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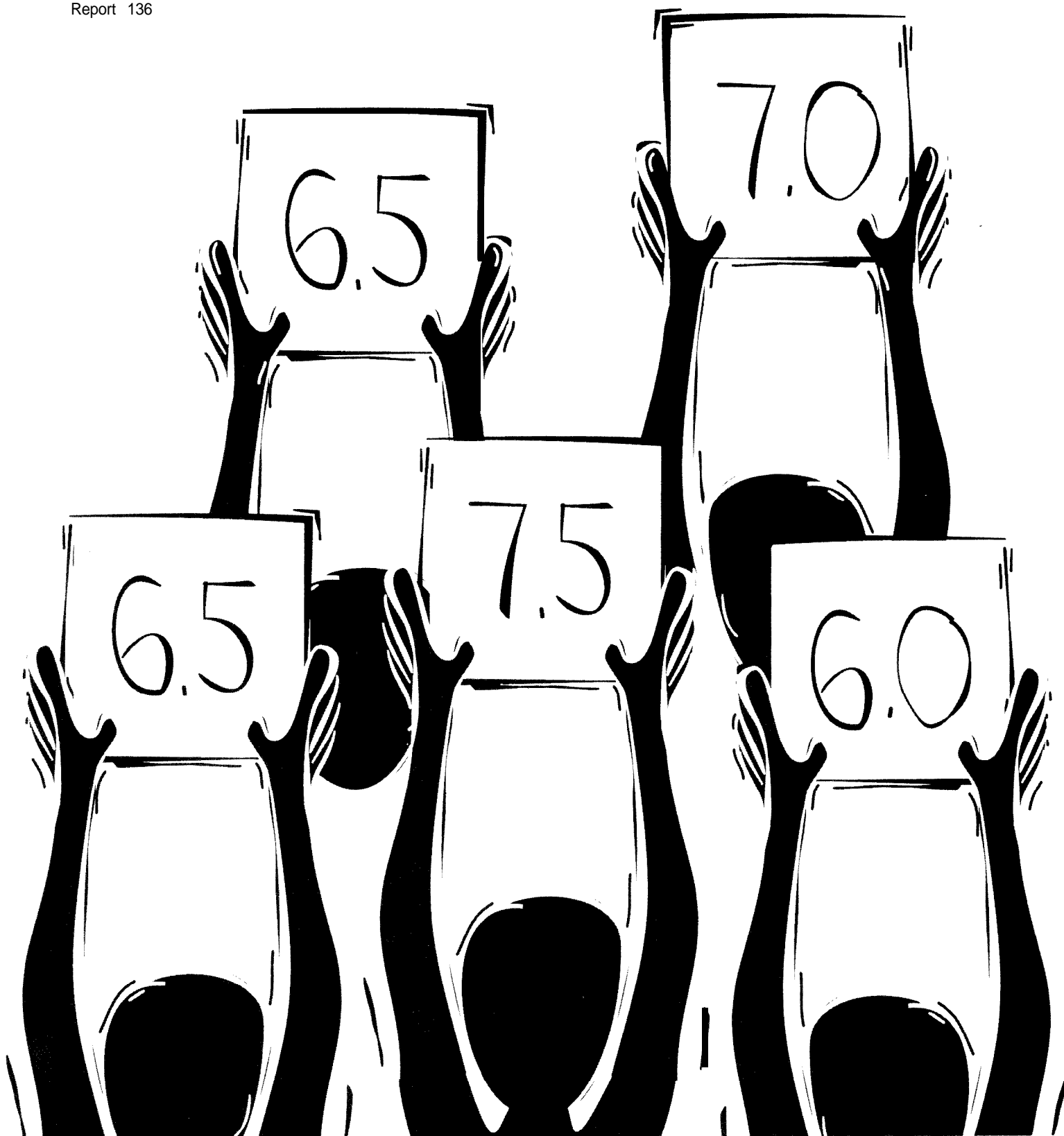
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# Appraising Manager Performance



# Abstract

## **Appraising Manager Performance**

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A major duty of the board of directors is to hire and appraise the performance of the cooperative's manager. In the past, this responsibility was recognized primarily by directors of larger cooperatives. Today, directors of all cooperatives recognize the importance and necessity for objectively appraising the manager's performance. Many smaller cooperatives don't have the advantage of a personnel department to implement a program of appraisal or provide the training to productively conduct the appraisal. The publication is a selection of proven tools from multiple sources. It provides every cooperative with the necessary tools to implement and conduct a proper system for evaluation.

Keywords: performance appraisal, job description, position standards, evaluation, objectives, goals, and review.

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## Preface

Performance appraisal is a topic receiving much attention in management circles today . Regional cooperatives and larger centralized local cooperatives have used both outside and internal expertise to perform this function. Today, the boards of directors of many cooperatives of all sizes and types are recognizing the need for a formal and effective program to measure management performance. Performance appraisal is a valuable tool for recognizing managements strengths and weakness, developing management talents, and is an essential part of a cooperative's business planning .

In some states, programs designed for teaching this technique are being offered to cooperative directors. The State cooperative councils, in conjunction with regional cooperatives, have prepared instructional packages and suggested forms for a practical and effective approach.

Parts of the material in this publication were gathered from the workshops and seminars offered in the upper Midwest and Plains states. Regional cooperatives and national cooperative trade associations also contributed.

Multiple examples of the various components of a system for effective performance appraisal are offered in the publication. The various components include sample job descriptions, standards of performance, evaluation forms, and suggestions for conducting the appraisal interview. Each board of directors and its management must design a program best suited for their organization.

# Contents

PERFORMANCE APPRAISAL	1
Establishing Appraisal Routine	1
Importance of a Job Description	2
MANAGER'S JOB DESCRIPTION	2
Purpose	2
Scope of Responsibilities	2
Business Functions of the Manager	2
Assisting the Board of Directors	3
Reaching an Understanding	4
MANAGEMENT EVALUATION	4
Definition and Description	4
Standards for the Key Planning Area	5
Standards for Position	5
Preparation of Standards	6
Tools for Preparation of Standards	6
Developing Standards	6
Benefits of Standards	11
DIFFERENCES BETWEEN STANDARDS AND POSITION DESCRIPTIONS	11
STANDARDS FOR ASSISTING THE BOARD	11
Board of Directors	11
Sample Responsibilities and Performance Standards	12
Performance Standards	12
STANDARDS FOR OPERATING RESPONSIBILITIES	13
Sample Performance Standards	14

# Contents

Key Planning Area	14
MANAGEMENT DEVELOPMENT STANDARDS	16
Appraisal Process	16
MANAGER'S JOB PERFORMANCE	17
Appraisal Worksheet	17
Organization and Management	17
Personnel Management	17
Business Development and Representation	18
Operations Administration and Supervision	19
Financial Administration	19
MANAGEMENT ASSESSMENT QUESTIONNAIRE	20
GENERAL MANAGER APPRAISAL REPORT	25
APPENDIX A	32
SAMPLE JOB DESCRIPTION I	32
SAMPLE JOB DESCRIPTION II	34
APPENDIX B	37
PERFORMANCE APPRAISAL-SAMPLE I	37
PERFORMANCE APPRAISAL -SAMPLE II	40
PERFORMANCE APPRAISAL-SAMPLE III	43
PERFORMANCE APPRAISAL PLAN (FORM)	45
PERFORMANCE APPRAISAL EVALUATION (FORM)	46

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# APPRAISING MANAGER PERFORMANCE

## PERFORMANCE APPRAISAL

The board is responsible for periodically appraising the manager's performance for two reasons. First, the appraisal is a control measure the board can use to determine if its policies can be, and are being, followed.

Second, a manager has a right to expect a periodic appraisal and review which includes plans for changes and improvements.

The real purpose of an appraisal is not to judge the person, but develop a program that will permit improved performance and achieve the manager's full potential.

## Establishing Appraisal Routine

Unless the board formalizes its appraisal of the manager, an unreliable "general judgement" will result. "General judgements" of the manager's performance are given by customers, employees, and directors as individuals, often with bias and misinformation. Managers can't avoid performance appraisal. Board appraisals must be objective and avoid dependence on vague and fragmented "impressions."

Here are some steps to assure positive results. First, the board must accumulate available facts related to the manager's performance. Sales dollar volume, earnings, adherence to budgets, and ratios can all be objectively determined. Except for consideration given to moderating circumstances like weather, shortages, and economic recessions, such items should not be "appraised," but merely determined and weighed against the final results.

The most difficult part of an evaluation is appraising characteristics that cannot be measured by reference to **personnel**, **sales**, or marketing records. During the past 60 years, hundreds of performance appraisal plans have been devised and tried in business and industry. They have been built on such widely varying bases as phrenology (an analytical method based on the idea that certain mental faculties and characteristic are indicated by the configuration of a person's skull) and pure intuition. No perfect system has yet been devised because of the variety and unpredictability of human nature. Nevertheless, a good performance appraisal plan can result in sound and reliable judgement of how a manager is performing and, most important, yield productive and tangible results.

The only "ideal" system permits the board to come up with a valid and informed judgement, a system both the board and the manager can understand and accept.

A board that is adopting a manager performance appraisal plan for the first time should stick to a rather simple, easily interpreted system. A sample of two types of simpler appraisal forms is shown on pages 32-36 and in Appendix B, samples I and II. A more involved system is shown in Appendix, sample III. This system requires considerable planning by the board and the manager.

The starting point for designing any appraisal plan is the job description. A manager should be told what to expect in the way of performance and relationships. Because these terms are clearly outlined in a good job description, an appraisal which starts

here has a good chance of being realistic, fair, and reliable.

### **Importance of a Job Description**

Keeping the job description current is the joint responsibility of the board and the manager. A job description is a written definition of the authority and responsibility delegated by the board to the manager. It reflects the unique duties that make the manager's job different from any other at the cooperative. A thoughtful job description not only serves as a daily operating guide, but also in hiring and appraising.

## **MANAGER'S JOB DESCRIPTION**

### **Purpose**

A job description is a written definition of the responsibilities entrusted to a position. This description also indicates the authority given to the person who holds the position. Descriptions reflect the unique duties of each job.

Job descriptions are one of the most frequently used management tools in American business. They become popular because:

1. Job descriptions list duties that must be performed to accomplish objectives. They provide a picture of how a manager and employees are trying to achieve the objectives.
2. Descriptions are used to matching job candidates with the job's duties. It is easier to match an applicant's qualifications with the job's responsibilities if skills are appropriately defined on a description.
3. Job descriptions are also a tool for appraising performance. An objective evaluation is simplified if the basic duties are clearly defined.
4. Initiative, authority, and responsibility may be duplicated if a system of checks and balances is not developed. A job description is one of the

best methods to define the limits of initiative, authority, and responsibility.

5. Salary administration programs often use labor market surveys to compare wage rates for similar jobs. But, accurate and up-to-date job descriptions must be in place for sound comparisons.

### **Scope of Responsibilities**

The general manager is responsible to the board for the operation of the cooperative. The duties of the general manager are contained in two general categories.

1. Operations which include all of the business functions of the cooperative.
2. Reporting to and assisting the board in carrying out its responsibilities.

The board's policies direct the cooperative. These policies go to the manager as instructions from a unified voice. In case of disagreement on the board, a majority establishes policy for the manager to follow.

### ***Business Functions of the Manager***

The business functions a general manager performs in carrying out board policy should include:

- A. Hiring, training, assigning work, setting wages within the range of board policy, and directing the employees needed to carry out all work activities.
- B. Supply and marketing policies
- C. Inventory control
- D. Service procedure and policy
- E. Delivery policies
- F. Financial management
- G. Sales/marketing management



## H. Equipment maintenance

It is difficult to rank the duties of a general manager in order of importance, but most agree that hiring the best possible personnel, assigning them to positions where they can perform best, and managing the finances of the cooperative are the most important.

Today's cooperatives have a substantial investment in plant, equipment, and inventories. As the cooperative grows, productivity of each employee becomes an important factor in its performance.

A general manager must be a competent leader and motivate employees to perform at their best. He/she must be able to place the right people in the right job, be able to evaluate their performance, and assess their ability.

Employees must be challenged and rewarded for performance. The skilled manager knows that rewards are not only monetary but also include recognition, both public and private. And it often means the employee should be given additional responsibility.

Interest expense, plus the traditionally low margins in the items handled by cooperatives, demands that the manager must be skilled in regulating the flow of money in and out of the cooperative and understand the need for members' equity capital, working capital, net earnings (savings or profits), and quick turnover for a positive cash flow.

The manager must be an effective communicator. Most of the time, all work functions will be accomplished by employees. The general manager must clearly communicate so the planned work will be accomplished. Goals and controls must be effectively established so the entire organization will work as a team.

Directors should know what's expected of the manager so they can evaluate performance and select a new manager if necessary.

## ***Assisting the Board of Directors***

The general manager assists the board with its responsibilities in the following areas:

- A. Schedule and arrange board meetings
- B. Prepare the board meeting agenda.
- C. Prepare, explain, and interpret financial statements such as the:
  - 1. Balance sheet
  - 2. Operating statement
  - 3. Source and use of funds statement
  - 4. Statement of cash flow
  - 5. Accounts receivable aging
  - 6. Grain open position report
  - 7. Departmental operating statements (if the cooperative has departments and/or branches)
  - 8. Ratios to evaluate financial position and operating efficiency.
- D. Prepare short- and long-term plans:
  - 1. Annual financial budget
  - 2. Three-to-five-year strategic plan including projected operating statements and balance sheets showing cash flow and changes in members' equity
  - 3. Preparation of projections for additions and replacement of fixed assets
- E. Develop member and public relations programs:
  - 1. Annual meetings
  - 2. Special member meetings

3. Newsletter preparation and distribution
  4. Annual business report preparation
  5. Participation in local community activities
- F. Establish legal activities:
1. Interpretation and distribution of articles of incorporation and bylaws
  2. Compliance with local, State, and Federal regulations concerning taxes, licensing, compliance, quality control, and maintaining safety requirements
- G. Prepare operating and control policies for the board's consideration:
1. Credit policies
  2. Sales policies
  3. Delivery policies
  4. Storage policies
  5. Personnel policies
  6. Equity retirement policies
  7. Board activity and remuneration
- H. New director orientation
- I. Participate in regional cooperative and trade association activities

### ***Reaching an Understanding***

Does our manager understand the difference between board and management responsibilities? When hiring a new manager, ask candidates for their opinion about separation of duties.

In either cases, board members must know where they stand and if any problems are likely to develop in this area. The importance of separate respon-

sibilities must not be underestimated. It's the foundation of board-manager cooperation. Boards or managers, who create or allow an adversarial relationship to exist, will by this action alone, impede the progress of the cooperative in serving its members. Likewise, a manager's attitude toward employees may be more important than product knowledge when making an evaluation or a selection.

Cooperative board members are expected to spend only a small part of their time exercising their trusteeship of the cooperative. Day-to-day operations of the cooperative are delegated to the general manager, who usually delegates subordinates. Board members must recognize that it's difficult, if not impossible, for an individual to serve more than one boss. This means directors must confine their authority to board meeting decisions.

The board and manager have the responsibility to assist each other and be interested in their mutual professional development.

Management appraisal by boards should be as objective as possible. Finding fault for use as ammunition to restrict pay increases or to support a different point of view is not being objective. The appraisal is needed to guide development. The board that fails to appraise is neglecting its duty. Sample descriptions of a cooperative manager's job is given in Exhibit A. A good job description accurately reflects the objectives, responsibilities, duties, and relationships of the specific job. A sample description can provide only a format for what might be included in a good position description.

## **MANAGEMENT EVALUATION**

### **Definition and Description**

A performance standard is a statement of the conditions that will prevail when a job is well done.

The standards are common in business. Tasks have been measured for years by accomplishments and results of the conditions after completion. The dif-

difficulty rises in reaching a mutual understanding between board and manager as to desired results. This example of a feed salesperson helps illustrate the point.

The salesperson was hired to sell and was told by the manager to “keep sales up.” But where is up? This salesperson returned at the end of a month proud of a record in bringing orders for 100 tons of Feed A. The 30-day effort beat the previous record of 80 tons of Feed A for that territory. The manager was not impressed. Only 40 tons of Feed B were sold. There was no appreciable change in the volume of Feed B this last month. Volume of this item should be building, the salesperson was advised. Finally, we determine that the manager will acknowledge a good job if each month the salesperson brings in orders for 70 tons of Feed A and 85 tons of Feed B. Now the salesperson knows what that phrase in the job description meant when it said, “Responsible for maintaining the proper product mix as measured by the monthly sales record.”

While this example deals with a manager and a salesperson, the principles apply to many jobs. Here we see that standards of performance are a regular part of business, but formalized for communication purposes. The board knows, but does the manager?

A vague but extreme standard has always been acknowledged in hiring and firing people. A person is hired to complete a specific assignment. It may be rather cold to say it this way, but we actually hire a task done, rather than a person. We hire the person because of the conviction that he/she can perform the task. If employees meet our expectations we keep them. By the same token, people are occasionally fired for not accomplishing expected results. In either case, the question posed is the same: Do both the board and the manager have a clear idea of what results are expected? If the answer is no, then the situation could be greatly improved by developing performance standards. The board, manager, and patrons will be better off.

A standard of performance may be applied to either:

1. a key planning area or
2. a position.

### **Standards for the Key Planning Area**

What conditions will exist when a particular department does a good job in achieving the objectives stated in the plan? The answer will set the standards of performance for the department. This step logically precedes setting standards for the individual responsible for the department. The manager was hired to perform specific tasks.

### **Standards for Position**

The standard is set for the JOB. It weighs the work, not the worker. Usual standards are called “historical” and “engineered”.

Historical standards compare performance for one period, a year, month, or season, with performance of similar prior periods. This type is the weaker of the two standards, but it is still useful.

Engineered standards are determined through objective observation and scientific analysis they are based upon what is practical or reasonable to achieve. They have a precision that is lacking in historical standards. Engineered standards avoid the suspicions often associated with historical standards. Engineered standards emphasize current facts and data rather than opinions or generalities about the past. They are exact, measurable, and reflect the technical conditions the manager faces.

Although engineered standards obviously are best, any standards are better than none. While most standards could be engineered, the cost and usefulness must be considered when deciding how many standards to engineer. A combination of less precise historical standards and more precise engineered standards will usually result.

## Preparation of Standards

The preparation of adequate standards is not an easy job. The process of writing and rewriting may continue over many months or even a couple years. Simple standards, accepted by the individual on the job, are a good beginning. As the individual performs, the standards will be refined. Simple standards, although incomplete, are better than none at all.

### Tools for Preparation of Standards

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#### • *Position Description*

This is the best available statement of responsibilities. Often, it can be used as an outline for the standards. The position description presumes that the job, as now constituted, is clearly determined. As the job changes, the position description will change.

It is legitimate to say that we cannot develop performance standards (how well responsibilities should be carried out as expressed by the conditions which prevail when the job is done) until we first develop good job descriptions.

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#### • *Organization Chart*

This will clarify:

1. Where the job fits into the functions performed by the cooperative.
2. Those responsibilities for which standards should be set.

All functions of the cooperative other than those reserved for the board, are the manager's responsibility.

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#### • *Company Planning Documents*

If your cooperative has a written strategic plan, it can be used in developing standards. The plan tells where the cooperative is going. It clearly outlines the key areas for the cooperative and the objectives in each. It is developed with ideas from a variety of sources including management and is subsequently approved by the board.

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#### • *Past Complaints and Conflicts*

This probably won't exist in a formal statement. It should be put together before standards are prepared. Past complaints and conflicts usually highlight elements not clearly understood by the manager and the board. It is usually the lack of clarification that causes the conflict. Standards can be used to create a clear mutual understanding in these areas so that conflicts won't recur in the future.

### Developing Standards

Several basic rules can be followed to aid the board and manager in preparing standards. Performance standards should be developed with as much participation as possible. There are several approaches:

1. By the board

This method will be used when the job is vacant or when responsibilities for the old job have drastically changed. Generally, the board knows what it expects of the job, particularly if there is no incumbent. Before an individual is hired, the board should develop a general set of standards.

2. By the manager

This is often the case in a first draft of the standards. It is a job analysis for the individual. It is the key to getting many standards established in a short time. The disadvantage is that the standard is likely to reflect the individual rather than the job. A manager frequently sets standards that are higher than his/her present performance. The danger exists that it may be set unrealistically high. The board should ease off the standard if it appears unreasonably high.

3. Participation is the key to this approach. Ideally, concentration should be focused on the job rather than on the individual. Usually, the manager prepares a statement of the conditions that will prevail when the job is well done. The board uses this list as a basis for conversations. Alternatively, the board prepares lists and ask

the manager to discuss it. Or, both may draw up lists independently and then compose and discuss the standards. In either case, there is opportunity for exchanging ideas. It allows the manager- the individual who knows best what is occurring to clear this job with the board. It knows best what it wants done. The manager is challenged to help set standards, and then tries to make them work.

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• *Statements Of Expected Results*

In framing statements of expected results, the sum of each job well done should be the achievement of the overall objective. Looking at this the other way, the main objective of the company is divided into key planning areas and goals set for each area. This first determination will set the basis for two extremes:

1. Statements should not be so broad that they overlap.
2. Statements should not be too detailed and thereby too narrow.

These statements will fall into two broad categories:

a. COMMON PERFORMANCE STANDARDS

These are statements of results expected from the cooperative manager. Usually they fall into broad categories:

*Planning*— Short- and/or long-range operational planning, personnel additions or deletions, improving methods, and controlling costs.

*Organizing*— Assigning responsibilities and delegating authority.

*Supervising*— Directing work, safety, and good housekeeping.

*Development*— Setting standards and appraising, guiding people, and coaching.

These common performance standards may help general managers in the small organization or managers in a particular functional group of a large organization.

b. SPECIFIC PERFORMANCE STANDARDS

1. Extent: Probably will average between 15 and 25 for the general manager. The more detail that can be evolved, the better the results. However, overly detailed statements may be ignored.
2. Scope: Include duties, responsibilities, and functions involving personal responsibility or relationships with others. Avoid personal traits and characteristics of the individual in the position.
3. Sources: Materials may be obtained from job description responsibilities, the plan, reviewing past crises, past complaints and conflicts, and policies.

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• *Accurate Measurement Tool*

The standard of performance can be a useful hiring tool. When new individuals are hired, we can show them the standards and say, "Here is what we will expect as results."

Standards help us hold the job content steady and yet make allowances for the new individual's learning time. There will be no question about when he/she knows the job. It will be when the standards are achieved. More than this, we can now get a good measure of the individual's learning time because the job is relatively stable.

Because the standards will be used in this fashion, we will want to be accurate so that a new manager will be able to immediately understand them. There is a technique for doing this:

1. List all the essential areas of responsibility. This will usually follow the position description. We presume that when we have written standards for all of these elements, the job will have been completely covered.

2. For each area of responsibility, frame the statement of standards with the key words: PERFORMANCE WILL BE UP TO STANDARD WHEN... or RESPONSIBILITY FOR (the function) WILL BE UP TO STANDARD WHEN...

3. Complete the above statement with the answer to the obvious question WHEN? It is not quite this easy because other questions may need answering to clarify our statements. These questions are:

How much?

How well?

In what manner?

How soon?

When?

“When” does not specifically refer to time as such (date, hour, month) but to the conditions that will prevail when responsibility is complete. Emphasizing the specific time element on “when” may be misleading. It emphasizes a time deadline rather than conditions to be met before the task is considered complete.

If we use the key phrase and then start asking questions, the answers will probably provide us with words that are an accurate measurement. Several position descriptions have a phrase like this: “Responsible for submitting reports to the general manager.” A standard for the general manager might say:

Performance for the general manager is up to standard when:

WHEN:

Reports are available to the board by the regular meeting on the second Wednesday of every month.

WHAT MANNER?

Reports are accurate, neat, and legible. Departures from routine have been highlighted and unusual circumstances or conditions have been noted.

HOW WELL?

Oral explanation of reports to the board have been made and replies given to answers.

Certain words should be avoided for purposes of clarity-“reasonable,” “adequate,” “few,” “satisfactory,” etc. Sometimes these words are unavoidable. It’s better to use them than not write standards.

Whenever possible use the precise measures, such as time, figures, ratios, percentages, specified quantity, and measurable quality.

In the first writing of standards, use broad phrases. They will become more precise in further rewriting. Writing broad standards “as a starter” can be dangerous. Unless one is as precise as conditions permit, the standards may represent little improvement over the position description and then they lose their affect. Like any other element of the management formula, it should not be presumed that anything is better than nothing.

Sometimes a precise measurement cannot be found. When conditions vary, a range of “normal” performance may be employed. For example, we may want to set upper and lower limits to allow for varying conditions. Clear descriptions should be given when we use nonquantitative standards. These may tend to be wordy, but better long-winded than inaccurate.

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• *Worded to Prevent Misinterpretation*

Stress the use of facts and figures. Quantitative measures are better than qualitative.

Use clear language in trying to evolve a system that will give the employee a clear concept of when the conditions we outline have been:

- ☐ Reached
- ☐ Not reached
- ☐ Exceeded

In the appraisal process, questions will be raised about some of the items in the standards of performance. During this review process, we may change wording to avoid any misinterpretation.

Vague Terms	More Precise
Adequate	Exact amount
Approximately	Omit entirely. Perhaps an average figure for a week or month is better.
Few	How many?
As soon as possible	When? Be specific.
Reasonable	Be exact. Standards are based on what is reasonable.
Justifiable	This seldom changes opinions and is better omitted.
Desirable	Be specific. What is desirable?"

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• *Set up in approved form*

Like all other management tools, standards of performance may create instead of solving problems. Some managers may resist using such tools initially. But, once managers see the benefits of standards, they learn to lean on them, live with them, and like them. As managers move from job to job in cooperatives employing this technique, the manager looks for the standards before or as soon after taking a new assignment. This is one of the benefits of adopting standards-clear communication of the board's expectations.

Standards permit someone to "approve" management performance. In addition, this keeps the board, which may be composed of different individuals at different times, acquainted with what it expects of a manager.

When standards are fully approved, accurate and clear terms help avoid misinterpretation.

There are many "approved forms." However, all should contain this basic information.

1. Simple statement of overall job.
2. Statements for policies, objectives, and operations.

This is the most widely accepted form. The policies and the plan generally correspond but are not limited to the position description. Actually, a major segment of the plan may have its own set of standards. For instance, the position description may make the manager responsible for controlling grain and farm supply inventories. Each of these might have its own standards.

3. Task assignment on one side and standard on the other.

This tries to solve some of the confusion that may arise from responsibilities and standards. A list is drawn with the jobs to be done on the left side of

the page and the standards on the right. This links the two in the mind of the manager.

4. Position description on one side; standard on the other.

This is a variation of No.3 except that the actual position description is used rather than just tasks.

Some cooperatives have attempted to use No.3 and No.4 to administer salaries. If standards seem to have been achieved, then the salary increase is approved. If there is a lack of achievement, the wage increase is not approved. This links reward directly with the standard.

There may be merit in this if the manager and board can talk about the standards and if the manager can be directed toward improvement. Otherwise, this would appear dangerous because it may deny the development objective and make the standard an unrealistic goal imposed by the board. Keep in mind that a standard is just that. It is not necessarily a goal.

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- *Attainable*

This can be a misleading statement. It says a standard that is impossible to attain should not be set. Likewise, it precludes the movement of the standard every time the manager attains it. It should be emphasized that standards:

1. Are not weapons but rather definitions in terms of results of when a job is well done.
2. Are instruments of development- they define the complete job so that a manager can identify areas of weakness and take the necessary steps to improve.

Avoid the tendency to set standards on the manager rather than on the job. Any growing organization will tend to identify the job with some incumbent or an ideal incumbent who once held the job. Writing standards to this manager will naturally follow. To some extent this cannot be avoided. But

we can avoid constantly changing the standard when a new manager comes into the job.

A question will arise here, "To what standard shall we hold the new manager?" Two methods are used to solve this problem.

- a. Give the new manager a "learning time" to reach standard. After 2 years, we will expect standard or 80 percent of standard. This is rather precise measurement and detracts from the development aspects of standards.
- b. Expect standard from the day of hiring. Upon appraisal, this will show that the manager is far from standards after months of work. But it points up the areas of development for the new manager. This better serves the purposes that this tool of management tries to serve.

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- *Continuously revised*

People, jobs, and relationships change. Standards of performance also change. At first, this seems like a good argument against using standards, but more careful thought indicates that it is a better reason for them. An individual has a right to know a job and how it has changed.

At annual appraisal time, we may review the standards of performance. Are they complete, too severe, or unrealistic? Is the job as big as it should be or too big for the money being paid? Have changes within the organization changed this job? These kinds of broad questions will usually yield a better review than taking the position description item by item, and going through the list with questions and comments. If changes are needed, this is the time to get agreement between the board and manager. This not only keeps the entire process current, but allows the next year's appraisal to be based on the verbal and written understandings of this year. This is a healthy appraisal climate in which to initiate changes in the standards.

This means that standards may be changed whenever they are needed.



### **Benefits of Standards**

A standard of performance, when used correctly, is a practical instrument for management development.

1. The manager realizes his/her capacity to grow. If they are not familiar with the job, they may not realize how to improve their performance and become confused about what is important or unimportant. The job that is not being done well challenges to people. Presuming they have the capacity to do the job, they will want to grow to fulfillment.
2. With no job challenge, the average person is still challenged by realizing his/her potential. The skills and attitudes people discover that motivate them to build or change are often more important than those pointed out by a superior. The personal elements of criticism often put more emphasis on the humiliation or accusation than upon the truth of the fault. Standards are impersonal and give a manager a pattern for growth aside from direct criticism from his/her board. This may even mean that a manager will grow aside from direct criticism from the board. This may even mean that a manager will grow so that he/she can find a job in another cooperative. But this is not bad. In the process, he/she will be serving you as well or better than a manager who is not growing.
3. It gives a firm foundation for performance evaluation. Doing standard work makes above standard achievement stand out. Positive achievement brings the thinking of the board and manager into clearer focus concerning the individual and the job.

Standards can be written for assigned responsibilities. In appraisal, we can be interested in other factors than specific performance responsibilities such as attitude, creativity, and enthusiasm. The concept of standards, however, is applicable only in measuring all qualities concerned with performance.

## **DIFFERENCES BETWEEN STANDARDS AND POSITION DESCRIPTIONS**

### **Position Descriptions**

1. Stress responsibilities
2. Tend to be general
3. Usually have one statement to a function

### **Standards of Performance**

1. Stress results
2. Tend to be specific
3. Usually have several statements to a function

## **STANDARDS FOR ASSISTING THE BOARD**

### **Board of Directors**

The general manager assists the board with its responsibilities in the following areas:

- A. Scheduling and arranging board meetings
- B. Preparing an agenda for board meetings
- C. Preparing, explaining, and interpreting financial statements such as the:
  1. Balance sheet
  2. Operating statement
  3. Source and use of funds statement
  4. Statement of cash flow
  5. Accounts receivable aging
  6. Grain open position report
  7. Departmental operating statements (if the cooperative has departments and or branches)

8. Ratios to evaluate financial position and operating efficiency
- D. Preparing short- and long-range plans which include:
1. Annual financial plan
  2. A strategic plan including projected operating statements and balance sheets showing cash flow and changes in members' equity
  3. Preparation of projections for additions and replacement of fixed assets
- E. Member and public relations programs which include:
1. Annual meeting arrangements
  2. Special member meeting arrangements
  3. Preparation and distribution of newsletters
  4. Preparation of the annual business report
  5. Participation in local community activities
- F. Legal activities which include:
1. Preparation, interpretation, and distribution of articles of incorporation and bylaws
  2. Compliance with local, State, and Federal regulations concerning taxes, licensing, compliance, quality control, and maintenance of safety requirements
- G. Preparing operating and control policies for the board's consideration which include:
1. Credit policies
  2. Sales policies
  3. Delivery policies

4. Storage policies
5. Allocation policies when products are in short supply
6. Employee benefit policies (personnel policies)
7. Equity retirement policies
8. Board activity and remuneration

#### H. Orientation for new directors

- I. Participating in regional cooperative and trade association activities

Performance standards may be developed around the general manager responsibilities for assisting the board if identified in the job description.

Sample performance standards for these responsibilities follows.

### **Sample Responsibilities and Performance Standards**

#### ***Responsibility in Job Description***

(What the manager must accomplish)

1. Assist, schedule, arrange, and prepare agenda for the board meeting.

#### ***Performance Standards***

(How much? How well? In what manner? How soon? When?)

- A. Reports to the board must be ready by the regular meeting on the second Wednesday of every month.
- B. Reports are accurate, neat, and legible. Departures from routine have been highlighted and unusual circumstances or conditions have been noted.
- C. Oral explanation of reports to the board have been made with appropriate answers.

Here are some other sample need to have performance standards developed:

2. Assist the board in preparing and regularly updating the annual plan.
3. Assist the board in planning and executing member relations programs.
4. Assist the board in executing legal obligations and activities of the cooperative.
5. Assist the board in the preparing policies to direct and control operations.
6. Assist the board in providing orientation for new directors that will make them aware of the key aspects of the cooperative necessary to assume their new role.
7. Assist the board in choosing which regional cooperative and trade association programs or activities the cooperative should adopt, and assist in implementing them. (How much? How well? In what manner? How soon? When?)

## STANDARDS FOR OPERATING RESPONSIBILITIES

The other part of the manager's job is oversight of the day-to-day operations of the cooperative. This involves the day-to-day execution of the plan and implementation of the board's policies. In the manager's position description, the list of functions necessary to carry out board policy were listed as follows:

- A. Hiring, training, assigning work, determining wages within the scope of board policy, and directing the staff or group of employees needed to carry out all work activities
- B. Ordering merchandise
- C. Controlling and safeguarding inventories
- D. Pricing merchandise

E. Merchandise delivery policies at

F. Financial management

G. Sales management

H. Equipment maintenance

I. Coordinating all activities to achieve goals established in the financial plan

These responsibilities include the execution of the plan. Using the plan in conjunction with the position description, the board can develop performance standards for the operations portion of the manager's job. The board's primary responsibility in operations does not include taking part in the day-to-day operations after policies have been established and the plan developed. This is the manager's responsibility.

Nevertheless, the board assumes the responsibility for controlling the activities of the cooperative. This is most effectively accomplished by setting performance standards for the manager and monitoring performances by using these standards. The development of performance standards for the manager's responsibilities in operations is somewhat easier than the more vague responsibilities of reporting and assisting the board. The accounting records provide more quantitative data for use in establishing clear-cut standards. Key indicators or ratios can be incorporated into performance standards making qualitative data available.

Performance standards may be developed around the key planning areas in the cooperative's operational plan. This approach gives the necessary emphasis to the plan. It communicates the board's expectations for precisely executing the plan. When standards have been developed for each key planning area, there is less room for misunderstanding. Finally, the process of negotiation between the board and manager is valuable. In writing the standards and discussing what is practical, priorities must be set on the objectives in the plan. Where objectives conflict, setting standards establishes in

writing a precise order of priorities. For example, an objective in the key planning area of marketing that calls for additional storage may conflict with an objective in the finance area that calls for low debt-equity ratios or an objective that calls for additional fertilizer application equipment in the supply planning area. If performance standards are developed jointly with management and the board, these issues can be resolved and written into the performance standards. The manager clearly understands what is expected and has agreed to try and accomplish it.

Negative performance standards may be appropriate in some cases where the board wants to eliminate or avoid specific conditions. In certain key planning areas such standards might be appropriate. In the key planning area of external environment, for example, the board may wish to write a negative standard for public complaints about cooperative operations. This gives the manager freedom to conduct the operations of the cooperative in an appropriate manner as long as the operations do not create public complaints. The board will have achieved its objective of avoiding unfavorable relations within the community. At the same time, it will have accomplished this with a minimum of interference in the day-to-day operations of the cooperative.

Negative standards are useful in situations where the board can clearly state what it does not want, but has difficulty saying exactly what it does want. In other words, "I don't know exactly what I want, but I do know what I don't want. So long as what I don't want does not come into existence, I will accept any remaining conditions." The negative standard clearly states what you don't want. It avoids the formulation of an unclear or poorly thought out positive standard that may limit the operations of the cooperative. Such a standard is more likely to be acceptable to the manager.

Standards of performance for operations must be developed jointly by the board and manager by answering the question, "What will be the measurable things that we all agree will reflect the desired

results when the job is done correctly?" Initial agreement by the board and manager on the standards is essential. In the process of determining the standard, several useful things will occur.

- The board and manager will decide what is really important for each key planning area.
- The standards will reflect the priorities for conflicting objectives in key planning areas.
- The standards developed will help move the cooperative into action toward achieving the objectives in the plan.
- The manager and board will agree on the objectives to be pursued, the priorities among the objectives, and actions toward achieving them.

Hence, the development of operational standards is a critical factor in putting the plan into action. They help ensure that what the board wants will happen.

## **Sample Performance Standards**

### ***Key Planning Area***

---

#### *Personnel*

Objective: Maintain harmony and clear communications within the workforce.

1. There should be no obvious conflict among employees in the cooperative.
2. A meeting of all employees should be scheduled once per quarter to discuss board actions, policies, plans, benefits, or other employee related topics.
3. Each employee should be encouraged to discuss problems at some point during the performance evaluation.

Objective: Sound personnel practice should be implemented in the cooperative.

1. Job descriptions and performance standards should be developed and updated annually for each position.
2. An up-to-date organization chart should be available to all employees.
3. Performance evaluations should be conducted for all employees at least once a year.

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#### *Marketing*

Objective: The cooperative will be an aggressive purchaser for all grains produced in its market area.

1. Market share on corn, soybeans, and "other grains" should be greater than 25 percent of potential in the current market area.
2. Grain market shares should be expanded at a rate of four share points per year until the cooperative is handling 40 percent of the grain in its market.
3. Grain purchases should be encouraged through contracting program.

Objective: The cooperative will use fixed assets applied to grain in the most efficient way.

1. Annual grain turnover should be greater than 1.6 turns.
2. Annual storage income should not fall below \$150,000.
3. Dryer revenues should cover fixed costs as calculated at season's end.

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#### *Supplies*

Objective: Production supplies and associated services needed by members at a competitive price.

1. Market share for any supply department should not fall below 10 percent.

2. Downtime on equipment for any service during peak season demand should not exceed 5 percent of total peak season hours of use.
3. Input prices for at least 50 percent of the items in any department should be lower than competitors' published prices.

Objective: Efficiently provide needed supplies.

1. Average number of days' sales in inventory should not exceed 120 days in any department.
2. Average number of days' sales in accounts receivable should not exceed 45 days.
3. Inventory shrinkage should be less than 2 percent of total sales in any supply department.

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#### *Finance*

Objective: Maintain adequate working capital to provide liquidity.

1. Working capital should be adequate to retire all seasonal loans during one month of the year.
2. Working capital should grow at a percentage rate of not less than 1/4 of the percentage rate of sales growth.
3. Working capital should make up more than 25 percent of liabilities during one month of the year.

Objective: Operate the cooperative so the earnings can finance planned growth.

1. Local savings should not fall below 2.5 percent of sales.
2. Gross margins as a percent of sales should not exceed expenses as percent of sales.

Objective: Effectively use assets and equity of the cooperative.

1. Local return on assets should not be less than 2 percentage points below the annual rate of inflation.
2. Local return on members' equity should not fall below average prime rate of interest by more than 3 percentage points.
3. Not more than 15 percent of accounts receivable should be more than 60 days old.

## MANAGEMENT DEVELOPMENT STANDARDS

### Appraisal Process

A set of standards has been developed for the manager of the cooperative in the two major areas of the job description- assisting the board and managing operations in accordance with the plan. These standards reflect what the board expects in results from the manager. The standards have been developed jointly by the manager and the board. Both agree that they are attainable and realistic.

The primary purpose of the standard must be development of the manager. Standards used for any other purpose they will eventually fail. Use of the standards as weapons to skewer the manager probably will. Development involves the changes a manager must make to perform more effectively. Management appraisal provides a starting point for any change. It analyzes the manager's present status. Once an inventory of strengths and limitations has identified, the manager can decide how to progress in the job.

The appraisal will look at the job an individual is doing and then measure performance. Deficiencies peculiar to a job will show up quite readily. These are the deficiencies we are going to work on. The primary purpose behind developing an individual is to make it easier for him/her to do a job.

A good working definition of appraisal is:  
 "Measuring the individual against the job that is to be done for the purpose of development." The

appraisal process should be distinguished from merit evaluation it measures the individual against the job for the purpose of reward. With a good set of standards, the individual can appraise his/her own work accurately. He/she should be able to identify areas where performance is above or below standard. This immediately makes the process of appraisal easier for the board.

It is neither necessary for board members to haggle over how well the job is being done, nor harass the manager about performance. He/she already knows. Instead, the board and the manager can concentrate on analyzing what can be done to improve the situation. The appraisal process can be summarized by answering four questions:

1. What is the manager doing really well? There are always some things the manager is doing that we would not want to change. This will generally be the areas where standards are being exceeded.
2. Does the manager need help in any area and if so, which ones? There is always room for improvement, particularly where the standards have not been met.
3. Why were the standards not met? It may have been due to factors beyond his/her control. Board policies might have stood in the way. Or it may simply be an area where the manager needs to grow. The analysis of why standards were not met is quite important.
4. What will be done about it? Alternative actions may be taken to correct the deficiencies. Those may involve lifting the roadblocks to achieve the standards where factors beyond his/her control caused the deficiency. They may involve courses or workshops to strengthen the manager's performance. In extreme cases, adjustments in standards may be necessary when factors are beyond control of the board or manager.

## MANAGER'S JOB PERFORMANCE

### Appraisal Worksheet

Review the manager's position description, formal performance standards, and other data and records pertinent to his/her performance. Then, consider the manager's performance in terms of each factor.

- Focus on the results achieved since the last appraisal compared with the results expected.
- Refer to the definitions of job results and performance factors, and sample questions suggested for consideration in evaluating each factor. Skip any factor or question that does not apply to your cooperative. Add your own questions as appropriate.
- For each factor, list examples that illustrate representative performance results, relating the examples to the goals and standards desired and to strengths, weaknesses, development needs, or circumstances beyond the manager's control, etc., that would affect performance. Include comments that will help you discuss your appraisal with other members of the board.

#### **1. Organization and Management**

How well does the manager understand the role and position as manager of the cooperative?

How well does the manager provide the leadership and administrative direction required of the manager position?

How effective and accountable is the manager in fulfilling the role as advisor to the board in its function of setting the proper course for the cooperative?

Develop a work and management system that promotes individual and team motivation; achievement of organizational objectives; and adherence to cost standards and budgets.

How effectively has the manager organized the cooperative to assign responsibility and accountability of the staff?

What kind of work environment does the manager develop-competitive within the cooperative; with other cooperatives?

How well does the manager communicate with employees?

How well does the manager encourage individual initiative, teamwork?

Does the manager document and explain the board's policy, the cooperative's administrative objectives, and the manager's operating program to cooperative officers, staff, and members?

Is the manager willing and able to obtain corrective action in a direct, but fair, manner when necessary?

Does the cooperative's planning process adequately identify problems and opportunities and result in realistic plans for progress?

Does the manager plan and establish realistic budgets?

How well does the manager follow up on budgets?

How well are controllable costs managed?

#### **2. Personnel Management**

Does the manager determine and plan manpower requirements-present, short-, and long-term?

How well does the manager use sources of recruitment?

Has selection been based on fulfilling a particular job opening only or selecting individuals with potential to advance to higher levels of responsibility?

What kinds of programs or actions are used to train employees for specific jobs or to help them develop to assume greater responsibility?

Has the manager been objective and aggressive in filling key positions and building structure and capability into the cooperative administration?

Has the manager's personal conduct permitted subordinates with delegated responsibility the opportunity to perform effectively? Does the manager remain sufficiently removed from operating decisions to maintain proper accountability of staff?

Has the manager been successful in developing a succession to his/her position **and** other key positions?

Is the manager consistent in applying personnel policies and practices?

Does the manager determine the type and timing of staffing requirements; selection of competent personnel with potential for advancement; and motivation, counseling, and training of personnel to achieve the work objectives and to help prepare them for greater responsibility and advancement?

How well does the manager keep employees informed about their performance?

### *3. Business Development and Representation*

What efforts or specific techniques has the manager used to determine market potential?

What techniques and resources have been used to promote objectives and services of the cooperative; to seek out new business opportunities; to expand membership; and increase sales?

What was the rate of growth in patrons and volume relative to the area's overall market potential and the cooperative's objectives?

How much growth (or lack of it) can be attributed primarily to conditions beyond the influence of the manager?

Is the growth reflective of servicing all potential customer areas?

How effectively does the cooperative compete with other businesses?

Does the manager resist or encourage the development and adoption of new policies, techniques, systems, and procedures?

Does the manager actively seek out innovations instituted by other cooperatives and businesses?

Are proposed innovations introduced on a planned basis?

The successful cooperative needs a participating and stable membership.

Does the manager plan for growth in volume and number of patrons in relation to market potential; actively promote services, innovation, public and community relations, and maintain effective relations with other cooperatives?

To what extent have the manager's innovations contributed to the cooperative's objectives?

How much emphasis does the manager place on seeking and maintaining contacts and relations with members, the overall farm community, and the organizations associated with the agricultural industry?

What approaches and techniques does the manager use to foster and enhance the image and objectives of the cooperative and the cooperative way of doing business?

How well does the manager perceive the cooperative's objectives as being inter-related with the objectives of regional cooperatives?

Within the organization, does the manager foster an attitude of cooperation or competition with other cooperatives?

Does the manager appropriately and effectively reflect the board's views and interests?



Does the manager keep the board adequately (timing and accuracy) informed?

#### **4. Operations Administration and Supervision**

Within board guidelines, has the manager established and communicated to the staff, standards regarding philosophy to be pursued?

Has the manager developed and administered a sound and effective operation which meets the needs of patrons?

Has the manager developed realistic operational budgets with performance standards and communicated them to the staff?

Does the manager evaluate operations to determine the causes of weaknesses and corrective actions?

Does the manager evaluate new service opportunities?

How well does the manager maintain and report on operations to ensure compliance with policies, procedures, plans, and budgets? Are interim operating statements accurate?

#### **5. Financial Administration**

How does the manager determine if funds are being administered in an effective and efficient manner?

Are asset returns being maximized and debt being minimized in a prudent but effective manner?

Are attempts made to reduce cash as a “non-earning” asset?

How leveraged is the cooperative? Is debt to equity effectively managed?

Are obligations met in a timely manner? Are loan covenants and conditions being complied with?

How are contingent liabilities being administered? Are credit policies properly administered?

Are assets, liabilities, and equities effectively managed? Are balance sheet ratios being strengthened? Has working capital growth been sufficient? Are seasonal loans correctly handled?

## MANAGEMENT ASSESSMENT QUESTIONNAIRE

Name of person you are rating \_\_\_\_\_

All questions should be answered by circling one number next to each question which best indicates how you feel about that question. For each question, unless otherwise specified, the response categories are:

1. To a very little extent
2. To a little extent
3. To some extent
4. To a great extent
5. To a very great extent
6. NA - Not applicable (because question either does not apply to the person or you do not feel you can adequately assess the person on the statement)

For example:

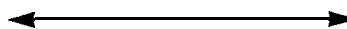
	1	2	3	4	5	NA
Do you have confidence and trust in this person?						

Note: After each section of questions and at the end of the questionnaire, questions are asked which will allow you to write in your comments. They will be combined with those comments from others who are rating this person. A written summary will be given anonymously to the person being rated.

This part of the individual Assessment Profile will be most helpful. It is very important that you write something here. The person you are rating will appreciate your complete honesty.


## Communication

little extent                      great extent



- |  |   |   |   |   |   |    |
|--|---|---|---|---|---|----|
| 1. Does the manager keep you informed about things you need to know? | 1 | 2 | 3 | 4 | 5 | NA |
| 2. Is the manager honest and frank in communicating with you?        | 1 | 2 | 3 | 4 | 5 | NA |
| 3. Does the manager create an atmosphere of open communication?      | 1 | 2 | 3 | 4 | 5 | NA |
| 4. Is the manager a good listener?                                   | 1 | 2 | 3 | 4 | 5 | NA |
| 5. Does the manager listen effectively to new ideas?                 | 1 | 2 | 3 | 4 | 5 | NA |
| 6. Does the manager provide you with information on a timely basis?  | 1 | 2 | 3 | 4 | 5 | NA |

How could the manager improve communication?

	little	extent			great	extent	
							
<b>Entrepreneurship</b>							
7. Does the manager effectively initiate new projects in the company?	1	2	3	4	5	NA	
8. Does the manager lead in implementing new projects which keep the company up to date?	1	2	3	4	5	NA	
9. Does the manager have new ideas for company improvements?	1	2	3	4	5	NA	
10. Does the manager seek new ideas for increasing company productivity?	1	2	3	4	5	NA	
11. To what extent does the manager effectively provide leadership for developing innovative ideas?	1	2	3	4	5	NA	
How could the manager provide greater entrepreneurial leadership?							

<b>Leadership</b>							
12. Does the manager cooperatively adapt to change?	1	2	3	4	5	NA	
13. Does the manager assume responsibility for achieving organizational objectives?	1	2	3	4	5	NA	
14. Does the manager put organizational objectives ahead of personal ambitions?	1	2	3	4	5	NA	
15. Do the manager's actions lead to effective staffing of the company?	1	2	3	4	5	NA	
16. Do the manager's actions result in good personnel selection decisions?	1	2	3	4	5	NA	
17. Do management efforts lead to effective employee performance?	1	2	3	4	5	NA	
How could the manager improve leadership skills?							

little extent                      great extent



- 

1	2	3	4	5	NA
1	2	3	4	5	NA
1	2	3	4	5	NA


1	2	3	4	5	NA
1	2	3	4	5	NA
1	2	3	4	5	NA
1	2	3	4	5	NA

- |   |   |   |   |   |    |
|---|---|---|---|---|----|
| 1 | 2 | 3 | 4 | 5 | NA |
| 1 | 2 | 3 | 4 | 5 | NA |
| 1 | 2 | 3 | 4 | 5 | NA |
| 1 | 2 | 3 | 4 | 5 | NA |

1	2	3	4	5	NA
---	---	---	---	---	----

1	2	3	4	5	NA
1	2	3	4	5	NA
1	2	3	4	5	NA

- |   |   |   |   |   |    |
|---|---|---|---|---|----|
| 1 | 2 | 3 | 4 | 5 | NA |
| 1 | 2 | 3 | 4 | 5 | NA |
| 1 | 2 | 3 | 4 | 5 | NA |

	little	extent			great	extent	
							
28. Does the manager make effective resource allocation decisions?	1	2	3	4	5	NA	
29. Does the manager effectively respond to exceptions to the planned budget?	1	2	3	4	5	NA	

How could the manager improve decisionmaking?

### Delegation

30. Does the manager sufficiently delegate authority needed to accomplish delegated responsibility?	1	2	3	4	5	NA	
31. Does the manager delegate to others responsibility for day-to-day operations?	1	2	3	4	5	NA	
32. Does the manager reserve time for long-term planning?	1	2	3	4	5	NA	

How could the manager improve delegation?

### Performance Standards and Feedback

33. Does the manager effectively set performance standards?	1	2	3	4	5	NA	
34. Does the manager conduct performance reviews?	1	2	3	4	5	NA	
35. Does the manager do high quality work?	1	2	3	4	5	NA	
36. Does the manager expect high quality work from others?	1	2	3	4	5	NA	

How could the manager improve performance standards and feedback?

### **Additional Written Comments**

Please respond to these questions:

1. What are two things the manager does most effectively?

A.

B.

2. List two specific ways, not mentioned previously, the manager could be more effective.

A.

B.

# GENERAL MANAGER APPRAISAL REPORT

## Instructions to the Board of Directors

The performance appraisal of the general manager is one of the most important functions the board performs. As such, it should be conducted with diligence, objectivity, and honesty. The performance appraisal will not only be used to assist the board in deciding to make a rational salary adjustment, but also assist the board **in helping the manager.**

So the project is meaningful to both the board and the general manager. Sufficient time must be allowed to do the job thoroughly. A special executive session of the board should be scheduled. At this time the form will be completed, followed at a later time with a face-to-face interview between the board chairman, as spokesman for the entire board, and the general manager. The general manager should be given ample notice when the appraisal will be conducted. In this way, the general manager can prepare needed documentation for the interview.

Remember, the general manager has only one “boss,” the board of directors. Therefore, it is extremely important that the general manager be evaluated by only one boss. This is best accomplished in an executive session of the board.

Individual directors should express their personal views on all aspects of the manager's performance. But at the conclusion of each item and completed of the form, the contents must contain the unified view of the board as a whole. The completed form will then be discussed in detail with general manager by the board chairman, or perhaps by the officers, but not by the entire board. This method should eliminate “nitpicking” and “finger pointing.” It is extremely important any “worksheets” or forms completed by individual directors be destroyed so that they are not found by persons outside the board.

The board must be prepared for the general manager to disagree with certain aspects and then be prepared, if necessary, to reconsider. The board also must be receptive to constructive criticism by the general manager of the board's performance.

This evaluation process can be a very rewarding experience for both the board and the general manager if conducted professionally, objectively, honestly, and openly. It will be successful if, as a result, the general manager acknowledges the strengths and weaknesses identified, pledges to build on strengths and correct weaknesses, and recognizes the salary received is based on performance.

## GENERAL MANAGER APPRAISAL REPORT

Management is traditionally charged with managing “land, labor, and capital.” This responsibility is accomplished by using the management functions of planning, organizing, and controlling. Therefore, this appraisal report is divided into those six general areas. Specific items will be addressed under each of the six major areas. Specific areas will be rated first and then an overall rating given for that area. The rating of each major area will be justified with written comments.

The following ratings will be used in evaluating the various sections of this report:

- F - Fair:** Performance usually meets standards, but improvement is possible and desirable.
- G - Good:** Performance meets and sometimes exceeds standards. Contributions are consistent and reliable.
- C - Commendable:** Performance often exceeds standards or expectations. Considerable initiative has been exhibited.

### I. Land (facilities and equipment)

#### A. Specific Indicators:

- |   |   |   |   |
|---|---|---|---|
| 1. Adequacy of facilities and equipment. How well does the general manager analyze equipment and facility needs and make appropriate recommendations? | F | G | C |
| 2. How well is the physical plant repaired and maintained-quality of elevators, fertilizer plants, and other building and equipment?                  | F | G | C |
| 3. Do facilities and equipment appear clean and attractive?   | F | G | C |

<b>B. Rate the manager's overall performance in managing and equipment.</b>	F	G	C
---	---	---	---

#### C. Comments:

### II. Labor (including employees, board, and patrons)

#### A. Specific Indicators - Employees:

- |   |   |   |   |
|---|---|---|---|
| 1. Do cooperative employees appear to enjoy their work?   | F | G | C |
| 2. Are employees given performance appraisals regularly?<br>Are they provided training and development opportunities? | F | G | C |



3. Does the cooperative have sufficient backup in key positions? Can the cooperative operate effectively when the manager is absent?	F	G	C
4. How well does the manager resolve conflicts among employees and between employees and patrons?	F	G	C
B. Rate the manager's overall performance in handling employees?	F	G	C
C. Comments:			
D. Specific Indicators - Board:			
1. Does the board receive information on a timely basis? Is the information sufficient for the board to make informed decisions?	F	G	C
2. Does the general manager provide leadership and direction to the board?	F	G	C
3. Does the general manager make good, timely decisions? Are the decisions made within the sphere of management?	F	G	C
4. Does the general manager create an atmosphere of trust and make the board comfortable with management decisions?	F	G	C
E. Rate the manager's overall performance in relating with the board.	F	G	C
F. Comments:			
G. Specific Indicators - Patrons/Public:			
1. Does the general manager project a positive image to the patrons? Is he/she respected in the community?	F	G	C
2. Does the general manager provide effective communication to members regarding cooperative activities?	F	G	C
3. Does the general manager respond promptly and effectively to resolve patron concerns or complaints?	F	G	C
4. Does the general manager and staff strive toward prompt and courteous service to patrons?	F	G	C

- |  |          |          |          |
|--|----------|----------|----------|
| 5. Does the general manager have a good working relationship with the cooperative's lender?                  | <b>F</b> | <b>G</b> | <b>C</b> |
| 6. Does the general manager have a good working relationship with the cooperative's regional cooperative(s)? | <b>F</b> | <b>G</b> | <b>C</b> |
| 7. <b>Does</b> the general manager participate in community affairs in an effort to promote the cooperative? | <b>F</b> | <b>G</b> | <b>C</b> |

<b>H. Rate the manager's overall performance in dealing with patrons and the general public.</b>	<b>F</b>	<b>G</b>	<b>C</b>
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I. Comments:

### III. Capital (financial affairs)

#### A. Profitability Ratios:

	Standard	Actual			
1. Local Return on Sales	_____		F	G	C
2. Local Return on Local Assets	- - - - -	_____	F	G	C

#### B. Liquidity Ratios:

1. Interest Coverage Ratio	_____		F	G	C
2. Current Ratio	_____ - -	_____	F	G	C
3. Working Capital to Sales	- - _____	- - - - -	F	G	C
4. Days' Sales in Accounts Receivable	_____	_____	F	G	C
5. Debt Service Ratio	_____	_____ - - - -	F	G	C

#### C. Efficiency Ratios:

<b>1. Firm Productivity Ratio</b>	_____ - - -	_____ - -	F	G	C
<b>2. Labor Income Ratio</b>	_____	_____	F	G	C

#### D. Solvency Ratios:

1. Local Leverage Ratio	_____		F	G	C
2. Term Debt to Fixed Assets	_____		F	G	C
3. Ownership Ratio	_____		F	G	C

- E. Rate the overall financial management of the cooperative including financial strength, earnings performance, and financial improvement. F G C
- F. Comments:

#### IV. Planning

##### A. Specific Indicators:

1. How well does the general manager provide vision and foresight to the board? F G C
2. How effectively does the general manager include the board and the staff in the planning process? F G C
3. How well are the plans implemented and the results evaluated? F G C
4. How accurate and adequate is the budget process? F G C

- B. Rate the overall performance of the general manager **in the planning process.** F G C

##### C. Comments:

#### V. Organizing

##### A. Specific Indicators:

1. Does the general manager have and use an effective organization chart outlining chain of command and reporting relationships? F G C
2. Does the general manager have in place current job descriptions for each position in the company? F G C
3. Does the general manager appear to delegate effectively to department heads or key employees? F G C

- B. Rate the overall performance of the general manager in effectively organizing the cooperative. F G C

##### C. Comments:

## VI Controlling

### A. Specific Indicators:

- |  |   |   |   |
|--|---|---|---|
| 1. Are monthly financial statements accurate and timely?   | F | G | C |
| 2. Are year-end statements reasonably close to information provided in monthly financial statements? | F | G | C |
| 3. Are additions to fixed assets within the parameters of board policies?                            | F | G | C |
| 4. Is the board's credit policy implemented and administered appropriately?                          | F | G | C |
| 5. Are short-term loans used properly to minimize interest expense?                                  | F | G | C |
| 6. Are relevant policies and procedures in place to minimize problems?                               | F | G | C |

- |  |   |   |   |
|--|---|---|---|
| B. Rate the overall performance of the general manager in establishing and administering an adequate control system. | F | G | C |
|--|---|---|---|

### C. Comments:

## VII. Summary

1. What are the general manager's strength and in what ways does he/she contribute best to the success of the cooperative?
  
  
  
  
  
  
  
  
  
2. What are the most significant weaknesses that need to be corrected?
  
  
  
  
  
  
  
  
  
3. During the next 12 months, the board will expect the general manager to:
  
  
  
  
  
  
  
  
  
4. Based on this evaluation the board rates the general manager's overall performance:

☐ Fair

☐ Good

☐ Commendable

This appraisal of my performance has been reviewed with me by the chairman of the board. I accept this appraisal of my performance for the past 12 months and will strive to improve upon those areas as noted.

General Manager \_\_\_\_\_ Date \_\_\_\_\_

Chairman,  
Board of Directors \_\_\_\_\_ Date \_\_\_\_\_

**I. MAJOR RESPONSIBILITIES**

Under administrative guidance from the board of directors and within the limits of board policies, budgets, and legal requirements, the manager has full responsibility and, appropriate authority, unless otherwise specified, for the productive operation, growth, and development of the cooperative.

**II. NATURE OF DUTIES****A. Planning**

1. Formulates policies and procedure for board approval.
2. Develops income and expense budgets and makes long- and short-term trend forecasts.
3. Develops plans for financial requirements and use, inventory, marketing, and introductions of new products, growth, improvements, annual meetings, future organization, and effective controls.
4. Schedules use of personnel.
5. Makes marketing studies and develops marketing plans.

**B. Organization**

1. Establishes organization structure, hires, places, trains and motivates employees.
2. Appraises performance and compensates employees within the parameters of the board-approved wage and salary plan.
3. Maintains effective morale in the cooperative.

**C. Directing**

1. Directs operations of the cooperative and appropriately delegates to key employees, and supervises key employees for proper delegation to their employees.
2. Conducts regular employee meetings.
3. Initiates preparation of an agenda for board meetings in conjunction with the board chair.
4. Services customers in the absence of the employees.
5. Maintains all records and files in accordance with board policy, local, State, and Federal regulations.
6. Designs and or prepares merchandise displays.
7. Maintains projected cash flow disbursements.

8. Uses services of members to help on special committees and programs.
9. Keeps obligations on notes, bank loans, and other credit obligations in a current position.
10. Promotes adherence to the cooperative's philosophy, objectives, goals, and policies.

#### D. Coordinating

1. Participates in community and public affairs.
2. Maintains communication with the board to get their approval, to seek their advice and counsel, and to keep them fully informed.
3. Maintains effective contact with other cooperatives and the business community.
4. Keeps in close touch with customers and members to get their advice and support, to keep them informed, and to improve their understanding of cooperative affairs.
5. Maintains effective contacts with financial lenders to get their advice, counsel, and services.
6. Keeps effective contact with suppliers to protect the appropriate source of supply.

#### E. Controls

1. Approves extension of credit within the parameters of board policy.
2. Reviews financial statements and takes corrective action to maintain skilled business practices.
3. Directs corrective action as specified by the board.
4. Reviews and analyzes customer complaints and takes corrective action as necessary.
5. Approves requisitions and invoices for expenditure of funds.
6. Performs periodic reviews to assure compliance with board policies, budgets, and legal requirements.
7. Reviews financial audit reports and takes necessary corrective action.

## SAMPLE JOB DESCRIPTION II

*Job Title:*        **GENERAL MANAGER**        *Date:* \_\_\_\_\_

*Reports to:*     Board of Directors        *C o o p e r a t i v e :* \_\_\_\_\_

---

**POSITION OBJECTIVE:** To plan, organize, coordinate, and control the operations of the cooperative to achieve its objectives, resulting in best possible patron service, greater sales volume, and increased savings for the cooperative's patrons

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### Duties and Responsibilities

### Standards of Performance

1. Establish short- and long- term goals as to:

Profit to sales volume  
Profit to capital invested  
Company product lines  
Company images  
Cash flow (fixed expenditures)

- 1) a. Annual sales goals and operational budget completed by first of each year.
- b. Develop plans to achieve long-term goals.
- c. Achieve a minimum of 10 percent annual sales growth (not inflation growth).
- d. Products purchased from suppliers other than regional cooperatives should be only those not available from or not competing with the regional.
- e. Image of company regarded with highest respect.
- f. Local earnings sufficient to satisfy short- and long-term cash flow needs.

2. Formulates plans and objectives with department managers and employees to reach the established goals.

- 2) a. Monthly meeting with all employees.
- b. Stimulate employees to top performance.

3. Establish and maintain a well- defined system of jobs with each supervisor reporting to him/her.

- 3) a. Review job descriptions with employees annually and update as required.

4. Responsible for employee staffing, training, and development.

- 4) a. Make use of all training schools offered.
- b. Periodic in-house training sessions.

5. Maintain inventories and inventory controls.

- 5) a. Seek four turnovers on commodities other than petroleum.
- b. Eliminate obsolete inventories annually.
- c. Fiscal year-end inventories not to exceed sales.



Duties and Responsibilities	Standards of Performance
6. Accounts receivable controls	6) a. Enforce company's credit policy as established by the board. b. Familiarize all employees with the credit policy.
7. Must have the board's approval for all cash outlays for fixed assets.	7) a. Written approval prior to spending monies for fixed assets in excess of \$3,000 per item and \$10,000 annually.
8. Hold department supervisors and employees accountable.	8) a. Provide best-value products and services at competitive prices.
9. Establish an employee compensation and appraisal program.	9) a. Update and maintain employees' compensation program within guide lines of board policy. b. Review performance, merit reviews, and salaries annually with employees. c. Employees' productivity
10. Safety	10). Coordinate and promote safety programs.
11. Government regulations and ordinances	11). Do not conduct any type of operations that are in violation.
12. Results	12). Accountable to the board for the following: <ul style="list-style-type: none"> <li>1. Operating Statement</li> <li>2. Balance Sheet</li> <li>3. Source and Use of Funds Statement</li> <li>4. Statement of Cash Flows</li> <li>5. Achieving company goals</li> <li>6. Product lines</li> <li>7. Marketing programs</li> <li>8. Cooperative image</li> <li>9. Cooperative objectives</li> </ul>

---

## Duties and Responsibilities

13. Company Insurance
14. Cooperative philosophy
15. Other duties as may be assigned by the board.

## Standards of Performance

- 13). Review insurance programs annually to ensure cooperative is sufficiently protected and report detected deficiencies for board action
- 14). As a cooperative, the employees and management shall promote business practices on a cooperative basis.

## APPENDIX B

## PERFORMANCE APPRAISAL-SAMPLE 1

GOALS: List approved goals from previous appraisal or goals agreed to at the beginning of employment.

SAMPLE GOALS: The following categories are suggested for measuring current manager performance or developing goals at the beginning of the evaluation period.

MEMBER SERVICES: (List goals)

(Comments, compliments, implementation, and complaints)

Accomplishments:

Appraisal:

Needs additional attention:

EMPLOYEE TRAINING AND DEVELOPMENT: (List goals)

(Education, training, turnover)

Accomplishments:

Appraisal:

Needs additional attention:

FINANCIAL SOUNDNESS OF COOPERATIVE: (List goals)

(Ratios, trends, capital adequacy, delinquency)

Accomplishments:

Appraisal:

Needs additional attention:

PROFITABILITY: (List goals)

(Transfers to reserves, working capital adequacy, dividends to members)

Accomplishments:

Appraisal:

Needs additional attention:

FUTURE ORIENTATION: (List goals)

(Transfers to surplus, capital adequacy, dividends to members)

Accomplishments:

Appraisal:

Needs additional attention:

PROFESSIONALISM: (List goals)

(Involvement in professional groups, quality of reporting, stature in cooperative community)

Accomplishments:

Appraisal:

Needs additional attention:

COMMUNITY INVOLVEMENT: (List goals)

(Service clubs, youth groups, associations, and activities)

Accomplishments:

Appraisal:

Needs additional attention:

SUMMARY OF PERFORMANCE:

Strengths:

Areas of Improvement:

GOALS AND PRIORITIES FOR NEXT APPRAISAL PERIOD:

***Guide for Performance Appraisal  
of General Manager  
by Board of Directors***

***Date of this appraisal\_\_\_\_\_***

***Follo wup Date\_\_\_\_\_***

## PERFORMANCE APPRAISAL SAMPLE 11

### Rating Factors

A= Exceeds Standards of performance in all essentials

B= Exceeds Standards in some essentials – Meets standard in others

C= Meets Standards of performance

D= Meets Minimum Standards of performance

E= Development needed to meet minimum Standards

### Relations with Board

#### LEGAL ENTITY

How well does the manager understand and interpret the charter and bylaws and keep the board informed of legal requirements

A ☐ U ☐ B ☐ C ☐ D ☐ E ☐

#### BOARD PLANNING

How well does the manager advise and assist the board in establishing viewpoints, objectives, goals, policies, plans, and programs.

A ☐ B ☐ C ☒ R ☐ D ☐ E ☐

#### OPERATIONS

How well does the manager advise the board on needed resources and facilities, capital and operating financial needs, funds for replacement, expansion, and improvement of products and services.

A ☐ B ☐ C ☐ D ☐ O ☐ ELI ☐

#### BOARD CONTROLS

How well does the manager assist the board in establishing the strategic control, in predicting trends, and measuring progress toward goals.

A ☐ B ☐ C ☐ D ☐ E ☐

Comments (strong points and needs in advising and assisting boards and members)

#### PLANNING

How well does the manager establish and achieve objectives, goals, formulate and implement policy, develop required plans and programs, and generate improvements?

A ☐ B ☐ C ☐ D ☐ E ☐

Comments: Report any unusual or extenuating circumstances which may have hindered or facilitated attainment of objectives.

## Management Functions

### ORGANIZING

**How** well does the manager establish and maintain sound organization structure, select and develop personnel, and motivate and reward performance? Comments: Report any unusual or extenuating circumstances which may have hindered or facilitated attainment of objectives.

A ☐ B ☐ C ☐ D ☐ E ☐

Comments: Report any unusual or extenuating circumstances which may have hindered or facilitated attainment of objectives.

### DIRECTING

**How** well does the manager delegate, personally perform, and in general exercises leadership?

A ☐ B ☐ C ☐ D ☐ E ☐

Comments: (strong points and needs)

### COORDINATING

How well does the manager establish and maintain effective communication throughout the organization and with others outside the organization?

A ☐ B ☐ CO D ☐ E ☐

Comments: (strong points and needs)

### CONTROLLING

Evaluate the manager's ability to keep informed of progress, predict outcome, initiate remedial action when necessary, and to make effective use of budgets, statements, and reports.

A U B ☐ C ☐ D ☐ E ☐

Comments: (strong points and needs)

### PERSONAL ATTRIBUTES

Evaluate the manager in terms of key personal attributes such as viewpoints (particularly cooperative philosophy), thinking habits, emotional makeup, team play, and executive characteristics.

A U B ☐ C ☐ D ☐ E ☐

Comments: (strong points and needs)

OVERALL PERFORMANCE

How well does the manager perform the total requirements of his position

A ☐ B ☐ C ☐ D ☐ E ☐

PLAN OF ACTION

A. How can performance be improved? (by board or general manager)?

B. What specific steps have the board and general manager agreed to take to assure growth and development?

1.

Followup Date\_\_\_\_\_

2.

Followup Date\_\_\_\_\_

3.

Followup Date\_\_\_\_\_

4.

Followup Date\_\_\_\_\_

This appraisal form has been reviewed and discussed with me.

General Manager

Date



### **A Goal-Based System for Appraising a Manager's Performance**

Cooperatives are searching for ways to harness the potential of the manager's talents. Boards of directors recognize the benefits to both the cooperative and the individual manager.

Any organization can set and achieve goals. Recognizing this characteristic and the individuality of each manager, directors should design a system that facilitates the planned growth of the cooperative. Setting goals allow an organization to outline what is expected of the manager and measure what is actually achieved. Goal planning and achievement contains several desirable features:

1. It measures the true contribution of the manager to the board and the cooperative.
2. It promotes coordinated efforts and teamwork toward accomplishing objectives and goals established by the directors. The strategic planning process regardless of how simple or complex, broad, or detailed hinges on the ability of the directors to guide this activity.
3. It defines the areas of responsibility of both the directors and hired management in the measured areas.
4. It is results oriented
5. The manager may offer suggestions. Manager participation is tied directly to commitment to achieve goals.
6. It aids in identifying the manager's strengths and weaknesses.
7. It aids salary administration based on merit performance.

The manager and the board negotiate the terms in objectives and goals. As the strategic planning process and the objective and goal setting function are blended, philosophy leaks downward through the cooperative and methodology leaks upward. The general manager's job description becomes the axis for developing this process.

### ***Using Performance Appraisal Guides***

1. Fill in the manager's name, evaluation period, and date the developed plan.
2. List the general objectives of the plan under the "goal" column (3 or 4 major goals).
3. Weight each goal as it relates to the other goal so that the total weight is 1.00. Enter those weights in the column marked "GOAL WT" next to the corresponding goal.
4. Design measurable performance standards for each goal, usually 1 to 4 performance standards per goal. Enter these standards in the column marked "performance standards."
5. Weight the importance of each performance standard as related to the other performance standards for that goal.

**The total weight of the performance standards should total the same weight as the goal.**

**Enter** these weights in the column marked “standard weight.” The total standard weight for all performance standards should equal 1.00.

6. Determine levels of performance that indicate unacceptable, marginal, satisfactory, and exceptional completion of the performance standards.

Enter these levels in the column marked “performance level score.”

0 pt. = Unacceptable 1 pt. = Marginal 2 pt. = Satisfactory 3 pt. = Exceptional

### ***Points in Goal Setting***

1. Goals should be stated in general terms
2. Performance standards should be specific and measurable in terms of time, quality, or quantity.
3. In designing performance-level score ranges for the performance standards, consider the following:
  - a. The exceptional score range should be challenging. Reaching this bonus level could make up for a less than satisfactory score on another standard.
  - b. The satisfactory score range should reflect the performance standard.
  - c. The marginal range should reflect performance that is acceptable but not satisfactory.
  - d. The unacceptable range should reflect totally unsatisfactory performance.
4. General score ranges and indicative performance would be:

0.00 to 0.75 = Unacceptable Performance

0.75 to 1.55 = Marginal Performance

1.50 to 2.00 = Satisfactory Performance

2.00 to 3.00 = Exceptional Performance
5. The relationship between the board of directors and the manager becomes a real key to the success of this system. It is at this negotiation that challenging, yet attainable, goals and performance standards are designed. The board must be in control of the system, but at the same time, allow the manager sufficient comment that captures the manager’s commitment.

## Performance Appraisal Plan

Manager \_\_\_\_\_ Evaluation Period \_\_\_\_\_ Date \_\_\_\_\_

Goal	Goal wt.	Performance Standard	Std. wt.	Performance	Level	Score	
1. Increase Income Sales/Service	.65	1a. Increase unit sales of heavy fuel 10 percent	.20	2 % Increase 8 % Increase	0 Pt 2 Pt	4 % Increase 10 % Increase	1 pt 3 pt
		1b. Reduce shrink on all fuels to half of 1 percent	.10	+ 4 % + 1.5% to 1 %	0 pt 2 Pt	+ 2 % .5 %	1 pt 3 pt
		1c. Increase gross margins on TBA to 25 percent	.10	Less than 21 % 23 to 25 %	0 pt 2 Pt	21 to 22 % + 25 %	1 pt 3 pt
		1d. Generate \$22,000 of income from “on the farm” tire service vehicle	.05	Less than \$18,000 \$20,000 or more	0 pt 2 Pt	\$18,000 or more \$22,000 or more	1 pt 3 pt
		1e. Increase tonnage sales of liquid nitrogen solutions by 8 percent.	.10	1 to 4 % 6 to 8 %	0 Pt 2 Pt	4 to 6 % 8 % +	1 pt 3 pt
		1f. Increase custom fertilizer application by 5,000 acres	.10	0 to 999 A 3,000 A	0 Pt 2 Pt	1,000 A 5,000 A +	1 pt 3 pt
2. Finance	.20	2a. Maintain a ratio of 1:75 to 1:00 current assets/liabilities	.05	Less than 1.60 1.65 to 1.00	0 Pt 2 Pt	1.60 to 1.00 1.75 to 1.00	1 pt 3 pt
		2b. 95 percent of all accounts receivable in current position	.05	90 % or Less 93 to 94 %	0 Pt 2 Pt	91 to 92 % 95 % +	1 pt 3 pt
		2c. Complete budget within 30 days after the beginning of the business year	.10	No	0 pt	Yes	3 pt
3. Membership, employee, and manager education	.15	3a. Hold 3 membership meetings	.05	no meetings 2 meetings	0 Pt 2 Pt	1 meeting 3 + meetings	1 pt 3 pt
		3b. Conduct monthly employee informational meetings	.05	No	0 pt	Yes	3 pt
		3c. Attend professional management institute	.05	No	0 pt	Yes	3 pt
	1.00		1.00				

Comments \_\_\_\_\_

# **PERFORMANCE APPRAISAL EVALUATION**

Name \_\_\_\_\_ Evaluation Period \_\_\_\_\_ Evaluator \_\_\_\_\_

Goal (key words)	Performance Level	Score	Standard Weight	Weighted Score
1. Increase income -Sale/Services	1a. Increase unit sales of heavy fuels 10 percent	2	.20	.40
	1b. Reduce shrink on all fuels to _ of 1 percent	1	.10	.10
	1c. Increase gross margins on TBA to 23 percent	2	.10	.20
	1d. Generate \$22,000 of income from “on the farm” tire service vehicle.	0	.05	.00
	1e. Increase sales of liquid nitrogen solutions tonnage by 8 percent	2	.10	.20
	1f. Increase custom fertilizer applications by 5,000 acres	1	.10	.10
2. Finance	2a. Achieve a 95 percent level for current accounts receivables	2	.05	.10
	2b. 95percent of all accounts receivables to be in a current position.	2	.05	.10
	2c. Complete budget within 30 days after the start of the business year.	2	.10	.20
3. Membership, employee and manager education	3a. Hold 3 membership meetings	1	.05	.05
	3b. Conduct monthly employee informational meetings	1	.05	.05
	3c. Attend professional management institute	1	.05	.05
TOTALS			1.00	1.55

Comments

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Performance Appraisal Plan Form

Manager \_\_\_\_\_ Evaluation Period \_\_\_\_\_ Date \_\_\_\_\_

Goal	Goal wt.	Performance Standard	Std. wt.	Performance Level Score			
				_____	0 pt	_____	1 pt
				_____	2 pt	_____	3 pt
				_____	0 pt	_____	1 pt
				_____	2 pt	_____	3 pt
				_____	0 pt	_____	1 pt
				_____	2 pt	_____	3 pt
				_____	0 pt	_____	1 pt
				_____	2 pt	_____	3 pt
				_____	0 pt	_____	1 pt
				_____	2 pt	_____	3 pt
				_____	0 pt	_____	1 pt
				_____	2 pt	_____	3 pt
				_____	0 pt	_____	1 pt
				_____	2 pt	_____	3 pt

1.00

1.00

Comments \_\_\_\_\_  
\_\_\_\_\_

PERFORMANCE APPRAISAL EVALUATION

Name \_\_\_\_\_ Evaluation Period \_\_\_\_\_ Evaluator \_\_\_\_\_

Goals (key words)	Performance Level	Score	Std. wt.	Weighted Score

Totals 1.00

Comments

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**U.S. Department of Agriculture  
Rural Development Administration  
Cooperative Services**

**Ag Box 3200**

Washington, D.C. 20250-3200

RDA Cooperative Services provides research, management, and educational assistance to cooperatives to strengthen the economic position of farmers and other rural residents. It works directly with cooperative leaders and Federal and State agencies to improve organization, leadership, and operation of cooperatives and to give guidance to further development.

Cooperative Services (1 ) helps farmers and other rural residents develop cooperatives to obtain supplies and services at lower cost and to get better prices for products they sell; (2) advises rural residents on developing existing resources through cooperative action to enhance rural living; (3) helps cooperatives improve services and operating efficiency; (4) informs members, directors, employees, and the public on how cooperatives work and benefit their members and their communities; and (5) encourages international cooperative programs.

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