



LEADER

*A publication designed to promote
visionary and forward-thinking
discussions between and among
the leaders of NCGA co-ops*

A Study Guide for Co-op Leaders Expanding the Conversation



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Expanding the Conversation

As co-op leaders know, market conditions for retail food co-ops and the natural products industry as a whole are changing dramatically. Conventional retailers are increasing their focus on natural and organic items, national natural foods retailers are opening stores in smaller and smaller markets, and several regional competitors are expanding (regionally or nationally) with new private equity capital.

But co-ops are also changing dramatically. Last year, 2012, was a momentous one for co-ops, declared the International Year of Cooperatives (IYC) by the United Nations. The year was full of celebrations and special initiatives to bring awareness to the cooperative business model. During the IYC, the International Cooperative Alliance coordinated and participated in hundreds of events and initiatives around the globe—bringing together cooperators from various sectors and regions. The culmination of the ICA's IYC work was



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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

More about the LEADer

In 2013, the LEADer became a national program of NCGA. In its new capacity, it strives to bring in experiences and voices from among all co-ops affiliated with NCGA (as members or associate co-ops). To this end, we have expanded the BEST, and we welcome others who would like to join us in creating this quarterly study guide as a way to foster visionary and forward-thinking discussions between and among co-op leaders.

The LEADer is available to all interested co-op leaders. This issue and all back issues are available online at <http://cgn.coop/library/wikis/lead-program>. To subscribe to the LEADer and to have issues sent directly by e-mail as soon as they're available, contact Karen Zimbelman at kz@ncga.coop.

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.

The next issue will be available in fall 2013. That issue will focus on board recruitment. This is a critical area of board responsibility, yet all too often it becomes a last-minute scramble. We'll provide some suggestions and ideas for how to make sure you don't neglect this important task. Share your experiences with this topic as a guest contributor! For more information about NCGA, the LEADer, or the BEST, contact:

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Painting a Compelling Picture for Growth

by Gail Graham

Is your co-op thinking about growth? You aren't alone! But why does your community need yet another place to buy food, or a bigger co-op that offers a wider selection of products?

Perhaps you have heard members say, "I don't want the co-op to get too big. It will lose its special co-op feeling. We won't be a co-op anymore." As leaders in our cooperatives, we need to read between the lines and understand the concerns behind such statements. Often members are simply worried that we will lose touch with our values. We need to show members that it's not *what we do* that makes us unique in the natural foods world but *how we do it*.

Think about why you care so much about your co-op. Maybe it's because of the positive impact it has had on creating meaningful growth in your local food economy. Perhaps it is because your co-op has provided a place for people to gather around food and food issues and in so doing has tangibly built community. Maybe it's because your outreach and education programs have raised the level of food literacy and you know that making educated choices about food changes the world, not just your neighborhood.

These are some of the reasons why our co-ops exist. The nuances will be different for each of us, but we share core values around building community, providing delicious food that is sourced sustainably, being excellent employers, educating members, operating businesses in an ethical and environmentally responsible manner, and creating a sustainable future.

Painting a Compelling Picture for Growth

Last year NCGA commissioned a study and created an engaging video series that documents the positive impacts co-ops have. Telling the story of the national impact of our cooperatives is great—and we also need to tell the story of the impact of our local co-ops. By doing so, we can help our members connect the dots between why growth is good and how it helps co-ops accomplish their mission. The very factors that make us unique are those that speak to why our growth is important.

At Wheatsville Co-op in Austin, Texas, the first step in creating a vision of growth was for the board to simplify its Ends policies. From these, General Manager Dan Gillotte forged “Wheatsville’s BIG (Business Is Good) Direction,” which has been a tool for engaging owners and staff in a vision of growth for the co-op and helping them see their world a little differently. (You can watch Dan’s presentation of the co-op’s BIG Direction to members at: <http://www.youtube.com/watch?v=dyfqngwKYCI>.)

“Growing amplifies the good we do,” Dan explained. “And our simply stated BIG Direction makes it easy for everyone to understand and appreciate our vision of why growth is good, both as we go about running our current store and while we prepare for opening our next. It has become part of our terminology, and we use the phrases every day and at every level of the co-op.”

Members join us for different reasons. But many join because co-op values speak to their personal values. It is our job to find ways to bring the conversation about growth back to a conversation about values. Tell your story. Create a compelling narrative about who you are, where you came from, where you are going, and how growth will help you get there.



In Austin, Texas, Wheatsville’s BIG Direction translates the relatively dense language of the co-op’s Ends policies into three concepts that are easy to remember; easy to communicate; and much easier to integrate into everyday consciousness, behavior, and operations.



Bringing It Back Home

An Interview with Robert Williams

by Marcia Shaw



Robert Williams is a board member at First Alternative Co-op in Corvallis, Oregon. He attended NCGA's Co-op Leadership Conference in April 2013 on behalf of First Alternative. Marcia Shaw has provided coaching, training, and facilitation for the First Alternative Co-op board for more than 15 years.

Marcia Shaw: Robert, you went to the conference as a substitute for First Alternative's board chair, who had a last-minute conflict. Were you prepared for the topics or surprised by the overall content of the conference?

Robert Williams: I found I was more prepared than I expected. Our board has been talking a lot about the future of cooperatives and our role in the larger picture . . . as well as the specifics of how First Alternative should respond to our current challenges.

Shaw: Which are?

Williams: In the last couple of years, two new grocery stores have come to town, and they provide choices to our customers. In addition, there are other grocery stores that provide some things in bulk and more natural, organic, or local produce. We can't differentiate ourselves by those products anymore.

Shaw: So how did your board's recent conversations mesh with the conference content?

Williams: Our board had been assuming that growth was optional. The conference got me thinking that growth of *some kind* is necessary for our survival. We must maintain market share or we're not meeting

Q&A

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our own Ends. Listening to the stories of other co-ops, I got an expanded definition of “growth,” and I realized we need to be more creative about how we approach the idea of growth.

Shaw: Doesn't the board want the co-op to grow?

Williams: Right now, our financials don't put us in a position to grow by adding another store or doing a major expansion, but we recently hosted a small conference among our local cooperative ventures (credit unions, local power cooperatives, producer co-ops, etc.). We had a good start, but we need to plan some ways to link those cooperatives in the consumer's mind. I don't think we've done a good enough job of educating our members on the relevance and importance of the cooperative business model.

Shaw: Did you learn any concrete strategies for moving forward?

Williams: Yes. I learned a lot about bringing members along with the co-op on the journey. Most people don't like change, but they will like irrelevance even less. The board has to *lead* the co-op into the next decade. That means we need to make proposals and “sell” them but also be willing to use the feedback we get. For example, I've been thinking we need to simplify our Ends and talk about them more often and more concretely. I also think we need to get our “triple bottom line” (profit, healthy food, service to community) out into our membership more dynamically. These things *do* differentiate us, and we could make more noise about them.

Shaw: It sounds like the conference energized you?

Williams: It made me realize that the board has to be thinking way beyond the current balance sheet! We have to be looking out to the future, and we have to be taking the current conditions of our community into account. If the board doesn't do that, who will? Regarding natural, local, and organic foods, we've won that argument—now everybody's doing it (or at least aiming for it). But our larger objectives remain. However a co-op defines it, most of us want high-quality local foods at reasonable prices for the whole community. That's bigger than we've been thinking, and it's time to expand our mission statement or Ends to reflect that.

Shaw: Specifically, what might that mean for First Alternative?

Williams: I can't speak for the whole board, but I came away from the conference thinking that we may be too locked into our own history. What if our product mix needs to change? What's our role in providing healthy food to the local campus? Should we market ourselves as a cooperative as well as a healthy food source? I have a lot of energy for broadening our perspectives.

Shaw: Any pithy summary statements?

Williams: Yeah [chuckle]: “Co-ops, working together to subvert the dominant paradigm!”

Competition

What Is the Board's Role?



by Martha Whitman

Competition is such a loaded word, particularly in Co-op Land, where we play nice. But two statements I've recently heard have caused me to sit up straight and think differently about the reality of our marketplace. The first, shared by our co-op's general manager, is: "If you don't like change, you're going to like irrelevance even less." The second is from a recent conventional grocer's convention, where a speaker said, "Too many companies continue to change *incrementally* while the world is changing *exponentially*."

If you're anything like me, you might find yourself, as a board member, a tad overwhelmed by such sentiments. In these cases, I always find that it's a good idea to step back and parse these statements to get at them more deeply.

Competition exists, and all co-ops are affected by it—even if a more traditional competitor hasn't yet set up shop in your town. Rare is the co-op that operates in a market where no one else sells groceries or food. All grocery stores, as well as convenience stores and restaurants, regardless of product focus, compete with the co-op for a share of consumers' stomachs. The factors that affect those businesses affect the co-op.

Additionally, the natural foods business is booming, and at least two consequences will affect all co-ops: product availability and pressure on margin. In many ways, this is an unintended consequence of our success: more consumers care about what's in their food, leading private equity firms and chains to happily serve that need. Private equity's ready capital is fueling rapid growth of new and emerging chains emphasizing natural foods, such as Lucky, Sprouts, Fresh Thyme, Earth Fare, and many others. And conventional stores such as Kroger, Safeway, Wegmans, and others are expanding their natural and organic lines as their profitability satisfies shareholder return.



Competition

What Is the Board's Role?

Though short-term gain and private equity are not how cooperatives grow, we will be impacted by others' growth. We'll experience more out-of-stocks as production systems adjust to increased demand. As Whole Foods and other natural foods chains gain buying power and enter our markets, we'll feel pressure on our margins. In addition, developments in technology and online shopping will continue to touch us. The millennial generation is shifting its influence in our markets, and its relationship to technology and shopping will require us to learn how to serve per its preferences.

While these issues are mostly within the purview of co-op staff and managers, board members are not off the hook. We may have delegated the responsibility of operations, but we're still responsible for the overall health of our cooperatives.

For boards, the first step is recognizing whether the general manager has the talent and skill to meet the challenge of defining the co-op's competitive positioning and strategy. One sign that your general manager might be struggling is how well and how often he or she keeps you informed. Do you receive reports on competition and trends—at least on an annual basis? The biggest indicator for concern is declining sales and profit. Fortunately, training and support are widely available, and our co-op network is poised to make sure that no GM struggles alone.

While management must be nimble to respond quickly to market forces such as competition, the board's position is more deliberative. Our job is to understand the issues and to create a cooperative

culture of high expectations. That takes time and intention. Creating a culture of high expectations begins at home by holding directors accountable to the whole. Professionalism comes not just from written policy, procedure, or job descriptions but even more from an agreement to comply with those documents.

Building board agreement about following policies is easy to do when all is going well and is trickier when it's not. Directors need to be grounded in the cooperative model, grounded in board process, and committed to ongoing board development. Our conduct strongly influences the general manager, and expecting much of ourselves lends credibility to our high expectations for him or her. As written into policy or job descriptions, the board should receive professional trends reports, multiyear budgets, and plans with assumptions of competition. We all know plans change, but planning is an illuminating process; it exercises business muscles and increases awareness and agility.

While we know nothing stays the same, we often struggle with change. Our co-ops are precious to us, and we're proud of our roots, but we must accept the marketplace realities of the 21st century. That doesn't mean forfeiting our values; rather, it calls on us to strategize a future based on the cooperative advantages. Between fair trade practices, commitment to staff, and community service, we have much to offer. Since we can't assume business as usual, why not use the competition as a tool for paying attention and becoming stronger? Our cooperative advantages can help us succeed in the toughest of markets. Over the past 40-plus years, we have built an impressive collective pool of imagination and experience. Our transparency and integrity resonate with human values that speak to everyone, and if we have to get better at conveying that, so be it.



Innovate, Adapt, or Perish?

by Cindy Owings

*This article was informed by
an interview/conversation
with Dean Williamson,
board chair of the
Community Food Co-op
in Bozeman, Montana,
following his time at the
April 2013 NCGA Co-op
Leadership Conference
in St. Paul.*

To paraphrase Charles Darwin, in the struggle for survival, the innovative win out at the expense of their rivals because they succeed in adapting best to their environment.

Since their humble beginnings in the mid-19th century, food cooperatives have effectively demonstrated this Darwinian principle. In the “first wave,” co-ops offered members an alternative means of food distribution. In the “second wave” of the 1960s and 1970s, co-ops tapped into a growing anticorporate consciousness and shifted to providing organic and healthy foods.

Why is a look back pertinent? Because in the past decade, conventional grocery chains have steadily been offering customers organic produce and other foods while corporate food businesses have steadily gobbled up organic food producers to satiate public demand. This changing environment has nudged food cooperatives to a crossroads. How co-ops respond—adapt and innovate—will define the “third wave” of our history. Darwin noted, too, that competition is not the driving force behind evolution; rather, evolution operates via innovative adaptation to changing local environmental conditions.

Food co-op boards no longer have the luxury of complacency. Change is afoot—in fact, it is always afoot—and boards must stay tuned in to their respective communities’ needs and adapt to stay viable. If imitation is the highest form of flattery, then conventional grocers and corporate natural food purveyors have confirmed what co-ops have known since the birth of the cooperative movement: we have not only defined the market for organic and healthy food offerings, we have defined a way of doing business that is sustainable by recognizing

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the importance of innovation and by developing and maintaining long-term relationships with workers, producers, and the community.

With these ideas in mind, and based on discussions at the 2013 NCGA Co-op Leadership Conference, Dean Williamson suggests that board members do more introspective thinking. He asks directors to consider whether they:

- Grasp the importance of studying their community's market environment
- Participate in ongoing informed discussions about their co-op's position and standing within their town's natural foods environment
- Understand the importance of their store's appearance and merchandising
- Define and guide, through their oversight of the GM, an atmosphere of honest, responsive customer service in their store
- Proactively nurture their relationship with the GM and do not let this relationship devolve

into a general feeling of complacency by relinquishing thoughtful involvement

Underlying all considerations of board participation in the examination of your co-op's community standing is your board's ability to converse. Integral to the quality and content of these conversations is trust: of fellow board members, of your general manager, and of yourself. Without trust and conversation, critical decisions are far more difficult to make, if not impossible.

One morning, if you woke up in a cold sweat because you had dreamed that your beloved food co-op was suddenly surrounded by national natural food chain stores, would you throw a pillow over your head and go back to sleep? Hopefully not! As a responsible board member, ask yourself how you can best help your co-op adapt to changing times through engaged, proactive, innovative actions and through gaining a true understanding of what it means to be in the business of selling healthy food and goods in a principled manner.

Expanding the Conversation

Continued from front cover

Also in 2012, the National Cooperative Grocers Association created a video series and commissioned a study about the social and economic impacts of U.S. food co-ops. The results of the study can be found at the StrongerTogether.coop website: <http://strongertogether.coop/food-coops/food-co-op-impact-study>. The video series is available at <http://www.youtube.com/coopstrongertogether>.

Now, after more than a decade of active collaboration with and through the NCGA, it's time for food co-ops to consider what's next. To that end, NCGA invited the board chair or another representative of each NCGA member or associate co-op to attend a one-day meeting in St. Paul, Minnesota, in April 2013. There, meeting participants considered the future for co-ops. Now it's time to expand that conversation—to take the ideas and issues discussed at the meeting back to each co-op board and leadership team for consideration at the local co-op level.

This issue of the *LEADer* aims to help you do just that—to expand the conversation. It provides highlights from the meeting, as related by participants, and will also help you frame useful and productive discussions at your co-op. We hope this issue helps you and other co-op leaders build a vision for a strong, dynamic, and successful grocery co-op sector, and helps you determine what role your co-op will play in reaching that vision.

CO-OP CONVERSATION

A LEADER STUDY GUIDE

EXPANDING THE CONVERSATION

by Thane Joyal, CDS Consulting Co-op, Cooperative Board Leadership Development team,
with help from the Board Effectiveness Support Team (BEST)

We hope you can set aside 30 to 60 minutes at a couple of board meetings to discuss some of the following questions. While the resulting discussions might cover a wide range of topics, we offer these questions in three main areas as a starting point.

Food Co-op Growth Strategies Survey and Overview

In preparation for its leadership meeting in April 2013, NCGA fielded a survey of all participating co-ops about their growth strategies. The full results of that survey are posted on the NCGA website, where your co-op's general manager or designated representative can access them. Based on the results of that survey and on articles in this issue, consider:

- How do your co-op's growth strategies align with the survey results?
- Has your co-op's thinking about growth changed as a result of recent discussions?

The Compelling Need and Opportunity for Growth

At the spring 2013 meeting, NCGA's C.E. Pugh presented background about the current state of NCGA, as well as some context about the market we operate in and changes coming to our market. The presentation included information about sales and financial trends in co-ops. With the benefit of that information, consider:

- Do you see a compelling need for your co-op to grow?
- What is the risk to your co-op of *not* growing?
- What vision do you have for the co-op's future—its impact on the local community and its position in your local market?

CO-OP CONVERSATION

A LEADer STUDY GUIDE



NCGA's Co-op Impact Study

If you're not familiar with NCGA's Co-op Impact Study, you can find basic information, a promotional video, and a link to the full report at <http://strongertogether.coop/food-coops/food-co-op-impact-study>. After reviewing the study, consider:

- Which of the measurements in the study are most meaningful for your co-op?
- Which of a co-op's positive impacts will increase when you grow?
- Which potential impacts would you like to see your co-op increase in the coming years?

