

EVALUATING MANAGEMENT BY OBJECTIVES

Once a Board of Directors understands the relationship between the Cooperative's legal documents, (By—Laws, Regulatory Agreement, and the Occupancy Agreement), and the Management, the Board can develop a system of evaluating Management's performance. One way is by "Evaluating Management by Objectives."

While Evaluating Management by Objectives is not absolute, it is a useful tool to guide Management and boards in a positive direction, where both can use their expertise in order to foster the concept of Cooperative Housing in the spirit in which it was conceived.

In today's modern world there is no one best way to evaluate Management performance. People are different. They respond to problems differently. They have different strengths and weaknesses and different outlooks on life. Therefore, any successful evaluation system must be flexible enough so that Boards can allow for individual differences.

In addition to the flexibility needed for individual differences, boards require another type of flexibility called "Situational or "Environmental" flexibility. Boards set goals based on predictions of future conditions. When these predictions appear inaccurate (if, for example, an unexpected major change in the economy occurs), the Board's system must be flexible enough to permit the formulation of new goals.

In addition, the former priorities may have changed. The evaluating system must not be inflexible, but a system that is constantly changing and adjusting to maximize the potential for success.

The Evaluating Management by Objectives system, with joint target setting, rests on control through commitment. Within this system, to foster commitment, the Board and Management negotiate until they reach joint agreement. To achieve this commitment, both parties must be honest and must openly share information and confront each other with any problems or conflicts that arise. There is no "winner" and no "loser" in negotiation; both parties agree to the final outcome, and both have that commitment to success.

Objectives should have certain characteristics to provide benefits to Management, the Board and the Cooperative.

1. They should deal in results, not process/activity. The results should be measurable.
2. They should have a time limit, so that it is known not only on the level of the result expected, but also when it should be achieved.
3. They should be observable, some final activity or outcome the Management can demonstrate.
4. They should be clear and specific, so all concerned will agree on the results.
5. They should be relevant to the Cooperative Objectives and achievable.

There are eight steps in the Evaluating Management by Objective process.

I. Discuss Organizational Responsibilities.

Board and Management sit down and talk about responsibilities and the process that will be used to evaluate Management performance. The Board should explain the eight steps of the Evaluating Management by Objectives System and the responsibilities and types of results, not the level of results. It should be stressed that objectives will be set during joint negotiations.

Management should be informed that in Step II, Management and the Board will meet again, after each has compiled a list of Management responsibilities. At the top of the list should be the overall responsibilities of the cooperative, "To provide its members with the best housing possible at the least cost."

II. Describe Job Responsibilities

The Board is responsible -for the administration of the affairs of the Cooperative. Management must keep this in mind when listing Management's general responsibilities. Management must support the cooperative's responsibility in a statement such as "Be prepared to offer advice, consultation and professional assistance at the direction of the Board of Directors for the ultimate benefit of the cooperative."

Management formulates his/her own views of the duties of the job and develops a list of responsibilities and how there performance can contribute to the Cooperative's and the Board's responsibilities.

The list will provide the Board with a description of Management's own job analysis. It may produce some valuable, realistic insights into the Job, which are only obtainable through Management.

The responsibilities should be statements of purpose and not of reference to measurement of performance.

III Jointly Agree On Responsibilities

The Board and Management make a mutually acceptable list of clearly defined job responsibilities for Management. They acknowledge, discuss and resolve differences in views and reach agreements on the relative priority of each of the responsibilities.

When major differences of opinion occur, the process of proper situation negotiation begins. The proper situation includes an honest interchange of ideas between the Board and Management. This means that each must realize that he/she is not always right, and that the negotiation process does not produce a winner or loser, only a better product.

Each Board member will find it useful to list his/her own ideas of Management's responsibilities and priorities before the meeting, in order to prepare for the discussion.

The Board can ignore minor differences especially if the difference will not significantly affect Management's main responsibilities. .

IV. DISCUSS WAYS OF MEASURING JOB RESPONSIBILITIES AND PROVIDE PERFORMANCE GUIDELINES

Responsibilities describe what we need to do, whereas objectives define how well we need to do it. We must keep in mind the characteristics of a good objective.

1. It is achievable.
2. It refers to a result and not to a process/activity
3. It is relevant to Cooperative's Responsibilities.
4. It is clear and specific (measurable).
5. It has a time limit.
6. It is observable.

Before establishing objectives in any area of measurement, the Board and Management should develop a database which accurately describes Management's performance in that area. This provides a starting point from which Management can set performance improvements or maintain objectives.

V. Develop Objectives and Plans

Management reviews and understands their major responsibilities, decides on the measure for Judging their ability to meet these responsibilities and estimates target levels for these measures.

To provide a written record, Management should write down the objectives and goals and how they plan to accomplish these goals. These objectives can be written in many approved forms. written statements, points on a performance chart, outline, or a combination of all of these.

Management should decide the time frame which is most comfortable and realistic for each target, whether it be one month, three months, six months, etc. Objectives of longer time limits should be divided into sub-objectives that will serve as more frequent check—points on performance.

Management's final product is a list of objectives which are achievable yet challenging, and which will help the cooperative reach its goals.

VI. Jointly Agree On Targets

This step is the most critical one because this is when individual commitment and agreement of the Cooperative's needs coincide. Some form of negotiation is likely. The Board and Management meet to discuss targets and associated plans. If there is a significant difference between the Board's and Management's view of a target, the use of the process of negotiation and joint problem solving should be used. The differences may relate to the level of a target, to the absence of targets in critical areas, or the relative priorities of the objectives. The Board and Management should openly discuss and resolve these differences. The Board, the Management, or both may adjust ideas in order to reach a mutually acceptable goal.

Often Management will point out important facts that will affect the objective. Ideally, both the Board and Management will gain insight from each other, resulting in changed views and final objectives that are more agreeable to both.

When Management includes a target much lower than the Board's idea of a challenging level, the Board should point this out and a way to raise that level. Realistically high level brings achievement and results for the Cooperative and the management agent which results in a more productive management.

VII. Review Progress Continuously

Continuous review is necessary to uncover problems promptly. The Board should try to develop an atmosphere in which Management comes forward when a problem comes up in the Management's own area of responsibility. When a problem occurs, the first efforts should go toward developing new plans to reach the established target levels.

An important part of the review is the ability to change targets to meet changing conditions; no objectives are permanently fixed. The Board and Management should modify objectives only when they become impossible to achieve, even with a change in the plan.

VII. Review Total Performance

This step begins with Management listing their accomplishments and comparing them with the original targets. By comparing actual performance to target performances, the Board and Management determine the Management's success in meeting the objectives. By doing this, the Board can uncover the reason for missed targets; such as: unrealistic targets, inadequate plans, or inaccurate estimates of future conditions and can reward all parties for the objectives met and completed.

Writing Responsibilities And Objectives.

For a lot of us, writing responsibilities and objectives is not an easy task. Much of the difficulty stems from these causes:

1. Often we make a habit of using words like responsibility, duty, and objective interchangeably to mean the same thing. Then when it comes time to develop a list of responsibilities and objectives, we find it hard to separate these three concepts from each other. Confused, we end up writing an objective or duty - for a responsibility, or we try to make objectives out of duties.
2. We don't know how to organize our thought processes to generate responsibilities.
3. We lack the knowledge of the characteristics of a good objective.

Plans To Reach Objectives

The format a plan takes is not as important as being able to express measurable results. For one person, it might appear as a simple list of activities. For another, it might be a series of sub-objectives.

A plan may come in many sizes and shapes. But a plan is a necessary part of the joint target setting process. It is "The Plan" that brings realism to the objective. It holds the answer to such questions as:

1. Is this objective realistic?
2. Can Management accomplish it?
3. How to measure the stated objective level of performance as to where-it should be? (For example: Why 96% rather than 95% or 98%)
4. Does the plan involve specific people? Who are they?
5. What are the problems?
6. What method or procedural changes might occur?
7. Will there be expenditures?
8. Will Management have the responsibility and authority to carry out the plan?

The Difference Between Responsibility, Duty, Objective

A responsibility is a statement of purpose; a broad statement that combines several duties, and answers the questions as to what and why.

A duty is the action I take; the activities I perform. It answers the question "How do I spend my time?"

An objective is the end result I'm aiming for by my actions; it states Management's contribution to the Cooperative. It answers the question "When are the actions effective?"

Five Step Process For Writing Responsibilities

1. Write down all duties in any order.
2. Separate duties into common purpose groups.
3. Arrange duties within each group in sequence per-formed.
4. Summarize group of related duties in a broad responsibility
5. Double check your work using suggested questions.

Characteristics Of A Good Objective.

A good objective must have these characteristics:

1. Be relevant
2. Be observable
3. Specify a result, not process/activity
4. Be clear and specific (measurable)
5. Have a time limit
6. Be challenging, yet realistic and obtainable.

Goal Vs. Objective

A Goal is a broad statement of intent.

Example: Inspect units.

An Objective is a specific statement that defines when you reach the goal .

Example: By the first quarter of the year, inspect 50% of all the units.

Here are some statements. Label them as either

- ... a goal (G),
- ... an objective (O),
- ... or an objective which includes a goal (O & G)

1. Reduce on-the-job accidents from 4 to 1 in 200x.
2. Improve Management/Member Relations by reducing by 10% the total number of complaints to the Board.
3. Provide high quality service to all members this year.
4. Help members in a meaningful way.
5. Resurface all the cooperative streets by June 1.

OBJECTIVES

1. BE RELEVANT: Must relate to the cooperative's priorities.
2. BE OBSERVABLE: Something is observable when you can see it.

For example:

THIS . . .

Prepare and issue to the Board by September 1, the Budget for the next year.

NOT THIS . . .

Talk with the Board about next year's budget by September 1.

Here are some statements. Mark the ones that are observable with an "X"

1. By August 1, understand what is needed for next year's budget.
2. Draft next year's budget by September 1.
3. Next quarter, .reduce overtime from 2.0 hours per person per week to .75 hours per person per week.
4. By the end of the first quarter of next year, list all of the Board's policies and implement them.
5. Be aware of all of the cooperative's policies.
6. Reduce monthly delinquencies by 50% by the end of the second quarter of next year.

3. SPECIFY A RESULT: Must specify an end result or product. Not a process or activity

For example:

THIS...

Reduce the number of missed work order appointments 'from 20 per quarter to 10 per Quarter (Result).

NOT THIS . . .

Determine the number of missed work order appointments per month.
(Process/Activity)

Process/Activity are the 'how's'. They become the plans to produce an output. It is the output (product or result) that should be in your objective.

REMEMBER:

Outputs become Objectives

Processes/Activities become plans

Which of the following statements “specify an end result not a process or activity?”

1. By the end of the next year, reduce the number of complaints to the Board by 2%
2. Reduce on-the-job accidents from 3 to 1 by the end of next year.
3. Discuss safety once a month.
4. Next year’s budget will be within +/- 10%.of actual.
5. Determine if the number of employees can be reduced.
6. Review the cooperative’s overall expenditures.

4. BE CLEAR AND SPECIFIC (Measurable): If an objective is not clear and specific, it is FOGGY. An objective is foggy when it has in it words that convey different meanings to different people.

For example:

FOGGY: During the first quarter, reduce overtime work to a reasonable level
(The words “reasonable level” are much too vague)

CLEAR & SPECIFIC:

For the first quarter, reduce overtime work from 4.6 hours per month to 2.5 hours per month.

Check whether each of the following statements is

Clear and specific (C) or Foggy (F)

1. Have most of the grass cutting equipment operating by March.
2. Reduce the number of excess employees by the end of the year.
3. Increase carrying charge income by 5% by June 30th.
4. Start snow removal process after some snow accumulation.
5. Minimize vacancy loss during the next year.