



# 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

### Go Co-op, Grow Co-op!

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## Study Guide

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# That Co-op!

The United Nations' International Year of Cooperatives has inspired us to think bigger about co-ops. So in this issue we take on the subject of growth. The topic was inspired by a presentation by C.E. Pugh, NCGA's chief operating officer, at our March regional board training session in Portland.

C.E. challenged us to think about growth for several reasons: a. to have a greater impact on our local communities, b. to leverage our collective economic force for the betterment of the whole sector, and c. to counteract the cycles of growth and decline typical of U.S. food co-ops. All these reasons, and related rationale, prompt food co-op leaders to ask: What is our co-op's growth strategy and why? Why is it the right growth strategy for us today and into the future? Where does this growth strategy take us in the short and long term, and is it where we want to go? Does this growth strategy point to a strong and vibrant local food co-op and a strong, vibrant, and sustainable food co-op sector for the next 10, 25, and even 100 years?

As usual, we don't give you the answers to these questions. But the articles included here, as well as the study guide, will help your board shape and engage in a critical conversation to build greater awareness and enhanced strategic thinking regarding your co-op's plans. By considering these questions, we can be truly stronger together.

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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 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 fall 2012. That issue will focus on board leadership and the role of the board chair.
- 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).





# Why Grow?

## What's All This Talk about Growth?

by Marcia Shaw

At the last western regional training session, organized by NCGA in Portland, C.E. Pugh gave a presentation on NCGA's new initiatives to support the growth of cooperatives. He summarized what NCGA has done in the past, as well as new plans and programs to encourage and sustain cooperative growth.

Not every cooperative at the training session was taking on a new store or relocation project. But C.E. made a strong case that all of us should be thinking about growth, even if it's not in our co-op's immediate future. You might be recovering from your last remodel or just beginning to think about "crossover products," but there are good reasons for a board to consistently keep its eye on where the natural foods industry and the cooperative movement are going.

The last edition of the *LEADer* recognized that as a movement, we've had major successes in convincing widely diverse consumers that more natural foods, less packaging, and more local focus are good for us—not to mention good for our environment and our economy. We've effectively led major changes in the natural foods industry, as well as in the look and feel of our markets and products. We know this is true because of the competition we now have from chain groceries.

Are you feeling that success lately? It's ironic that our very success has produced the pinch of competition for many co-ops. In some ways,

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## Why Grow? What's All This Talk about Growth

our success should spur your board to raise its periscope, to look up and out over current issues and into the future of your community's economy. Will your store be out there on the cutting edge or simply another of many options for natural foods in your area? In traditional industries, a portion of the profit goes into research and development (R&D) for the next big thing. Is your board taking its responsibilities for vision and “futuring” seriously?

C.E.'s charts and analysis showed us that collectively, co-ops have less clout in the marketplace because we are simply a smaller and smaller portion of the market—whether the natural foods market or the grocery market. He explained that NCGA supports, and will continue to support, co-op start-ups. However, given that it can take more than 10 years for a group to organize, research, finance, and open a new co-op store, NCGA's focus for now is on supporting stronger growth by existing co-ops. C.E. also challenged us to think about the resources—time, talent, capital, market familiarity—we can bring to co-op growth so we can provide more co-ops to more people in more communities.

What does the economy look like in your area? Is there opportunity for a joint venture or a support system to encourage new natural foods shoppers to get goods from a cooperative market? Is there an ethnic community to help along? Is there a struggling buying cooperative in a little town or a suburb near you? Is there another kind of cooperative venture that your board is interested in?

The conversation should start with the board. Do you have the entrepreneurial spirit? Can you channel the vision and energies of your founders? If you start gathering information and having the conversation, you might find that you are ready to contribute to the next step in our future. And if your co-op is poised for a growth spurt, you can get more information about the help available by contacting Karen Zimbelman [kz@ncga.coop](mailto:kz@ncga.coop) or C.E. Pugh [ce.pugh@ncga.coop](mailto:ce.pugh@ncga.coop).



# The Board's Role in Expansion Understanding Risk

by Phil Buri

Every choice we make—including the choice to do nothing—has consequences. As board members, we know this intellectually but feel it viscerally. Risk is the knot in the pit of our stomachs that reminds us we don't know everything. Because we are predicting what will be best for our co-ops, our decisions have consequences that we cannot always foresee. That is risk.

Co-op boards have a core responsibility to govern risk. And during expansion, this responsibility is critical. We are using members' capital, along with borrowed money, to build a new store or expand an existing one. Success depends on our ability to predict the consequences. Will this project be a failure—and a huge waste of money—or have we tapped into a new market and opened our store to a greater range of customers?

To simplify a discussion of risk, I suggest that the board's responsibility falls into three areas:

- **Risk direction.** This is the heart of strategic planning. Because the market is constantly evolving, what risks are we willing to take to survive and prosper? What risks are too great?
- **Risk oversight.** This is the conversation between the board and the GM. What were the consequences our decisions? How well did we predict the consequences? Did we fail to take something into account?
- **Risk control.** This is board monitoring of the GM's management of risk. Given the board's strategic direction, are the GM and staff reducing risk to acceptable levels? Have the GM and staff responded appropriately to unforeseen consequences?

Given its overall responsibility for governance, not operations, the board does not identify, assess, and manage the risks and consequences of expansion. That work is done by the GM and staff. Instead, the board constantly asks what level of risk is acceptable. In other words, what consequences do we consider appropriate for an expansion? Once the board sets the levels, the GM reports on whether the co-op is near, below, or beyond them.



# Engaging Member-Owners in Decisions about Growth

*Keeping  
members  
informed  
throughout  
the process  
is a key  
component  
to a successful  
expansion.*

by Paige Lettington

Making a decision to grow your co-op—whether you’re adding an additional location or moving to a larger building—is huge. The decision involves significant financial risk, and engaged co-op members will be very concerned about this risk. They want what they have, and they do not want to lose it.

For a project as big, detailed, and operations oriented as an expansion, decisions need to be made by people with all the information, and most member-owners don’t have this information. In addition, some decisions need to be made quickly, and some need to be made behind closed doors. But members want to be involved because it’s their co-op.

How you involve your members in the decision-making process can literally make or break it. You want your member-owners on board and on your side. To rephrase the old real estate axiom, the key is “communication, communication, communication.”

## **Start Early**

Make sure members are aware as early (and as often) as possible when the co-op leadership is considering growth. Give members time to be comfortable with the idea. Teach them why growth is important and why it’s positive for your co-op and the co-op movement. Very early on, gather input on what kinds of growth opportunities members might be interested in. It might work to do this information gathering as part of a bigger-picture effort regarding members’ visions for the co-op’s future. Once you have made a decision to pursue a concrete

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## Engaging Member-Owners in Decisions about Growth

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project, focus on ramping up your communications. By necessity, much of the early investigation and other work needs to be kept under wraps, but share concrete information with your owners as soon as is practical. Then keep the lines of communication open throughout the project.

### **Use Every Means Available to You**

Everyone processes information differently. No matter how well you think you have communicated, some people will say they didn't know about a project. Use all the media you have available: your co-op's newsletter, its website, and social media outlets (such as Facebook). Bring up the project at every board and member

meeting. Put posters in the store at appropriate times. Use bag stuffers, messages on receipts, and other means to get the message out.

Communication is a two-way street. Consider online or mailed surveys. Set up focus groups or listening sessions. Get a facilitator if you need to. You could also have volunteers gather input in the store or have board members available for discussions in the store. Lastly, you will want to engage the local media in appropriate ways. After all, you want growth, so you need to get out there in front of the greater community. But make sure your member-focused communications precede messages in other media. Having members learn of an expansion effort via the

*Wall Street Journal*, for instance, could be a disaster you might not recover from.

### **We're All in It Together**

Engaged member-owners want a say in the future of their co-op. A project will go more smoothly if you find ways for members to contribute (and to know their contributions are being recognized and considered) without slowing down the process. Keeping members informed throughout the process is a key component to a successful expansion.



# Cooperative Disagreement

by Cindy Owings

The phrase “to grow or not to grow” has been uttered in the shopping lanes, around the checkout stands, and in front of the ripe strawberries at your comfortable, 35-year-old food co-op. Eventually and inevitably, the growth question will land officially in the lap of the board of directors. Expansion is one of the prickliest and most critical topics a co-op board will be asked to entertain during its tenure. Because boards are elected by the membership, individual board members reflect the varied opinions of the membership. Differing opinions on a board can provide spirited discussion, depending on the tools a board has in its quiver for dealing with potential conflict.

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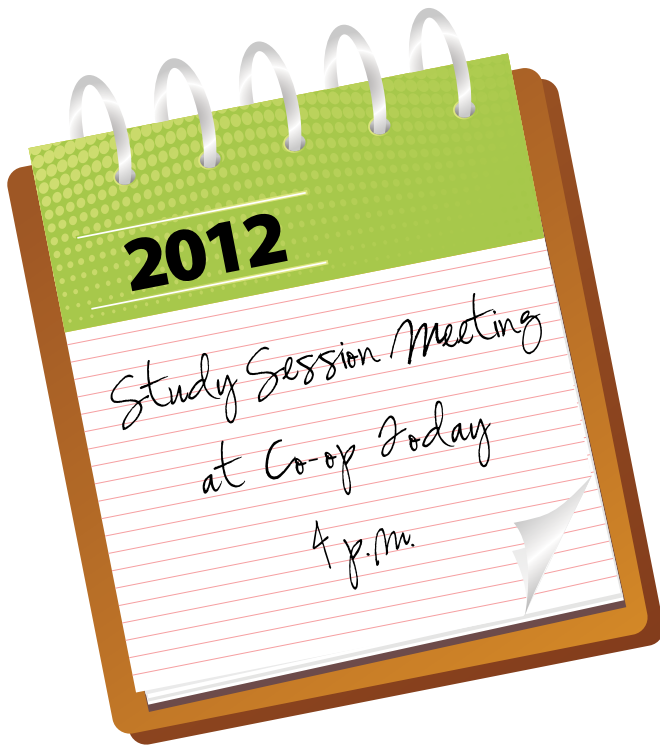
## Cooperative Disagreement

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What happens when nine members of a co-op board have nine strong and differing opinions on the question of growth? You can find unity by using the following steps, identified by James Madden, a board facilitator for the Community Food Co-op in Bozeman:

- When board discussion becomes contentious, a predesignated discussion leader must help members distinguish their personal positions and attachments from the interests of the organization. Attachment to a personal position veils the ability to see what is in the best interest of the whole.
- To examine the distinction between personal attachments and the interests of the whole, take an inventory of the issues and break each issue down into parts. As the board identifies agreement on certain issues, a foundation of common ground emerges.
- Look at the issues that are agreed upon to develop shared goals for the organization. Determine what strategies and actions will best advance the organization toward these shared goals.
- Resolution centered on common ground leaves the board in a stronger position as a whole—a much stronger position than each board member could create alone.

By including all sides of a conflict at the same table, conflict resolution can bring everyone to win-win solutions. Win-win solutions provide paths to new realities that we often can't fathom initially. Expansive and creative solutions grow out of strong relationships nurtured within interactions based on common ground. If food co-op boards are to govern with a goal of achieving greater impact in our communities, then speaking with one voice is a basic element and vehicle for a board to realize its vision for a future beyond the status quo.



## It Works for Us! Using a Monthly Study Session to Guide Board Work

by Martha Whitman

Whether you're for growth, leery of growth, or dead set against it, the board must understand what growth, or the lack of it, means for your co-op. At a more fundamental level, the question of growth raises a larger issue: How will your co-op remain relevant to your members and community in the years ahead?

Today's economic and cultural environment is far different from the one that fostered the consumer cooperatives of the 1970s. Furthermore, the modern environment is changing at an ever-accelerating rate. While there's no crystal ball ready to reveal the future, we can prepare ourselves for the questions, opportunities, and threats that lie ahead. Rather than feeling overwhelmed by the seemingly impossible task of anticipating changes on the horizon, board members can undertake a journey of study to guide their work.

Figuring out what's best for your co-op as it pertains to growth begins with asking questions, and these questions frame how we educate ourselves about the world around us. To consider these questions, the La Montañita board dedicates an hour of each monthly board meeting to what we call study work. Other boards do the same or use board retreats for similar extended discussions. There's no one right formula. For us, the important thing is to make the time and space for conversations about larger issues. We are constantly engaging with management and others about issues important to our co-op and getting a better handle on key issues over time.

At La Montañita, our study work is generally the high point of our board meetings. It provides a welcome contrast to the discipline required for regular board business. Study time is less formal and carries no expectation for a decision to be made by the end of the hour. Instead,

study work builds our board's body of knowledge and informs the decisions that will be made down the road.

Our board study topics have ranged from cooperative history to social capital to value chains to marketplace trends. We haven't focused on the topic of growth per se, but discussions return again and again to our potential impact in the community. Along the way, we have learned that a contribution to the long-term sustainability of our community will require the co-op to grow.

Board study contributes to a more holistic approach by our board. On topics that we're not familiar with or don't understand well, we learn more through this study and our discussions. As we have come to consider the concept of growth, as we have learned more about the world around us and come to better understand the operational and organizational realities of our co-

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## It Works for Us! Monthly Study Sessions

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ops, La Montañita directors have grown less uncomfortable with the idea of growth. We find it easier to consider growth from the perspective of what's best for our

co-op rather than through the filter of our individual concerns or fears. Educating ourselves has loosened the hold of individual viewpoints and perspectives and replaced them with curiosity and interest. Because we have a better understanding of our impact and potential impact in New Mexico, we are sharper with our intentions. When opportunities and challenges present themselves, we have more confidence in our ability to evaluate them

and make good decisions. It's exciting to be on our board, and I'm convinced that a large part of that excitement is due to our board study program.

Whether your co-op decides to grow or not, utilizing a board study process will help you understand what growth, or the lack of it, will mean to your co-op. Board study is an excellent strategy for such understanding. Besides, it's a fun and inspiring undertaking.

## Ideas for Building Leadership through Board Study

Plan your board study topics six months out—but remain flexible as the months go by. New doors inevitably will open as you learn, and your original course might shift.

### Possible Board Study Topics

- **The cooperative model**, including co-op history, principles, and values; state laws concerning cooperatives; and international co-op models and systems
- **The local food system**, including food hubs, global food issues, agricultural and land preservation, the value chain, and food safety and security
- **The local economy**, including market, economic, and demographic trends and the slow money movement
- **Business issues and trends**, including trends in co-ops, social media, social capital, and the natural foods and grocery industries

### Resources for Board Study

- **Speakers**, including co-op staff, regional co-op leaders, and representatives from state and regional organic food agencies, local economic development groups, and grower/producer associations
- **Books and other written material**, including *Cooperative Grocer* magazine, regional census and business trend reports, local government planning and economic development reports, the *LEADER*, and publications on slow money, natural foods, health, agriculture, and sustainable business
- **Videos**, including TED talks, [www.ted.com/talks](http://www.ted.com/talks), RSA Animate videos, [www.thersa.org](http://www.thersa.org), and others

### EIGHT QUESTIONS

## To Start the Growth Conversation

by Lucinda Berdon and Karen Zimbelman

To study growth, we suggest you use the articles in this issue to spur discussion. Have the board discuss one article at a time, or one or more aspects of issues raised in these articles.

#### Here are some questions to get you started:

1. How does growth fit into your co-op's mission, vision, Ends, or strategic planning statements? What sort of growth strategy do those documents point to for your co-op?
2. What unfulfilled potential in your community could be filled by your co-op? Consider your co-op's current market share and its potential within your current scope of operations and products.

3. How ready is your co-op to consider aggressive growth? What is the co-op's current capacity—in terms of management skill and expertise, financial status and leveraging capacity, market opportunities, and skill at retail operations—to consider new growth options?



# CO-OP GROWTH

## A LEADER STUDY GUIDE

4. How might you engage with member-owners in discussing growth and your co-op's growth strategy? How are you currently talking with members about the co-op's future? What conversations about how the co-op might grow or expand its operations and influence might be useful to have with members?
5. How do you envision your co-op's operations in terms of number of stores, products, and access throughout the community in the next 5 years, 10 years, and 20 years?
6. How could your co-op contribute to an increasingly sustainable local community economy? What resources and partnerships might support this goal? How could your co-op's growth strategy support this goal?
7. What is your co-op doing to increase its capacity for growth and to be better prepared for growth opportunities that might arise in the next one to three years?
8. How prepared is your board to consider a major expansion project? What would help you and other directors prepare for this kind of decision?

