

A publication designed to promote visionary and forward-thinking discussions between and among the leadership of NCG co-ops

## A Study Guide for Co-op Leaders Building Alignment for Change

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## Building Alignment for Change

Co-op member-owners are important. We need their daily patronage and support (telling us what they don't like, giving us feedback) for our immediate and long-term survival.

When we're fully committed to the co-op economic model, we need to think beyond the cash register and comments box in terms of what we need from members. Our co-ops will be stronger when our member-owners are invested financially (through member shares) and invested in the co-op's direction, plans, and ongoing strategy for success.

To gain that member support, and to fulfill our responsibility to them as co-owners of the co-op, we need to provide members with honest, open information about what the co-op is doing, its struggles and successes, and its long-term prospects. Beyond just an annual meeting and annual reports, we owe our member-owners reasonable transparency regarding how the co-op is performing and what is on the horizon.

When management and the board agree on changes the co-op will make—such as opening a second store, relocating, or adjusting the product line—an informed and engaged membership will *want* to know why the changes are being made. In today's highly volatile grocery market, when our traditional go-to-market strategy is being embraced by an ever-growing range of competitors, a co-op may find value in helping members understand the potential impact of market conditions. Many co-ops are facing intense financial and operational strains. Those pressures may lead to turnover of beloved staff and changes in the co-op's operations. Members will want to know what's happening and why.

In this issue, we look at how co-ops and co-op boards can fruitfully and productively keep members informed about changes and achieve alignment with members regarding potential changes to come. The study guide for this issue challenges you to identify your board's core messaging to members for the coming year and to develop a communications plan to best relay that message.

Let us know what you think and tell us about your board's experiences. We love hearing what you find valuable, as well as suggestions for changes or future topics for the LEADer.





## More about the LEADer

The *LEADer* is a quarterly study guide designed to foster visionary and forward-thinking discussions between and among co-op leaders. The *LEADer* is a publication of National Co+op Grocers and strives to incorporate experiences and voices from all co-ops affiliated with NCG. Each issue is produced by the Board Effectiveness Support Team (BEST), a voluntary committee made up of board leaders and general managers from co-ops around the country. We welcome those who would like to join us in this project.

The *LEADer* is available to all interested co-op leaders. This issue and all back issues are [available online](#). Those wishing to subscribe to the *LEADer* and have issues sent directly by e-mail as soon as they're available should contact [Karen Zimbelman](#).

We welcome your reactions, suggestions, and contributions, as well as questions for us to answer in future issues. For more information about NCG, the *LEADer*, or the BEST, or to send along comments or questions, contact:

Karen Zimbelman  
 National Co+op Grocers  
 866.709.2667—ext. 3150  
[karen.zimbelman@ncg.coop](mailto:karen.zimbelman@ncg.coop)

## Meet the BEST!

### Board Effectiveness Support Team



**Lucinda Berdon** —  
 General Manager, Quincy  
 Natural Foods (Quincy and  
 Portola California)  
[gm@qnf.coop](mailto:gm@qnf.coop)



**Gail Graham** —  
 General Manager,  
 Mississippi Market Co-op  
 (St. Paul, Minnesota)  
[gail@msmarket.coop](mailto:gail@msmarket.coop)



**Paige Lettington** —  
 Former Chair and Director,  
 Sacramento Natural Foods  
 Co-op (Sacramento,  
 California)  
[paigelyn@comcast.net](mailto:paigelyn@comcast.net)



**Cindy Owings** —  
 Former Chair and Director,  
 Community Food Co-op  
 (Bozeman, Montana)  
[petunias@3rivers.net](mailto:petunias@3rivers.net)



**Martha Whitman** —  
 Former Chair and Director,  
 La Montañita Co-op  
 (Albuquerque, Santa Fe,  
 and Gallup, New Mexico)  
[marthawhitman@comcast.net](mailto:marthawhitman@comcast.net)



**Program Support**  
**Karen Zimbelman** —  
 Director of Membership and  
 Cooperative Relations, NCG  
 (Arcata, California)  
[karen.zimbelman@ncg.coop](mailto:karen.zimbelman@ncg.coop)

## The World Our Co-ops Operate in Is Changing

by Gail Graham

The “accelerating pace of change” is old news; for 40 years, it has been a focus and a lens through which we view our world. Constant advances in technology, communications, and retailing make it difficult to stay abreast of the latest and greatest new ideas. The rate of change is so fast that using traditional print media practically ensures that the material will be dated in the two months it takes to get to publication. And the time frame within which change occurs continues to shrink, leaving us off balance, with little time to react.

Many industries have experienced the impact of this incredible pace of change. Sometimes it’s swift like a slap in the face and sometimes it’s hard to discern, especially at the beginning. We’ve all heard about that unfortunate frog, blithely soaking in a pot of cool water, not noticing the temperature increasing as it slowly comes to a boil. He didn’t notice it because it was so gradual. He didn’t notice it until it was too late.

The natural foods industry has been simmering for some time now. Last year it reached a boiling point: For the first time, more natural and organic foods were sold through the conventional grocery channel than through the natural channel. The natural channel includes not only co-ops but also independent natural food operators and chains such as Whole Foods, Trader Joe’s, Sprouts, and Earth Fare.

In the first few weeks of 2016, Campbell announced that it would move away from using ingredients made from GMOs. “Invincible” Walmart announced that it was closing 269 stores—154 of them in the United States. Aldi has been spotlighted for its new emphasis on organic, natural, and artisanal products. And General Electric started promoting a “smart refrigerator” that can alert you when you’re low on milk. In February rumors started flying that Kroger was bidding for the Fresh Market chain. Who knows what the next month will bring?

We aren’t facing only a faster pace of change. We are facing disruptive change: New players are delivering “our” products at lower prices, and new channels (Internet-based businesses) are eliminating the middleman and selling directly to consumers.

All this change has my co-op reeling. As little as a year ago, we felt safe and our trade area felt protected. We were used to tough competitors because we operate in a historically competitive market. We were perhaps a bit complacent. We were perhaps even smug.



Then, in October, Fresh Thyme “suddenly” opened its first store in our trade area and Hy-Vee opened its first two of eight planned stores. In the same month, Instacart began offering delivery services and Amazon broke ground on a giant fulfillment center (1 million square feet!) and began promoting free two-hour delivery of groceries ordered by smartphone. All this new competition has made our market even more attractive. In January our local paper announced that Meijer, a Michigan-based supermarket giant, and Lucky’s Market out of Colorado are considering locations in Minneapolis/St. Paul.

Our members see the news too, and we can help them interpret it and understand the impact these changes will have on their co-ops. One approach is to use the co-op’s newsletter to talk about the changes. In a recent Mississippi Market newsletter, the [board treasurer did just that](#). He notes, “Now that we’ve successfully improved the healthful food choices available to U.S. consumers, do we continue to fight the same battle? We will never be cheaper than the giant food companies, so many people question whether that makes sense. So, how do we remain competitive and relevant? Co-op directors, staff and

member-owners nationwide are debating these questions.”

Please don’t make the mistake of thinking, “That’s just what’s happening to Mississippi Market; it will never be like that for us.” These changes are going on everywhere in our world and in our natural foods industry. No one is immune.

In this time of great change, we can’t possibly be expected to have all the right answers. But we can—and indeed we must—remain alert to the changes and ask the right questions. The water is boiling now.

## New World Order

In a February 2016 interview with the *Wall Street Journal*, Whole Foods Market’s co-CEO Walter Robb provided perspectives on the competitive forces the company has been facing in the past year.

“You’re looking at a tectonic shift in the marketplace where all the growth in food has moved in the direction [of natural and organic products], so you have massive competitive changes,” Robb said. “You have a big generational change. You have huge change in technology. Everybody’s into this space because they realize this is what customers want.

“We’re still creating 8,000 new jobs this next year. We’re still opening 30 new stores. We’re launching a second format called 365 by Whole Foods. It’s a short-term reset . . . but we intend to continue to be leaders in the new world order. We’re not back on our heels.”

He says that future stores will probably be “smaller and more fresh than non-fresh. You’re going to see an explosion in food service and prepared foods and beverages, an explosion of choices for those who don’t want to cook. And they’ll be able to get it on-demand. Ultimately [customers] are looking to the food store not just for food that they can cook but for food they can eat right now.”





## Want Buy-in from Stakeholders? Over-Communicate Everything!

by Lucinda Berdon



A few years ago, we were presented with an unexpected opportunity to acquire a small independent natural foods store in Portola, a rural community 30 miles away. When I first approached the board about this potential acquisition, there was some apprehension, a bit of resistance, and general skepticism, all mixed with some excitement. The glitches? We had a limited amount of time to make a decision. The owners wanted out in 90 days, with a firm decision made in 60 days. Plus, another interested party, backed by years of employment with Whole Foods, was on our heels.

Arming ourselves with data, resources, and guidance, we outlined the compelling reasons to move forward on this

adventure. We embarked on a journey of exploration and transparency. The goal was to tell the story to everyone and anyone this change might affect. Getting support from the board, members, staff, and staff at the new location was of foremost importance. We also met with Portola officials to share our objectives and goals, with the aim of getting their ultimate support. The job involved building positive relationships in a new community. We worked hard to develop relationships with the seller, the landlord, Portola store staff, and Portola community members.

We had to work fast, given our time constraints. We began immediately with closed board sessions and moved on to store manager team meetings and then all-staff meetings. We announced the idea at our annual meeting and finally held community meetings in Quincy and Portola, all with very good turnouts. We met with county officials, other businesses, the Portola chamber of commerce, and other local organizations. We came up with a series of talking points, outlining the opportunities and risks involved. We used articles in our newsletter, flyers, social

media, local radio, and word of mouth to spread information. We explained the pluses of our cooperative business model and how the community would benefit by the co-op taking over a private, independent business in a town slow to recover from the recession. We explained the implications of someone else taking over the business and generating competition for us, which would have been detrimental to our growth. We invited comments, concerns, and feedback all along the way.

We were able to make a decision within 60 days, and we requested six months to close the acquisition. After the six-month period was over, we were the proud owners of a second store.

In 2015 another time-sensitive opportunity arose: A general liquor license was offered in our county after a moratorium on such licenses for more than 15 years. We used the same process: get the board acquainted with the idea, prepare projections and analysis, and discuss compelling reasons with

everyone who might be affected. We met several times with staff and board members, circulated a member survey for one month, included articles in our newsletter, tabled in front of the store, and generally made ourselves available for questions and comments. We provided the staff with talking points so that the same message was always being delivered. With California liquor license applications, you have to post an “intent notice” for 90 days and mail letters to civic organizations, schools, churches, and residents within a 1,000-foot radius. The idea met a lot more resistance than the store acquisition had, but the ultimate feedback resulted in 85 percent of our owners in favor. The financial and survey data guided our final decision.

We purchased the license, adding another valuable asset to our balance sheet. We can now offer our shoppers organic, local, and micro-distilled spirits.

What made these initiatives successful? Leave no stone unturned. Transparency and communication from every angle are key. Know who needs to know, who wants to know, who should know, and who will be impacted, and take the information to each of them. Then start the task of educating, with the goal of giving stakeholders enough information to support your decision.





## Engaging Member-Owners in Big Decisions

by Paige Lettington

The following is an adaptation of “Engaging Member-Owners in Decisions about Growth,” an article that originally appeared in [LEADer Issue #16](#) (Summer 2012).

The world is changing rapidly for food co-ops, and boards and management will need to make big decisions—about expansion, product line, marketing strategies, and more. Many of these decisions will involve significant financial risk. Some of the decisions might strike at the heart of what member-owners believe their co-op stands for.

These decisions need to be made by those with a lot of information, and most member-owners don’t have this information. In addition, some decisions need to be made quickly, and some decisions need to be made behind closed doors. But change will be easier if member-owners understand what’s happening, aren’t surprised by the co-op taking action, and are invested in it.

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

### Provide Ongoing Education

Member education and engagement should start long before support is needed on a key decision. Make sure member-owners are aware of the market forces that affect the industry and how your co-op might respond to them. Keep members apprised of

strategic planning activities and engage them when changes are needed.

Communicate with members as early (and as often) as possible when the co-op leadership is considering a big change. Give members time to become comfortable with the idea. Help them understand why the change is important and why it’s positive for the co-op and the co-op movement.

In some cases, such as a move or expansion, much of the early investigation and other work needs to be kept under wraps. But share concrete information with your member-owners as soon as this is practical. Then focus on ramping up your messaging, and keep the lines of communication open.

### 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 what was happening. 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 the appropriate times. Use bag stuffers, messages on receipts, and other vehicles to get the word 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 have member volunteers gather input or have board members available for discussions in the store. Lastly, you’ll want to engage the local media in appropriate ways—but make sure your member-focused communications precede those in other media. Having your members learn of an expansion effort via the *Wall Street Journal* could be a disaster you may 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 it slowing down the process. Keeping members informed throughout the process is a key component to successful change.

## Member Alignment Case Study Wheatsville Food Co-op

by Martha Whitman

We managers and directors are all too aware of the significant challenges facing our stores. We see the squeeze on market share and margin. Yet those shopping in our stores aren't consumed by what keeps us up at night. The point of member alignment isn't to engage members again and again with our challenges; members have their own struggles and aspirations. They understand today's economic realities because they are living them. More than ever, members need better pricing at their co-ops, but telling them how hard it is to offer better pricing doesn't demonstrate alignment.

While members join the co-op because they believe in what it stands for, they still want their needs met. They have many options for buying what we sell, so the question is: How will members know their co-op is aligned with them and thus shop at the co-op? I posed this question to Dan Gillotte, general manager of Wheatsville Food Co-op in Austin.

He explains that at Wheatsville, the process began with the board listening to members' hopes and dreams. The board held member dinners and conducted a satisfaction survey—all to help refine a strategic vision. The result was new ends (strategic policies) statements. The public expression of them became Wheatsville's "BIG Direction."



Perhaps the most powerful aspect of the BIG Direction is that it's easily understood and easy to remember. Communication of this message starts when new members receive a membership packet:

..... **CONGRATULATIONS!** .....

You have made an investment, received your owner card, and now you are a full-fledged owner of Wheatsville Food Co-op! Our goal, as a community owned co-op, is to support more local, organic, sustainable food, to help grow the co-op economy, and to make more people happy. We call this the BIG Direction. Your investment will help us achieve our goal by providing the co-op with the owner capital needed to fund improvements to our stores, purchase new equipment, and open additional locations. In return, we promise to operate for the good of our community and co-op owners as our primary purpose.

.....





Wheatville’s BIG Direction is elegant in its simplicity. It is a strategic vision that’s easy to visualize. The graphic above is printed in the member packet, hangs in the stores, and is posted on the website.

Gillotte explains that alignment is established by putting the strategic plan front and center—and by telling the story again and again. The message always needs to be out there. The BIG Direction lets everyone quickly understand the relationship between the co-op and members.

As co-op leaders, we’re aware that the path to better pricing requires growth, and members need to know how that path meets their values and needs. There will always be those resistant to change and those who don’t understand why expansion is needed. Gillotte has found that attention on the BIG Direction helps characterize Wheatville as a dynamic organization, not one frozen in the past. It’s a positive image, much more valuable than saying, “We’d better do x, y, or z or we’re going to be in trouble!” He sees no benefit in broadcasting details of the grocery war or how and why pricing is changing. That dialogue rarely changes the mind of a member who is unhappy. It’s not a question of withholding the details; it’s about focusing on the big picture.

Gillotte’s observation is that members and shoppers support the co-op when they are happy with the co-op. When they experience the value of the co-op, they shop more. More resources then become available to run good stores and to achieve positive impacts in the community. For Wheatville Food Co-op, that is how member alignment is accomplished.



## STUDY GUIDE

### Your Core Message and a Communications Plan

This issue’s study guide consists of three of discussion topics.

1. **Your core messaging.** What core messages does the board want to get across to members in the coming year? Consider and shape a core message. Create this message in consultation with your co-op’s general manager to make sure it aligns with the co-op’s operations and plans.
  
2. **A communications plan.** How will the board ensure that its core message is relayed and reinforced over the coming year? What can you communicate via newsletter articles, blog posts, meetings, and social media? Divide the core message into topics, and have each board member write about a specific topic. Give board members plenty of time (ideally at least six months) to prepare materials and have them reviewed by management and editorial staff.
  
3. **And the other side of the coin.** Make sure that your communications plan incorporates and outlines ways in which the co-op will hear *from* members. How will member feedback and comments be collected? How will they be shared with the entire board? How will this feedback be incorporated into the board’s deliberations and considerations?

## + Stronger Together NCG Member Agreements

by Karen Zimbelman

*NCG brings co-ops together to help strengthen individual co-ops and our entire co-op system. The value of working together has become increasingly obvious in light of current market conditions. Here's an update on how NCG works to ensure stronger co-ops, as well as a transparent and effective virtual chain.*

In 2015 NCG undertook a rewrite of its member and associate co-op agreements. We don't do this often, but it's important to keep these agreements current and reflecting the reality of the partnership between NCG and participating co-ops. By way of background:

- Every co-op affiliated with NCG must sign an agreement that spells out requirements and expectations of the co-op, as well as of NCG.
- Agreements for member co-ops include provisions related to co-ops' ownership and governance rights. Agreements for associate co-ops are set up as third-party contracts. Since associate co-ops are not member-owners of NCG, the contracts don't cover NCG programs that associate co-ops don't have access to.
- NCG does a complete review and update of the agreements every two years. Any policies or expectations that change between revisions are handled as addendums.
- Revisions made to the agreements in 2015 represented the third major overhaul of agreements since the NCG reorganization of 2004.
- An agreement is between a co-op and NCG. However, given the importance of the policies and areas addressed by

the agreements, whenever a co-op changes general manager or designated representative (DR), that person must sign the agreement.

- NCG is required by board policy to make sure that no co-op and no DR has access to the NCG website and materials related to NCG programs and services unless a signed agreement is on file. We audit twice a year and report on compliance once each year.

One of the most substantive changes made this round was the addition of a board resolution authorizing a co-op's DR to sign the agreement. This change ensures that board members are aware of their co-op's participation in NCG and aware that this participation obligates the co-op financially, operationally, and organizationally.

Making revisions to our member and associate co-op agreements follows NCG's "standards process," developed in 2011 by an ad hoc advisory committee. The process generally takes several months and includes many opportunities for DR review and input on changes, as well as involvement by NCG's National Development Advisory Committee (NDAC).



In July 2015, after several rounds of review by the NDAC, NCG hosted three online meetings in which changes were presented and DRs provided feedback. In August, all DRs were invited to participate in a straw poll to indicate support for the revisions. Finally, given the importance of these changes, we offered one final chance for input at an in-person meeting with DRs in Seattle in September. Changes were made to the proposed agreements at each of these steps.

Final agreements were made available in early October and were due, with the signed board resolution and the DR signature, by the end of the year. By mid-January, we had signed agreements with 100 percent of our member and associate co-ops.

Thanks to those who spent time getting up to speed on NCG and reviewing the agreements, as well as to the NDAC and all the DRs who provided feedback. Our agreements ended up better for the feedback and the suggestions made.