

Keeping Score

Social audit defines values, environmental impact

BY ALLISON A. MEYER

A major project over the last four years at Seward Co-op, in Minneapolis, Minn., has been its Scorecard. Creating this unique social auditing tool occurred during the same time that board and staff members were planning a significant expansion and relocation. Both the Scorecard and the 2009 expansion are recent examples of Seward Co-op solidifying its identity, impacts and commitments to our urban environment. In sharing this experience, I hesitate to impart a cookie-cutter formula to measure the multiple bottom lines of any cooperative business. It is evident, however, that the staff-created Scorecard is a useful, data-driven mechanism that expresses the co-op's shared purpose and values to others in our community.

For 38 years, Seward Co-op has sustained a healthy community in the Seward neighborhood, and in the last four years, the business has grown significantly. When the Scorecard project was begun in 2006, sales for the fiscal year were \$9 million; we had 110 employees and 3,200 member-owners. In 2009, the co-op completed a \$10.5 million expansion project and opened the doors at the new location with over 175 employees. Total household memberships just recently topped 7,000 and sales for the current fiscal year (which ends on June 30) are slated to top \$20 million!

Telling a deeper story

Although indices such as sales and the number of members are vital for any cooperative business to monitor, the Scorecard was designed to go beyond those in order to tell a deeper story. One hope for the Scorecard was that it would convey the collective sense of justice that permeates Seward Co-op's culture. When the board of directors decided in fall 2005 to relocate the co-op, General Manager Sean Doyle recognized a number of staff were concerned about expansion/relocation; fearful of "growing for growth's sake" and apprehensive that a new, larger store would lose its community essence. So, in part, creating the Scorecard was also a response to those concerns and a tool to guide the co-op through the expansion.

In 2006, staff began to discuss metrics that would indicate the co-op was successfully



Balance Sheet		
	2009	2008
Cash	\$ 794,891	\$ 483,007
Debt Service Reserve	\$ 468,834	\$ -
Inventory	\$ 425,291	\$ 248,099
Other Current Assets	\$ 31,267	\$ 88,774
Current Assets	\$ 1,700,283	\$ 820,980
Property and Equipment	\$ 3,094,671	\$ 5,434,781
Other Assets	\$ 1,793,771	\$ 6,209,262
Total Assets	\$ 6,588,725	\$ 12,465,023
Current Liabilities	\$ 890,115	\$ 1,588,624
Long-term Debt	\$ 3,663,391	\$ 3,664,834
Total Liabilities	\$ 4,553,506	\$ 5,253,458
Member Equity	\$ 1,985,439	\$ 591,122
Retained Earnings	\$ 177,339	\$ 560,399
Total Equity	\$ 2,162,778	\$ 1,151,521
Total Liabilities and Equity	\$ 6,716,284	\$ 13,404,979

Comparison to Pro Forma		
	Proforma	Actual
Income Statement		
	2009	2009
Sales	11,670,000	11,670,000
Cost of Sales	7,870,000	8,000,000
Gross Margin	33.1%	31.6%
Percentage		
Total Expenses	4,480,000	5,100,000
Net Income before Interest and Depreciation	370,000	160,000
Interest Expense	(570,000)	(430,000)
Depreciation	(600,000)	(220,000)
Net Income	(800,000)	(170,000)
Percentage	-6.8%	-1.5%

Cash Flow	
FROM OPERATIONS	
Net Income	\$(170,000)
Depreciation of assets	5,370,000
Deferred Income Taxes	(100,000)
Patronage Refunds (accrued in stock)	15,000
Depreciation & Amortization	300,000
Increase (Decrease) in Inventory	(170,000)
Increase (Decrease) in Other Current Assets	(25,000)
Increase (Decrease) in Current Liabilities	2,240,000
Cash Flow from Operations	(200,000)
FROM INVESTMENTS	
Purchase of Property and Equipment	(3,000,000)
Withdrawals from Capital Loan Fund	5,000,000
Cash Flow from Investments	2,000,000
FROM FINANCING	
Increase (Decrease) in Long-term Liabilities	(100,000)
Increase (Decrease) in Equity	110,000
Cash Flow from Financing	10,000
TOTAL CASH FLOW	1,910,000
Beginning Cash	483,007
Ending Cash	1,963,007
Additional Cash: Debt Service Reserve	468,834

The Scorecard highlighted financial, membership and community commitments, such as funding support for the neighborhood's cooperative child care center.

achieving its mission. Doyle anticipated the process would boost staff alignment and provide a greater focus on accomplishing the mission of the co-op. "I could sense there was value alignment within the co-op, it just hadn't been articulated yet," Doyle explained. "The Scorecard gave a large number of staff the opportunity to develop meaningful language that defined our success."

From the beginning of this venture, a number of challenges were apparent. First, literature to date regarding social audits was focused on a management-driven process. Doyle knew that staff needed to play a key role in the development of the Scorecard language in order to identify with it. Additionally, he sought for staff from every department to participate. A staff-led

Seward Co-op Scorecard

Seward Co-op will sustain a healthy community that has equitable economic relationships; positive environmental impacts; and inclusive, socially responsible practices. We measure our success by how well we:

- Cultivate a diverse, respectful and caring workplace.
- Reduce waste and conserve our natural resources.
- Commit to financial goals that allow us to maximize our profits in the support of our values and community.
- Build respectful relationships with customers that cultivate trust within our cooperative.

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In this process, we talked about what sets Seward Co-op apart and what is so important to our mission that we should measure it and hold ourselves accountable. Because there was ample time given to this part of the process (consumed mostly by “wordsmithing”), staff began to see how the words we chose would be taken seriously. Simultaneously, however, we were reminded that the Scorecard would become a living document, a dynamic measuring tool that could and probably would change over time. No members of the management team were involved at this point.

Next, weaver and I facilitated “How Teams” composed of four to six staff who discussed the intent of the high-level statements in more practical terms. These groups determined precisely how the concepts would be measured. The result of this work was three to four measurements and data points for each of the four Scorecard commitments. By identifying these, staff effectively developed a way to make the co-op’s multiple bottom lines tangible. For the How Teams, weaver and I sought out specific staff who would ultimately be responsible for collecting the data; these included some members of the management team (e.g. the human resources manager on the Workplace How Team, the operations manager on the Environment How Team). While it’s difficult to estimate the total number of staff hours it took to write the Scorecard in its entirety, 200 is an approximation. The process was not rushed, but quickly

process meant we had to forge our own way, and we were unsure about what the Scorecard would look like or say.

To assist in this effort, Doyle hired GrowthWorks—a firm specializing in change management, leadership development, facilitation and innovation—to lead the initial process. Prior to the Scorecard project, GrowthWorks had facilitated the co-op’s management team retreats and all-staff meetings. “They helped to shift the conversation at Seward Co-op away from what we might lose in a changing environment to what we want to be as we grow on purpose,” Doyle wrote in a 2008 paper for the St. Mary’s University Masters of Management—Cooperatives and Credit Union program. “Growing on purpose” was a guiding phrase the management team adopted during the expansion planning years of 2005–07. An ambitious six-month timeline was initially planned for the Scorecard, which also presented a challenge. After the first staff meeting, we decided to significantly shift our focus.

Creating the scorecard

In March 2006, representatives from each department at the co-op met to launch the Scorecard concept and process. The message resonated with some much more than others. For staff who were accustomed to more labor-intensive work, the Scorecard seemed elusive and unclear. While it provided a space for staff to engage in the “big picture” issues of their co-op, doing so with a group of approximately 30 staff was not feasible. After receiving feedback from this meeting, Doyle asked sarajeon weaver from the human resources department and me to assume leadership roles in the Scorecard endeavor. Part of our function was to provide insight into how the process would work best with the co-op’s culture.

As the work started, we affirmed several objectives: The Scorecard should bring about co-op-wide alignment—from the member-owners to the board of directors to the general manager to the staff. In addition, Seward’s board was transitioning to the policy governance model, and Doyle believed the Scorecard could yield a more data-driven approach to his interpretation of a forthcoming Ends Statement required under policy governance. Once a common set of values the co-op embodies was expressed, we would need to create data points to aggregate useful information. A final objective for the Scorecard was that it should be dynamic and malleable.

Soon, a smaller staff group of seven met with GrowthWorks to construct the four high-level Scorecard commitment statements. These were based on broad concepts from the first large staff meeting and previous management team meetings:

- We cultivate a diverse, respectful and caring workplace.

refocused when needed. Throughout, Doyle met with GrowthWorks, weaver and me for consultation and revision.

Applications and benefits

The Scorecard has become useful and important to Seward Co-op for a number of reasons. Some benefits are directly related to the data collected over the last three fiscal years, and others are less tangible. For managers, it has provided a source of direction and increased staff alignment. This can be demonstrated by comparing scores on biannual employee surveys, administered by Carolee Colter of CDS Consulting Co-op. (Seward conducts its own internal survey in the off years.) Since 2006, Seward Co-op has seen steady increases in scores on questions such as “I see a clear link between my work and the co-op’s mission” and “Everyone is working toward the same goal.” In fact, we are proud to score above the national median on both these questions. “I believe the high degree of staff enthusiasm at Seward in part demonstrates the impact of the Scorecard,” said Travis Lusk, produce manager. In some respects, the Scorecard has become a place holder in and of itself in management- and department-level discussions. Many times, this author has observed decisions that refer to compatibility with certain Scorecard commitments.

For the public, Scorecard concepts have become imbedded in our culture and marketing materials. Because of the depth of the Scorecard in its entirety, the annual report provides a summary of the most interesting data points of the year and is intended to lead people to the co-op’s website, www.seward.coop, for the full document. It is successful in creating awareness, but we continue to be challenged in developing a document of manageable size that can convey our comprehensive approach. In addition to this promotional summary (given to all new members upon joining Seward Co-op), other exposure to the Scorecard includes feature articles in the co-op’s newsletter, *Sprout!*, and features at the co-op’s annual meetings. Scorecard posters hang in the conference and training rooms at the co-op, and new staff is introduced to the concept in their new employee orientation with the general manager, as well as in new-hire trainings.

A staff Scorecard Committee exists to act as ambassadors for the co-op’s social values and to keep Scorecard principles alive and relevant. weaver and I act as co-directors of this group, maintaining a back-and-forth dialogue between the committee and the management team. In fall 2009, the committee undertook a process to align the Scorecard with the Ends Statement. When the original Scorecard statements were drafted in 2006, the co-op was using a mission statement. Eventually, it became clear the Ends and the Scorecard both expressed the same overarching values and commitments, and a little ➤

◀ language revision would keep the Scorecard in tip-top shape. Now, when Doyle uses Scorecard data in his Executive Limitation reports for the board, it logically flows from the overarching Ends Statement.

When Scorecard data are reviewed, we are essentially reviewing the operations of the co-op. One can observe the “Scorecard in action” when examining the adjustments and policy changes that are periodically made at the co-op. For example, in our new location, the deli department instituted a reusable plating program to reduce waste. The operations department launched a waste-disposal orientation for all new hires to ensure properly sorted materials, and the co-op also began composting all food and paper waste in partnership with local nonprofit Eureka Recycling. These are changes that have been implemented to live up to our commitment to

“reduce waste and conserve natural resources.”

A measurement in the workplace culture section of the Scorecard is that all full-time employees earn a living wage after 2,000 hours of employment. Though pay rates at the co-op were underpinned with this general concept for years, it took a formal data collection process to realize the pay rate structure in place logistically prohibited some of the entry-level positions from earning a living wage. This is another example of how the Scorecard provided the co-op a degree of operational intentionality previously lacking.

Lessons learned

When the Scorecard language was written, a precise tracking system for each data point was not built in tandem. But as time goes on, we develop ways to effectively organize and monitor the required data. The IT department has assisted

greatly with finding a work-around in the point-of-sale system so that products on the shelf can be differentiated with multiple labels (local, fair trade, organic, etc.) in order to accurately report how much of each was sold in a given year. Investing in technology is another example of a change Seward has made as a result of the Scorecard. We hope this will soon allow us to achieve a goal of quarterly Scorecard reporting.

We learned this project takes a lot more time than initially planned and that professional facilitation in the early stages was essential. Constructing the initial Scorecard statements essentially built a framework for the co-op to aggregate and convey the efforts of our business, and it gave staff a touchstone. Within this structure, however, we’ve learned the Scorecard process is very reiterative. Periodically, the priority commitments will need to be reevaluated, as was done last fall. Finally, it is extremely important for all new staff to be oriented to the Scorecard concept and be given the opportunity to participate in the conversation about what it means.

The Scorecard, Seward Co-op’s version of a social audit, has proven to be a concise way to demonstrate the multiple bottom lines of our business. Equally meaningful, the document articulates what had only been hinted at before: improved morale and a shared purpose among stakeholders of Seward Co-op. ■

POSITION OPENINGS

**General Manager
Cleveland Food Co-op**

Cooperative grocery seeks general manager, or interim, with proven industry experience and management skills, commitment to quality, service to members and growth in sales. Send resumé to Joyce Roper, chair, GM Search Committee Cleveland Food Co-op 11702 Euclid Ave., Cleveland, OH 44106.

**General Manager
Friendly City Food Co-op**

The Friendly City Food Co-op has a downtown storefront, a lease and over 600 committed members. We just need YOU to bring the store to life. This is an exciting chance for someone with great energy and the right experience to build a cooperative grocery store from the ground up.

Never heard of the Friendly City? Harrisonburg, Va., is located in the beautiful Shenandoah Valley, surrounded by scenic and productive farmland, close to the Blue Ridge Mountains and Skyline Drive, and two hours from a major metropolitan area. It’s home to two universities, some of the most diverse public schools in the state, a successful downtown revitalization and a thriving farmers market.

The general manager joins a fun and dedicated team that has been working with FoodCoop500 and CDS to make the venture as successful as possible. The GM is responsible for hiring and supervising staff, and for all aspects of operation of the 6,000-square-foot store.

A successful candidate will possess industry and product knowledge, merchandising abilities, and have strong leadership and financial skills. Experience with project management, new businesses or expansions would be very useful. This position is a great fit for someone with experience and passion for connecting consumers with local and regional producers.

FCFC offers a competitive salary and benefits. Submit cover letter, resumé, references, and salary requirements to Ben Sandel, president, Friendly City Food Co-op at ben@friendlycityfoodcoop.com. More info about FCFC at friendlycityfoodcoop.com.

**General Manager
GreenStar Cooperative Market**

Are you passionate about real food and real community? GreenStar Cooperative Market in Ithaca, N.Y., seeks a general manager who will collaborate with and support our Council, membership, and staff as we strive for the next level of values-driven retail success. Our mature, financially sound cooperative (over \$13 million annual sales in two locations, more than 140 employees, more than 6,000 members) has a strong network of local suppliers and will provide the right person with the opportunity to be at the forefront of the natural foods industry.

Our general manager should be a community-builder and a good communicator, someone who shows strong leadership and is committed to building consensus. Our ideal candidate has comprehensive knowledge of the organic and local foods marketplace, excellent writing skills, financial skills and 3–5 years of related experience in a food co-op or equivalent. Competitive salary and full benefits.

Go to the GreenStar website and follow the GM application process: www.greenstar.coop. EOE.

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