



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 Be Ready for Those Growth Opportunities!



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Be Ready to Seize the Moment!

One view is that our co-ops and their long-term viability exist at the mercy of many forces. Those forces that easily come to mind are traditional business factors: the local market, economic conditions, major demographic trends and issues.

But as co-op leaders, we also have to think about the longer-term future of our co-ops and the system that supports and contributes to the success of co-ops. That longer-term future requires us to think strategically about where we're going and what we want our co-ops to be in the short (one-to-three year) and longer (twenty-to-thirty year) terms.

Our co-op structure provides us with a unique and powerful economic model that can contribute in major ways to the quality of life in our communities. Ultimately, this contribution requires thinking ahead and making sure a co-op is ready to leverage its model to continue to do great things. More stores. More jobs. More members able to shop at the co-op and join in building a strong co-op economy. And more volume to contribute to a system that can have more impact on national and regional food production and agricultural issues.

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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

Starting in 2013, the *LEADer* will be a national program of NCGA and will strive to bring in more experiences and voices, not just those focused on the Western Corridor. 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://www.cgin.coop/leader>. Western Corridor co-ops can have new issues sent directly by e-mail; contact Karen Zimelman 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 spring 2013. That issue will focus on the growth of a stronger worldwide co-op sector. 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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Building a Culture of Growth

by C.E. Pugh



C.E. Pugh is currently the chief operating officer of National Cooperative Grocers Association. He was instrumental in founding NCGA's Development Cooperative in 2008. Prior to working with NCGA, he was the general manager of La Montañita Co-op in Albuquerque, New Mexico. He led La Montañita through its acquisition of a small co-op in Gallup and conversion of a privately owned natural foods store to a co-op in Santa Fe.

This summer's issue of the *LEADER* (issue 16) discussed co-op sales growth extensively. NCGA staff members have had similar discussions with co-op general managers over the past two years. Prior to the recent recession, our sector enjoyed sustained, double-digit growth for many years. For most NCGA member co-ops, the problem was keeping up with the growth as sales increases began to pressure limited store size and parking. We often did not think about growth as something to strive for—it just happened.

The recession changed this. While our member co-ops handled the slowdown in sales very well, increasing our sales following the downturn has been more difficult. We have had to become more intentional about growth, and this is a new muscle to exercise for many.

As we have been discussing the benefits of accelerated sales growth for co-ops, our competitors have dramatically accelerated their growth plans. The continued demand for natural and organic food is attracting investors seeking to capitalize on this growth potential. Several well-managed regional natural food chain operations have recently attracted millions in private equity investment, and they now join Whole Foods and Trader Joe's with plans to open one thousand stores each. Conventional food retailers, along with Walmart and Target, continue to expand their natural and organic offerings and now represent legitimate competition for co-ops. Several NCGA member

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Building a Culture of Growth

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co-ops have been negatively impacted over the past two years by the opening of new natural food competitors in their markets. Their potential to grow going forward is now reduced. I believe the most insidious effect of new competitors is their impact on our future growth. We can gear up to withstand the effect of a new competitor opening, but the negative impact of weaker growth over time can go unnoticed and weaken us little by little.

Building a culture of growth throughout the co-op sector first requires an understanding of the basic financial fundamentals of our retail food business. Regular study by the board and staff in this area and transparency with the membership are crucial. The economic foundation of our cooperative enterprises is the retail food business we operate. An understanding of the cost structure of the business and how costs increase each year quickly demonstrates the great benefit that strong sales growth provides.

We need to differentiate between basic store operating costs and the costs of education, outreach, and support to the community beyond the store. These areas of investment are an important part of why we operate a food store. The ability to maintain and grow these programs is also dependent upon the growth of the business. A good understanding of business fundamentals should lead to a shared recognition of the value that growth provides the co-op. Once this occurs, we can then begin the much more interesting work of deciding how to grow. It is important to choose with intention.

Board and management should work together to create a long-range plan for growth—a plan for at least the next ten to twenty years. The question

should not be *if* but *how* we should grow. Study questions on this topic from issue 16 of the *LEADER* provide a great place to start this discussion:

1. How does growth fit into your co-op's mission, vision, Ends, or strategic planning statements?
2. What unfulfilled potential in your community could be filled by your co-op?
3. How do you envision your co-op's operations in terms of number of stores, products, and access throughout the community in the future?
4. How could your co-op contribute to a more sustainable local economy?
5. What is your co-op doing to increase its capacity for growth and be better prepared for growth opportunities that might arise?

An additional question to consider is: What does the future hold for your co-op if you don't grow? The demand for natural and organic foods will continue to grow. Someone will provide for this demand if you choose not to.

As your board engages in these longer-term considerations, it is important for management to consider the following broader questions:

1. Who are our target customers and members?
2. How do we gain customers and members?
3. How do we serve customers and members?
4. How do we price our products and services?
5. How do we attract and retain talented staff?
6. What investments should we make in our current businesses and in additional opportunities?

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Building a Culture of Growth

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As a process of study, engagement, and planning begins, you will discover a wide range of possibilities. Several NCGA member co-ops have expanded beyond retail food stores to own and operate distribution centers, farms, restaurants, bakeries, off-site production kitchens, and more. The value of an intentional plan will become clear as you begin to choose a direction from the diverse options available. I find it helpful to begin with the outcome I hope for twenty years from now and then to “backcast” what steps may lead to that outcome. The term *backcasting* was coined by John Robinson in 1982. It involves connecting desirable long-term future scenarios to the present situation.

In my experience, a strong culture of growth develops around these possible future outcomes. It is very exciting to create a desired future and plans to achieve it. The trick is to be as specific as possible. The goals must be realistic and achievable—no rainbows and unicorns. They must also be simple to explain and easily understood, so they can capture

the imagination of as many people as possible. The Wheatsfield Co-op in Austin, Texas, has envisioned a comprehensive plan to open additional retail locations. It lists the following condensed goals for its community:

- More co-op economy
- More local, organic, sustainable food
- More happy people

We must consciously set aside time to look ahead, engage others, and plan our future. This is more difficult than it sounds, as the daily demands of governance and operations seem all too pressing and urgent. Of course, external forces will impact our plans and require us to adjust and revise as we go along. New opportunities and new challenges will be presented, but an intentional plan will better position us for these. I think a culture of growth develops quite naturally when we are able to look to the future and plan. The future is coming anyway, and it’s much more rewarding to create it with intention than to experience it as it happens.

Board and management should work together to create a long-range plan for growth—a plan for at least the next ten to twenty years.

—C.E. Pugh C.O.O., National Cooperative Grocers Association

Be Ready to Seize the Moment!

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The job of co-op leaders is to understand the factors that contribute to co-op success, to identify and correct things that aren’t going well, and then to challenge the co-op to get better so it can be poised and ready to grow whenever opportunities pop up. Yes, we can sometimes create our own opportunities. But more often than not they happen—and not necessarily at the *right* moment or when the co-op is perfectly prepared and ready. But there they are. Can your co-op handle a growth opportunity? Now?

Don’t let your co-op be buffeted by external factors, at the mercy of conditions out of your control. The co-op provides you and all members with a chance to take control. The co-op’s leaders need to be ready! We hope this issue provides fodder for your board to discuss as you consider your co-op’s future and what it will take to be ready to seize that great opportunity when it shows up.

An Out-of-the-Box Carrot Story

by Cindy Owings



The Community Food Co-op in Bozeman, Montana, pulled off a recent second-store expansion with minimal fuss, lots of enthusiasm, and complete board support. How does a \$950,000 expansion happen without a business plan or permission from the co-op membership, and with no bank loan?

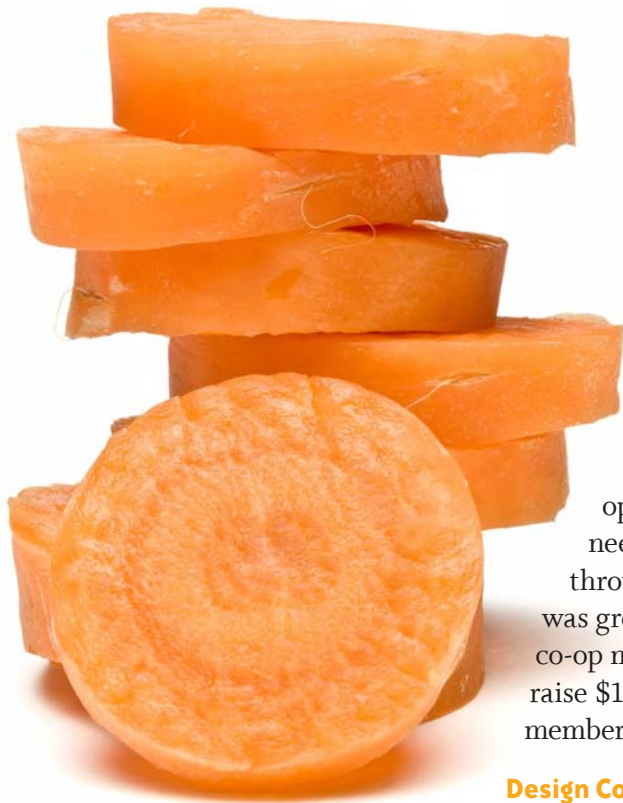
Kelly Wiseman, CFC general manager, says, “We had pro-forma cash projections, savvy staff input, and unsolicited member support for an expansion in the middle of downtown Bozeman. Additionally, we were guided and supported by the board’s intention, experience, and entrepreneurial spirit.”

How can a seemingly all-encompassing expansion happen without reams of research, hand wringing, focus group input, and co-op member approval? Bozeman’s successful expansion and lessons learned can provide an expansion road map for other co-ops that want to grow. The success of CFC’s out-of-the-box expansion project rested on several background details:

A Preexisting Operational Central Kitchen: The CFC built a commercial kitchen off premises but close to the West Main store in 2010. The facility operates as a bakery and backup deli kitchen. When the expansion idea came up, the kitchen was operating below capacity.

Board Culture: When the downtown store idea was formulated by co-op staff and presented to the board for discussion and approval, the board completely got it. For many years at its annual retreats, the board had played with the idea of a second store. For more than ten years the board had boasted a strong entrepreneurial bent, with members who seemed to possess a high level of risk tolerance. From past experience, the board had faith in staff’s abilities. Board members also were familiar enough with Bozeman’s downtown food climate to know that a deli/small grocery that

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An Out-of-the-Box Carrot Story

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served fresh, healthy food could succeed. It must be noted that board member longevity led to greater trust and understanding between board and staff.

Available Financing: In 2001–02, when the CFC completed a major expansion of the West Main store, co-op members stepped up to loan one-half of the \$2.2 million needed to complete the project. The remainder was provided through a bank loan. When the downtown co-op idea hit, there was great enthusiasm for the project and the chance to loan the co-op money at 6 percent interest rates. It took only five weeks to raise \$1.5 million to complete the project and to pay back earlier members loans.

Design Committee: With each CFC expansion, a Design Committee was appointed. The purpose of this group—made up of the general manager, a hired architect, several board members, and working members with design experience—was to conceptualize all aspects of the project. The committee met once a week for six months to bring the downtown project to fruition. The only controversy within this committee involved to what extent we would consider member reviews of the idea of an orange carrot sign designating our location on Main Street. Seriously!

Lessons Learned

Every expansion project has bumps along the way. The downtown co-op project was no different. CFC staff quickly found that it did not have the depth of experience in administration and food service to operate two locations. The model chosen required a huge amount of labor that eventually drained cash to a seriously low level. Also, the deli was offering too much selection. The question of whether to cook on-site or transport became a huge issue when the downtown co-op's main focus became deli service. All these considerations had to be dealt with, and they continue to challenge the CFC administrative staff.

As a board, if you see an expansion carrot in your future, consider whether you have what it takes to support staff with creative ideas and participation. Examine your board's risk temperature. Remember that the going may not be easy, but the outcome can be worth the trip. By the way, the CFC's now-famous carrot sign graces T-shirts that sell briskly at the Main Street store!

If One More Store Is Good, Why Not Two?

by Martha Whitman



Our stores aren't the fanciest or largest. We lease rather than own, but our approach provides the capital to more effectively contribute to the growth of local and sustainable food systems.

We never set out to open branches in Gallup and Santa Fe. But in 2005 the two opportunities presented themselves simultaneously, and we proceeded with each for different reasons. In the case of Gallup, the town had a buying club that had opened a storefront and was struggling to manage operations. We helped where we could, but it wasn't enough, and the store approached us with the idea of a merger. Gallup and Albuquerque are a three-hour drive apart, but recognizing Gallup as an underserved area with an established cooperative spirit, we agreed.

At the same time, we were approached by a Santa Fe store owner ready to retire but caring who took over her business. We weren't looking to expand into Santa Fe; it's a small city flooded with competition—Whole Foods, Wild Oats, Vitamin Cottage, and a Trader Joe's then under construction. Yet despite all the competition, the owner ran a profitable store—and surely we could too.

Our general manager brought the two opportunities to the board to gauge our receptivity, and we were in a strong position to consider such a proposal. First, our board was solid and was already open to the idea of expansion. Second, we had the necessary talent. Our general manager came from the conventional side of the grocery business and had managed a company with fourteen stores. Third, we had the right balance sheet, heavy in current assets with little debt. But the clincher for the board was when our general manager assured us that if any one

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If One More Store Is Good, Why Not Two?

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of our stores failed, it wouldn't take the whole co-op down. In fact, we would be gaining asset diversity, so if one store ran into trouble, the others could help smooth out the financial impact. Heck, we'd never considered that angle before.

While we were of one mind about the dual acquisition, the board was keenly aware of our responsibility to the members. In Gallup, our financial investment was minimal, but Santa Fe was another story. Our members had hung in with us during the hard knocks of opening a second Albuquerque store in 1999, and here we were suggesting we expand again—and in Santa Fe no less. We needed to hear from Albuquerque members and the Santa Fe community. To that end, we held forums—one in Albuquerque and two in Santa Fe. They were a great success. Albuquerque members were excited by the idea, and Santa Feans adamantly pledged their support.

The other major consideration with becoming a three-town cooperative was how to structure our governance and connection to the membership. We looked to U.S. cooperative history for guidance and discovered that co-ops stayed stronger when every board member represented the co-op as a whole. Allocating board seats by store would set us up for turf wars, a lesson learned from the Berkeley Co-op.

We immediately sought members in Gallup and Santa Fe to run for the board. Success has been limited, as it turns out that distance does matter. To address the challenge, we modified our bylaws so that teleconference attendance counts for reaching a quorum. That change has helped, but the situation is far from ideal. Video conferencing would be better. Since 2005 we've had three board members from Gallup and one from Santa Fe. In the first year of acquisition, we held board meetings in Santa Fe, but that didn't work out so well. A better solution has been to hold annual meetings in Santa Fe, as we now do every third year.

We've thought long and hard about how we make ourselves accessible to members. Realizing that not many want to engage at the governance level, we still

want it to be easy for them to find us if they do. Board members take turns writing a monthly newsletter column. We advertise our e-mail addresses, attend major co-op community events, hold World Cafés, and create interesting annual meetings. This year we organized and facilitated co-op study circles in all three towns. Our basic philosophy has been to mix it up and appeal to a wide spectrum of members through a variety of venues.

We continue to grow. In 2006 we opened our distribution and warehouse center, an expansion of another sort. In 2011 we opened our annex co-op at the University of New Mexico Bookstore in Albuquerque, in 2012 we moved into a warehouse twice the size of our first one, and in 2013 we are lined up to open another store in Albuquerque. It's going well, and between having great managers and an effective board, we remain open to opportunities as they present themselves.



Lessons Learned the Hard Way

Communicating about Expansion

by Paige Lettington

In the summer 2012 issue of the *LEADer*, I wrote an article about engaging co-op owners in decisions about growth. Much of the information was based on my personal experience serving as board president of Sacramento Natural Foods Co-op during a failed attempt to open a second store in 1998 and my subsequent involvement (not as a board member) with another attempt in 2007. That attempt succeeded in the communications department, primarily due to lessons learned in 1998, but unfortunately did not succeed financially. The co-op is now engaged in a third expansion attempt—this time a relocation of our current store to a new and larger space nearby. I'd like to share some lessons learned from these experiences. Your mileage may vary, and every situation is different in some way, but hopefully our experiences can offer some wisdom.

1998

Our co-op had successfully expanded several times to larger locations, as had many co-ops since the 1970s, but in 1998 we were attempting to open a second store in a more distant location—still in the same metropolitan area and in an area where we had current members, but in the suburbs. The board had made a decision that the move would be good for the co-op, had hired an experienced GM, and had tested the waters with a store remodel. Market research had been done. Member-owner communication was planned. But then an opportunity came up that ultimately derailed the entire effort.

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Lessons Learned the Hard Way

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The *Wall Street Journal* called the GM for an interview. At first blush, this seemed like great publicity. But when a certain segment of the membership learned of the expansion via *WSJ* instead of from the board and management, all hell broke loose. Personnel issues had been brewing due to changes made by the new GM, and this just added fuel to the fire. No amount of communication by the board and GM could make up for the perceived breach of trust. We even had an advisory vote that came out in favor of moving forward. It didn't matter—the momentum was on the side of those who distrusted the board and the GM. Board members (including me) were voted out, and the GM left.

Lessons learned? Make sure communication about expansion comes from internal channels first. Start as early as possible. Plan your communications with members and stick to your plan unless you are certain new avenues of communications will be positive. Also, avoid expanding if you have other contentious issues going on.

Expansion takes a lot of energy from staff, the board, and member-owners.

2007

In 2007 we had a very different situation. The project manager from the 1998 effort was (and remains) our general manager. Everyone had learned from the earlier attempt. Much effort, time, and expense were spent gathering input from member-owners to confirm their visions for our co-op, which generally included expansion within the community. When the opportunity came, there was overall support. Expansion was not a surprise to the members.

Unfortunately, the 2007 expansion ended in a failed second store, a lot of debt to be paid off, and a certain number of “I told you so’s.” Much of this trouble could be chocked up to the economic meltdown in 2008. Management, the union, and member-owners all had to give something up to keep the co-op alive. It was a story of survival.

Lessons learned? Laying the groundwork helps! People remember that you communicated and that they were involved. Also be transparent. Mistakes will always be made. Some circumstances, financial and otherwise, are out of your hands. Admit to mistakes and be honest about the things you can't control.

2013

Our co-op has been overcrowded for more than a decade,

which is why we pursued the earlier expansion plans. But now it makes more sense to open a larger store near our current location. There is certainly a segment of the membership that does not want to take on debt after just climbing out of the last round, but overall we have overwhelming support due to continued efforts to keep member-owners in the loop and to gather their input.

Lessons learned? Keep two-way communication regarding the co-op's future going all the time. The board's job is to provide vision and to help member-owners understand how that vision benefits the co-op and them. Don't be discouraged if you can't convince everyone. Some members will always want to keep things just as they are. Focus on educating as many people as possible about how your vision will benefit them.

Of course, many things can derail an expansion process—cost overruns, mismanagement, and unexpected environmental problems. The important thing is to learn from what went wrong and to make sure that information is carried forward to succeeding board members and GMs. And keep member-owners in the loop. They want and have a right to be informed about the co-op's plans and directions. Not keeping them informed generally backfires.

Growth by Starting a New Co-op

Great Basin Community Food Co-op

by Lucinda Berdon



The bad news? In the late 1990s, the twenty-five-year-old Washoe Zephyr Food Cooperative closed its doors in Reno, Nevada, for good. Why? Because the WZFC lacked strong leadership. The co-op lost sight of a vision it once held, didn't prepare for growth or consider the implications of competition, and didn't embrace changing times.

The good news? In 2005 native Nevadans and sisters Amber Sallaberry and Nicole Nixon spearheaded the movement for a new northern Nevada natural foods co-op. Inspired by food security issues, the local food movement, and the cooperative business model, they created the Great Basin Community Food Co-op (GBCFC).

After about a year of operating, the co-op had saved nearly \$13,000, which provided funds for the co-op's first big expansion. About that time, mid-2007, the organization legally incorporated as a cooperative association in the state of Nevada. Through 2008, Sallaberry pursued studies in cooperative business development at Evergreen College, interning with Grace Cox, a member of the collective that manages the Olympia Food Co-op.

In April 2009, the co-op relocated to a 490-square-foot space in a central location. Business boomed. "We really wanted to be a nonhierarchical workers' collective," says Sallaberry. So in late 2009, the co-op moved to a collective management structure, simultaneously dissolving its board of directors. "It was a really good learning experience, but it was by far one of the hardest things any of us have ever done. We tried really hard to make it work," says Sallaberry.

In 2010 the staff of five employees unanimously voted to return to a more traditional governance and management structure. The

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Growth by Starting a New Co-op

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five-member board of directors was reinstated, and Sallaberry officially became the GM. Functioning with an untrained board and inexperienced management, while the co-op's sales and operation continued to grow, was another big challenge. The co-op began reaching out to other co-ops, as well as to CGIN and NCGA for help. Outreach efforts paid off, and the co-op's membership grew. The co-op outgrew its 490-square-foot location.

Plans to relocate the co-op began to take shape. The co-op enlisted an advisory board comprised of local business leaders to help with planning and financing. A site was identified, and an early estimate of the cost was \$400,000. Since GBCFC had a minimal business track record, traditional lenders were not interested. The co-op began a massive fund-raising campaign, including presentations near the prospective new location. The first fund-raising presentation resulted in a weak response. But after the second presentation, the store received one pledge for \$20,000 and another for \$15,000. By January 2011, GBCFC had raised \$565,500 in member loans, donations, and equity. The project was officially under way!

In February 2012, GBCFC opened in its new location on Court Street in Reno. The new store has 7,000 square feet and operates on three floors. The main floor is filled with grocery items. A deli, juice bar, and café area are on the second floor. The basement offers space for the co-op's DROPP (Distributors of Regional and Organic Produce and Products) program, which distributes locally produced items from farmers to local restaurants.

Looking Back

The relocation seems worth it now, but there were many lessons learned. A lack of experience working with contractors, and feeling rushed by unrealistic deadlines, added to the stress. The co-op had some bad luck with equipment—both new and used—and also had to learn how to deal with brokers and sales reps. And then there was the culture shock. Evolving from a staff of only five to a workforce of twenty-five required different systems and a new approach—with the need to be more formal and less grassroots.

Managing the store's regular operations while doing a major relocation project created its own problems for Sallaberry. The workload led to exhaustion, decreasing her effectiveness and focus while also making it necessary to backtrack. She felt personal responsibility for the success of the project,

which challenged her to learn new things but also added an unhealthy level of stress to her life.

When asked what was inspiring about the process, she cites the amazing community involvement in support of the co-op. So many people stepped forward and gave their time and creativity to the project. By the time they opened the store, "Everyone was always exhausted, it was chaos, everything bad that could happen did." For instance, the newly installed sprinkler system went off and damaged all the co-op's computer equipment just after it was moved into the new space. Then, the day before the store was set to open, someone broke in and stole the computer with the point-of-sale data. But everyone kept working through the challenges and chipped in.

In hindsight, the main lessons Sallaberry learned were to be professional, thoughtful, and forward thinking in all areas and to focus on setting goals that are good for the whole and not just a few. Getting help from other co-ops was a huge factor. GBCFC grew professionally in leaps and bounds as a result of the assistance received from other co-ops. Today, as the co-op nears its one-year anniversary in the new location, it has over five thousand members and continues to bring optimism, passion, perseverance, and strong vision to meet the needs of its community.

Preparing for Growth

by Marcia Shaw



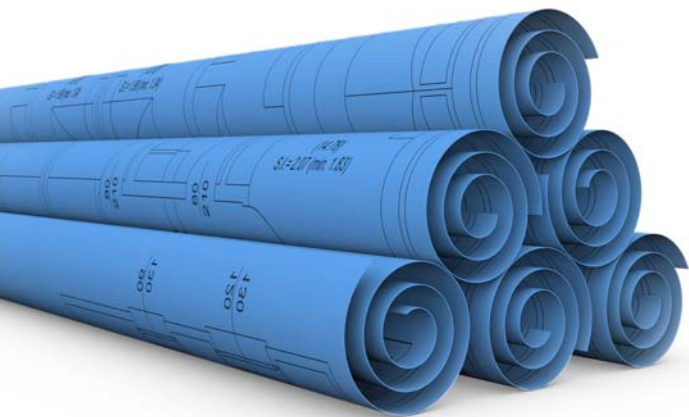
The most anxiety-producing stage of expansion comes before you really get started. It's agonizing to be swirling around in the "what if" zone. There are so many questions: How do we . . . ? Where should we . . . ? Can we . . . ? Where do we start?! The board has decisions to make at many levels. Do we want to grow? Do we need to expand just to avoid declining? What are the risks and how do we protect ourselves against the unknowns?

Expansion is a big decision—perhaps the biggest you'll ever make in monetary terms. And there are so many people to bring along—staff, the community, members. It looks daunting, but rest assured that others are willing to share their experiences, including their mistakes.

Michele Adams was the general manager of First Alternative Co-op in Corvallis, Oregon, when the co-op began considering a second store. She had been the general contractor for several major renovations of the co-op's original store site. Renovating a small convenience-style grocery store into a second co-op store posed different challenges. But both sites are now successful stores in their own neighborhoods.

In Michele's experience, expansion is complex because of the multitude of issues, factors, and people that have to be coordinated onto one timeline. Planning takes months, yet real estate decisions often have to be made quickly, especially if you're considering more than one site. Even a co-op that isn't preparing for an imminent expansion should be prepared for growth. Becoming familiar with the process and the tools can help.

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Preparing for Growth

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Developing Your Growth Plans

Expansion can help a co-op meet member needs and can improve the shopping experience, especially when the co-op has limited parking space or crowded aisles. A larger or second store can also allow the co-op to meet new needs (with an expanded deli or bakery, for instance), as well as reduce members' travel time. Depending on the site chosen, most co-ops can expect anywhere from 25 to 40 percent of current shoppers to switch to a new store. As a rule of thumb, if sales at your store reach \$1,300 per square foot, the shopping experience is likely to be unsatisfying and the store is likely to be overcrowded. It's time to expand.

Questions to Ask

- Is the co-op's staffing structure capable of handling a larger or more disparate staff?
 - Have members have been educated about the need for growth or expansion?
 - Is the co-op financially stable, with a reasonable capacity for funding growth (leverage)?
 - Can increased revenue streams bring greater opportunities or efficiencies to the co-op and its members?
 - Can the management team handle the project while also maintaining current operations?
- At some co-ops, the GM has experience with project management, while other co-ops need to bring in outside help.

Another issue often facing boards as they look at growth opportunities is whether to own or rent the facility. This decision has long-range implications and can significantly impact an expansion plan.

First Alternative's second store remodel involved a couple of costly surprises. A broken sewer system under the parking lot couldn't have been planned for. But the board could have planned generally for more unknowns than it had experienced when remodeling the first store, a facility it was familiar with.

How Ready Are You?

The effective board will have discussed the criteria for initiating a growth plan before the need arises. If the board is anticipating growth, it may be useful to recruit board members with experience in real estate, finance, or community development. It would also be good for the GM to develop a relationship with the local bank and to cultivate financing options—so they can be launched on short notice. Having a sense of how much the co-op can potentially finance for a well-thought-out project can help the board better visualize and consider a project with a big price tag (\$3 million, \$6 million, or even \$10 million).

The field of "change management" explains that even when people like the idea of a new or expanded store, most dislike the process of change. Change of any kind bumps us out of our comfort zones—often in ways we've never thought about. It takes longer than you might expect to get folks comfortable with the idea that the co-op might not always be in a particular location or even look the same as it has for the past decade. Shopping in a new environment is stressful for those used to habitual patterns. Staff members may also dislike disrupted routines and expectations.

Experience suggests that eventually staff and members will love the new store—but getting there is a challenge. Michele suggests building trust, frequent member updates (every week to ten days), and being responsive to staff and member concerns, even if you don't think the issues are very important.

While change is difficult, stagnation is a creeping threat that all co-ops face. The forward-thinking board will not rush into change in reaction to new competition or spotting a larger storefront. If you've developed a dashboard for evolving circumstances and done some preliminary investigation, expansion and growth can be the next logical step.

ENVISIONING GROWTH

A LEADER STUDY GUIDE

IS GROWTH INEVITABLE? by Philip Buri

*We hope your board
can set aside at least
thirty minutes to
discuss one or more
of these questions.*

Is growth inevitable?

In his opening article, C.E. Pugh recommends creating a long-range plan for growth—a plan for the next ten to twenty years. He writes, “The question should not be *if* but *how* we should grow.”

1. Do you agree or disagree with this premise?
2. What are the consequences of not planning for growth?
3. What are the barriers and challenges your co-op faces in framing a growth strategy?

How do we predict an uncertain future?

Start with self-reflection for about five minutes. Think about where you were in 1993 (twenty years ago). How old were you? What were you doing? What did you think you would be doing in the future? Now identify some milestones in your life from the last twenty years. What led you to the place you are in now? How did you end up doing what you do now? Take this timeline and project it forward. Where will you be in 2033? How old will you be? What work do you anticipate doing? Where will you live?

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ENVISIONING GROWTH

A LEADer STUDY GUIDE

Continued from Page SG 1

How do we predict an uncertain future? —*continued*

Now do the same for the co-op in a board discussion. Where was the co-op twenty years ago and how has it changed? What are the key factors that resulted in the co-op's development over the past twenty years? Where do you see the co-op in twenty more years? Remember that the co-op membership resembles you, and your life experience is similar to those of your members. What will they want as they grow older? Who will your new customers be? What kind of store or marketplace will your members need? How is the competitive market changing for your co-op?

What seeds do you want to harvest in 2033?

What can your board do now to prepare your co-op for 2033? What questions do you expect from members about growing your co-op? Again, think about the decisions you made in 1993 that shape your life today. What decisions do you want to make today to shape the evolution of your co-op over the next twenty years?

