotions.

Put a check mark by as many of the following examples of behaviors, people, or situations that trigger your emotions.

- 1. I hear the same complaint over and over again
- 2. Someone refuses to take responsibility for a problem
- 3. I feel personally blamed or attacked and get defensive
- 4. I get the sense that I am failing or have messed up
- 5. The issue is too close to the bone for me
- 6. I'm blamed for something that isn't my fault
- 7. I think the other person is lying
- 8. I know I'm right
- 9. I think one person is right and another is wrong
- 10. My idea is brilliant and the other person won't accept it
- 11. I think this will go on forever and I don't have the time for it
- 12. Someone's behavior reminds me of my mother/spouse/ex...
- 13. I'm tired, stressed, or just not in the mood
- 14. Others: \_\_\_\_\_

What do you usually do to calm yourself down? Identify at least one method you use in the moment and one to use to help you prepare for stressful situations.



ACTIVITY

# Coaching Supervision

(Page 2 of 6)

## Skill 2: Self-Management

**Self-Management** refers to one’s ability to set aside emotional reactions and judgments in stressful situations. It also relates to one’s ability to listen, without blocks, blame, or judgment in order to fully hear the perspective of the person or team.

Often we are faced with situations and people who provoke a strong response in us.

These responses can be:

- **Emotions**—anxiety, anger, hurt, frustration, hopelessness, or sadness.
- **Prejudices and Assumptions**—We feel that we know the other person’s reasons, motivations, or ways of thinking, or what the causes of the issue are.

When we are in an emotional state or feel we already know all there is to know about the situation or person, listening becomes difficult and communication often becomes charged. Whatever our reaction, we always have a **CHOICE** in how to respond. Choose Option B!

Option A	Option B
Defend our opinions	Suspend our opinions and put them on hold
Prepare our response	Listen actively, without blocks or judgment
Look for evidence to support our opinions	Look with curiosity for new information or insights
Discount evidence to the contrary	Stay open to changing our opinion



## ACTIVITY

# Coaching Supervision

(Page 3 of 6)

You may be wondering how? Pulling back is the ability to gain emotional control in a stressful situation. Your ability to handle a situation well will be determined by your ability to stay calm and think clearly. To “pull back” is to be able to pause, become aware of your emotions, get them under control, and clearly observe and assess the situation. After pulling back, you are better able to understand what is happening and ask for additional information (if necessary). Good communication and problem solving can only come from clear, objective thinking.

**Steps for Pulling Back**

1. Notice your emotional reactions and judgments.
2. “Freeze-frame” your reaction—put it aside.
3. Put your attention back on the other person.

## Skill 3: Active Listening

**Active Listening** is a process that involves the skills of non-verbal body language, paraphrasing, and asking open-ended clarifying questions. It is used to help ensure understanding, demonstrate interest, and explore multiple points of view in a situation. In the coaching approach, a very conscious and intentional level of listening is required. We call this active listening.

Active listening—i.e., giving our full attention to the person speaking—involves:

**Using nonverbal communication** (body language) to communicate effectively. **Body language** refers to such things as facial expressions, postures, and gestures.

**Paraphrasing**—i.e., the ability to state in your own words what you understood someone to have just said or expressed.

**Asking open-ended questions** to clarify and/or gather additional information. These questions usually begin with how, what, or why. These questions are neither leading nor loaded.





## ACTIVITY

# Coaching Supervision

(Page 4 of 6)

Active listening is the underlying skill in the coaching approach. When people listen with their full attention, they remember and understand more of what is being communicated. On the other hand, when they listen inattentively, they miss a great deal of what is being communicated. Being listened to attentively feels caring and helpful to the speaker. Not being listened to, or being listened to in an inattentive manner, often feels hurtful and unhelpful.

## Activity

Step 1: on your own, answer these questions:

1. Identify your most common blocks to listening by reviewing the [Ten Common Blocks to Listening](#)
2. Think about how these blocks come up for you.
3. What will help you become aware that you are using these blocks?
4. What strategies might you use to get back to really listening when you recognize that your listening is blocked?

Step 2: review the suggestions for phrases to use when paraphrasing, below. When you *paraphrase*, you sum up what someone else says, *in your own words*. Paraphrasing enables you to listen better because it keeps you focused on what the other person is saying; provides an opportunity to check your understanding and clear up misunderstandings on the spot; lets the other person know you are listening; helps the other person think through their ideas.

## Phrases to Use When You Paraphrase

To achieve these benefits, your paraphrasing has to have a positive tone of voice and be offered without blame or judgment! You can use one of the following phrases before you begin to paraphrase:

- So, I think you said . . .
- Are you saying that . . .?
- So, what you are telling me is that . . .
- So, what I heard you say is . . .
- Am I hearing you correctly that . . .?
- Okay, let me see if I'm getting this right . . .

Step 3: 10 min. in pairs. One person at a time will share their blocks to listening (that they identified in the first exercise), how they will become aware they are using these blocks, and their strategies to get back to really listening. The listener then has the opportunity to paraphrase. Give each other feedback about how well the paraphrase went and how you felt being paraphrased! Then switch. Five minutes for each person to speak and reflect on the paraphrasing.



## ACTIVITY

# Coaching Supervision

(Page 5 of 6)

## Why Paraphrase

What are the benefits to paraphrasing? People LOVE feeling listened to! Paraphrasing can stop anger and cool down a crisis because your focus is on clarifying information instead of reacting to the situation. Paraphrasing prevents miscommunication. False assumptions, errors, and misinterpretations can be corrected on the spot. Paraphrasing helps you remember what was said. When you paraphrase, you'll find it much easier to stay focused. Your focus is on really understanding what is going on with the other person. When you paraphrase, you reflect back to the speaker what it sounds like he or she is saying – it can help the speaker think through the issue.

## The Benefit of Open-Ended Questions

These are questions that begin with how, what, or why. They clarify information and keep the conversation open by encouraging a person to share as much as they wish, including thoughts and feelings.

Closed questions, on the other hand, are ones that get simple “yes” or “no” or factual answers. They are useful for learning the facts, but tend to stop conversations and require more questions to get the other person’s full story. You want to avoid closed questions as well as leading questions that suggest the answer you want or think is right, “What do you like most about this great workshop?” Instead, you might ask, “What do you think about this workshop?”. You also want to avoid asking loaded questions that convey judgment, blame or your own assumptions, “What made you think that was going to work?”

As a good listener, it is important to develop the skill of asking open-ended questions in a non-judgmental, non-blaming way. Open-ended questions demonstrate curiosity and interest in the person and their perspective, which helps to establish and maintain relationship. They help the listener understand the situation more fully. They decrease, if not prevent, miscommunication. They encourage the person to share more information. Last, they set the stage for more effective problem solving.

## Activity 10 min

In pairs. Person one tells a short story about their favorite workplace. Person two asks open ended questions. Then the pairs reflect on the experience of being heard and hearing. Switch. Each person has five minutes to speak and reflect.



## ACTIVITY

# Coaching Supervision

(Page 6 of 6)

## Skill 4: Constructive Feedback

**Constructive Feedback** refers to providing a person with useful information about their approach, skills and/or actions in order to encourage professional and personal development. It includes both what a person is doing well and what they need to improve.

The goal in giving constructive feedback is to express appreciation and reinforce the individual's actions when they meet your expectations or those of the organization; express when an individual has *not* met your expectations or those of the organization and; provide information so you can address and solve problems together.

## Guidelines for Giving Constructive Feedback

- Give *positive* feedback **often** to reinforce actions you'd like continued.
- Give constructive feedback as close as possible to the time of the behavior that you want to reinforce or change.
- For emotionally charged situations, setting up a specific time and place to offer feedback can make a significant difference in the possible outcome of the conversation.
- When addressing a problem, avoid judging or blaming language.
- Express your belief that the other person is capable of helping to resolve the issue.
- Use the Four I's of Giving Feedback

## Points to Remember When Receiving Feedback

- Breathe
- Listen actively
- Be willing to clarify by asking questions
- Acknowledge the feedback
- Reflect back what you've heard
- Avoid the automatic tendency to explain, defend, or justify your actions...focus more on what is being conveyed to you
- Be willing to check in with the person later on

## Activity 20 min

In pairs. Each person reads the first Conflict Scenario independently. Then practice. Person one gives feedback to person two. Then the pairs reflect on the experience. Switch. Read the second scenario. Practice again. Person two gives feedback to person one. Then the pairs reflect on the experience. Five minutes to speak and reflect for each scenario.



ACTIVITY

## Courageous Conversation

Credit: Linshuang Lu, Praxis Consulting Group

A useful approach for engaging in conflict is to have a what might be called a courageous conversation. The **purpose** of having a specific approach like this one for resolving conflict is to have a shared language and method that everyone in your company can use. The **outcome** is that conflicts are more easily resolved between people, leading to a healthy work culture and ultimately a more successful business.

**Timeframe:** 15 minutes to review the material. 30 minutes to 1 hour to prepare to have a courageous conversation.

**Materials You Will Need:**

- [Courageous Conversations Worksheet](#)



## ACTIVITY

## Courageous Conversation

Courageous conversations follow a specific set of steps that are described below. We suggest that you use the STATE acronym as you prepare to engage with the person with whom you are in conflict and during the conversation.

You can use this [Courageous Conversations Worksheet](#) to help you prepare.

- **Share** your purpose for the conversation and ask for permission to discuss it with the other person. Explain that you want to follow these steps by first telling your story of the situation, asking for the other person's story and then together looking for options and a plan.
- **Tell** your story
- **Ask** for the other person's story
- **Talk** tentatively through options
- **Encourage** a path forward

Whenever you are in conflict with someone, the reality is that truth lies neither in your story nor in the other person's story, but rather in the third story, which is the difference between your story and theirs. As a manager, you are looking for areas of agreement and common goals, options that meet your and the other person's concerns and then agree to keep communication open.

Once you are in the conversation, remember to use skills of [active listening](#) as described in the previous section on the Coaching Approach to Supervision.

Invite the other person to help you think through options and next steps. Come to an agreement about how you will proceed, and then set a date for a check in.





# Cooperative Home Care Associates

1,005 worker-owners; 1,958 total workers  
Homecare, Bronx, NY

For many years, Cooperative Home Care Associates (CHCA) has invested in training all workers and management in the Coaching Approach to Supervision. This includes building skills and developing an organizational culture of active listening, self-awareness and self-management.

Despite being immersed in leading these trainings and modeling these methods, VP of Operations Denise Hernandez reflects, “There are still things that trigger me and interfere with my ability to communicate effectively. These can include past experiences, reactions, judgments and perceptions about others.”

When Denise found herself in a challenging relationship with a coworker, she sent her an email describing what she thought was a genuine, honest, clear and direct message about how their departments weren’t working together and its impact on the cooperative. The email was not well received. This led Denise to want to meet face to face with her colleague and try having a courageous conversation.

She reflected on the key steps of STATE used in the courageous conversation process of:

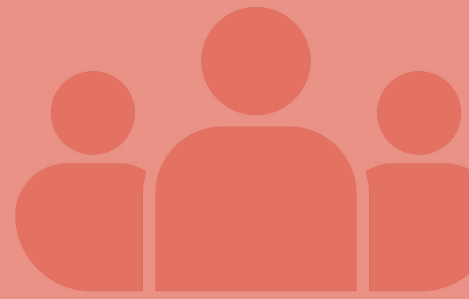
- Sharing the purpose
- Telling her story
- Asking for the other person’s story
- Talking through options
- Encouraging a path forward

After their meeting, Denise reflected, “I sincerely felt like our conversation was effective – we provided each other with an opportunity to share what was going on for us. While it was not easy to hear and share some of the feedback, there was mutual understanding of each other’s perspective.”

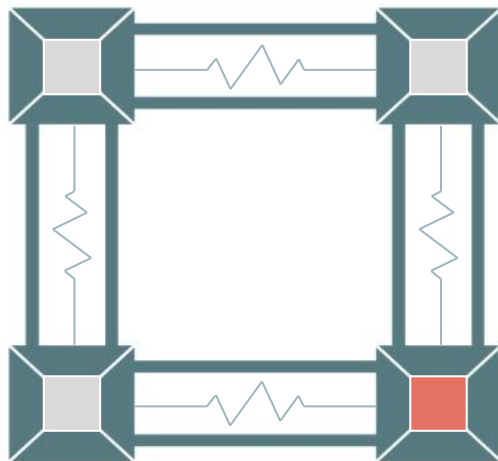
They ended up with a plan to co-lead a training on Team Roles at Work with the goal of creating better understanding of the roles played by team members and how team interactions can be adjusted to increase team effectiveness.



# Money



In addition to wages, workers experience the financial rewards of business success and share the financial risks.



**This corner post represents money.**

Sharing in the financial rewards of the business is one of the strongest incentives for worker participation. In a worker cooperative, financial return is innately connected to workers' efforts. To build an ownership culture, managers need to set up systems that will reinforce this connection. When workers feel and see that they will own a portion of the value they create in the form of member dividend, or patronage, they are likely to want to create more of it.



# \$ Money

In many ways, a worker cooperative is just like any other small business. It sells a product or service to customers at a price that covers its costs. It pays its workers for their time and skills. It aims to do this in a way that generates profit, which is called surplus in cooperatives, for its owners. But uniquely, it has multiple owners, and these owners are the workers. The shared ownership dimension of a worker cooperative shapes its accounting, operations, documentation and cash management in some important ways.

The democratic manager needs to understand and be able to explain to the multiple owners what is happening with the business, with their investment in it and their potential reward. They need to have accounting systems that track the equity investment and returns of multiple members reliably and transparently. They need to track and report on member equity through the balance sheet. They also need to manage cash in order to adequately cover member payout.

## If You Want More Information:

- [Cooperative Equity and Ownership](#) by Margaret Lund provides a detailed description of member equity investment, as well as start-up and ongoing capitalization
- [Setting a Share Price](#) from the ICA Group
- [Internal Capital Accounts](#) from the ICA Group
- [Equity Contributions Comparison](#) shows examples of different cooperatives' member contribution levels

These member-focused items supplement the strong everyday financial management practices that are essential to any successful business.

In this section we:

- provide a planning checkpoint, which defines the different ways workers are compensated in a worker cooperative and defines basic financial terms;
- describe equity investment and dividends;
- offer suggestions for policies and management systems to support fair and transparent compensation; and
- highlight some unique factors for LLCs.

To put all of this to work, we describe an activity to support you in setting up a management system for calculating member dividends.





PLANNING CHECKPOINT

# Financial Management Systems

(Page 1 of 8)

## Below are the two key features of OWNERSHIP:

### 1. Member initial equity contribution:

- Sometimes called a “buy-in,” this is the price of an ownership share in the cooperative.
- The same for each member
- Determined by the cooperative
- Tracked in equity account on the balance sheet
- Paid out when member leaves

### 2. Member patronage distribution:

- Sometimes casually called “profit-sharing,” this is the ownership dividend.
- Surplus is determined annually from net income, then divided among members
- Each member’s patronage dividend is based on their hours worked
- Dividend is usually a combination of cash and retained (paid later)

### Terms

**Wage** or **Salary** is a fixed payment for work done by employees. Wages are generally calculated hourly and salary is generally calculated annually.

**Net income** is total income minus expenses, or what is left over at the end of the year.

**Profit** is the amount of net income generated by non-members, as well as any surplus that is designated to be profit and owned by the cooperative. It is taxable.

**Surplus** is the portion of net income generated by members.

**Patronage dividend** is the dividend or distribution of surplus that a cooperative pays to its members based on the amount of the member’s participation (also thought of as economic activity) in the cooperative that year. In a worker cooperative the member’s participation is generally determined by their amount of work for the cooperative. The dividend is allocated to the member account, and generally paid part in cash, and part retained to be paid later. Each member individually owns their patronage dividend, even if it is retained by the cooperative to be paid later.

**Retained earnings** is the amount of net income left over for the business after it has paid out dividends to its shareholders (in the case of a worker cooperative, its members).



PLANNING CHECKPOINT

# Financial Management Systems

(Page 2 of 8)

## Compensation

Worker-owners in a worker cooperative are compensated in two ways: for their labor as workers, and as owners who share in the financial risks and rewards of owning the company. Understanding the distinction between these types of compensation is critical for managers, the board, and all members.

The first and primary relationship of the worker-owner to the cooperative is as a worker. Workers sell their labor to the cooperative and the cooperative pays them wages or salary in return. This is their compensation as a worker. Worker compensation may vary slightly based on the legal form of the cooperative. In cooperative corporations, workers are paid as employees. This worker compensation amount should be pre-determined based on hours worked or work completed, and should be guaranteed to the extent possible. Business performance may rise or fall, but if that person works hours, they will get paid. Most worker cooperatives are committed to paying fair wages. This can include setting baseline wages that never drop below liveable wage standards; narrowing the differential between the highest and lowest paid workers; or offering benefits to part-time as well as full-time workers.

There is a second relationship that wraps around this one: the worker-owner's relationship to the cooperative as an owner. Cooperative members contribute equity and own a share or a part of the business, and as a result they are entitled to a dividend if it is financially successful. The dividend is the member's income as an owner.

Unlike compensation for work, which is legally guaranteed, return on capital investment only happens if the business does well and has a surplus at the end of year. This dividend amount is not fixed, but varies depending on how well the company did in any given year, and how much the individual member contributed to that success with their labor.

There is obviously a balance between wage compensation and ownership income: the higher the wages, the lower the ownership dividend, and vice versa. Some established worker cooperatives strike a middle ground between guaranteed wages and uncertain ownership dividend by using strong financial management. For example, a large well-established worker cooperative food business maintains a tool to project annual surplus that allows them to calculate a quarterly bonus to all workers based on the performance of the business. Paying this bonus as wages reduces the annual surplus and dividends, instead paying them out "early" as a "pre-dividend" bonus. This bonus is a goal, but it is not guaranteed. Workers find it very motivating, and helps build the connection between the performance of the business and the benefit to its workers.

The following sections address the second type of compensation: compensation as an owner of the cooperative.



PLANNING CHECKPOINT

# Financial Management Systems

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## Owner Equity: Initial Investment

Members must contribute initial equity—more commonly called “buy-in”—when they become members. The cooperative determines this amount in its guiding documents (bylaws or policy manual.) This buy-in amount is different for each cooperative. Regardless of the size of the buy-in, it should be the same for all members.

Generally a cooperative business is *not* started or purchased exclusively with member initial equity contributions. Member equity can serve as an important part of the deal, but financing startup or purchase is a much larger cost and is generally done by borrowing money or using other sources of investment.

When the member’s initial equity contribution is received, it is accounted for by putting it in a member equity account that is reported in the equity section of the balance sheet. Most smaller cooperatives have a specific general ledger account in their bookkeeping system for each member’s initial equity contribution, so that it can be seen as a line item on the balance sheet. Larger cooperatives may combine all member equity into a single GL account, while maintaining a backend system of spreadsheets for member accounts.

It is not necessary for the cooperative to hold member equity in a separate savings account or always have this amount of cash on hand; this equity is for the cooperative to use as needed. However, the cooperative will need to return the member’s equity when they leave, and should have a system to budget for this.

The **role of the cooperative’s Board of Directors** is to create the written policies that determine the amount of equity investment, the terms for contributing it, terms for returning it, and the terms for payment of dividends. See the [Policies](#) section below for more detail.

The **role of the cooperative manager** in managing member initial equity is minimal, but important:

- ensure new members understand their initial equity contribution obligations, including timing and amount
- ensure there is a system for tracking and displaying all current member equity investments into the cooperative
- manage the cooperative’s cash obligations to return equity to departing members
- alert the Board of Directors when a policy may need to be updated or created.



PLANNING CHECKPOINT

# Financial Management Systems

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## Owner Equity: Patronage Dividend

As mentioned earlier, cooperative members' equity contribution entitles them to a reward, a dividend, if the business is financially successful. Dividends in worker cooperatives tend to play a secondary role to wages. In most worker cooperatives, workers are interested in having more income that is immediately accessible and reliable: wage compensation is prioritized and comes before any dividends are paid. Then, if the business does well, members might also receive a dividend. In low-margin or fixed-margin industries, there may never be substantial dividends.

The term 'patronage dividends,' which is used by worker cooperatives, originally comes from consumer and producer cooperatives, where members are patrons who do business with the cooperative, buying goods and services from it or selling goods and services to it. For these consumer and producer cooperatives, the patronage dividend is essentially a refund issued to members, calculated based upon the amount that each "patron" spends or sells at the cooperative in a given taxable year. In a worker cooperative, members are not actually patrons but workers, and the "business" they are doing with the cooperative is selling it their labor. We keep the term "patronage dividend" just because it is the commonly accepted standard term, but this can be a little confusing for cooperatives where members are not exactly patrons, but workers.

Cooperative dividends have a very specific logic that can seem complex at first but, over time, they will begin to be second nature to cooperative members and managers. We break it down, step-by-step, here:

First, cooperatives take net income (the "bottom line" after everything has been accounted for in the year) and separate it into profit, which is the portion generated by non-members, and **surplus**, which is the portion generated by members. The reason profit is separated from surplus is a cooperative principle: members should only benefit from the value they create, not the value created by others who are not members.

Next, the portion of net income generated by members (the surplus) will be distributed out to individual members according to their contribution to creating it.\* This is called the member's **patronage dividend**. It may be paid all in cash, or paid part in cash (a 20% payout is legally required to cover individual taxes) and part **retained patronage**, which the cooperative may pay out in cash over time, and which is accounted for on the member's retained patronage account in the general ledger.

The cooperative's finance team then reports total patronage payouts and balances to the Board and members. The cooperative will also need to support members to pay their income taxes on this patronage by issuing the proper tax forms.

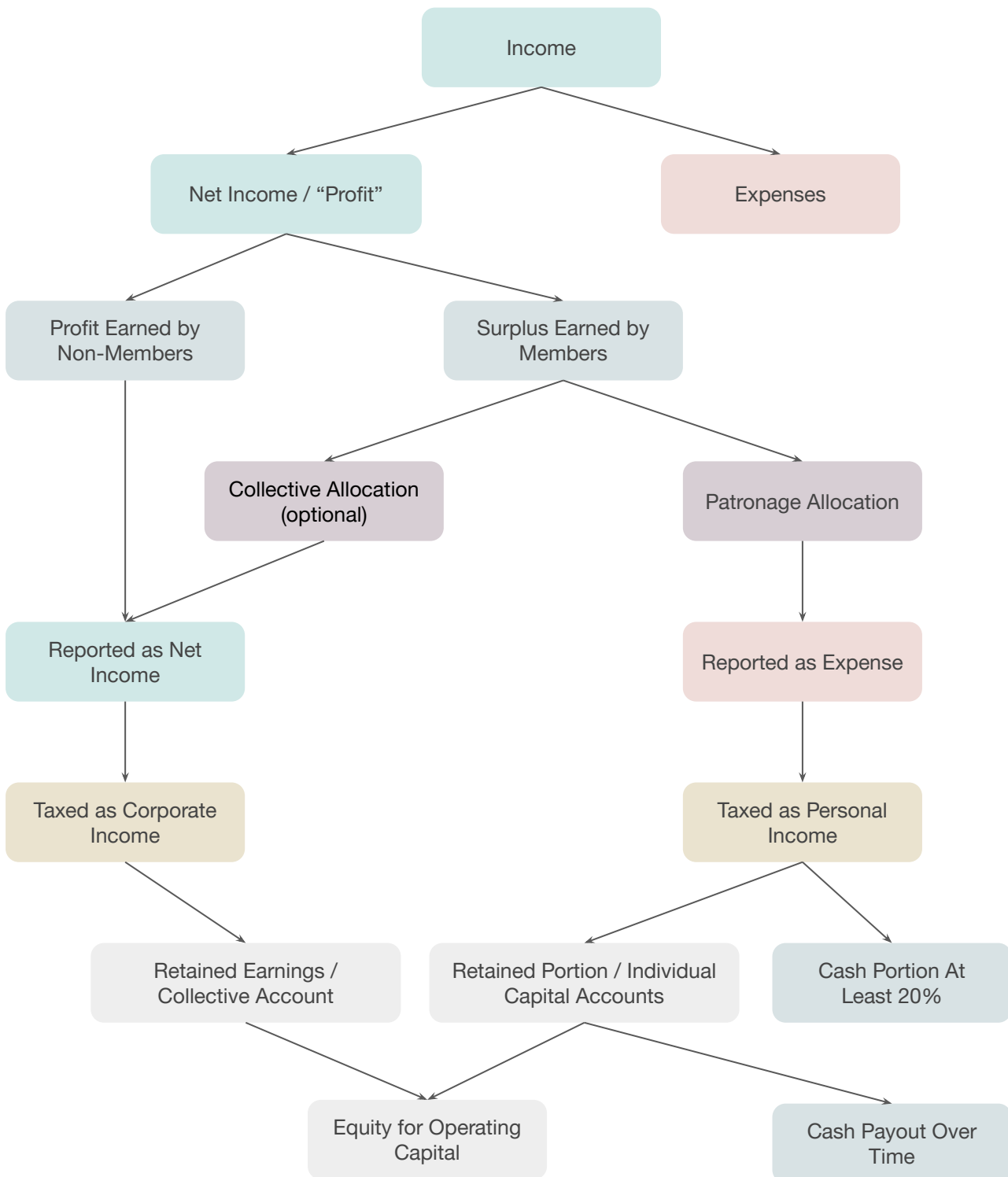
\* Note: Some cooperatives choose an intermediate step: they allocate some of this total surplus to a "collective allocation," or "indivisible reserve" meaning the cooperative owns it. You will see this optional step in the chart on the next page. (For U.S. accounting purposes this step simply adds the surplus in the "collective account" to Retained Earnings; other countries with more developed cooperative systems do have special provisions for cooperatives to retain collective surplus.)



**PLANNING CHECKPOINT**

# How Does Money Flow through a Cooperative?

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PLANNING CHECKPOINT

# Financial Management Systems

(Page 6 of 8)

## Policies

Several policies govern worker and owner compensation.

**Wages/Salaries:** Setting wage policy is the first thing a cooperative should do. Wage policies determine what and how the cooperative will pay its workers. Wage policies should include information on how wage or salary is determined and how raises are determined. These policies are unique to each cooperative and are greatly influenced by the industry and location in which it operates. Many cooperatives also have a policy on wage differentials that puts a limit on the difference between the highest and lowest paid person. Setting a narrow wage differential tends to bring the bottom wage up, and demonstrates a commitment to equity.

**Owner Equity:** Worker cooperatives also set policies addressing owner equity. The first such policy is the amount of the initial equity contribution for members. Some factors to consider in setting the initial equity contribution are: What will be meaningful for members? What can members afford? What is the purpose of the buy in? For many worker cooperatives, the initial equity contribution is primarily a psychological commitment, a 'buy-in' of sorts. One grocery worker cooperative's buy-in is \$10, because it is primarily symbolic. A well-known chain of bakery worker cooperatives uses the rule of thumb that buy-in should be the cost of a good used car. When equity is on the larger end like this, the cooperative generally allows it to be paid in by putting part down in cash and part over time as a payroll deduction, effectively 'lending' the member the money for the buyin.

The cooperative also needs to decide if this amount will change over time, if the buy-in will earn interest, and how it will be paid out when the member leaves. Generally, the amount of the initial equity contribution stays the same over time, but it can be lowered or raised by changing the bylaws or policies. The bylaws or operating policies of the cooperative should also state its equity return policy, including timing. Most cooperative statutes allow for member equity to be paid out up to three years after departure.

**Dividend Basis:** Policies about patronage dividends should be described in the bylaws and operating manual. One of the most important policies should cover how member participation will be calculated (based on hours, compensation or some other system) for the purposes of patronage dividends.

**Collective allocation:** Another policy consideration is whether any surplus is retained as a "collective allocation" before distribution to members. That can change every year, and the Board must decide on changes before the fiscal year ends.

**Member Patronage Retained Portion:** Finally, the cooperative should have a policy about how member patronage dividends will be paid out: what, if anything, will be retained and for how long, (i.e. retained for just one year and then paid out in full in year two, or paid out over 3 years, for example, with 30% first year, then 60% the second year and 10% the final year.) We recommend a simple system that works for both the business's and members' cash needs.



## PLANNING CHECKPOINT

# Financial Management Systems

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## Management Systems to Support Sharing Money

Management systems will ensure that policies are operationalized and updated. They will ensure the cooperative has good data to work with for calculating surplus and member patronage dividends. They will also support the finance team and membership to thoroughly understand the benefits of ownership and leverage the enormous business advantages afforded by the cooperative form.

The following basic management systems should be in place:

- A calendar for the fiscal year that prompts annual determination of profits before Fiscal Year End (FYE), prompts annual decisions about retained vs cash patronage, projects cash obligations, and reminds to issue 1099s.
- Annual budget and real time financial projections that show expected wages and surplus. This could be used to develop a monthly or quarterly bonus system if desired.
- Quickbooks or other bookkeeping system, with General Ledger configured to account for member equity and retained patronage.
- Annual financial statements (income statement, balance sheet) and written reports for the board, management and members that clearly show net income and member balances.
- Member roster, with the date the member joined and the amount they contributed. This is a historical document that keeps running.
- Tracking systems for time worked and compensation paid. This might be time sheets, a calendar, or a monthly total. Whatever it is, it needs to be broken down by person, hours and wages earned. This could be an outside payroll company or internal systems, or some combination of both.
- Patronage calculation systems and spreadsheets that
  - Create the right formula for allocating and distributing patronage
  - Calculate each individual's annual labor contribution and their patronage dividend
  - Track rolling payouts of retained and paid patronage over multiple years
- A cash flow management system to ensure you have the cash to pay out patronage dividend obligations.
- A system for generating member notices to accompany individual patronage dividends.



PLANNING CHECKPOINT

# Financial Management Systems

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## Understanding Taxation

In a conventional corporation, the net income is taxed twice: once at the corporate level through the Corporate Income Tax, and then again at the individual level when the left over income is distributed as a dividend to shareholders.

A **cooperatively-owned corporation** has a tax advantage—the cooperative only pays Corporate Income Tax on the profit (the portion of net income generated by non-member labor or held as retained earnings), not on the surplus (the portion of the net income generated by members and distributed as patronage). Because of this, it is in the cooperative’s best financial interest to encourage as many workers as possible to become members, which reduces the portion of net income subject to Corporate Income Tax.

**Individual members** pay income tax on all of the patronage dividend (whether actually distributed or allocated to an Individual Capital Account), and for this reason the IRS requires a minimum of 20% of a patronage allocation to be distributed in cash.

In a **LLC**, as stated above, distribution and taxation works differently. While functional systems can be set up to mimic a cooperative corporation, in practice, taxes are calculated, reported and paid differently.



*All cooperatives should consult a CPA or other knowledgeable technical assistance provider in setting up these systems and managing tax compliance.*







# Compensation in LLCs

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The Money section of this Guide is written primarily with cooperative corporations in mind. The compensation, equity, patronage, and taxation systems are specific to the corporation as an entity. However, many worker cooperatives are structured as member-managed LLC cooperatives, and we want this information to be relevant for these cooperatives as well.

In a member-managed LLC, there is not the same bright-line distinction between compensation as a worker and compensation as an owner. In these LLCs, members are owners, not employees, and they are compensated via 'owner draw,' which is technically an advance on the owner's portion of profits. However, member-managed LLC cooperatives still set up many systems that look a lot like the ones we describe here. The member works and earns a fixed compensation amount for a unit of time or a particular service, and this feels and acts like a wage for members. Then, at the end of the year, the cooperative allocates any net income to members on the basis of participation, just like in a cooperative corporation. The members can choose to retain that profit to use in the business, increasing the equity investment of each of the individual members. Or, if they have no need to retain earnings, they can distribute profits as cash to members.

From a functional perspective, and in adherence with cooperative principles and norms, member-managed LLCs still need most of the policies and management systems that cooperative corporations do. Their compensation and taxation looks a little different, so their accounting and tax preparation will need to be specialized for their form, but 90% of the general advice, systems design, and best practice in this module applies to them as well.

We recommend you work with an accountant with experience in LLC's and that you reach out to your peers in member-managed LLCs to learn from their policies and systems.

## ACTIVITY

# Calculating Dividends

The **purpose** of this activity is to help you create a management system for calculating and distributing patronage dividends. The **outcome** is that you will be able to accurately track and communicate member equity.

### Instructions:

1. Prepare
  - a. Review the Patronage Background document and chart.
  - b. Gather the Financial Statements, Payroll Reports and Member Roster you will need.
  - c. Open and familiarize yourself with the spreadsheet tools.
2. Calculate
  - a. Create the **right formula** for calculating and distributing patronage.
  - b. Calculate each member's **individual** patronage dividend and determine the retained and cash portions for each member.
  - c. **Track** individual's retained patronage over multiple years and pay out a portion of previous year's dividends annually.
3. Communicate and manage
  - a. Generate member **notices**.
  - b. Make a cash flow projection for payout.

**Timeframe:** On your own schedule

### Materials You Will Need:

- [Patronage Background](#)
- [How Does Money Flow](#) chart
- [Patronage Formula](#)
- [Individual Patronage Accounting](#)
- [Retained Patronage Tracking](#)
- [Member Notice](#) of Patronage Dividend





## COMPANY STORY

# Liberty Graphics

Liberty Graphics  
All 35 workers are owners  
Printing, Liberty, Maine

Liberty Graphics is a 40-plus-year-old t-shirt printing company in Liberty, Maine that has set the standard in the industry for environmental protection: U.S. grown and sewn organic cotton, earth-friendly and worker-friendly water-based inks, and more. When the founder was ready to retire, he wanted to keep the company local by selling to his 35 employees, many of whom are third generation workers from the same family. He sought help from the Cooperative Development Institute, which specializes in employee ownership transitions.

Rob Brown, business manager of CDI, helped shepherd the process of the sale, including setting a fair sale price, securing a loan, and negotiating owner financing. Importantly, Rob also helped guide the future owners in creating their bylaws, which, according to Rob, “do more than provide legal protection; they set the tone for fairness and transparency”.

Early on, Rob organized a steering committee comprised of the incoming general manager and representatives from across the company: Art, Production, Maintenance, Sales and Marketing. Together they tackled the following questions related to compensation:

**Equity Contribution:** Rob first showed the broad range of contribution levels from other worker-owned companies, explaining that there is no one right answer for how to set levels in a company, it just needs to mean something. He encouraged the steering committee to think of the impact the amount would have on people who earned the least in the company, and how much they could afford to have taken out of their wages over what period of time. The group settled on an amount of \$72/month for two years to meet the equity requirement. They took this proposal, along with their thinking behind it, to the full membership, who approved it.

**Dividends v Wages & Benefits:** Next, Rob encouraged the steering committee to think about the surplus as owners of the company who want to make a better workplace, and not as profiteering owners who want to extract as much profit out of the company as possible. He asked if they might want to consider raising wages, adding health benefits, or paying production workers who had kids extra for childcare expenses. This required a shift in thinking towards making the experience of work better rather than holding out for an unknown future.

**Systems Management:** Finally, Rob helped the future General Manager set up new financial management systems that would track member equity and patronage distribution.





# Wiring Trust

Running through the entire democratic structure is the wiring that is trust. Trust is a belief in the strength or truth of something, or having confidence in the character of someone.

For many people, trust is elusive, and may seem to be a function of our intuition or emotions, and therefore hard to change. That is not the case. Trust is something that builds over time, and broken, it can be rebuilt.

That said, the roots of distrust between management and workers run deep and long. Throughout industrial history, managers haven't trusted workers to be honest about time or productivity. Workers haven't trusted managers to not squeeze them for profit.

A worker cooperative is designed with different DNA, to benefit the workers, who own it. This should engender more trust. But given that distrust has been a common workplace experience for many, and over a long time, we can't expect to erase that with the act of selling a company to workers or starting a cooperative from the ground up. The basis of trust must be consistently demonstrated and reinforced.

In this section, we provide a template and instructions for a series of trust-building exercises that may be conducted in a long retreat-like meeting. We show you how to break down and then analyze the attributes of trust into the "4Cs" of competence, communication, commitment, and character. Understanding these components can help peer to peer as well as supervisor to worker relationships.

Going deeper, we all experience the world differently based on the privileges (or the lack of privileges) that come with social identities including race, class, gender, ability, sexual identity and more. As manager, you may not be trusted because of your real or perceived social identity, and you may not trust others because of theirs. In this section, we suggest an exercise to consider your own experience of social identity at work and assess how capable you are as a group to communicate about difference and commit toward greater understanding and trust.

Finally, trust is also built through actions. When a member joins a committee or the cooperative's board their distrust of management can diminish through participation. However, in these settings, workers may still fear that in speaking up they may be penalized. Trust comes from feeling safe to ask questions and make comments that may sometimes sound like conflict.

The way you, as a democratic manager, actively listen in these situations, the way you ask questions and engage in debate can increase workers' sense of safety and their desire to participate. Creating policies that clearly explain grievance processes and appeals are especially important. They may never be used, but will likely contribute enormously to worker confidence and trust they won't lose their jobs if they voice their opinions. And if they are used, they can reinforce a sense of fairness and consistency, which builds trust.





## ASSESSMENT / MEETING

# Building a Culture of Trust

The **purpose** of this meeting is to increase people's understanding of some of the causes of distrust and ways to overcome them on an individual and company-wide level. The **outcome** is a greater understanding of trust and how to build it by strengthening relationships between people.

Here we present two tools to help you build a culture of trust. One is a tool for each individual member of your cooperative to assess their own trustworthiness. The second is a tool for considering the influence of social identities in the workplace.

**Instructions:** Read through the following agenda, timeframe and materials to create a participatory and effective meeting. You may want to consider the following adjustments and additions to meet the needs of your organization:

- Time estimates may need to be adjusted depending on the size of your group.
- Adjust your expectations of the outcomes by understanding that change takes time, intentionality and effort.
- For best results, involve others in a sustained effort. You may want to create a task force or committee to work on this. We recommend you bring in an outside facilitator to support this process.

**Timeframe:** One 2.5 - 3 hour meeting (or two meetings)

**Prep Work:**

- Use the [Meeting Facilitation](#) materials from this Guide to:
- Design the agenda, including purpose, outcomes and meeting roles
- Notify attendees about the meeting— where, when, how long, and who is invited
- Circulate materials, including agenda, in advance

**Materials You Will Need:**

- Newsprint
- Pens
- Facilitation [methods](#)
- [4Cs](#) of building trust
- [Judging or Joining/Social Identity Ratio](#)
- Print out instructions on following 5 pages



# Building a Culture of Trust

(Page 1 of 6)

*Credit: Linshuang Lu, Praxis Consulting Group*

## Part 1: Components of Trust Agenda & Instructions

### Review Purpose, Outcomes and Expectations 15 min

Start the meeting by letting people know the purpose and outcome of the meeting. The purpose of the meeting is to help members gain a more nuanced understanding of why they may not trust someone, why they may not be trusted by others, to learn ways to build or rebuild trust, and ways they can become more trustworthy. The outcomes are that each person will be better equipped to contribute to building a more trusting work culture and that you all will take steps collectively to becoming a more equitable workplace overall.

Say that this is a constant and ongoing process, with this meeting just one step along the way.

You will want to begin by setting expectations about trust in the workplace. Ask people to consider how they trust the same people differently in different contexts. For example, you may trust your partner to make a good dinner, but not fix your car. Or you may trust an accountant to do your taxes but not perform brain surgery. What we are looking to accomplish here is to build trust at work for their competence in doing their job, or their ability to communicate clearly, or that they demonstrate in other ways their commitment to the company's success.

Explain that a way to think about trust is to deconstruct or break down the different behaviors that lie beneath the feeling that “I don't trust that person”—the things that people do that undermine trust and trigger distrust. Ask people to think for a moment about a particular situation in which they didn't trust someone—did they automatically believe they couldn't trust that person at all, ever? Or was it because of some behavior? Distrust doesn't have to be one big indictment.

Introduce the different components to consider in assessing someone's trustworthiness. These are competence, communication, commitment and character. Ask people to review this [4Cs](#) [handout](#).

Review the [handout](#):

- Competence—do you trust someone to have the skills, knowledge and demonstrated ability to do their work? Or do you trust that they will admit when they don't know? Do you trust they will ask for support?
- Communication—do you trust that person will share information, be transparent, be honest, give feedback and admit mistakes if made?



# Building a Culture of Trust

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Credit/Credit: Linshuang Lu, Praxis Consulting Group

## Part 1: Components of Trust Agenda & Instructions

- Commitment—do you trust someone will manage expectations of what they will or won't do, can or can't do, if they will keep agreements and hold to them, if they are consistent or not? Do they change behavior or mood? Do they set and respect clear boundaries?
- Character—do you believe that the person's actions align with what they say? Does the person act in self-interested ways? If so, you may not trust that person's character.

These are the 4 components of trust. Suggest that next time you wonder if you can trust someone, see if you can stop and break it down into these components. Ask yourself, what is the specific incident and does it have to do with their competence, communication, commitment or their character?

### Self Assessment: How Trustworthy am I? 15 min

Explain that before anyone thinks of whether or not to trust others, they must turn the mirror on themselves. Ask individuals to take a few minutes (5 min) to look at the [4Cs](#) handout and write answers to the following (these answers are for themselves, they will not be asked to share with the group):

- Where are you strong, and where are you not as strong in your trustworthiness? Think of the four areas of competence, communication, commitment, and character and who trusts you.
- Think of these 3-4 groups as relevant: your manager, those you supervise, your peers, your customers?
- What patterns do you notice about who trusts you? What do they trust you with? What do you do that builds their trust?
- What can you do to be more trustworthy? Can you write down one thing that you can commit to doing to build other's trust in you?

An interesting thing to note is that when trust breaks down in the area of commitment or communication, it leads people to question your character. If you always forget to complete a report, or aren't transparent about what was behind a decision that was made, people may make assumptions about your character—that you are unreliable or disingenuous as a person.



# Building a Culture of Trust

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*Credit/Credit: Linshuang Lu, Praxis Consulting Group*

## Part 1: Components of Trust Agenda & Instructions

### Building Trust in Others 15 min

Now ask people to take this one step further. What is there about the people you don't trust? What do you do? How might you build trust?

Describe the following ideas for building trust:

- It is important to build relationships. This is very practical and simple. Work with people more. Sometimes it just takes time. Be curious and check assumptions. People have been deeply distrustful of others based on assumptions that are not true. Be curious about what is going on. Sometimes we can give feedback, especially about how they can improve. If they don't admit mistakes, ask them to and say it is ok.
- Give people another chance and start small. Maybe there isn't a lot of trust in place.
- Sometimes there are upward or downward spirals with trust—if we trust someone, they act in trustworthy ways. But there can be a downward spiral—if they did something that bothered us and made a big trust withdrawal, we trust them less and less and act in ways that destroy trust. Embrace this paradox, that if you take steps to trust people, they will act in trustworthy ways.

### Making a Simple Commitment 15 min

Explain that it is important to make a simple commitment to put something in practice: to identify one thing you will do more of or differently to trust others more or be more trustworthy. This is especially important for managers who are concerned with not being trusted—where do you need to improve in order to model being trustworthy? If you are in a position of power, you have more responsibility to take the greater risk, resolve little 'pinches' or annoyances that can build up.

Ask everyone to write down for themselves one thing that they will do to trust others more.

Ask if there are any questions or comments or final reflections that people have. Ask everyone to try out using this framework and these four components. Thank everyone for their contributions.

Invite everyone to take a 10 to 15 minute break.





# Building a Culture of Trust

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## Part 2: Social Identity Agenda & Instructions

### Review Purpose, Outcomes and Expectations 10 min

Restart the meeting by letting people know the purpose of this second part of the meeting is to generate curiosity and understanding of social identities and the ways in which they inform trust. The outcome is that everyone will be invited to contribute specific ideas for inclusion as one of the ways of building a positive ownership culture.

Explain that social identity group membership creates a frame of reference through which each of us sees and makes sense of the world. Identity group membership can also influence how we are seen and treated by the world. Some are more visible than others. Some identity memberships have more weight than others at different times in our lives. Some of these identity groups are inter connected—known as intersectionality—and cannot be separated from each other: racism, sexism, xenophobia, homophobia, classism, ableism, etc. (coined by legal scholar Kimberle Crenshaw 1989.)

Explain that you will be going over this list of common social identities. Read and share the list of common social identity categories as described in [Judging or Joining/Social Identity Ratio](#).

### Social Identity Activity 15 min

Ask people to read through the Social Identity list on their own, then write their answers to the following questions. Confirm that the purpose of the exercise is personal reflection and that they will not be asked to share with the full group.

- What two or three key social identities are important to you at this particular point in your life? You may also choose to pick an intersection of your social identities.
- How have these social identities shaped who you are and your experience of the world?
- How do these social identities influence you at work?
- Name one social identity that you have not thought much about and want to learn more about.
- What would you like to learn about this social identity...and what are your initial thoughts on how it may affect you as a co-worker, manager, or board member?



# Building a Culture of Trust

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## Part 2: Social Identity Agenda & Instructions

### Full Group Reflection 30 min

After the individual reflections, ask people to talk in the larger group about identity in the workplace. Possible questions to ask:

- How does your identity impact your experience at work?
- What could managers do to make sure that people of all social identities feel they can trust and be trusted within the company? And that people of all social identities feel included?
- What could members do to make sure that people of all social identities feel they can trust and be trusted within the company? And that people of all social identities feel included?

Ask the group if anyone can think of one action step they want the company to take related to social identity and inclusion in your work together. Use this as a brainstorming exercise and identify a volunteer to take notes.

Consider asking these questions in light of the 4 c's. Do people have the competence, communication skills and commitment to move forward in becoming a more inclusive workplace? If not, which of these do people think you need to work on? What can management do? What can others in the cooperative do? One suggestion could be to create affinity groups for different social identities as a way to check in with one another and build support.

You can say that this work is part of a larger strategy of moving toward becoming a more inclusive and transformative institution (that is if you have already introduced this assessment).

### Closing and Next Steps 15 min

Close the meeting by affirming that together you have identified some language (the 4 c's) that you can all use to assess yourselves and each other in order to increase trust. And that you have heard suggestions for change that you will use in the creation of an action plan. You can say that you will look for support in developing parts of the action plan (which may be from an external facilitator) and will be sure to circle back to everyone who contributed to it.

Ask if there are any questions or comments or final reflections that people have. Thank everyone for their contributions.





## A Yard and A Half

16 worker-owners; 32 total workers  
Landscaping, Waltham, Mass.

A Yard and a Half is a successful landscaping company in Waltham, Massachusetts that has been in business since 1988. In 2014, the founding owner sold her company to the workers. Although several years have passed as a worker cooperative, the company still struggles with trust between management and the workers. One worker in particular has challenged management's commitment to sharing financial information and lacked confidence that the information shared was accurate—both strong indictments. “He would tell others he thought the books were cooked,” according to Maintenance Project Manager and Board Treasurer Eulalio Guevara, “He sowed the seeds of distrust with other members.”

After Eulalio attended the School for Democratic Management's training in open book management, he felt he had the tools and information he needed to make some changes back at work. As Treasurer, he had the responsibility to share financial information frequently and in a way that workers could see their impact on the company's bottom line. He began sharing profit and loss statements, balance sheets and cash flow statements each month at company wide meetings.

He invited the company accountant to regularly share more detailed information on how specific contracts were affecting the company's bottom line. Then, each of the three project managers began to sit down with their teams regularly to go over their project estimates, materials and labor costs and discuss when, where and why they were over or under budgets. They did this in individual teams so as not to point fingers or shame teams that were over budget. However, if a project was particularly useful as a teaching opportunity, that team brought the case to the entire company during their regular Friday meetings.

“The result of all these meetings is that members are feeling more empowered. They didn't know that they could, with extra effort, change the company's bottom line,” reports Eulalio. Even the person who was most distrustful came to him saying he hadn't known how much he needed to learn in order to understand the business and the numbers. Eulalio is glad they are taking the time to do this even though he was initially frustrated, particularly when talking with the loudest critic. “But how powerful is this tool if I can change his mind about the numbers. It made me understand that I am not losing time, this is working.”





# Inspection

In our opening section, we defined the traits and skills needed for democratic management, along with the components that make up a democratic workplace. In this section, we propose that you return to those two lists annually to assess how well you are doing as a democratic manager, as well as your collective progress in becoming more democratic. Essentially you are conducting an inspection of your democratic house. Who should complete this inspection? First, you should complete a democratic management self evaluation, in addition to asking others to evaluate you.

At minimum, you and the board should complete the democratic workplace checklist. You could expand this to include a sample of worker owners or assign it to an evaluation committee to complete.

Additionally, we encourage you to survey worker owners about their experience as both workers and owners. This can be a survey you develop on your own, or you can use surveys from [Great Place to Work](#).

The important thing is that you have this information about workers' experience, management practice and the overall company. You collect it regularly, you analyze the findings, and you make changes and set goals based on your findings. Why is gathering this information important? So you all can acknowledge your accomplishments and identify areas where you might want to improve in the future.

It is critical that these assessments be doable (easy and short enough for people to complete them) while also providing useful information to you.

You will need to make a plan and timeline for this process. This includes the time it will take for everyone to complete the assessment, the time for the individuals to read through the responses, the time for you to meet with this group to review the results, and then the time for you to develop an action plan that might result in proposed system changes, professional development training, or whatever other steps you propose to take.

Finally, the last and very important step is to report back the information that was revealed and the related plan of action to everyone who completed the assessment in order to be transparent and to close the communication loop. In this section, we describe a manager evaluation activity.

## If You Want More Information:

- Template [Employee Survey](#) to use to develop a worker satisfaction survey
- [Great Place to Work survey](#)
- [Ownership Culture Self Assessment](#) a shorter evaluation based on longer survey developed by Ownership Associates and available through the National Center for Employee Ownership
- National Center for Employee Ownership [Employee Survey](#) (the longer version)
- Ownership Associates [Ownership Culture Report](#)
- [Systems of Accountability and Evaluations Toolkit](#) created by DAWN Advisors to support worker cooperatives understand and implement evaluation systems.





## PLANNING CHECKPOINT Manager Evaluation

(Page 1 of 2)

The **purpose** of creating a management evaluation form and process is to give you information you need to improve your performance in relation to both business and democratic practice. The **outcome** is that greater trust by workers in your commitment to adhere to both sides of the business/democracy balance.

### Instructions

#### 1. Create the Evaluation Form & Process

You will need to create a manager evaluation form that balances business and democracy goals. You can customize the form to meet your company's needs. It should reference your job description (if you don't have a job description, you will need to also create one). You may want to include questions or measures of Manager Performance Factors. We suggest that you review the traits and skills from the Democratic Management Skills Assessment and make sure that some questions related to democratic practice are included in your evaluation (this should hold for everyone in your cooperative). Finally, we suggest you review the organizational goals you set out to accomplish in the Democratic Organization Checklist.

Once you have created an evaluation form, share the draft with the evaluation committee and edit this together to finalize the content of the evaluation and detail the steps and timeline for the process. If you don't have an evaluation committee, the executive committee of the board could serve in this role. The point is that you will want more than one person from the cooperative, but not the entire membership, involved in discussing, meeting with you, and responding to your evaluation.

**Timeframe:** Annually on your own schedule

#### Materials You Will Need:

- [Manager Evaluation Form](#)
- [Manager Performance Factors](#)
- [Democratic Management Skills Assessment completed](#)
- [Democratic Workplace Checklist](#)
- Your Job Description
- Sample cooperative CEO/Manager Job Descriptions [Island Employee Cooperative](#), [Ward Lumber](#), and [Weavers Way](#)



## PLANNING CHECKPOINT

# Manager Evaluation

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## 2. Complete the Evaluation

Next, you should complete a self evaluation and share it with the evaluation committee.

The evaluation committee should then share your job description, your self evaluation and the blank manager evaluation form with the board (or executive committee).

In a conventional corporation, managers are evaluated by the board of directors. You could do this, or you could include all worker owners in your evaluation, doing what is often referred to as a 360 evaluation. If you take this route, you might want to consider a deeper set of evaluation questions answered by the board of directors and a shorter evaluation to be completed by all members. The committee should set a response deadline and communicate to everyone the deadline and person who will collect the completed evaluations.

## 3. Review Evaluation Results

Once the evaluations are completed and collected, the evaluation committee then meets to review the evaluations, organize the responses, and sets a meeting with you to review them. They should send you the compiled evaluations from everyone.

At your evaluation meeting, it is a good practice for you to speak first with what themes stood out for you from the evaluations, starting with successes and strengths and where your self assessment and other's assessments were in agreement. You can then do the same for areas you need to work on. Then, the evaluation committee should add to or emphasize any of your comments. If there is a need to make any changes, you should propose them and also listen for what the committee may ask of you.

Once you have had your evaluation meeting, you will need to prepare your action plan to respond to the evaluation recommendations. Send this to the committee for approval and filing.

## 4. Communicate Results

Once your evaluation is completed, you will want to communicate the outcomes of your evaluation with the entire cooperative. You will want to share the highlights of your successes, where you plan to improve, how you will do so and any changes to your job description or activities moving forward.



# Tool Appendix

## Definitions

- [Democratic Workplace Checklist](#)
- [Democratic Management Skills Assessment worksheet](#)
- [Becoming Employee Owned Toolkit](#)
- [Anti-Racist Continuum](#) or the [Continuum of Transformation](#) sets organizational practices along a continuum
- [Identifying an Equity Challenge](#) helps you to identify anti-oppression action steps

## Power

The following tools relating to member rights and responsibilities:

- [Rights and Responsibilities Examples](#)
- [Rights and Responsibilities Template](#)
- [Levels of Influence](#)
- [Sticky Dot Voting Directions](#)

The following tools relating to decision-making clarity:

- [Standard list of corporate decisions](#)
- An example of how different decisions can be organized in [Decision Zone Zone Chart](#)
- A cooperative [Sample decision grid](#)
- [Decision template](#) to fill in with your own information
- [Decision scenarios](#) for break out group practice
- [Decision Report](#) template

The following tool relating to facilitation:

[Meeting Agenda Template](#)

## Information

The following templates to set up your visual financial reports:

- [Financial Transparency Assessment](#)
- [Scorecard Worksheet](#) to select your critical, BHAG or balanced score numbers
- [Sample OBM Visual Reports](#)
- Visual Financial Statement Tool with [practice numbers](#)
- Visual Financial Statement Tool [Template](#)

## People

Member Training

- [Facilitator Agenda Planning Template](#) to use for planning your training agenda
- The [Onboarding Training Template](#) lays out common training topics for new members
- [Sample New Member Orientation](#) describes the content this co-op uses in new member orientation
- The [Annual Member Training Template](#) lays out common training topics for members
- The [Board Training Plan Template](#) lays out common topics that board members need to learn.

[Self Leadership Assessment](#) to help individual workers assess their task knowledge and supervision needs

Coaching Supervision

- [Ten Common Blocks to Listening](#) is a resource for you to use and assess your particular barriers
- The [Four I's of Giving Feedback](#) is a tool for preparing to have a productive feedback meeting

[Conflict Scenarios](#) are exercises to use in training



# Tool Appendix

continued

## People (continued)

[Courageous Conversations Worksheet](#) to help you prepare for difficult conversations

## Money

Overview

- [Patronage Background](#)
- [How Does Money Flow](#) visual chart

Make your own copy of the Google Sheet templates linked here to calculate and track patronage

- [Patronage Formula](#)
- [Individual Patronage Accounting](#)
- [Retained Patronage Tracking](#)

Use this template to communicate patronage to your members

- [Member Notice of Patronage Dividend](#)

## Wiring

Trust

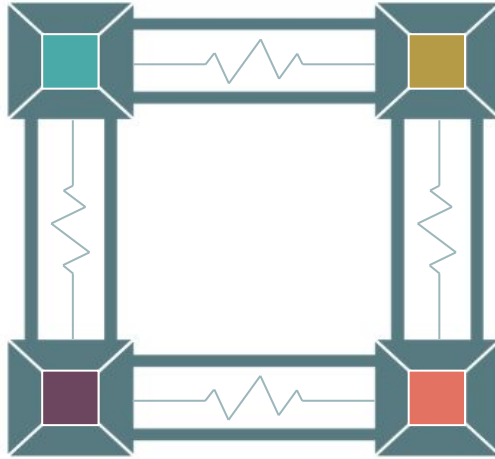
- [4Cs of building trust](#)
- [Judging or Joining/Social Identity Ratio](#) handout which lists different identity groups

## Inspection

- Organizational goals outlined in the [Democratic Workplace Checklist](#)
- The [blank manager evaluation form](#) you can use to create your own evaluation criteria, using these documents to help fill it out
  - [Manager Performance Factors](#)
  - The list of traits and skills from the [Democratic Management Skills Assessment](#)
- Template Quarterly [Employee Survey](#) to use to develop a worker satisfaction survey
- [Ownership Culture Self Assessment](#) for ideas for your survey







Learn more about opportunities to develop democratic management skills through online classes and private consultation at [democraticmanagement.org](https://democraticmanagement.org)

