

Thinking Strategically

Learning owners' needs, expectations through study and engagement

BY MARSHALL KOVITZ

When we look at the future for the co-op, what do we see and how do we express it?

These are vital questions for board members to ask because it's the board's job to articulate outcomes that guide and inspire the co-op. And the results must be a thriving business that meets owners' needs and achieves our desired results in the world.

Creating such outcomes requires a strategic perspective and the willingness to listen and learn. In this article, we'll look at how the board does this work, and in the process, we'll review some excellent resources that help the board to think strategically.

To get an overview, let's look at how the board as the leader of the co-op acquires the wisdom it needs to create its vision.

- First, the board regularly reviews and reflects upon the general manager's reports on the board's existing policies. This deepens the board's understanding of the co-op, its owners, and the world.

- Next, the board identifies issues it feels are important in understanding the future and the co-op's role in it. These issues have an external focus and inform us about that part of the world that provides the context for our existence.

- Finally, the board creates an ongoing process of study and engagement. The board carefully studies strategic issues and then creates a dialogue with owners, explaining what it has learned, what we already know about the co-op's accomplishments, and then asking owners for feedback.

It's important to understand the respective roles in this dialogue. The board leads by undertaking the study of vital issues, keeping owners informed and soliciting their input. The board uses this input as well as the other information it has gathered, to make decisions that are in the best interests of the co-op overall. Owners offer their ideas and express their concerns and needs, trusting the board to do what it can to reconcile varied and sometimes conflicting needs.

These three activities—reflecting on policies, identifying strategic issues, and the process of study and engagement—are closely connected; their relationship is easy to understand by examining a graphic summary of them. The chart, on the facing page, is titled “Board Leadership,”

and it can also be found in the current *CBL 101 Reader* (page 60), published by the CDS Consulting Co-op. Note that the lower part of this chart, “Delegation and Accountability,” deals with essential co-op functions that are essential but not part of this discussion.

Another excellent resource to guide the board's strategic thinking process is a paper published by the Canadian co-operator Brent Fairbairn titled, “Three Strategic Concepts for The Guidance of Co-operatives.” Fairbairn helps us focus our strategic thinking by suggesting that the central organizing principle for the co-op's work is member relations. Unlike the relationship between an ordinary business and its customers, the relationship between the co-op and its owners is multidimensional. Owners are the source of sales and of capital; they are also part of the governance structure. Significantly, owners are also the source of the co-op's values, which determine not only what the co-op accomplishes, but also how the co-op does it.

Strengthening ties with co-op owners

Board and management, while remaining in their respective roles, must always think about how their work will strengthen the multiple ties between owners and their co-op. Fairbairn lists three concepts that guide the co-op in this work: Economic Linkage, Transparency and Cognition.

Owners create a co-op to meet their economic and other needs. Linkage is about how the co-op accomplishes this. Fairbairn points out that linking owners to the co-op enhances the possibility of success for both the co-op and its member-owners. Owners thrive when they utilize the co-op's goods and services and when they enjoy the additional results in the world that the co-op accomplishes. The co-op thrives when owners trust and support the co-op by utilizing the co-op's goods and services in sufficient quantities to allow the co-op to be financially successful.

The co-op is also linked to owners through shared values. Owners see that the co-op accomplishes change and operates in a way that is consistent with their values. The result is that owners trust the co-op to act in their best interest and support it. Fairbairn notes that the more ways that the co-op can build the relationship with its owners, the greater the chances for the co-op's success.

So, what does linkage have to do with the board's governance work? As the legal representative of the owners, it's the board's job to ensure that the co-op effectively links with them, meeting their economic needs and accomplishing other good works in a way that is consistent with owners' values. In the Policy Governance model, the board does this job by first writing policies regarding owner needs and expectations, then assigning the policies to the general manager and lastly by checking the general manager's compliance with these policies.

But how does the board learn what owners' needs and expectations are? The answer is through its process of study and engagement mentioned earlier: The board carefully reviews and thinks about the general manager's monitoring reports that explain how the co-op is currently linking with owners. The board also studies how owners' needs are changing and how that part of the world which impacts us is changing, all the while imagining what the future might look like.

The board then initiates a dialogue with owners. The board's role in this discussion includes summarizing the general manager's monitoring reports, which explain what the co-op has already done on their behalf, and then describing the board's study work regarding our world, our future, and the co-op's role in it. The board then invites owners to offer feedback.

At La Montañita Food Co-op, the board takes linkage very seriously. Martha Whitman, board president, describes the work thusly: “While for decades La Montañita has achieved linkage with our members on both social and economic levels, it is now through our board policies that we articulate the desired outcomes of our member linkage. These policies are expressed in our Ends policies, and I've seen at least two benefits for having them. First, we have written goals to guide our general manager. This is crucial, as he is the one responsible for the programs and activities to achieve meaningful member linkage. His policy reporting now becomes a useful tool for us to measure the co-op's progress and helps us see if we're fulfilling member needs. Second, these policies act as a great focal point for board deliberation.

“Throughout the year, we engage in many discussions, planned or otherwise, and it's great to have our Ends policies to refer to and keep ■>

Board Leadership



◀ us on track. It creates a road map that extends beyond our individual board terms, keeping the co-op relevant and moving forward.”

Transparency for owners

Fairbairn points out that simply linking with owners in order to meet their needs is not enough. In order to secure the trust and loyalty of owners, the co-op must not only meet their needs, owners must also clearly perceive that the co-op benefits them, their families, and the community. This is a matter of transparency. Transparency is about making it clear to owners how the co-op acts in their interest.

There are several common examples of transparency. The governance process is open and accessible to all the owners. Governance and financial results are shared with them. Fairbairn points out that the patronage dividend is also a form of transparency, because owners can see the relationship between the market price they pay and the ability of the co-op to generate a profit, which is then shared.

But transparency goes beyond these issues. In order to gain the trust of owners, the co-op must also provide information to owners about the larger world, how that world impacts owners, and what the co-op’s response is. For example, food co-ops might explain what traditional agriculture is, how it is tied to the economy, to the environment and to our health. The co-op then provides information about how the co-op fits into the food industry, how its practices are different, and how owners and the rest of the world benefit.

The board accomplishes transparency in several ways. Owners are free to attend board meetings, review minutes and finances, and run for the board. But for a majority of owners who choose not to participate in these ways, a more important means of creating transparency is for the board to report to them how it creates value on their behalf through its study and through its policies.

From a Policy Governance perspective, the board creates transparency when it writes newsletter articles about how the co-op is achieving its Ends, or when the board discusses the Ends reporting at an annual meeting. The general manager’s monitoring reports on co-op Ends policies should provide the board with data to share with the member-owners. Further, the board helps owners to understand how the co-op creates benefits for them by describing in newsletter articles and at meetings how the board’s study of the world leads to increased understanding of the co-op’s work. Board communication with owners helps to achieve transparency of another type mentioned by Fairbairn: By explaining how the co-op creates diverse benefits for a wide variety of owners, people are able to see how the co-op is designed around creating results for everyone, not just a few individuals.

For the board of Hendersonville (N.C.) Community Co-op, transparency is about explaining to owners the board’s Ends study work. Board president Steve Breckheimer says of this work, “Last year, we developed a plan of study and engagement that focused on our Ends policies. We have just completed a Board-Owner Linkage Plan that will help explore owner values and increase the ways the board communicates with owners. We will use our linkage activities to report the findings of our studies, and how we use those findings to improve our board operations and plan for the future. The goal is to help the owners understand the co-op’s environment, our role in that world, and what our co-op’s future might look like.”

Cognition: creating organizational culture

The concepts of linkage and transparency help us to understand how the co-op serves owners and how they, in turn, come to understand and trust that the co-op’s work is in their and other owners’ interests. But these ideas do not tell us how the co-op’s relationship with owners changes over time. To understand that idea, Fairbairn suggests we look to cognition.

No relationship stays the same because people change and the world we live in changes. The co-op must learn how owners’ needs change along with the changing world. To do this, the co-op needs to construct ▶



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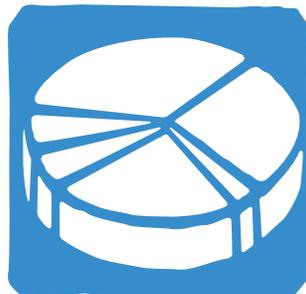
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◀ a cognitive model of itself. Fairbairn suggests that the essential elements of such a model include a sense of where the co-op has been and where it is going, what the co-op's relationship is with its industry, with its owners, and with its other stakeholders. Very importantly, Fairbairn notes the need for the co-op to understand future trends and how the co-op will respond to these. In short, the co-op must have a sense of its organizational culture.

While many of us are familiar with the idea of organizational culture as it applies to corporations, Fairbairn reminds us that organizational culture in cooperatives is far more inclusive, extending to owners and other significant stakeholders. It's the sense of organizational culture that binds us all together and provides a sense of common purpose and community. And when the co-op must change in order to respond to external factors, it is organizational culture that helps us understand and support these changes.

The board has a vital role in the creation of organizational culture. Through the process of policy creation, the board expresses the fundamental values that guide the co-op; these policies are the basis for all organizational activities that follow. After creating policy at a broad level, the board undertakes study and research to create deeper understanding and to grasp how our world is changing. This is a slow, careful process and usually does not involve changing policy quickly. The board includes owners in the study process so that they share the board's understanding and also provide feedback about it. This process furthers the wisdom of the board and strengthens the connection between owners and the co-op.

Amy Holt, president of the board of the Lexington Co-op, has this to say regarding her board's experience with cognition: "Some of our

greatest struggles at Lexington Co-op resulted from our resistance to change. We became attached to how we did things and avoided regularly re-examining what needs we were trying to meet. In order to overcome this hurdle, we used a process of reflection and visioning. First, we examined our past and the many changes that were made as the needs of owners changed. We were able to recognize how these changes helped our co-op to remain relevant and to thrive. With that understanding, it is now easier for us to look forward and be open to the many possibilities of what we can and will be in the future.

"As a board, we are writing our policies to allow for change. We want to give our general manager more flexibility to adapt to the changing needs of our owners over time. As it did in the past, this will allow us to remain relevant and to continue to flourish."

Constantly thinking—and documenting

In this way—through linkage, transparency, and cognition—the board and the co-op become a constantly thinking group of people, committed to an ongoing process of understanding owners, our world, and the co-op's place in the world. If the board documents its learning, this results in accumulated wisdom that becomes part of the co-op's institutional memory. This memory is then carried forward and built upon by subsequent boards.

Building wisdom about strategic issues and then institutionalizing this knowledge is a vital board function. As you can see from this summary, "Three Strategic Concepts" gives us a great framework for doing this work. ■

POSITION OPENINGS

General Manager Takoma Park Silver Spring Cooperative

TP/SS Food Co-op seeks a general manager to manage operations and carry out policies set by its elected board.

TP/SS Food Co-op is a cooperatively owned grocery store that has provided quality natural foods and other products to the Takoma Park and Silver Spring, Md. communities for over 25 years. Our two stores have combined sales of about \$9 million with 80 employees.

The GM is responsible for the management of all operations and reports to the board under Policy Governance®. The ideal candidate will have proven leadership ability, extensive supervisory and financial management skills, knowledge of the natural foods industry, excellent communication and team-building skills, an understanding of and commitment to co-operative principles, and experience working with a board. We are proud of our flourishing cooperative business, our community ties and our diverse workforce in a highly competitive area. We offer competitive pay and benefits.

To learn more about Takoma Park Silver Spring Co-op, for a complete job summary, and to apply, please visit our website www.tpss.coop. Position open until filled.

FURTHER READING

Fairbairn's paper, "Three Strategic Concepts for the Guidance of Co-operatives," is available online at <http://purl.umn.edu/31755>.

Peg Nolan commented on Fairbairn's concepts in "The Real Business of the Co-op," Sept.–Oct. 2004 *Cooperative Grocer*, www.cooperativegrocer.coop/articles/index.php?id=550.

"Making Member Relations the Co-op's Organizing Principle," by Peg Nolan. Jan.–Feb. 2005 *Cooperative Grocer*, www.cooperativegrocer.coop/articles/index.php?id=571.

"Making it Real: Using strategic concept to improve member services," by William Beaver. March–April 2005 *Cooperative Grocer*, www.cooperativegrocer.coop/articles/index.php?id=652.

A CDS online recorded workshop, "Boards and Member Linkage," by Bentley Lien, Michael Healy, and Mark Goehring, contains an excellent summary of these concepts. <http://cdsconsulting.centraldesktop.com/cbld/doc/3154572>.

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POSITION OPENINGS

General Manager Community Food Co-op, Bellingham, Wash.

Bellingham's recently expanded Community Food Co-op, with two locations, seeks an experienced general manager. Candidates with extensive financial background, experience in the grocery industry, proven leadership, managerial and planning capabilities, and positive record of people and personnel skills are encouraged to apply.

The GM will work with a cohesive and experienced board of directors and seasoned staff of 200 to build the business of our recently completed second store and ensure continued financial success and fiscal responsibility. We value experience cooperative values, the natural foods industry and multi-store management.

Located in beautiful Bellingham, Wash., current operations serve 12,000 members and generate \$23 million in sales. For more information on Community Food Co-op, a complete job description, application process and contact information, visit www.communityfood.coop.