



**Choosing
management for
your co-op**



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Introduction

About this book

The housing your co-op owns is a valuable asset that provides an important service to your members and to the larger community. Responsible board members want to make sure that this asset is protected so the service can continue. One of the most important ways boards of directors can do this is by choosing sound management for their co-op.

The information in this book will help your board decide what management model is best for your co-op. There is no right or wrong decision. You must carefully evaluate the work your co-op needs the manager to do and the best way to get the work done given your co-op's needs, priorities and history. You will also need to consider the co-op's financial resources, the management options available in your area and the strengths and weaknesses of your board.

Who is this book for?

This book is for boards of directors that are

- reviewing how well their co-op is running
- reviewing what they need a manager to do
- reviewing their current staffing arrangements
- deciding on what management model to use
- getting ready to hire.

Words we use

In this book:

- **Employee** means someone hired directly by the co-op
- **Co-op management company** means a company that manages and administers the co-op under a contract.
- **Staff** refers to the people who work in the co-op. Staff can either be employees or someone who works at the co-op for a co-op management company.

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Sound management, good governance and principled leadership

The board of directors is responsible for the governance of your co-op. Governance means taking responsibility for the overall direction of the co-op and includes

- setting policies
- adopting budgets
- planning
- getting and supervising management.

Management is the day-to-day work of running the co-op. To be successful your co-op needs sound management, good governance and principled leadership. If governance or management is weak then the other is weakened. You can find valuable information about the board's role in governance from two CHF Canada publications; *Getting governance right* and *Getting our Co-op Principles right*. Both are available on the CHF Canada website.

Each board must choose the management model that works best for their co-op. This is a big responsibility. The challenge for boards is to choose a model that will get the work done well, on time and ensures the co-op provides good member services to its members.

Decisions about the best management model for your co-op needs to be handled carefully. Your manager is a valuable resource for your co-op and is very important to your success. And for most co-ops, management costs are one of the bigger items in the budget.

The benefits of sound management

Sound management can mean the difference between a co-op that goes from crisis to crisis and one that deals well with day-to-day operations and is prepared when problems come up. A well-managed co-op offers its members great benefits, including

- great member service
- well-maintained housing
- a stable membership
- less conflict
- a say in the democratic functioning of the co-op.

Whatever management model your board chooses, remember

- Governance and management depend on each other.
- Management of the co-op does not mean control of the co-op. Control in a co-op comes through the democratic process which includes members electing a board to govern the co-op's affairs.
- Good management is not guaranteed. The relationship between staff and the board must be fostered. The manager's work must be supervised, supported and evaluated.

Two management models

Generally, there are two management models for boards to choose from to get the work done in the co-op. The co-op can hire

- its own employee as manager, or
- a co-op management company.

Hiring a manager as an employee of the co-op

When the co-op decides to hire a manager as its own employee, the board must

- develop a job description
- use a competitive hiring process
- negotiate the employment contract
- take on the role and develop the skills necessary to be a good employer.

The *Guide to Hiring a Co-op Housing Manager* has advice on each of these responsibilities.

The role of the employer includes

- supervising the manager
- evaluating the manager
- meeting employment standards
- remitting Canada Pension Plan and Employment Insurance premiums
- providing a good, safe working environment for the manager and any other employees.

Hiring a co-op management company

When the co-op decides to contract with a co-op management company, the board must

- decide what services the company will provide
- use a competitive tendering process to choose the company
- negotiate a contract with the company
- oversee the contract once it is in place.

The *Guide to Tendering for Co-op Management in Ontario Housing Co-operatives* can help you with this responsibility.

Some co-op management companies are part of, or have strong ties to, the co-op housing sector. When choosing to contract with a management company, consider the company's involvement in the co-op sector. Is the company a member of CHF Canada? Do they have other co-op clients who are members of CHF Canada? Do they support co-op principles?

Overseeing the contract means

- making sure the services agreed to in the contract are being provided at the agreed-to standard
- making sure that directors and other members are not interfering with the management company providing service.

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Choosing the right management model for your co-op

When will a co-op need to review its management model?

At various points in the life of your co-op, the board will have to review the management model it uses. You may review the model because

- it's time to tender your current management contract
- your manager has resigned
- things at the co-op have changed and the choice you made in the past does not fit with what is happening in the co-op now
- you have never had professional management.

There could also be pressure from the co-op's regulator to review the management model. The regulator may not be happy with the performance of the co-op and may think a change would be good. The regulator funds the co-op and makes sure the co-op complies with its operating agreement, provincial legislation or local rules. Your regulator could be a Province, a municipality, Canada Mortgage and Housing Corporation or the Agency for Co-operative Housing.

Unless the co-op has been designated a project in difficulty or has received extra funding with conditions attached, the board makes the decision about the management model, not the regulator. Some federal operating agreements require approval prior to hiring.

Most co-ops decide on the management model they want to use before they begin the hiring or tendering process but you don't have to do it that way. You can seek proposals from co-op management companies and applications from individuals at the same time and make the decision after reviewing the applications. This is an approach your co-op should consider when there are not a lot of management resources available in your area.

What work do you need your manager to do?

A set of Core Management Standards were adopted by CHF Canada's members at the Annual General Meeting in 2004. The standards are

- managing the co-op's finances
- keeping the co-op in good repair
- keeping the co-op full
- meeting the co-op's legal requirements.

CHF Canada has recently added a fifth standard: supporting good co-op governance.

The CHF Canada publication *Getting Management Right* talks about these standards and the results the co-op should be looking for in each area. You can download it free from CHF Canada's website (www.chfcanada.coop) if your co-op is a member.

These standards cover the key areas of co-op management that must be done well for the co-op to survive and prosper. When deciding on the management model to use, you should refer to them to help you identify the work you will need your manager to do.

Remember that even though the Core Management Standards apply to all co-ops, the circumstances, needs, preferences and available management resources will vary from co-op to co-op and will influence the management model you co-op chooses. The decision is yours. Just choose the model that you think will work best for your co-op.

When reviewing your management options, start by looking at your co-op's performance in each of the five management areas listed above and determine

- if the work in each area is getting done well, (the results the co-op should look for are described in *Getting Management Right*)
- how the work is getting done
- ways to improve.

The chart below may help. It gives an example of a management standard, results the co-op should expect and how the work gets done.

Area	Result	Do we get the result?	How does the work get done?	Ways to improve
Managing the co-op's finances.	The co-op pays its bills in full, on time.	Usually. Property taxes were paid late once last year.	Manager prepares cheques for signing when the taxes are due.	Pay taxes on pre-authorized payment. Manager to have a system to keep track of due dates.

Use your review of how well you're doing and how to improve to help you decide on the management model that would be best for your co-op.

Does your co-op have special management challenges?

You will need your manager to provide the management services talked about in the Core Management Standards. But you may also have some special management challenges that make one management model preferable. For example, you may have

- difficult relations with your co-op's regulator
- a high turnover rate
- building problems.

You will know your co-op best, what is unique about it, and how any special challenges may affect your choice about how to get the best management results. Are there special skills or experience that you need to help you deal with your co-op's challenges?

Does your co-op have particular priorities or a special focus?

All co-ops are committed to operating according to co-op principles but how each co-op puts the principles into practice may be different. In your co-op for example, "co-operation among co-operatives" may be of special importance. Another co-op may be working particularly hard on ensuring "democratic control by members".

There also may be other values that are particularly important to your membership, such as

- encouraging future co-op leaders and mentoring youth
- involvement in your local community
- social justice.

The particular focus and priorities of each co-op are somewhat different. Think about what is most important to your co-op and whether one management model or another would be a better fit.

Your co-op's history

The history of your co-op can also affect the choice of a management model. If you have had a bad experience with a management company or difficulties with staff in the past, it will likely affect the choice the board makes about the co-op's future management.

Over time, your members may have voiced a preference for hiring employees or a co-op management company. This may be one of the considerations when making your decision.

Available management resources

The availability of management resources in your area is an important consideration. In some regions, most co-ops hire employees directly. In other regions more co-ops choose to hire co-op management companies. Your choice depends on what is available. If there are few qualified people or companies then your choice may be limited.

If there are not a lot of available resources of either type, your co-op may want to get proposals from both individuals and management companies before choosing. Ask for references and look carefully at the training and experience of the people or companies before deciding. For more information on this see the section called Help with the hiring process.

Your co-op's financial resources

Whether the work at your co-op is done by a co-op employee or by a co-operative management company, staffing represents a big cost. But without good management, your co-op cannot succeed. No matter which management model you choose, it does not make sense to scrimp on staffing.

You should measure all the costs involved when comparing the two management models. These costs include training, hiring replacement staff during vacation or leaves of absence, benefits, employment insurance premiums, etc.

The time spent by the board supervising and directing management is also a cost. When weighing the costs and benefits of its management options, the board should consider the time involved in being a direct employer or managing a contract.

Effectiveness of your board

When looking at the pros and cons of the two management models, the board also needs to take into account its own strengths and weaknesses and consider whether it would be more effective supervising an employee or managing a contract. And think about how the board can improve if there have been problems in the past because of its own performance.

No right or wrong choice

When choosing a management model, there is no right or wrong choice. But you need to choose wisely. Choose the model that works best for you to

- get the day-to-day management of the co-op done well
- support the board in its governance role
- keep the regulator confident that the co-op is well run
- keep the members satisfied.

Help with the hiring process

Hiring a manager or tendering for management services is a big job for co-ops. To do this job well takes

- careful planning and preparation
- good judgment and an effective decision-making process
- accurate record keeping.

Some co-ops look for outside help when hiring a manager or co-op management company. There are lots of resources available. Your local federation or CHF Canada (if there is not a local federation in your area) may be able to work with you to find an outside consultant to help. Also check the CHF Canada website (www.chfcanada.coop) for two guides that we have developed to help with the hiring process:

- the *Guide to Hiring a Housing Co-op Manager*
- the *Guide to Tendering for Co-op Management in Ontario Housing Co-operatives*.

There are also other co-op management resources that you may find helpful, including

- *Getting Management Right: A Guide to the Core Management Standards for housing co-ops*
- *Evaluating Staff*
- *You, your staff and the law* (available for Ontario, Manitoba, Alberta and British Columbia – updated annually)

You can download most of these from the CHF Canada website (www.chfcanada.coop). You can order *Evaluating Staff* from the Co-op Housing Bookstore (www.coophousing.com/bookstore).

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Making the board-management relationship work

A clear understanding of what the board's job is and what the manager is responsible for is key to making the board-management relationship work. A well-written contract will help with this. The *Guide to Tendering for Co-op Management in Ontario Housing Co-operatives* includes a model contract for co-op management companies. Co-Action and the Co-op Housing Bookstore have a model employee contract.

Although your new manager may have experience, they will need a good orientation to your co-op and what is unique about it and they will need time to get up to speed. Have realistic expectations about the time it will take for a new manager to settle into the job.

Also, have realistic expectations about the job itself – about what can get done and how long it will take. The work of a co-op manager is a very demanding one, requiring a wide range of skills. There are always competing demands for the manager's time and more to do than there are hours available. The board will have to make sure time and money are budgeted for extra training if it is needed, be ready to hire extra help from time to time and even add staff if special skills are required or the job is more than one person can handle. And the board will have to set clear priorities to help the manager deal with the workload.

Sometimes the relationship can get bumpy. Make sure your co-op has policies and procedures in place that will allow you to work through issues when they come up or help avoid them altogether. These could include

- a staff liaison
- annual performance evaluations.

Finally, a change in manager can have a big impact on your co-op. The change must be handled carefully. It is important for members to know about the change and be introduced to the new manager. And it is important for the new manager to feel welcomed. Taking some special care during this time of change will help build a positive working environment where the manager and board work as partners in running a successful co-op.

Choosing management for your co-op

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