



# LEADer

*A publication designed to promote visionary and forward-thinking discussions between and among NCGA's Western Corridor co-op leadership*

## A Study Guide for Co-op Leaders

### A Director's Guide to Dealing with a Co-op Crisis



#### Inside This Issue

##### Preparing for a Crisis

—Marcia Shaw [Page 3](#)

##### A Crisis Communications Plan

—Martha Whitman [Page 6](#)

##### Finding the Graceful Exit

—Philip Buri [Page 8](#)

##### How It All Played Out: A Crisis Case Study

—Martha Whitman [Page 10](#)



#### Study Guide

##### Crisis Preparedness

**Suggestions**—Cindy Owings

[SG 1](#)

# Are You Ready?

At some point in every co-op's history, there is a situation that feels like a crisis to those in leadership positions. Those around for many years can think back and remember prior crises and can reassure others that "we'll get through this." That said, we can all get better at preparing for and identifying what constitutes an organizational crisis.

First, a clarification. What do we mean by crisis? For the purposes of this issue, we want to distinguish between two kinds of challenging situations: those that management is responsible for, and those where the board needs to step up and get involved. In the former category are external events or emergencies that could harm the co-op—such as a fire, natural disaster, bad publicity, or poor business practices (causing financial, legal, or regulatory problems). As challenging as those situations can be and as much as the board will want to know how the co-op is reacting to and managing them, they aren't areas of board responsibility. With clear delineation of board and management roles and with a good board-GM relationship, these emergencies or external events won't rise to the crisis level for the purposes of direct board responsibility.

*Continued on Page 5*



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## More about the LEADer

*A publication designed to promote visionary and forward-thinking discussions between and among NCGA's Western Corridor co-op leadership*

- The LEADer is published quarterly and is distributed to directors and leaders of Western Corridor co-ops.
- The LEADer is now available to all interested co-op leaders at no charge, thanks to the generosity of NCGA's Western Corridor members. You can find information about the LEAD program and all back issues at <http://www.cgin.coop/leader>.
- We welcome your reactions, suggestions, and contributions, as well as questions for us to answer in future issues. Send comments or questions to [askthebest@ncga.coop](mailto:askthebest@ncga.coop).
- The next issue will be available in winter 2011. That issue will look at the role and power of board committees.
- For more information about NCGA, the Western Corridor, upcoming western regional board training events, the LEADer, or the BEST, contact:

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## The LEADer Is Online and Available to ANYONE!

The LEADer is available to all interested co-op leaders. This issue and all back issues are available online at <http://www.cgin.coop/leader>. Western Corridor co-ops can have new issues sent directly by e-mail; contact Karen Zimbelman at [kz@ncga.coop](mailto:kz@ncga.coop).



Board Effectiveness Support Team



# Preparing for a Crisis

by Marcia Shaw

Is this a calm and peaceful time at your co-op? Is the board percolating along with good process and a confident competence? If so, this might be a good time to talk about crisis. It's healthy for a board to anticipate a crisis even if there's no memory or history of your co-op ever experiencing such a situation.

If your co-op lost a roof to a tornado or a section of the produce department due to fire, it would certainly feel like a crisis. The board might discuss the aftermath of a major theft, a food-borne illness caused by co-op products, or an employee firing, but these are generally operational issues. It is the board's job to make sure that the GM has made provisions for all kinds of emergencies. The board also wants to know that the response to emergencies went as planned. But an emergency doesn't constitute

an organizational crisis unless the event is really a threat to organizational function. Getting clear on the distinction between an emergency and an organizational crisis is best done *before* the proverbial feathers begin to fly.

When the organization faces a threat that extends beyond day-to-day operations, the board needs to get engaged. First, make sure you have clear policies for a crisis situation. Make sure everyone who needs to know is clear on the process. Here are three questions to ask when you think a situation might put you in crisis mode:

1. Is the board feeling pressure for quick action or decision?
2. Might this situation represent a real threat to the organization?
3. Is the emotional temperature rising?

*Continued on Page 4*





## Preparing for a Crisis

*Continued from Page 3*

Although emotional reverberation may be the first sign that crisis is brewing, ask yourselves: Is it really a crisis? And is it really a crisis *for the board*?

Members who are unhappy with a management decision sometimes bring the issue to the board because they're seeking a higher authority (and hoping for a different decision). Members often confuse the work of the board and the purview of the general manager. But remember that just because an event or issue seems traumatic to 20 individuals (with loud voices), that doesn't mean it represents a real threat to the organization. Respect for your management team means that you send the issue back to the GM, even if it involved poor customer service or seemed like an inept management decision in the first place. Being clear about boundaries can lower the emotional temperature, enhance a climate of respect, and help everyone do a better job.

What kinds of things might really be a major threat to the co-op's basic functioning? You can't anticipate everything, but you can certainly imagine a variety of situations and

learn from the experiences of other co-ops. What kinds of challenging situations or trials do other co-op managers and directors tell stories about? You can prepare by thinking about what would constitute a real crisis and imagining how the board would want to operate in that circumstance. Examples of possible organizational crises:

- Substantive malfeasance or theft by senior management that causes a significant cash crunch
- A pattern (over many months) of worsening financial indicators and unanticipated business performance
- Massive employee resignations (over an extended time)
- Controversial personnel policies or practices that damage the cooperative community or destroy trust

How a board responds to a crisis, whether it's one that happens suddenly or one that develops over time, can either fan or cool the emotional flares. It takes a mature board to remain calm without appearing unconcerned. Steps that can help:

- Refreshing everyone's memory about the policies in place and the processes you've used successfully in the past or discussed in advance
- Listening to all opinions and perspectives. If it were simple to resolve, it wouldn't be a crisis. No one person has all the answers.

- Acknowledging that process is as important as facts or outcomes
- Using professional facilitation until the emotional reverberations settle
- Communicating to all stakeholders using many methods as well as repetition

Remember that a rush to judgment can cause or spark a crisis rather than calm it. When the board feels that it has to do something fast, it's often time to slow down. Although that may feel paradoxical, the board's job is almost always to focus on the big picture and the long run.

Emotionally charged, challenging issues are rarely productively resolved in haste. Avoid knee-jerk responses. Some boards find it useful to deliberately slow down by requiring major decisions to be discussed at two or three meetings before a final vote.

Some minor bumps on the path can become a crisis if handled poorly. Careless or cavalier responses from the board can add fuel to a relatively small fire. All of us have hot button issues that roil our emotions. Most of the time, those who are angry just want to be heard. Careful listening and insightful questions can assure the person that his or her issues will get the attention they deserve. Paraphrasing in a calm but concerned manner assures everyone that they can trust the board to follow through and get

*Continued on Page 5*



## Preparing for a Crisis

Continued from Page 4

all the facts onto the table for full consideration. A pause in the process may allow tempers to abate and more reasoned minds to deliberate.

If your board hasn't had a crisis in recent history, congratulate yourselves. Then spend some board time looking at the policies in place. Position the board to feel confident about how it will proceed if and when it's faced with a challenging situation. Doing your homework in advance will give each director and the entire board a calm confidence that cuts through the emotional web and lets you productively manage an issue without unnecessary and unproductive stress.

## Are You Ready?

Continued from Page 1



The crisis situations we review in this issue are those that *require* board involvement. For the most part, a crisis will be a board and/or management decision that really inflames a group (some part of the co-op's membership or other key stakeholders) or causes a serious threat to the co-op's ongoing viability. Such decisions are usually controversial and then escalate to crisis level. That said, occasionally the board must get involved with external events, such as the recent in-store shooting at the Brattleboro Food Co-op. This kind of tragic, shocking, public event warrants board involvement.

In this issue, we offer suggestions on how to prepare for and handle a crisis situation or just a "critical situation" that has the potential for becoming a crisis. While we hope you never need this information, there's no substitute for being prepared so that you can competently, professionally, and gracefully guide the co-op through the situation. The time to figure it out is now—before the incident becomes highly charged, divisive, or harmful to the co-op. Start by building agreement on how you'll know when a situation is a crisis that requires board involvement, how the board will communicate—internally and with all stakeholders—and how the crisis will be handled. Plan now so you'll never have to say, "I really wish we'd done it differently."

As always, we close with a study guide. This time our guide provides a series of questions that can help build your readiness for a crisis.

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## Tips for Managing an Emotionally Charged Conversation



- Sitting down or standing still will reduce your anger level.
- Speaking softly and slowly will also reduce your anger level.
- Eighty percent of our emotional messages are sent (and received) nonverbally.
- Responsive listening has a calming impact on others.
- Avoid telling others to "calm down" or "stop shouting." Nobody likes to be told how to feel.
- Most people find it easier to admit a mistake than to admit nefarious motives or intentions.



# A Crisis Communications Plan

by Martha Whitman

It happened: a sudden crisis has landed on the board's doorstep. While each crisis has its particular flavor, many elements will be universal. The situation can quickly spin out of control. There will be pressure to act immediately, and upset or concerned stakeholders will want to be heard.

In a crisis (real or perceived), the board's duty extends beyond safeguarding the co-op to ensuring communication is happening at all levels. Communication during crisis events should maintain, if not enhance, transparency. Acting quickly and smartly will be key to slowing down the inevitable reactionary responses to a crisis. But acting under pressure and emotion practically guarantees that mistakes will happen. The trick is to lessen potential mistakes and to demonstrate good faith on

the part of the co-op. An established crisis communication plan will be important for achieving the optimal outcome. While having a plan won't eliminate a crisis, it will aid in the repair. The board's biggest contribution is making sure a crisis communication plan exists and knowing its role within this plan.

When the call comes in and the board is made aware of a crisis, three questions must be answered: Who is going to speak for the co-op? What other questions need to be answered? How will the co-op's message be communicated?

Speaking with one voice will never be more critical than during a time of crisis. The nature of the crisis will determine the co-op's spokesperson. Whether it's the general manager or board chair, the full board must be in the loop. That means board members must agree on how

they will communicate with one another. They should be prepared to meet frequently and with short notice. While tempting, e-mailing is not a good option for communicating anything beyond the barest of facts. It's impossible to accurately gauge tone in electronic communications, and they're not secure. Don't use e-mail or text messages for important dialogue, especially during a crisis situation.

At your first emergency meeting, you'll build agreement about how the board will or won't be involved in the crisis. Start by reviewing what your board policies already say you'll do. Most co-ops have a policy directing the board chair to be the board spokesperson, and there's probably a policy that acknowledges a chain of command, which means the board will not do an end-run around the general manager. If the crisis is related to a personnel

*Continued on Page 7*

# A Crisis Communications Plan



Continued from Page 6

matter, you can be sure some members and staff will expect the board to step in and “fix” the problem. More than ever, this is where you want to follow your policies. They are there to keep you grounded and will save you untold heartache down the road.

At your emergency meetings, ask additional questions: What do we know? What are the concerns of our stakeholders? What will people need and want to know?

When you’ve answered these questions, you’ll be better able to determine what actions to take. Based on those actions, identify what messages need to be conveyed and how you’ll reach your stakeholders. If the general public is a stakeholder, consider press releases, postings to Facebook, and media interviews. If it’s more of a member issue, you’ll want to consider forums, Facebook, store flyers, and newsletter articles. An internal crisis involving mostly staff may very well not involve the board, but the GM must be available and forthcoming to the workers. The board’s responsibility in a staff crisis is to understand the issue and to verify that the general manager is following policy.

When a crisis erupts, there is little time to get your message out first, yet that is your goal. The first message carries more

weight than all messages that come after, and being first will lessen the rumors and bias against you. At the same time, your message must be accurate and credible. Initially, you may not know a lot, and it’s better to say less than more. But once you do have solid information, be honest and open. Actions speak louder than words, and people will be watching how the board and management handle the crisis. Walk the talk of your co-op’s values.

Act with integrity, even though that won’t necessarily eliminate upset and hard feelings. Let your governance structure and crisis communication plan guide you.

The key when managing a crisis is to start soon and focus on communications.

## For More Information by Paige Lettington

*Looking for more detail for creating a crisis communication plan? Check out these two online sources, created for nonprofit organizations but adaptable for use by co-ops:*

*The Crisis Communications Plan—Nonprofit Toolkit*, created by the Colorado Nonprofit Association, is a nuts and bolts resource to guide nonprofits faced with a crisis. Find it at <http://s.coop/5lwz>.

*Surviving a Crisis: Practical Strategies for Nonprofit Organizations* discusses what the board should consider when developing a crisis plan. Created by the Nonprofits’ Insurance Alliance of California and the Alliance of Nonprofits for Insurance, the guide is available at <http://s.coop/4tb6>.



# Finding the Graceful Exit

*A graceful exit does not declare a winner or loser but instead declares resolution of the conflict, with all sides gaining something.*

by Philip Buri

Some crises do not have a natural end point. When the general manager or board must make a difficult, traumatic decision, controversy is inevitable. We have discussed earlier how to deal with the explosion of emotions. In this article we look at how to end the controversy, even when a dedicated group opposes the board. I call this finding the graceful exit.

Once your board makes a decision, the most difficult task is sticking to it. You will inevitably disappoint some members. In truly complex disputes, the best outcome may be the one that disappoints all sides equally. The board will feel intense pressure to reconsider,

change, or modify its decision. If you have deliberated carefully, however, resist the urge to second-guess your decision. The goal is make the decision public and to explain it as often as necessary to let the controversy die down. At a certain point, it will end.

Ending conflict involves allowing the participants to exit gracefully. What does this look like? It may be as simple as allowing someone to have the last word, even if it does not make a difference. Or allowing someone to leave with his or her dignity intact. A graceful exit does not declare a winner or loser but instead declares resolution of the conflict, with

all sides gaining something. Ending a conflict with grace involves three important steps:

## **Agree on Your Message**

The old joke about politics and sausage is true: you really should not look unless you have a strong stomach. Reaching consensus on a difficult issue requires compromise, and sometimes the process is not pretty. You have reached a decision and you collapse in exhaustion. It seems like the hard work is done. Not so fast.

The board must decide how it will present this decision to the membership. The way you say things matters, and even if your resolution is brilliant, you

*Continued on Page 9*





## Finding the Graceful Exit

*Continued from Page 8*

can spoil it all with the wrong explanation. Your members can smell insincerity, so think carefully about your statements. Some suggestions:

- **Speak to your co-op's values and ends.** This is the common ground you share with members. By describing your decision in terms of the co-op's purpose, you reinforce the board's obligation to govern.
- **Speak positively about all participants.** If you lash out at them, you give them reason to fight back. But if you speak positively about them, they will look worse by criticizing you.
- **Speak in honest, human terms.** As our defensiveness increases, we sound distant, bureaucratic, and guilty. Sometimes, the best opener is to acknowledge that the board is a group of volunteers doing their best under difficult circumstances. We are, after all, simply human.
- **Keep it short.** Long explanations signal that the speaker has not thought it all out. If you can agree on a few key phrases, your message will be consistent and persuasive.

In the midst of crisis, we want reassurance: the co-op will survive, and we will be okay. Agreeing on a message may feel artificial, like we are just publicity flacks trying to put a happy face on a bad situation. If that's the case, push harder. Look for the bedrock of the board's decision—the one or two compelling reasons why the board came to this conclusion. Offer this to your members in clear, confident statements. If they disagree with you, they will tell you. And you will know where you stand.

### Explain but Do Not Retreat

Every organization has the vocal 20. These are the people who will disagree with any decision the board makes. They are not flakes, but they rarely express the desires of the membership. Instead, they are passionate about the organization and see many decisions as a threat to what they hold dear.

Therefore, when the board presents its decision to the membership, it will rarely end the discussion. Some people will react with varying degrees of anger and disappointment. You will be accused of selling

out or destroying the co-op. You will hear about recall petitions. This is all normal. What matters most are not your members' first impressions but their lasting ones.

The board should use every means available to explain its decision: meetings, the co-op website, the newsletter, and e-mail. Eventually, if the board holds firm to its decision, the opposition will dwindle to the vocal 20.

If the board falters in its support of the decision, you will invite further debate, conflict, and controversy. We all want to be nice and make everyone happy. But in a crisis, this is likely impossible. The best you can do is make a well-reasoned decision and stick to it. Time will tell whether you got it right. If you waffle, the controversy will fester and interfere with the co-op's operations and existence. You will have extended the pain for no good reason. Be prepared to explain your decision as often as it takes, but resist the temptation to reconsider.

### Make It Easy for People to Cooperate

The board should make it easy for people to be good. If a board decision requires someone to confess, apologize, or lose face, members will react badly to this public shaming. Any decision should publicly applaud those who have helped resolve the controversy. If the board must criticize someone's actions, it should do so in private. To avoid a drawn-out fight, always leave your adversary a way out—a graceful exit.



# How It All Played Out

## A Crisis Case Study by Martha Whitman

*La Montañita Co-op is a New Mexico-based consumer cooperative with four stores—two in Albuquerque, one in Santa Fe, and one in Gallup. The co-op also operates a Cooperative Distribution Center to support local farmers, ranchers, and producers; to bring high-quality local and regional food to consumers; and build the local food economy.*

[www.lamontanita.coop](http://www.lamontanita.coop)

I don't know if you'd call it a crisis, but at La Montañita we had an event that sure hit a raw nerve—for members, staff, management, and board alike. I guess you'd say we hit the mother lode. Here's what happened.

There was a union organizing effort at the co-op, and the board wasn't notified until after our general manager had hired a lawyer. Calling a lawyer was an excellent step, as many rules come into play during a union effort and it's critical that they are followed. Unfortunately, hiring this particular lawyer was perceived as a hostile act on the part of management. By the time the board was notified, the trust between staff and management had a crack in it.

Once notified, the board was quick to rally. We called

our board lawyer, who happens to specialize in labor law. She immediately explained the board's legal obligations.

Our first decision was insisting that our two staff board members recuse themselves from any board discussion or vote on the issue. Besides the potential conflict of interest, we were concerned for their relationships with their coworkers. It would have been difficult, if not impossible, for them to hold their separate roles and would have inevitability created a stressful and no-win situation for them on the job.

Our second decision was to take a position on the union effort. While members of the board had differing personal opinions, it was clear we could and should stand behind the staff's right to unionize. We also felt it imperative that staff be fully informed of the pros and

*Continued on Page 11*





## How It All Played Out

### A Crisis Case Study

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*Continued from Page 10*

cons of the issue. This was an opportunity for transparency, and we were committed to it. This meant hearing from both the union and management, at the same time, at a meeting where staff were paid to attend.

The third decision was to organize a forum for co-op members so they could express their questions and concerns to both the board and general manager. As you might imagine, the meeting was well attended, and the board was sitting in the hot seat. You may or may not be surprised to learn that not all members wanted a union in the co-op.

Clearly, our position wasn't going to make everyone happy. But that wasn't the point. The point was to establish transparency and to provide accurate information—to and for everyone. The next six months had their moments, but the dialogue continued, constrained by rules of the National Labor Relations Board.

There was much the board and management wanted to say but couldn't, leaving us to trust the process of acting in good faith. Meanwhile, the staff had an opportunity to talk with the union rep and the GM, the co-op community had the opportunity to be heard by the board, and we explained our position. In the end, the union withdrew before the voting deadline.

Once the union withdrew, the restraints imposed by the NLRB were removed and the repair could begin. Our general manager immediately addressed the concerns responsible for triggering the union effort. He held regular full store meetings and listened. Those meetings resulted in changes to staff policies, and staff members felt heard based on those changes.

The GM kept the board apprised, and at no time did the board meet separately with the staff. It was imperative to rebuild the relationship between management and staff, and that meant not inserting ourselves into the process. We limited our involvement to verifying that our GM was in compliance with all policies.

In retrospect, the board did many things right. We sought professional help immediately. We held a forum and put ourselves in front of the co-op community. We spoke with one voice. We backed our GM while establishing the board directive of no interference but access to information. We also reviewed our policies and as a result created a new one: Our general manager is now required to "notify the board within 24 hours of any change in circumstances that is or could be of strategic, significant legal, or long-term impact and that might reasonably be of concern to the board."

Considering how quickly information now goes viral on the Internet, we might need to shorten the notification to as little as three hours. Yikes! However, regardless of how well you feel prepared for a crisis, it's doubtful you can cover all the bases. What you can do is get expert advice, review your policies, pay close attention to your communication, and work side by side with your general manager to chart a path of clarity and transparency.

# CRISIS PREPAREDNESS SUGGESTIONS

A LEADER STUDY GUIDE

## MAKE SURE YOU'RE READY

by Cindy Owings

*Whether an issue turns into a crisis depends to a great extent on how a co-op's board prepares for and reacts to potential controversies. Long before a sticky situation twangs a raw nerve among co-op members, the board must have a crisis mitigation conversation. While we can't discuss all potential crises, we offer two recent examples that were divisive and challenging to the co-ops and their board members. We offer some background reading and some guided questions to help your board discuss how it could or would handle these situations.*

### Expansion Gone Wrong

Sacramento Natural Foods Co-op ran into serious financial problems after opening a second store in Elk Grove, California. For background information, see:

*Elk Grove Case Study: From Home Run to Strike Out*  
<http://s.coop/5kf4>

*Extreme Makeover at Sacramento Co-op* <http://s.coop/5kf3>.

### Consider the following questions:

1. Does your board have benchmarks in place for measuring a project's success? Has the board established or considered indicators that may trigger action before a project is completed?
2. When and how does the board ask for help when the picture doesn't look great?
3. When the board sees that a business concept is not viable, what steps must be taken to turn the ship around or pull out?
4. Is the board willing to hire and listen to recommendations from a third-party audit of the co-op's situation?

*Continued on SG 2*





# CRISIS PREPAREDNESS SUGGESTIONS

## A LEADer STUDY GUIDE

Continued from SG 1

5. In the face of member uproar over an attempted but failed vision, how does the board remain steadfast, not panic, and support the management team?
6. How can directors keep communication within and outside the board positive and not fall into the blame game?
7. Does the board have a process by which it will perform a postmortem examination of its own decisions and actions?
8. What happens to the outcomes? How can a board make sure institutional knowledge is saved to benefit future board members?

### Political Boycott

The Food Co-op of Port Townsend, Washington, was asked to boycott Israeli products. For background information, see:

*Boycott of Israeli Goods Threatens to Divide Port Townsend Food Co-op Members:* <http://s.coop/5kf5>

*Port Townsend Food Co-op Board Rejects Israeli Boycott Proposal:* <http://s.coop/5kf6>

*As 175 Watch, PT Co-op Rejects Request to Boycott Israeli Products over Gaza Issues:* <http://s.coop/3ih>

#### Consider the following questions:

1. Does your co-op have a political boycott policy? If so, will its wording and intent stand strong in the face of attack by political activists or a potential lawsuit?
2. Do co-op bylaws include a strong nondiscrimination clause?
3. What is the co-op's tabling policy?

Continued on SG 3

# CRISIS PREPAREDNESS SUGGESTIONS

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## A LEADer STUDY GUIDE

*Continued from SG 2*

4. How does a boycott relate to your co-op community as a whole? For instance, can a shopper who is not a member, has no fiduciary responsibilities, and is not allowed to vote be allowed to push for a co-op policy?
5. How can we assure that the board remains consistent and true to the cooperative principles in the face of pressure by a certain political minority, whether they're members or not?
6. Does your board have a mechanism for determining if its membership agrees or disagrees with a certain political policy? What do the bylaws say?
7. How far is the board willing to go to entertain concerns and listen to the demands of boycotters?