Introducing Desire for Change and

Greater accountability improved staff morale at Co-opportunity

BY BRUCE PALMA

In January 2006, after 21 years of work at the co-op—including seven positions, many customer complaints, and too much hair loss—I was hired as general manager of Co-opportunity in Santa Monica, Calif. Our previous general manager, during his 20-year tenure, had helped grow our co-op from under $1 million in annual sales to over $13 million in 2005. He had also rescued the co-op from Chapter 11 bankruptcy in the 1980s.

But by the time I took over, the store had begun to stagnate—not only financially and operationally but, more importantly, culturally. While I had learned a huge amount from our general manager, it was learning what not to do that provided the best education in management and leadership.

Our general manager had not, for the most part, been open to change, which created friction among his managers or long-term staff. Many great ideas that were proposed over the years were quashed because he encountered resistance from management or long-term staff, or because he simply didn't think the changes were necessary. Consequently, even though I was in upper management (and store manager by 2004), it wasn't until I became general manager that I was in a position to truly make a difference at our co-op.

I believe the most important "change" I introduced as the new general manager was simply the desire for change and the willingness to take risks—and also a hunger for input from outside sources, such as other co-ops and consultants. Our culture had declined to a stagnant complacency. We had numerous long-term employees (including managers) who had become comfortable with the status quo and were not really motivated to change in order to help the store grow—or, if they were motivated, were blocked by other managers or by the general manager.

There also was an overall lack of accountability storewide; policies and procedures were not clearly and consistently applied. And it showed in the numbers. We were barely earning a 1 percent net profit, margins were slipping and sales growth had declined. During the general manager hiring process, the co-op's board of directors made it very clear that they were looking for someone who would challenge the status quo at our store. I made it clear to them that I was willing and able to do just that.

After a long hiring process (well over a year and a half) with several interviews, in October 2005, the board of directors announced that I was hired and would begin in January of 2006. I spent a few months preparing for the position.

Here we go!

One of my most important initial steps was holding several open forums with all of our nonmanagement staff. I wanted to hear directly from people on the front lines. My human resources director and I gathered many flipchart sheets full of suggestions and other staff feedback. This helped me clarify priorities and form a general sense of changes to make. (Later, we had Carolee Colter do a full-store staff survey in order to gain a more comprehensive assessment of our organizational culture.)

I knew I could not make these changes alone. To begin, I promoted our cashier manager to store manager. He had worked closely with me and with our former general manager, and I knew he had the desire to confront difficult issues. He also was open to collaborating, as opposed to being driven by his ego.

With the help of our human resources director, we began working as a team, meeting intensively on a daily basis to plan and implement the necessary changes. Without their assistance, my job would have been much harder, if not impossible. Their support saved my remaining hair from falling out.

I reorganized the management team. Two long-term managers were demoted—an action my previous general manager had wanted and needed to perform but couldn't bring himself to carry out. We also created two new positions, merchandiser and product quality/education director, to address store needs. And we combined the entire front end under one manager (several managers had covered it previously). Most of this occurred over the first few months after I became general manager.

Once the management team was in place, I began by building the case for change. Creating a sense of urgency was easy since at that point, halfway through our fiscal year, we were losing money, the sales floor was looking drab, and we were getting customer complaints about our declining service.

Bill Gessner from Cooperative Development Services (CDS) had been working with the board and me to create a plan to address growth and expansion; this also provided a compelling vision of what we could become if we grew our business. Most of the managers were excited about our untapped potential as an organization. After a day-long planning retreat, establishing goals that included aggressive financial targets for each department (something that hadn't been done before), we all set about pulling our co-op out of the ditch.

Our board also created a sense of urgency (especially for me!) by making it clear that I was to be held much more accountable than had the previous general manager. Together, we created a balanced scorecard of key measurements and goals addressing focus areas including finances, customer service, teamwork, and environmental sustainability.

Auditing what we did

In July 2008, the National Cooperative Grocers Association (NCGA) western corridor conducted a "case study" audit of our store, examining the transition and change in process from a long-term general manager to a new general manager. Rather than reinvent the wheel, I've

Specific problems or improvements addressed at Co-opportunity

1. A change-averse management culture.
2. A lack of long- or short-range goal setting or planning.
3. Isolation and lack of collaboration among department managers.
4. Lack of financial performance accountability at department management level.
5. Very poor compliance with policies and procedure by staff overall.
6. Stagnation, lack of growth and development as an organization.
7. Declining sales growth, slipping department margins, high labor costs.

Willingness to Take Risks

borrowed (thanks to Jim Ashby) the NCGA team summary of our change process. See the sidebar for a paraphrased list of problems addressed.

Major action steps

1. Restructured the management team. The most important change was to realign the management structure to better suit the needs of the co-op, including:
   a. Promoted a new store manager from within.
   b. Consolidated customer service and front-end functions under a single manager.
   c. Created new management positions to fill perceived needs of the business.
   d. Began holding weekly management meetings.
2. Established a higher level of accountability for compliance with policies and procedures.
   a. Began enforcing existing policies and procedures.
   b. General manager and human resources and store managers made a commitment to address issues as they saw them, with the result that people saw accountability in action on a daily basis.
   c. Terminated people when necessary.
   d. The effect of stricter accountability was improved staff morale.
3. Prescreening of applicants for all department positions to create an overall store standard for hiring.
4. Placed renewed emphasis on customer service.
   a. Provided an on-site ZingTrain customer service training for all staff.
   b. Instituted a mystery shopper program for the first year and intermittently thereafter.
   c. Emphasized customer service skills in the hiring process.
   d. Reinforced customer service standards in: the evaluation process; daily interactions between managers and staff; and special department meetings focused on improving customer service.
   e. Began using Zingerman's code red/code green system at the service desk.
   f. Created several member communication channels (comment forms, email addresses).
   g. Conducted several customer surveys at checkout to identify areas for improvement.
   h. Changed store procedures and policies when needed to be more customer-satisfaction oriented.
5. Placed renewed emphasis on margin and key indicator training for department managers.
   a. Provided on-site and ongoing training with CDS consultant Mel Braverman.
   b. Store manager stayed in close communication with and actively mentored department managers.
   c. Improved reporting of financial and operating information to department managers.

Primary communication channels

1. Meetings:
   a. Open forums for nonmanagement staff.
   b. Day-long off-site meeting with new management team.
   c. General manager and store manager began attending department meetings.
   d. Management team and other small group meetings.
2. One-on-one interactions.
3. Bi-monthly staff newsletter.
4. Signs in break rooms, memos, etc.

Outside resources used

1. ZingTrain—customer service training for the entire staff.
2. Local Employee Assistance Program—communication training for the management team.
3. Mel Braverman, CDS—gross margin and key indicator training for department managers.
4. Carolee Colter—human resources process evaluation; pay scale and evaluation cycle created; all-staff survey completed.
5. Bill Gessner, CDS—management team structure; growth and expansion planning and support.
6. Alan Seidner—on-site deli assessment.

Hey, it worked!

By the end of the first fiscal year of these changes, our sales growth was 9.5 percent over the previous year, and our net profit was nearly 2.2 percent after two full-store staff bonuses. What was most exciting was that our profitability that year was completely generated in the third and fourth quarters, after we had initiated all the changes.

By the end of 2008, we were doing over $18 million in annual sales from our 7,800 square feet of retail space. Our profitability had grown to over 4 percent before staff bonuses. After years of no profit-sharing and minimal bonuses for co-op staff, it has been highly gratifying to be able to reward everyone's hard work through periodic staff bonuses and also to provide patronage dividends to our owners.

The store is looking much better; merchandising is stronger; and customer surveys indicate that our service levels have increased as well. In addition, staff turnover and increased accountability have created a much stronger and productive group of employees throughout the store.

Our successes during the past few years were directly the result of all of us—board, management and staff—working together to make our co-op stronger. It certainly has not always been easy. We've had to make some very difficult decisions. And not everything we have tried has worked—we're still tweaking and tinkering with nearly everything.

We're also still learning how to leave behind a reactive "putting out fires" mode and are devoting more time and energy to strategic growth and development. Most of the time in my first years was spent dealing with personnel issues and trouble shooting. While much has been achieved, it continually amazes me how much is left to accomplish. Our culture is still changing and growing, and we still encounter norms and behaviors that remind me of the past.

I've read somewhere that it takes about five years to fully change an organization's culture. I had hoped to do it in six months, before I lost all my hair. But, alas, this was not to be. We're three years into the process, and I know that there will be many more exciting changes ahead. I've got several such moves up my sleeve, to be implemented this afternoon. ■