

# The New Abnormal

BY DAVE GUTKNECHT



Our cooperative societies themselves often demonstrate the messiness of democracy, including some of the paranoia that is endemic in U.S. politics. Recent co-op disputes—at New

Mexico's La Montanita, at co-ops in New England, and in Minneapolis over a proposed consolidation—highlight common confusions and dissent within food co-ops. Nevertheless, there is a strong consensus around directions for business survival, and we can take heart from local and national efforts for shared cooperative futures.

Readers here are aware of the “new normal” of intense market competition for retailers of organic and natural foods. Whether beginning two years ago or two decades ago, most food co-ops operate in markets with larger competitors carrying similar or identical products. A corollary pattern is increased shopper segmentation: most retail customers including co-op members are shopping at more stores. Yet these owners may not recognize that the competitive market threatens the survival of their own cooperative.

As a consequence of such factors, we now have perhaps a third of food co-ops reporting declining sales, while others are maintaining modest increases or in some cases strong growth. A sales decline means a squeeze on paid staff and fewer co-op jobs, while “fixed” expenses rise over time—and this may need to be pointed out to opponents of co-op growth.

Food co-op leaders, when asking the co-op's member-owners to approve major new directions, have not always satisfactorily explained these market matters. Numerous well-capitalized competitors are reducing co-op growth and options, yet some co-ops are also forced to fight internal battles. Call it the new abnormal.

## Rinse, repeat

Some member opposition stems simply from a narrow outlook on products offered by the co-op. In earlier years and recently, there have been numerous disputes in which the co-op's growth was resisted by a minority of members who could not endorse an expansion into products such as coffee, meat, chocolate—and non-organic produce. Typically, after expanding the

product line wins the argument, subsequent sales make it apparent that many co-op members had been shopping elsewhere for these products (or inferior versions). By offering new lines that are consistent with co-op goals and product criteria and doing so within a viable price range and margin, the co-op is underscoring its purpose of meeting member needs.

Another sore point for some is the diminution or elimination of member labor programs, a core feature of early food co-op years. However, not only are there real legal risks with such programs, given labor laws and labor grievances, these programs typically are less productive than store staff. Most co-ops have learned that better customer services and better jobs—elements essential to co-op mission and survival—are supported by moving volunteers out of the store aisles and into the aisles and into the community.

*It is always timely to examine handling cooperative conflict and building cooperative resiliency.*

The lowest-to-highest pay ratio within food co-ops is lower than in grocery chains or other sectors. Despite this, resentment over professional pay is sometimes added to resentment over restrictions on member labor programs. Yet it looks different when the co-op's priorities are recognized as excellent customer service and good jobs. (More on food co-op manager pay next time.)

Skepticism that ongoing professional training and skill development are essential for grocery co-ops to survive and thrive may be based in notions developed during earlier years in a more protected market, with lower expectations for management and board leadership, customer service, and savvy marketing and merchandising. Food co-ops must promote staff improvement and training and retain staff in a labor environment where other businesses want to hire away the best people. (See Durham Co-op

**Sarah Dahl** is a member of CDS Consulting Co-op, specializing in employee surveys, compensation analysis, and human resources tools and training (sarahdahl@cdsconsulting.coop). **14**



**Ken Davis** writes for the outreach department at Hanover Consumer Cooperative Society (kdavis@coopfoodstore.com). **8**

**Dave Gutknecht** is editor of *Cooperative Grocer* (dave@grocer.coop). **4**

**Thane Joyal** is a member of CDS Consulting Co-op, specializing in board leadership development (thanejoyal@cdsconsulting.coop). **18**



**Joel Kopischke** is a member of CDS Consulting Co-op, specializing in leadership development through both board support and executive coaching; he is an MBTI®-certified practitioner offering Myers-Briggs assessments (joelkopischke@cdsconsulting.coop). **22**



**Allie Mentzer** is an advocacy specialist at National Co-op Grocers (ncg.coop). **7**

**Matt Novik** is marketing manager at Durham Co-op Market, which opened in March 2015 (Matt@durham.coop). **10**



**Leila Wolfrum** is general manager at Durham Co-op Market, which opened in March 2015 (Leila@durham.coop). **10**



# CONGRATULATIONS FOUR SEASONS ON 40 YEARS

IN THE PRODUCE BUSINESS AND  
A DECADE OF SUPPORTING  
SMALL FARMERS  
IN ECUADOR AND PERU THROUGH  
FAIR TRADE BANANA PURCHASING.

[www.beyondthepeel.com](http://www.beyondthepeel.com)



Market's excellent example of staff development and rewards and of meeting a diverse community on its own terms.)

Finally, a segment of co-op owners fears risking co-op assets and opposes expansion to new stores, new product lines, and new constituents. A new or expanded store usually loses money during its first year or more of operations—but such losses may be a surprise to some co-op members.

## Who knew?

Along with National Co+op Grocers, a foremost training resource is CDS Consulting Co-op, a service-providers cooperative that is thoroughly indigenous to the food co-op network. Its individual members frequently contribute to this magazine's editorial lineup, and their professional advice distills much of food co-ops' experience. Recently, dissident co-op members have asserted (and thereby misled other co-op members) that these expert advisors have "infiltrated" and "taken over" from 100 to 200 food co-ops across the country! This magazine apparently has been a tool of these schemes.

In addition, shared opposition statements in different regions have conflated each other's situations while making a wild claim of conspiracy among National Co+op Grocers, CDS Consulting Co-op, and the leading distributor United Natural Foods, Inc. The two co-ops have each responded with public statements clarifying their actual roles, which are to empower local co-op decision makers. Privately, I suspect national co-op staff members often regard their work as akin to cat herding.

Another point of contention has been boards of directors using "Policy Governance" as a framework for defining co-op direction and for holding management accountable. Some members are outraged when the co-op board is unwilling to wade into operational decisions—feeling a loss of control that likely never was in membership hands. Personnel matters are especially sensitive and often lead to anonymous rather than transparent exchanges. Sometimes labor grievances encourage union organizing while also providing fuel to other co-op disagreements that are not primarily workplace issues.

Policy governance will evolve. During a business crisis or major transition, an existing framework seems especially important, yet may be inadequate to the situation. But many of those who oppose policy governance and its framework are overlooking prior years of dysfunctional co-op boards making operational decisions. An early argument here for policy governance assumptions (1995), by Ann Hoyt, began with this: "Listen up! We've got a problem here." Recognition of dysfunction led to a growing consensus around boards becoming more focused on defining ends and policies and holding management accountable to those—while empowering management to oversee operations and delivery of services.

Most unfortunate in these co-op conflicts are occasional personal attacks on managers and board members who are proposing change. Legitimate cooperative leaders are sometimes accused of venal motives and conspiratorial methods. But such ad hominem arguments usually reflect a weak or fearful position.

It is always timely to examine handling cooperative conflict and building cooperative resiliency. In this issue and in further installments, writers will help us think about how this resiliency is built—reflections that may prove helpful when the next cooperative conflict arises.

## Consolidation syncopation

In Minneapolis, member-owner votes during late October decided on a proposed consolidation by Eastside Food Co-op, Wedge Co-op, and Linden Hills Co-op. The three co-ops have different neighborhood niches but are geographically close. Wedge and Linden Hills, after years of growth and profitability, now experience slower sales at their primary stores, while the Wedge's organic distribution arm, Co-op Partners Warehouse, continues to grow strongly serving a regional market. Eastside, now 13 years old, has expanded recently and continues to thrive. Eastside founders and members have seen it succeed as an independent local business—yet the co-op's general manager, Amy Fields, recognizing market trends, was an initiator of the consolidation discussions over three years ago.

(Co-ops in the Twin Cities metro area missed an earlier consolidation opportunity in 1993 when their members narrowly defeated a proposed merger of five co-ops. Three of the co-ops in that proposal—Lakewinds, Seward, and Mississippi Market—now operate three sites each.)

The three managers from Eastside, Linden Hills, and Wedge co-ops made these operational points in the consolidation proposal that was approved by their respective boards of directors:

"There are many positions and tasks across >

# HOME FOR THE HOLIDAYS!

NEW!

## Our Best-Selling Almond and Cashew Butters Now Available in Lower-Priced 12 Ounce Jars!

Our combination of outstanding product advantaged by a glass jar and an attractive price point provides impact at retail.



We spread integrity.™

www.OnceAgainNutButter.com  
(888) 800-8075

Once Again Nut and Seed Butters are Non-GMO



*Lotta water  
under the bridge,  
lotta other stuff too.*

*Bob Dylan,*

*“Things Have Changed”*

- attracting and developing talent;
- leveraging the combined sales volume for more effective and efficient purchasing;
- investing cost savings in more competitive pricing, improved wages and benefits, and innovation.

Many readers here will be familiar with such arguments. But has enough attention been paid to educating co-op owners about these issues and their context? The vote results on October 28: Strong approval at Linden Hills and Wedge, which will formally consolidate next July 1, but at Eastside the 51 percent approval was well short of the required 2/3 of voters.

### Willy Street Co-op example

Illustrating positive and inclusive directions is Willy Street Co-op in Madison, Wis., which in late September celebrated the opening of Willy Street North, the co-op's third store. This site is bigger than the other two co-op stores combined (about 20,000 sq. ft. retail). It also takes the co-op into new ventures in serving the community by supplementing its organic and natural products with conventional lines and WIC (Women, Infants, and Children) program items. Willy Street Co-op reopened this recently closed supermarket in remarkably rapid fashion and thereby remedied an urban “food desert.” The co-op's accessibility was further improved by dropping its longstanding non-member surcharge, introducing a discount program for fixed-income shoppers, and modifying its terms for fulfilling the co-op's already low member-investment requirements.

Willy Street Co-op owners had previously approved expansion and supported this strategic move with the co-op's third member bond drive—this time generating another \$1.5 million to help capitalize expansion of services. The website ([willystreet.coop](http://willystreet.coop)) includes the mission and product-purchasing policies being followed. The *Willy Street Co-op Reader* has informative reports and open discussion with owners of how the co-op is addressing community needs. Among the many challenges in this ambitious expansion, one was highlighted by Megan Minnick, director of purchasing: “Opening Willy North has been a serious crash course for us in how the rest of the grocery store world works.”

In sum, it is apparent that co-ops need to work continuously on their communication of purpose and practices, including the larger picture of the retail sector in which cooperators sustain their enterprise and all its impacts. □

the three organizations that are being duplicated. By redeploing some of our administrative staff to better serve customers and the community, we can do more. Instead of having three human resource directors, as we do now, we could have one, while at the same time dedicating additional HR leadership specifically to recruitment and training, and another to staff support and development. One audit rather than three would free up time and resources for financial analytics we currently can't do. One marketing department rather than three would sustain healthy owner and community engagement. Likewise, our central commissary can produce large batches of deli salad standards, while neighborhood stores can specialize in unique community favorites.”

Member-owner voting packets gave full details (also available to the general public on each co-op's website) along with current financial summaries for each of the three co-ops, as well as projections of anticipated growth in sales and net margins.

Also in that packet, the arguments for consolidation were endorsed and summarized by National Co-op Grocers:

- effectively leveraging existing assets;
- eliminating redundancy in administrative-level work;