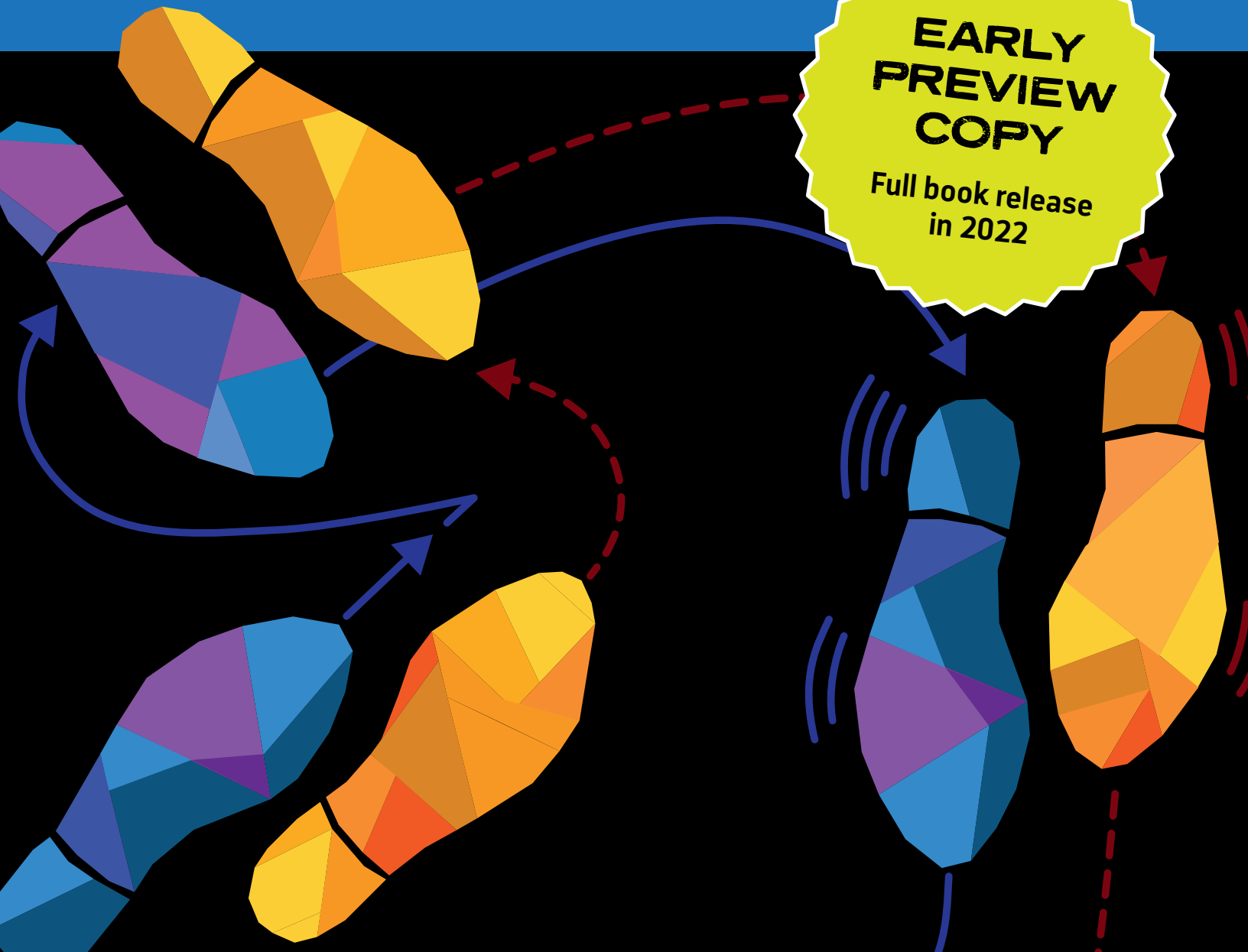


Startup Leadership Transition Handbook

A guide for co-ops preparing for the complex dance
of working with their first General Manager

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in 2022



firebrand 

JQ Hannah
& Kaye Kirsch

Startup Leadership Transition Handbook

A guide for co-ops preparing for the complex dance
of working with their first General Manager

Jacqueline Hannah
& Kaye Kirsch



Instigators, firebrands,
and cooperators everywhere —
this book is for you.

Dream big dreams, build solid foundations,
and keep changing your communities!

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Acknowledgements

We're so grateful to everyone who has helped us make this workbook a reality.

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Introduction

For the cooperative movement to grow, we need our existing co-ops to grow. We need to convert those businesses that are not yet co-ops into co-ops. And we need startup cooperatives launching brand new businesses and co-ops from the ground up. This workbook is written for the latter, for the startups who are doing the incredible work of launching brand new cooperatives.

As a movement, all cooperatives need to build capacity for both democratic governance and for running sustainable businesses under that governance. But for startup co-ops, there are unique challenges layered on top of this work as they move to a board/General Manager (GM) model of leadership, and open their business. This workbook was written to help the organizers of startup co-ops recognize some of those unique challenges and empower them to lead their co-ops successfully through them. It is not a book of theory, but a workbook full of guidance and tools that startups can use immediately to prepare and lead.

The governance work done by the startup co-op's board in the years prior to the GM's first day on the job is what lays the foundation for the success of the board/GM transition and the future of the co-op as a whole. This workbook is a road map to doing that work well, and building stronger startup cooperatives.

Important Things to Know

This workbook was created with the needs of startup food co-ops specifically in mind. We've assumed the reader is aware of and planning to use the following systems:

The Four Cornerstones in Three Stages Model — this model was created specifically for food co-op startups as a framework for developing retail grocery store co-ops. It defines the stages of development and outlines critical areas of focus during each stage. We reference the cornerstones and the stages of development from this model many times throughout the workbook. To learn more about the model, we recommend starting at the Food Co-op Initiative website where they offer basic overviews of the model and cover it in far greater depth in their free e-book, *The FCI Guide to Starting a Food Co-op*. You can find the website at www.fci.coop

Policy Governance^(R) — This entire workbook is about governance in startup cooperatives during the transition from startup to open business and is specifically crafted around the assumption that the co-ops using it will be using Policy Governance. The Carver Policy Governance model is a specific governance model used by over 95% of food co-op boards in the US today. To cover the fullness of what the model entails is outside the purview of this workbook, but we do address it in some depth in section one, and link resources for finding out more.

General Manager Leadership Structure — This workbook is based on the assumption of the single General Manager (GM) leadership structure, where the board delegates operational responsibility and authority to a single employee. We acknowledge that some food co-ops chose to delegate operational authority to multiple managers, collectives, and the like, but we do not address those models in this workbook because over 95% of food cooperatives are run on the singular GM model. The good news? The majority of what is contained in this workbook will be applicable no matter how the board chooses to structure the management it delegates to.

In addition, we'll be introducing a new model in this workbook, the TEAMSM model, which stands for “teaming”, “empowering” “assessing” and “monitoring”. This is a model we've created specifically to provide a clear, accessible picture of how the board and GM relationship is built and strengthened, that all cooperatives can use.

There is some debate in the food co-op world about whether the term “members”, “member-owners” or “owners” is the correct way to reference those that hold controlling shares in a cooperative business. We use the term “owners” throughout this workbook, but we do not consider this choice a statement on which term is best and encourage cooperators to make that choice for themselves.

With those details out of the way, let the dance begin.

Policy Governance® is a registered service mark of John Carver.

TEAMSM Model is a service mark of Jacqueline Hannah and Firebrand Cooperative.

Section 1:
Concepts



Chapter 1

Understanding Roles

A Critical Point In Your Co-op's Development

There is arguably no transition your startup food co-op has gone through yet — nor that it will go through in the future — more pivotal than the **startup Board/General Manager (GM)** transition. When your food co-op is open and well-established, it will go through vital changes again — ones you cannot predict now. Still, none will exceed the complexity of the shift that you, the leaders of your food co-op, are about to embark on. According to the Oxford Dictionary, a transition is the “process or a period of changing from one state or condition to another.” In this workbook, we will use the word **transition** to mean a major, pivotal change with significant elements of risk that will change the co-op from one state to another. After a transition, the co-op will still be the same organization it once was, but it will also be reshaped in a significant way.

The startup board/GM transition is unique among all food co-op transitions. It is made up of three distinct transitions, each significant in their own right, that are happening simultaneously, creating one huge transition — that of a **startup** food co-op to an **open** food co-op. It is as dramatic as the metamorphosis of a caterpillar to a butterfly. Like the the butterfly's emergence, if you successfully transition, your co-op will be newly capable of things it had only dreamed of before.

To better understand this unique, multi-faceted transition startups go through as they become open businesses, let's take a closer look at each of the three individual transitions you will be going through at once.

Transition #1: Working Board to Governing Board

As a **working board**, a startup's board is responsible both for the governing of their food co-op and for its operations. This means the board has not only been responsible for the setting of policy, setting the vision/mission, and fiscal/legal oversight (governance) but has also been responsible for the development of the co-op as a business (operations).

In the latter half of the co-op's development, the board will become a **governing board**. As a governing board, the board continues to be responsible for policy, vision/mission and fiscal/legal oversight (governance) but delegates all the operational work of the co-op, the development and running of the business, to a GM. It's a transition that will fundamentally change your co-op, and deserves just as much careful planning, thought, and oversight as the two other transitions your co-op will be going through simultaneously.

Transition #2: GM Onboarding

The GM must be **onboarded** to take over operational leadership of the co-op. It is a large undertaking to onboard a new GM successfully, whether they are being brought in to open a startup food co-op or continue running an open co-op, and it also has significant risks. Any time a new GM is hired, it is a transition, because it is a critical time of relationship building, trust building, and transference that can (and almost always does) reshape the co-op in significant, and sometimes unpredictable, ways.

When an established food co-op with an established board goes through a GM transition, the board is already experienced in governance, having been trained and seasoned in overseeing the work of previous GMs. A brand new operational executive with a high level of responsibility and power is hired to take over where the last GM left off. Both the board and the new GM are walking into many unknowns in this new relationship. The GM will have a steep learning curve, no matter what their previous work experience, and the board will need to be watching very carefully to assess if, once on the job, the new GM has the necessary skills to lead their co-op.

In the case of a startup co-op, this transition is taken on by a board that has never before overseen the work of an operational executive; they are learning how to do this while they onboard a GM. The board must transfer over knowledge, build the board-GM relationship, acclimate the GM and themselves to managing their work through Policy Governance, and share their understanding of the owner's core values/mission (which has been built over years) with the GM — and they must do all this in a matter of a few short months.

While this transition is a great deal of work and has risks for both established food co-ops and startups, one can easily see that this transition entails even more work for startups, and very possibly even more risk.

Transition #3: Capital Project

According to Investopedia, a **capital project** is a “long-term, capital-intensive investment project with a purpose to build upon, add to, or improve a capital asset.” A capital project for an existing food co-op might be conducting a major remodel or expansion of their store, or building or opening an additional store. In the case of a startup food co-op, the capital project is building their very first retail store and getting it open. It is a pivotal transition, not just because it will be a high-cost, complicated project, but because your co-op will be a significantly different organization once it's all over.

During this capital project, large amounts of debt are taken on and large amounts of capital are deployed. The planning for every single piece of the project must be sound and the execution excellent — from staff hiring, to construction oversight, to product selection — in order to meet the financial projections that will make the project viable and sustainable.

When an established co-op takes on a capital project and the inherent risks, it is doing so with a GM who has a track record with their co-op and who they have already built a relationship with. They have partnered with their GM on a strategic leadership process to identify ways to deliver the vision of their owners in a bigger way. They worked together through a process of building knowledge, identifying possible ways forward, researching the costs/challenges of those ways forward, and then selecting the right project for their co-op. Done correctly, this process has accomplished two things: it has built leadership alignment about the project and deepened the board/GM professional relationship.

In contrast, a startup food co-op board will be leading their co-op through a capital project as a newly minted governing board, with a GM they have just begun to build a relationship with.

These three separate transitions — working to governing board, GM onboarding, and capital project execution — are all intimately interwoven in the startup board/GM transition. For a startup food co-op, the three transitions together create a unique developmental moment in time that is greater than the sum of its parts.

The combination of all three startup transitions happening within a short period of time creates unique needs and challenges that established food co-ops do not face. Therefore, understand that while transition training materials created for established food co-ops definitely belong in your toolbox, they will not address all of your unique needs as a startup. Nor will they address the unique dips and twists caused by these concurrent transitions. In this workbook, we will put names to these startup dips and twists and offer tools/resources to help you navigate them successfully.



The Startup Board Role

To build an effective plan for your startup Board/GM transition, you have to fully understand the GM role within a food co-op. To do that, you must first have a very clear understanding of your role — that of the board of directors of a startup food co-op — because you are the ones who ultimately define the GM role based on the responsibilities you delegate to them.

At times, the development of a startup food co-op can feel very slow, but in terms of governance, it's actually quite rapid. The leadership function of a startup food co-op begins with the founders, evolves into a steering committee, and by the end of Stage 1 becomes the first

legal board of directors, who are appointed. Soon after, the first owner elections happen and the board becomes a truly cooperative board, democratically elected by the owners they serve. In Stage 2a the board becomes a delegating board, empowering committees and often hiring staff. By the beginning of Stage 2b, the board is just a hair's breadth away from hiring a GM, which will trigger their transition from a working board to a governing board.

Working vs Governing Board

The terms working board and governing board are commonly used to denote two different modes of board functioning. A startup food co-op board pre-GM is a working board. When the board hires a GM and delegates operations of the co-op to them, the board becomes a governing board.

A working board of a startup food co-op has three primary areas of work: Governance, Ownership/Outreach, and Business Development.

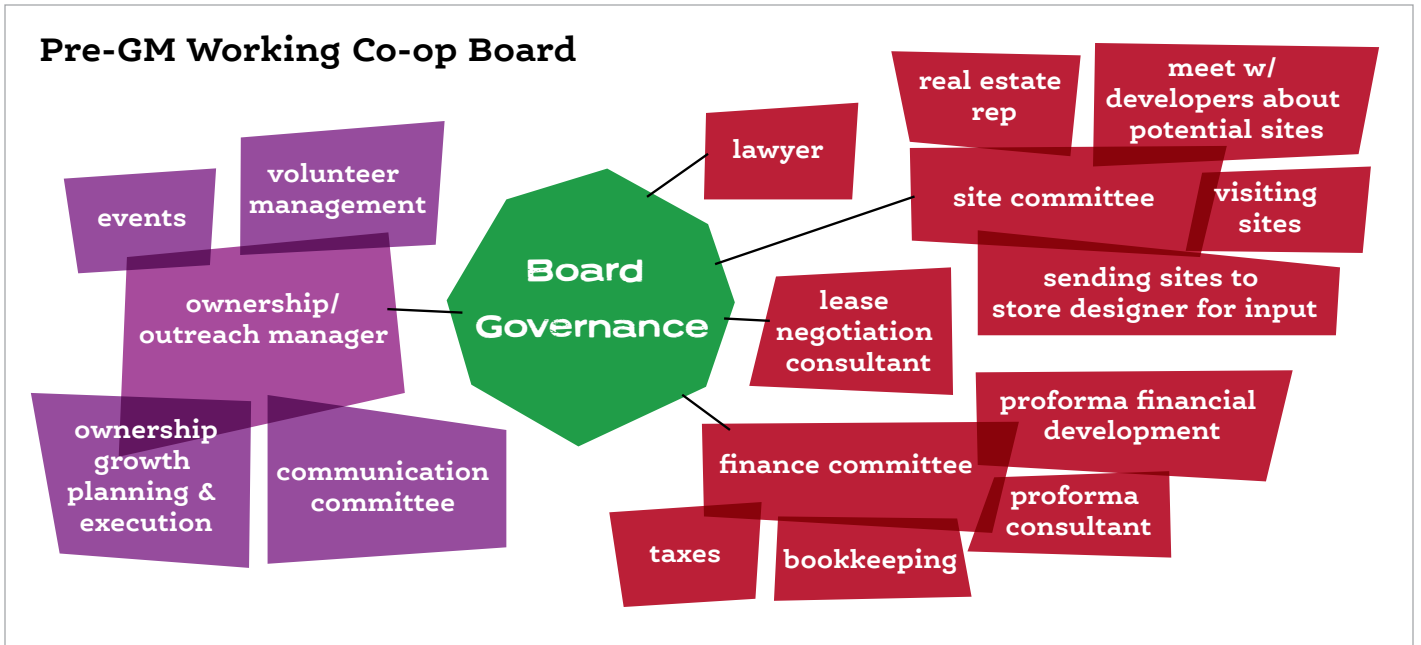
While every board has responsibility for all three areas of work on behalf of their co-op, a governing board is only directly responsible for the governance area of work. They delegate the two operational areas of work (ownership/outreach and business development) to the GM, over whom they then have significant oversight responsibilities. What's more, the board delegates not only the operational areas of work to the GM, but also a significant piece of the strategic leadership for the operational areas of work as well.



Governance	Ownership/Outreach	Business Development
<ul style="list-style-type: none"> ■ Legal oversight ■ Financial oversight ■ Mission/Ends ■ Representing/serving the owners ■ Recruiting, training, evaluating staff ■ Board recruiting, elections, training ■ Strategic planning 	<ul style="list-style-type: none"> ■ Ownership growth and engagement ■ Events/Tabling ■ Communications (social media, newsletter, e-mails, media) ■ Messaging ■ Community partnerships ■ Volunteer coordination/training ■ Brand/marketing 	<ul style="list-style-type: none"> ■ Financial feasibility/pro forma ■ Market feasibility/study ■ Site search/negotiations ■ Financing the project ■ Store design oversight

The details of what happens in each of these areas evolves with each stage of development, but these are some of the core tasks in each area before the GM is hired.

Pre-GM Working Co-op Board



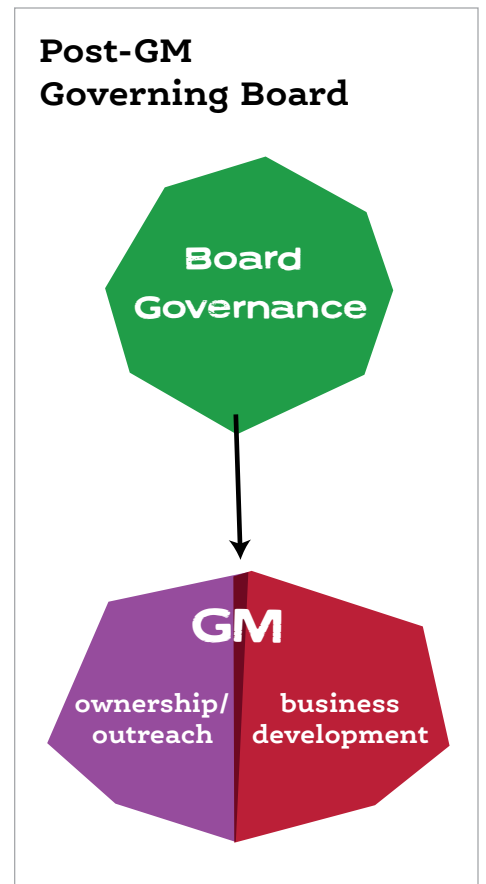
“The board” and “governance” are synonymous, no matter what stage of development the co-op is in. The board is the governing body of the co-op, given its authority by the owners through the bylaws. The difference between a working and governing board is how they delegate the responsibility to build the ownership and business of the co-op on behalf of those owners.

In the illustrations above and right you can see that the same three areas of work exist both before the GM’s arrival and after. What is different is how the board delegates the work and how many different employees/committees/consultants they have to oversee and coordinate.

A pre-GM, working board can delegate any task or area of work other than those that fall under governance to pre-GM staff and volunteers, as well as consultants, and we strongly recommend that they do so. Indeed, no startup board can lead their startup food co-op from Stage 1 to opening its doors without delegation, as the board simply does not have the capacity, nor all of the expertise, needed to do so. But while the board can delegate some (or even many) of the operational tasks pre-GM, they cannot delegate the coordination of those delegated pieces into a cohesive operation, nor the strategic leadership of those areas of work.

The working board may be able to utilize committees or pre-GM staff to help with oversight of specific areas of operational work and strategic planning for that specific work, but pre-GM

Post-GM Governing Board



delegation to committees or initial staff will not be anything like the scope and scale of delegation to a GM. For example, the board may hire an ownership/outreach manager to whom they delegate responsibility for overseeing the work of the communications committee and for providing strategic leadership and planning to meet ownership goals. But the working board is still directly responsible for oversight of that ownership/outreach manager and every staff member and every committee they delegate some of their work to, and for making sure all those committees and pre-GM staff are working in concert toward the overall needs of their developing co-op.

The transition from working board to governing board occurs when the operational areas of ownership/outreach and business development are fully delegated to the GM. The governing board provides expectations and oversight in these areas, but is no longer directly doing any of the operational work.

Through the work of governance, the board exercises oversight of the operational work areas they have now delegated to the GM.

The General Manager Role

The GM is not only an operational leader who must be able to successfully lead a dynamic business on thin margins, but is also a strategic leader who must understand the mission of the co-op's **owners** and deliver on it.

Since your first board members took their first training on anything related to getting their startup food co-op organized and opened, they have heard of this mythical cooperative creature: the General Manager, or GM. They were told this mythical creature could build a staff, negotiate with vendors, and open a successful food co-op store in a single bound! Are the myths true? Just what does the GM do?

We'll start building our understanding of the GM role by looking at what **Policy Governance**[®] has to say about it.

In standard Policy Governance-speak, the GM's role is to ensure the achievement of the **Ends** policies within the boundaries defined by the **Executive Limitations** policies, both of which are set by the board, who is the boss the GM answers to.

If you are already well versed in Policy Governance, this sentence might have made sense to you. But if it didn't, you are not alone. Let's break it down.

What Policy Governance does is codify how the board will enact and delegate its responsibilities for the co-op.

- The **Staff Linkage** policies define which responsibilities they will delegate (operations), to whom (the GM), and how they will hold the GM accountable for the work.
- The **Executive Limitations** policies are the operational limits the board creates to tell the

GM the boundaries within which they must operate the business while having impacts on the Ends of the co-op.

- The **Ends** policies state the results the co-op exists to create and who the co-op will create them for. They are the tool the board uses to confer to the GM the responsibility for making sure the business of the co-op creates the positive impacts that their owners want to see on their community.

Together these policies state, **“be constantly and significantly working to bring the betterment of our community to fruition in alignment with our owners values without crossing any of these operational lines that are illegal or unacceptable to us as the leaders of the co-op.”** So yes, technically speaking, the above definition fully defines the role of the GM. The board delegates all operational duties to the GM and gives them both direction (Ends) and limits (Executive Limitations) within which to do that work. Simple, right? Our work here is done!

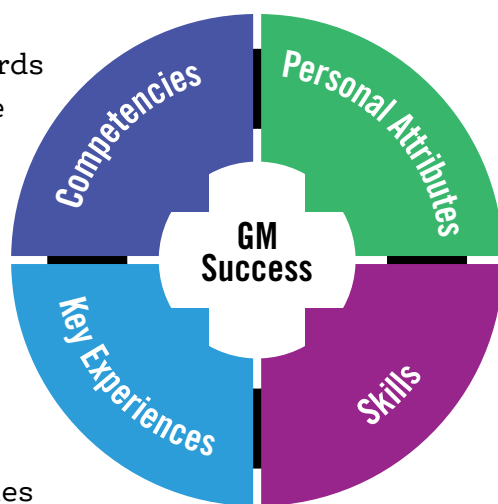
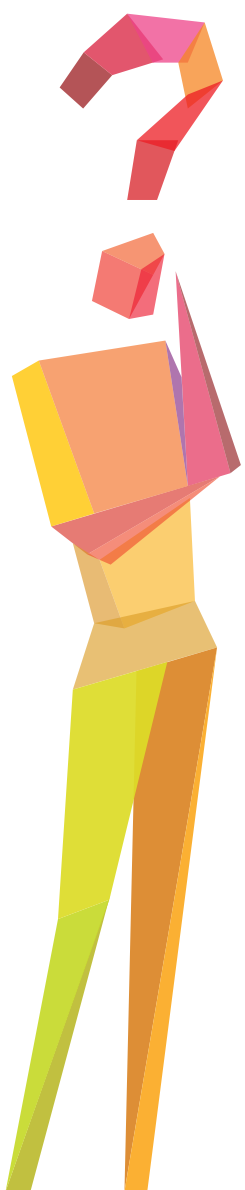
Wait, you’re still confused?

It is absolutely understandable if you are. While the Policy Governance definition of the GM role is accurate and a useful starting point, it doesn’t tell an organizing board what skills your future GM should already have and what specific responsibilities the board should be prepared to transition to them.

Each co-op’s needs will vary — sometimes greatly — so it’s tough to draft a bulleted task list for the GM role. If your startup food co-op will be 6,000 total square feet with year one sales of \$2 million and a staff of 18, your GM’s daily responsibilities and necessary level of skill in each area will be significantly different compared to that of a 15,000 square foot store with year one sales of \$10 million and a staff of 100.

One of the very best tools we can point towards to help you understand your future GM’s role is the GM Success Profile developed by the team at Columinate, a national consulting cooperative. We highly recommend printing it out and studying it as a board to get a full picture of the GM role. The success profile outlines the Competencies, Skills, Key Experiences, and Personal Attributes that are needed to succeed as a GM. It even has a tool at the end that identifies

which of these attributes startup food co-ops should in particular prioritize in looking for their GM. In painting this picture of what it takes to be a successful GM, Columinate has created the most comprehensive definition of what the GM role encompasses that we’ve yet seen. You can download it here: <https://columinate.coop/gm-success-profile/>



We are devoting space in this workbook to clarify the GM role and are strongly encouraging your board to spend time studying the GM Success Profile because of how incredibly vital the GM role will be to your co-op, but also because it is defined a little differently in the food co-op movement than it is in the corporate business world — where you might have heard the term ‘GM’ before.

In a corporate grocery chain, there is a Chief Executive Officer (CEO) setting the overall direction of the organization. An individual store manager, which many corporate chains call the “general manager”, is responsible for executing the corporate operational plan for their individual store location only. They are supported by “corporate” — the large, complex administrative branch of the organization setting individual store budgets, regional purchasing plans, creating a brand image/marketing plan, running HR systems, and much more to meet the direction and goals laid out by the CEO. Many, many decisions are made for the store managers of chain grocery stores — their primary job is to execute and oversee the implementation of the detailed plans and policies created by the larger organization, not to create them. “Corporate” instructs and supports the store manager to make sure their store meets their part of the goals. The food co-op understanding of the GM role combines the CEO and the store manager into one position. In food co-ops, the GM is your top executive and your head of store operations, all in one.

Does It Work?

You may have finished reading that last section and thought to yourself, “Whoa, expecting one person to be both CEO of our co-op and to be its chief operations officer... does that work?” It’s a reasonable question. The answer is, in the majority of cases, yes. The food co-op industry’s version of the GM role has led to great success, both financially and in delivering the vision of the co-op’s owners, for decades at dozens of food co-ops across the country. Food cooperatives are far more resilient than the vast majority of other small businesses in the food sector, with a far better success rate.

There are a few co-ops that have multiple layers of management. But those are huge cooperatives, often with multiple locations. In this situation the GM serves in a CEO-type role and has Operations Managers or Store Managers that report directly to them, helping execute their plans in the store(s). Very, very few startup food co-ops can afford these two positions from the start and, even if they could, they would still need a GM that intimately understands how to run the operations of the business. So, is it done in food co-ops? Yes. Can a startup, or even the majority of food co-ops around the country, afford it? No.

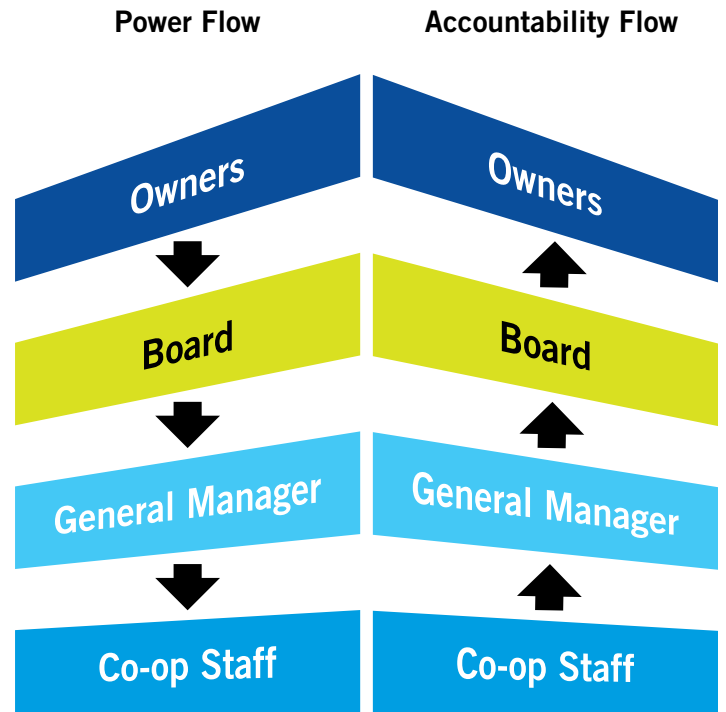
The Most Powerful Role in the Co-op

After reading about the large amount of responsibility the board delegates to the GM, it’s easy to assume that the most powerful role in a food co-op is that of the GM, but that would be an incorrect assumption.

While the GM role is incredibly important to your co-op’s success, it is not the most powerful.

It's critical to understand this as you move toward hiring your GM, and to understand why this is true. Where does the power in your cooperative originate from, and who holds it? How does it move through the board, GM, and owner roles? Let's take a minute to explore these questions, which will lead us to a clear understanding of which role in the co-op is truly the most powerful.

First, let's define power. Power, according to the Oxford Dictionary, is "the capacity or ability to direct or influence the behavior of others or the course of events." The co-op is a force, a power, for creating meaningful change in alignment with the vision of its owners. It is a vehicle for the collective power of individuals to influence the future.



All power in the cooperative derives from its owners. Without their investment, both financial and emotional, in their cooperative, the co-op loses its vitality and then its viability. If you doubt this, talk to any startup that has not been able to grow their ownership at a healthy rate, or any startup that has been unable to engage their owners enough or build their trust enough for their owners to make the loans needed. The investment of the owners is the root of the co-op's power, of its ability to create change.

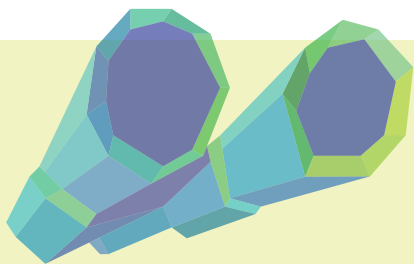
While the owners retain power over the bylaws of the co-op, they delegate a large part of their collective power to the board of directors. Owners elect the board from among their peers and charge their board to serve their co-op's needs, and, at a startup food co-op, to execute their vision for change through the opening and running of a financially sustainable business. The owners hold the board accountable through the election process and additional methods outlined in their bylaws.

From the very first day a co-op's first board is seated, the responsibility delegated to them by the owners is too much for those 7–9 people to carry out by themselves. To meet those responsibilities, the board delegates pieces of it to others so they can ultimately fulfil the responsibilities on behalf of the owners. While the co-op is in the organizing stage, they delegate to committees, volunteers, paid staff, and/or consultants. But no matter who they delegate to, the board continues to be ultimately responsible for their co-op. If the responsibilities the board has delegated to any of these individuals or groups are not being fulfilled, the board can dissolve or reform the committee, terminate their contract with a consultant, remove a volunteer from a task, or end the employment of an employee. The board has a

responsibility to the owners of their co-op to make these kinds of decisions if the needs of the co-op are not being met.

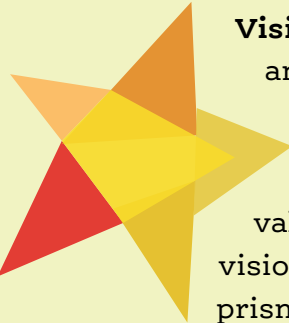
When it is time for the retail grocery store to be built, the board hires a qualified GM to continue carrying forward the mission. While the GM role has to be strongly empowered and given appropriate latitude to execute the responsibilities they have been charged with, their authority to do this work is granted by the board and the board is responsible for the outcomes the GM creates. The board holds a large portion of the owners' collective power, even after it delegates all the operational work to the GM. The board role is the most powerful role in the co-op, even once the GM is hired and the store is open.

Once the GM is on site, this can be hard to remember. The GM will be making the decisions about equipment, product mix and staffing. Heck, the GM will be making the decisions about everything from the paint color on the walls to the date of your store's opening! They will have an incredible amount of knowledge needed to run your store that you will not have, and you will be relying on them to open and run your business successfully. And yet, it is the board's role that remains a constant, and it is the board that is directly responsible to the owners for the success of their co-op. It is therefore incredibly important that the board remember both the power and responsibility that comes with their role.



Ends? Mission? Vision? What does it all mean?

Very early in their co-op's development, startup co-op boards are encouraged to create vision, core values, and mission statements for their food co-op. These three pieces of the Vision Cornerstone of the 4 Cornerstones in 3 Stages development model are used by businesses and nonprofits as well. When we use these terms in this workbook, here's what we mean:



Vision — answers the question, “what problem/need does the co-op exist to solve and for who?” The vision states the broad, overall goal of the co-op. It looks into the future toward the community/world the owners want to create.

Core Values — answers the question, “how will we do this work, based on what values?” The core values are the lens through which the co-op will deliver the vision. The vision is the sun guiding the co-op's work, the core values are the prisms that begin to focus that work.

Mission — answers the question, “what will we concretely do/create to address our vision?” We also like to call it, “the big idea to deliver the vision through the lens of the core values” or just “the big idea”. For a startup retail grocery co-op, the mission is to open a retail grocery store that centers its core values in pursuit of the co-op's overarching vision.

Hopefully your first GM is a great fit for the needs of your co-op and chooses to stay in the role for many years. But, there is no guarantee this will be the case and the board cannot assume it will be. The owners charged the responsibility to open and run a financially sustainable business that manifests their vision to their elected board, not the GM. The GM is a role the board has created and filled to meet a large part of these responsibilities. The GM might leave or the GM might not turn out to be adequate for the job, and it is the board that will have to deal with these realities on behalf of their co-op. If the co-op flounders or fails, it will be the board who is responsible to the owners. The board role is the constant, and it is the role that holds the greatest authority on behalf of the owners.

Holding this authority while empowering your GM to attain the goals of your co-op is the critical work ahead of you, which is what the board/GM relationship is all about.



The board hires the GM to continue carrying forward the mission.

Although we discuss all three pieces of the Vision pillar, we talk about the mission piece most in this workbook. The mission evolves through your startup's development. It starts as, "we'll open a grocery store" and gets refined after the feasibility phase clarifies what size co-op grocery store can be opened successfully in your community and what its range of offerings is likely to be. It might then sound more like, "to open a 10,000 sq ft full-service retail grocery store with a fresh-foods deli and teaching kitchen that is centered around our core values." As your co-op gets closer to opening, the mission will continue to gain nuances colored by the core values.

So just where do the Ends come into this then? The Ends are a specific type of policy in the Policy Governance system. While Ends most resemble the vision piece of the Vision Cornerstone, they are in fact statements of specific outcomes that will be made manifest because of the co-op's work.

Vision/core values/mission are the Vision tools of the startup food co-op. Ends will be developed from the Vision Cornerstone work the co-op has done as they make the transition to Policy Governance. If you haven't run into the concept of Ends yet, think "vision" for now until you get a chance to do more research/training on Policy Governance.

Chapter 2

The Dance

The Relationship Between GM and Board

To set up an effective board/GM relationship, you first have to understand what outcome you are aiming for. What does the board/GM relationship feel like when it is effective and serves the co-op well? You may be surprised to hear that it's full of dynamic **tension**.

If the word tension immediately means something negative to you, or if you find yourself thinking that tension is always undesirable in a working relationship, you are not alone. We tend to equate tension with inharmoniousness in our culture, a term that Dictionary.com defines as “not forming or contributing to a pleasing whole; discordant.” Yikes. And if we equate tension with inharmoniousness, then we assume (maybe without even realizing it) that the opposite of tension is harmony and peace.

But the mistake here is the assumption that tension is always inharmonious. Tension has more than one meaning, and the one we mean here is “two balancing forces causing or tending to cause extension,” or a balance maintained between two elements or forces that leads to growth. The board/GM relationship is one of healthy, dynamic tension that, at its best, stretches both parties and builds stronger leaders for the co-op they serve.

It is the healthy tension of the relationship that makes the dance of leading the co-op work. As in most partnered dances, each participant in the dance must work in concert and with awareness of one another's roles, while effectively executing their own role. When two dancers — or leaders in an organization — agree upon how the space between them will be held and what the rules will be for moving closer or farther apart within that space, then the magic happens. If you've ever taken a dance lesson with a partner, you know that the teacher will stress again and again that you not only learn the basic steps, but that you develop an understanding of how the space between you and your partner is to be held: where you need to keep an arm straight or a hip apart yet aligned. In a partnered dance, you need to avoid rigidity so there can be flow, while not collapsing into one another's space and creating

confusion and sloppiness. Healthy, dynamic tension between the two forces that are dancing together is what makes that possible.

So how do you create this healthy, dynamic tension you are looking for? In the board/GM relationship, this tension is created by both empowering and teaming with the GM, while at the same time assessing the GM's efforts and holding them accountable to the co-op's vision through monitoring. Through these four acts of **teaming/empowering** and **assessing/monitoring**, or what we call the TEAMSM model of organizational leadership, the board creates the dynamic tension needed in the board/GM relationship.

The TEAM model

The TEAM model is all about creating the healthy tension that makes the co-op's leadership dynamic, creative, and responsible. The TEAM model is made of four elements; two that move the board and GM towards one another as a leadership partnership at the helm of the co-op, and two that pull them back from one another to take stock of their work on the co-op's behalf. While the board sets the tone by putting the TEAM model in place, once in place both the board and the GM need to understand and use the model to create the needed dynamic tension.

Let's dig into this model and how to use it to create the positive tension you are looking for. We'll start by taking a more in-depth look at the first two pieces of the TEAM model: teaming and empowering. Together they build up the board/GM partnership, and encourage the board and GM to look at themselves as one team with one goal: the success of the co-op.

Teaming

Ready, team? Or should we say, ready to act like a team? Each part of the TEAM model is a verb, and that's not an accident. Strong leadership teaming does not happen by fate or luck, but by doing the work. Teaming, the first of the four parts of the TEAM model, is the act of building the unified cooperative leadership team of the board/GM through preparation, engagement and mutual support.

Preparing — The board and GM team with one another by being prepared when they enter the leadership space. They have completed/read the reports by the agreed upon deadlines; they have studied the topic that needs to be discussed/decided on to an appropriate level and they are ready to participate. They both arrive in the leadership space as prepared as they are asking the other to be. Everyone on the team arrives in the shared leadership space, which is generally the board meeting, knowledgeable and ready to contribute.

The GM role is an incredibly demanding one, and the GM needs to know that when they put in the extra effort to get reports completed with excellence and on time that the board will read them, absorb them, and really use them to fulfill their part of the strategic work.

The board needs the GM to respect their limited time as volunteers by getting things in on time and arriving to the board meeting ready to engage in the topics laid out in the agenda. When the board and GM are truly teaming, they are both consistently taking preparation for their work together seriously.

Unifying (board) — A significant piece of teaming with the GM for the board has to be understanding the dynamics of a board (of seven or more individual members) giving direction to a singular GM. There are times where broad conversations and input from individual board members to the GM in the leadership space are appropriate, but in any area where the board is directing the GM or sharing official board feedback on a matter with the GM, the board has a responsibility to build a unified board perspective. The board must spend time solidifying what they want to communicate to the GM without the GM present so they are ready to speak with a unified voice.

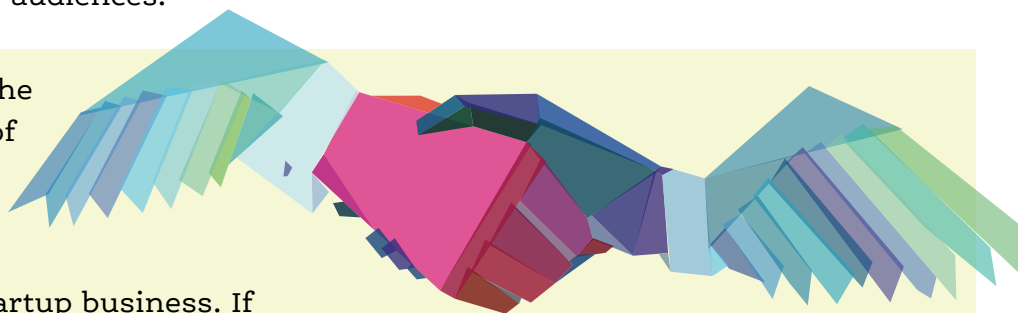
Without doing this work, the board will end up giving the GM mixed messages, making it very hard for them to be effective in the leadership space. Once the board has developed unified feedback or a unified request of the GM, individual board members must not muddy the waters talking to the GM about the same issue on the side later, expressing a different opinion or making a different request. When the board, as their boss, speaks to the GM, they must come from a place of board unity.

Unifying (GM) — the board and GM unify with one another by respecting the decisions made by the other. When the GM makes a major operational decision within their purview and in alignment with the board’s policies, the board expresses support for the GM’s decision with the staff, owners, and public. In return, the GM expresses support for board decisions with these same audiences.

It is very important that the board is always (outside of board meetings) supportive of the GM and their work. This is

especially critical for a startup business. If

the board cannot speak with one voice in support of their GM with owners, customers, community leaders, and staff, then those critical concerns need to be addressed immediately through policy and evaluation in a board meeting.



Supporting — when it’s time for either party in the leadership team to roll out a new initiative, to lead an owner event, or work to get out an important message to the owners the other needs to be right there to play a supporting role. When great teaming is happening, both the board and GM ask themselves at these times, “how can I help them succeed in this effort?”

For example: if the GM is about to announce an important operational decision to the

owners and general public — say, that the planned opening date will need to be pushed back two months — the board plays a supporting role by making sure they know and use the talking points on the issue that were set by the GM, that they are prepared to talk to the press if contacted about the change, and by co-drafting with the GM the letter to owners about the change to show that while it was the GM’s decision, the board is supporting it. Don’t be AWOL when your GM needs their supporting actor most! And when considering what support roles you can play for your GM in a given situation, don’t forget one of the simplest and most powerful — asking how the board can support them.

Engaging — the board must absolutely expect their GM to be fully engaged in their leadership role within the co-op. Nothing less will do in such a demanding role. The board teams with the GM by holding themselves as a board to the same standard, by making sure the board as a whole is fully engaging with their role, not just “phoning it in.” If there are board members that are not engaging much, if at all, with their role on the board, the board deals with this internally, holding all board members accountable.

Not engaging fully as a board can take multiple forms. It often emerges as a significant number of board members repeatedly arriving to board meetings not having read the board packet and the reports the GM submitted, and unready to fully participate. It can also emerge as the board rarely attending in-store co-op events or shopping in the store and getting very detached from what is actually happening in the store.

Disengagement can also take the form of the board not staying on top of their own ongoing Policy Governance training or getting months behind on scheduled GM performance assessments. If the board is not fully engaging with their role and holding themselves accountable to it, they cannot effectively hold the GM accountable either, and the dynamic tension in the board/GM relationship that energizes and protects the co-op can dwindle away.

Teaming is the act of behaving like a team. Teaming is not negotiable — both the board and the GM must prioritize doing the work outlined above. Without this, the leadership team of board/GM will not be leading at all, leaving the co-op at risk.

Empowering

Everyone is participating and supporting one another’s work appropriately in the board/GM relationship, and you’re teaming — hurrah! But to be a proper team, you also have to share power in a way that makes it exceptionally clear what power is available and to whom. Empowering both the board and GM to really hit it out of the park in their respective roles takes the following:

Defining — Defining what is a board decision and what is a GM decision takes consistent work. The board begins the work of empowering both the board and GM roles by creating job descriptions and then fleshing out the “lanes” for the board and GM through policy.

Defining also goes beyond writing policy to living out your board/GM relationship policies.

Both the board and GM need to be in active conversation with one another about many areas of the co-op's well-being without constantly fearing to "cross the operational line" or "dictate to the board". Defining as a consistent act helps the board and GM have better conversations and work effectively together for their co-op.

For example, a startup board and GM will need to be in conversation about the co-op's opening date. The GM will have to weigh all the professional advice received, construction timelines, staffing challenges, costs of delaying, and competitive realities in deciding when to open — just to mention a few of all the potential factors. If the conversation starts with defining — with affirming that it is ultimately a GM decision as it is an operational one, but also with acknowledging the decision impacts the board's responsibility to closely watch the co-op's financial health — a space is opened to talk without threatening the GM's authority or diminishing the board's concerns. In this space, fertile conversations can be had. The board can serve as a sounding board for the GM, and the GM can hear out board concerns without feeling like the board is trying to encroach into their lane. Defining and affirming who has the power as an opening to all conversations between the board and GM empowers both to bring their best selves forward.

Mapping — when we say mapping, we mean clearly identifying boundaries for the GM so they know what their limits are as well as mapping out how the board will monitor their work within those boundaries. We know, boundaries and monitoring don't sound empowering on first blush, but trust us, they are! If you've ever had a job where you did not know what was expected from you and you weren't told if or when your work would be assessed, then you know how absolutely disempowering and demoralizing it is. It's hard to commit to any course of action under those conditions, because you don't know if it is what the boss is expecting you to work on. It's nerve-wracking, because you don't know when the boss is going to swoop in and say, "not like that!" To create these empowering maps for the GM, the board uses two things; policy and reporting expectations.

The board is responsible for creating clear policy to govern the GM's work, and not having or enforcing secret expectations of the GM that are not expressed in policy. The knowledge of what is and is not expected of them — and within what boundaries they may operate — is knowledge that empowers the GM to succeed. In addition, the board maps out their expectations of the GM by establishing clear reporting expectations and creating a reporting calendar so the GM has knowledge in advance of what is required of them and when.



Showing — if you want to truly be empowering, you can help one another to see what successfully meeting your needs looks like. This is especially true for startup boards. If you want your new GM to embrace reporting as soon as they arrive, which you'll need them to do, giving them examples of reports that would meet the board's needs from the start will not only produce better results, but also better buy-in. We often, quite accidentally, leave those we oversee lost and frustrated by outlining our needs but then expressing that their attempts to meet those needs are inadequate. It takes only a moment to stop and ask yourselves, "is there anything we could show the GM that would illustrate what we are looking for?" Being consistent in asking this will do much to empower the GM.

And showing should not be a one way street. You will build a more empowering board/GM relationship for both parties if you encourage the GM to also show how the board can meet their needs. For example, if the GM is finding their review process



DANGER AHEAD: Micromanagement

Watch out for one of the sneakiest potential board leadership pitfalls to your startup's success: **micromanagement**.

According to Merriam-Webster, to micromanage is to "manage especially with excessive control or attention to details." Your board would never do that though, right? You've been so excited (at times desperate) for the day your GM arrives and you can offload much of the decision-making responsibility to them...!

As an organizing board, you have put hundreds, maybe thousands, of hours into the development of your co-op, not to mention the blood, sweat and tears. During that process, you've had your hands in every major developmental decision, and many of the minor ones too. When the GM joins the team, the board will be — for the first time — relinquishing major decisions about the future of your co-op to someone else. And when it comes time to let that someone have the checkbook and make decisions to the tune of tens of thousands of dollars, or to decide what your owners' benefits will be, or pick the color palette for the store without your input... some boards find themselves slipping into micromanaging.

What can micromanaging look like? Here are some things to watch for:

Detail devils — look out for spending way too much time making the GM answer questions about details and decisions you delegated to them already. An example would be "purse string panic." This is when the GM is giving the board reasonable, timely financial reports in alignment with the pro forma financial plan, but the board is spending time questioning individual

unsatisfying, they could state their need for a change in the process and offer an example of a review process from another co-op that they feel more fully addresses their needs. Just remember, showing is not dictating. To show is to illustrate a need or expectation to provide clarity. The other party may come back with something different or they may use the example as a jumping off point that they then augment. If the example is shared as an expectation that must be followed, it is not showing, it is defining, and defining is the realm of policy.

Developing — Empowering yourselves as a board means consistently making time in board meetings for continued learning and investing time and money into board retreats and other training opportunities. It means creating an on-going culture of learning. It means having strong on-boarding practices for new board members so they know what they've signed up for and how to be effective in their new role. It means accepting

purchases/expenses — or even insisting on approving individual purchases — rather than reviewing the big picture.

Correction compulsion — notice patterns of lasering in on minor mistakes of the GM, or letting one or more board members get heavy-handed with correcting small things that don't matter in the grand scheme of things. An example would be consistently pointing out tiny discrepancies in financial reports that add up to less than \$100 during board meetings.

Re-litigating — this happens when some board members have an itchy feeling of frustration with decisions the GM has made that fall within reasonable interpretation of their job description and responsibilities. When some board members can't accept that they won't be in love with every decision the GM makes, they act out this frustration by continuing to go back to appropriate GM decisions and debating them, wasting time and undermining the board/GM authority agreement. Note, if the entire board is concerned about multiple GM decisions in a short amount of time, the board may need to revisit the GM job description and/or the policies they are using to direct the GM's work as there may be issues lurking in either or both that need to be addressed.

It's not possible to properly empower a GM unless you give them enough power. While the most powerful role in the co-op is that of the board, the board fails in their responsibility on behalf of the co-op's owners if the GM is unable to do their job because the board has not fully delegated enough power to them.

Understand that trust is essential to empowering your GM. If you've created strong GM monitoring policies and effective expectations around reporting, the GM has the tools they need to earn and retain the board's trust. If the GM is working within your policies and meeting your reporting expectations, they deserve the board's trust and should be able to feel it.

Understanding just how much power the board has vested in the GM role, and the necessity of that delegation, before the GM is hired, is absolutely key.

imperfection as part of being human, responding to your board's weaknesses honestly and committing to further developing the board's skills.

If you have embraced board development as an ongoing need, then you will be in a solid position to set the expectation for development with your GM as well. For the co-op to keep growing as a business and as a force for positive change, its leaders must keep growing as well. Developing your GM means investing in them as leaders and making very clear your co-op's willingness to do so, encouraging and even expecting them to develop their skills and grow their abilities.

Teaming and empowering bring the board and GM into a healthy partnership. The second half of the TEAM model is about accountability. Both the board and GM need to always place what is best for the co-op first. To do that, they have to consistently and unflinchingly look at how they are performing in their roles and the results those performances have created for the co-op they serve. The accountability half of the TEAM model is assessing and monitoring.

Before we move into more depth on assessing and monitoring, let's take a minute to reflect on accountability. Remember, the owners entrusted the board with the responsibility to move the co-op toward its Ends in a legal and fiscally sustainable way. All of that power and responsibility rests with them. And as we've discussed in chapter one, the board delegates a significant piece of that responsibility and power to the GM but that delegation does not change who is ultimately responsible to the owners. And that makes the board the head of accountability for the co-op. While the right GM will absolutely care deeply about accountability, as most do, it is the board that is responsible to hold both themselves and the GM accountable.

Assessing

Assessment is holistic, meaning it takes in the whole picture. It is not about measuring indicators or data, which is the role of monitoring (we'll get to that in a minute), but about knitting together a full understanding of the performance of the GM, the board, or the co-op itself from the data and indicators. It is an act of interpretation. Assessments reveal strengths, areas for development, and, at times, unacceptable conditions that must be addressed.

Board Self-Assessment — We begin with the board assessing itself, before it assesses the GM, for good reason. The board's work in holding the GM accountable begins with the board holding themselves accountable. If the board does not hold itself to the same standards they set for the GM and model accountability for them, their attempts to hold the GM accountable will be ineffective at best, and insulting at worst. This isn't just true of board/GM relationships. This is true in any supervisor/employee relationship.

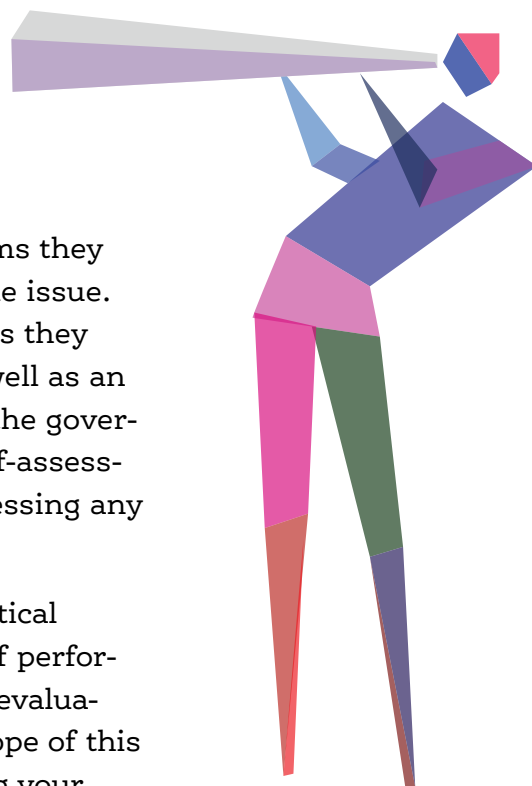
We recommend the board calendar a self-assessment a minimum of once a year. For this self-assessment, we recommend the board set aside a significant portion of a board meeting and have each board member anonymously fill out the Food Co-op Initiative board self-assessment tool or something similar before the meeting. The board would bring a compilation of board self-assessment results and a synopsis of their self-monitoring work for the past twelve months, if applicable. (As a startup, you may not yet have done any

self-monitoring work. If you have, use it. If not, the process is still very valuable.) The board would then review two things in depth: where they scored lowest or had identified issues in their monitoring work, and where there was the highest spread of scores. Next, the board would have a fuller discussion around the items they had very diverse scores on and share perspectives on the issue. The board then compiles an agreed-upon list of the areas they most need to improve in and/or build alignment in, as well as an agreed-upon list of their greatest strengths. From this, the governance committee would create a short written board self-assessment of strengths and weaknesses, and a plan for addressing any significant weaknesses with clear steps and timelines.

GM Assessment — GM performance evaluations are a critical accountability tool. Laying out the many possible types of performance evaluations, your options regarding frequency of evaluations, and how to facilitate that process is beyond the scope of this workbook; but it's important to point out that researching your options and deciding on a performance evaluation process for your GM before the GM's arrival is crucial, so you're ready to use it when it's time and you can manage expectations for both the GM and the board. In section four of this workbook, "Into the Future", we have dedicated space to startup food co-op GM performance evaluations and our advice on how to implement them.

In a well-functioning board/GM relationship, the board sees the GM performance evaluation process as a top priority, making sure the review process is clearly laid out and that GM performance evaluations are meaningful and on time. Having seen a variety of processes, combined in a variety of ways, for assessing GM performance, we do not believe there is one cookie-cutter way for the board to meet this responsibility. The board must dive into the available resources and find what will best meet their assessment needs.

We will, however, say this: It is sometimes suggested in Policy Governance that the GM is assessed through the acceptance of their reports as compliant or non-compliant, and that no other assessment or feedback on their performance is needed. We do not believe this is adequate. A new GM needs constructive feedback from their new boss to improve and adjust as they settle into their new role. And we actually recommend continuing them even when the board/GM relationship is no longer new. Assessing is about a holistic picture far greater than the individual pieces of data gathered by monitoring, and is an important opportunity for feedback, praise, and the creation of on-going development goals.



Monitoring

Where assessing is holistic, an analysis of overall trends and performance, monitoring is detailed and segmented. It is based entirely on measurements and facts and gives the board

and GM the opportunity to look carefully at individual areas of the co-op's overall well-being. And how is this done? Why, through policy and reporting of course!

Yep, we're back to policies and reports again. (Did you just roll your eyes? You did, didn't you?) Here's why we're back on these topics again: you can empower both yourselves and your GM by setting policies and creating a reporting calendar so all members of the leadership team know what is expected, but that is only the partnership half of policy and reporting. For true accountability, we have to look at facts and data showing how well the board's policies were met. The accountability half of setting policies and accepting reports is monitoring. Monitoring is a process of meaningfully evaluating the reports. The multi-step Policy Governance monitoring process is arguably your most powerful tool for assessing both your work as a board and the GM's work and results. It's so important that we call it out as its own area of accountability in the TEAM model.

The areas of monitoring align with the four types of Policy Governance policies, which we'll outline in the next chapter. For now, the important thing to know is that monitoring, just like the three other parts of the TEAM model, applies to all areas of the co-op's leadership. Through monitoring policies on board process, GM limitations, Ends, and the board/GM relationship, the board will bring the accountability of monitoring into every aspect of their oversight of the co-op's well-being.

When all the above comes together, both the teaming/empowering and the assessing/monitoring, members of the leadership team are partners in an elegant, effective dance. Through their deep commitment to the TEAM model they grow, continue to improve, and move their co-op forward. It absolutely never has and never will happen by accident. It takes consistent and conscious work. And in this dance, the board is the lead.

The role of policy/reporting

Throughout the TEAM model we bring up policies and reporting a great deal. This is because policy and reporting are at the heart of creating that healthy tension in the board/GM relationship, both on the empowering/teaming side of the leadership dance and on the assessing/monitoring side. We will be devoting entire chapters to policy and reporting expectations in this workbook for just that reason. And if you are fearing that policies and reporting are a rather simple, or even weak, tool when millions of dollars and years of your community's work is on the line, fear not. We'll talk about that too.

At this point in the chapter you might find yourself asking if accountability in the board/GM relationship is just about performance assessments and reporting on policies? Yes, and no. Yes, those things, when firing on all cylinders, create the robust accountability needed in the board/GM relationship. But if the GM does not understand why these policies and reports are some of the most important work they do for the co-op, the board/GM relationship will still be unsuccessful.

In a high-functioning board/GM relationship, the GM has a clear understanding of the board's role and the importance of it. They see reporting to the board as a top priority not just because the board is their boss, but because they know their leadership partner cannot be a part of the team without it. This understanding will not come naturally to the majority of GMs without an active effort on the part of the board to educate the GM on the unique nature of food co-op leadership — which makes it critical that the board itself understands the relationship and the key role that reporting plays in it.

Working effectively on the co-op's behalf means having a **culture of respect** in place before the GM arrives. The board and GM have agreed to center the co-op and its needs in their work together, to put respecting the work you've been elected/hired to do above your personal opinions and egos. Some questions a board can ask themselves about whether they have a thriving culture of respect for the work the co-op has elected them to do, include:

- Is the co-op's well-being centered in every board conversation?
- Do you enter into decisions on behalf of your co-op, debating the merits with an open mind, even if that means (at least initially) disagreeing with fellow board members on an issue?
- Are you comfortable assessing the merits/deficiencies of a recent effort as a team, even if the effort might have been the "baby" of one person on the board?
- Are you, as an individual board member, willing to have your ideas debated by the board? Can you accept with grace if the board as a body decides to not go forward with your idea?
- Can your board do all of this without



Accountability goes both ways

Sometimes boards think GMs are the exception to the rule that the boss must hold itself accountable first and their employee second. Sometimes they even feel GMs should be the exception to this rule since the GM is a paid position and is the "expert," while the board is made up of volunteers. Surely this means the GM has more time and resources to hold up their end of the leadership accountability! But the principle holds, if the board cannot hold itself accountable, it's unlikely to be effective at holding the GM accountable. We'll discuss more in depth what a board culture of accountability looks like in Chapter Five.

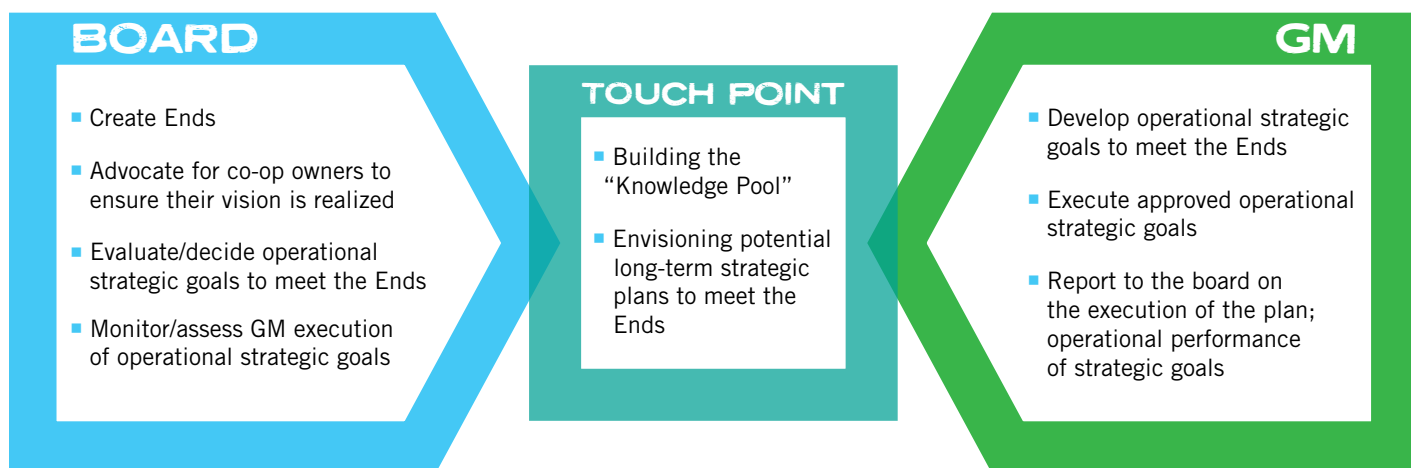
making it personal, without conversations devolving into hurt feelings, sulking, anger, or icy silences?

- Do you express appreciation for one another’s contributions on the board, even if you are not always in alignment?

If so, congratulations! You have a culture of respect in place where the co-op’s needs are central — where your responsibility to the co-op is placed above and beyond your personal preferences and you collectively contribute to creating a space where ideas, merits, and results can be debated. You are ready to use the TEAM model to create a strong board/ GM relationship.

If not, your board will not be able to truly use the TEAM model to create healthy, dynamic tension between the board and GM. If the board cannot create and model an environment of respectful discussion, debate, and assessment of ideas in the spirit of doing what is best for the co-op, attempts to team with the GM and hold the GM accountable are very likely to flounder.

We’ve discussed how critical healthy tension is to the board/GM relationship, how to create it through the TEAM model, and that policy and reporting are central in the creation of that healthy tension. Outside of policy and reporting, there is another key area of the board and GM’s work together, that of strategy. Strategy is the place where the board’s responsibilities and the GM’s responsibilities touch and interact in ways that have powerful implications for startup cooperatives.



Strategic Leadership Team

The strategic leadership team “dance” is a specific piece of the board and GM’s leadership work on behalf of their co-op. The board has a responsibility to grow the co-op’s impact and move their community closer to a reality where the co-op’s Ends are fully manifested in the world. To do that, an operational plan that significantly expands the co-op’s impact on their Ends in some way must be created. This is the strategic plan. The co-op’s very first strategic plan is set by the board — to open a retail grocery store to meet the owners’ mission and values. But once the operational work of the co-op is delegated to the GM, the GM becomes the board’s full partner in the strategy dance — both in executing the current strategy, and in choosing the next strategy.

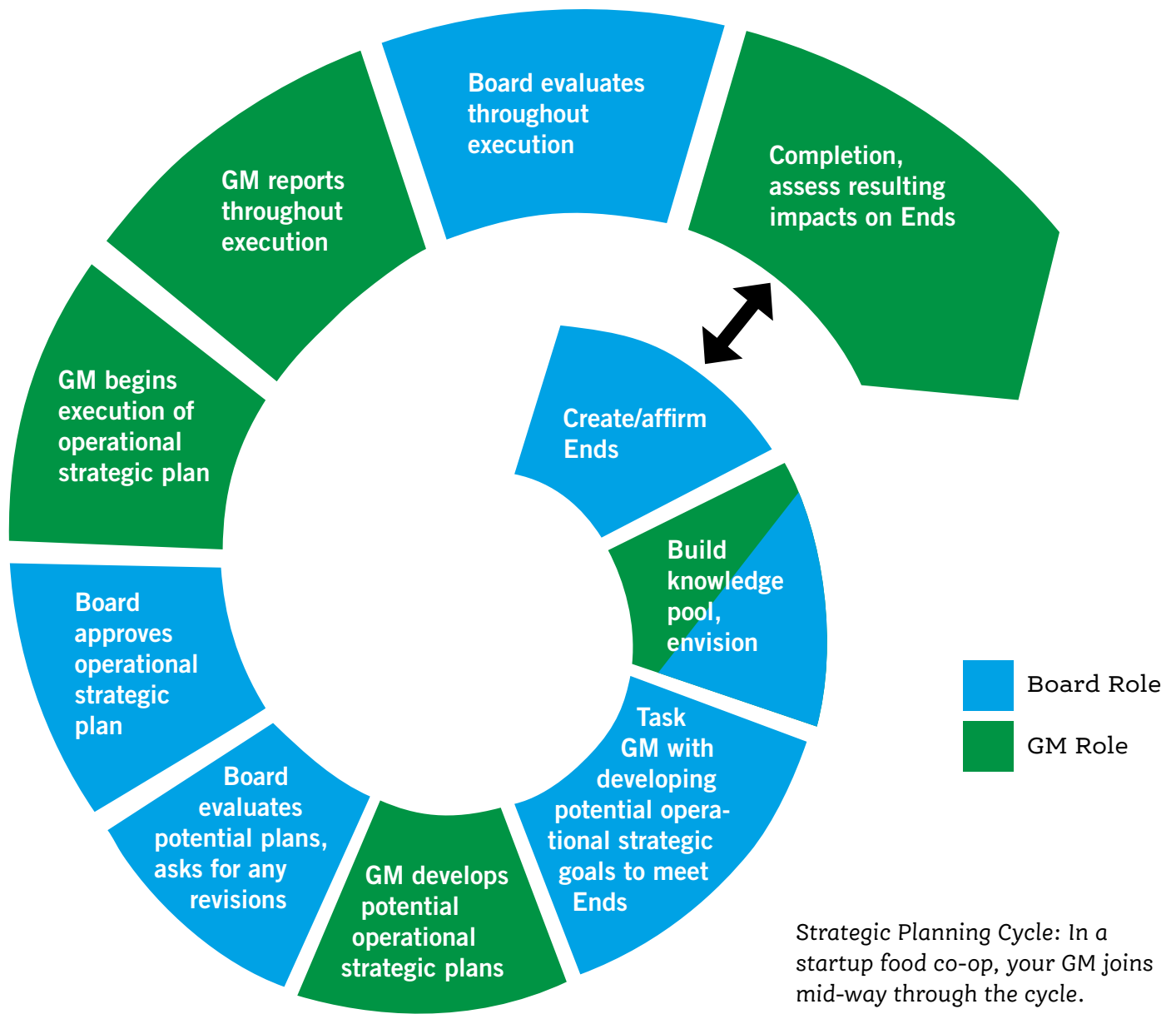
More concisely, the strategic leadership team is the team that creates the strategic plan for an organization. As a startup, the strategic leadership team is the board of directors. At an established co-op, that team is made up of the board and GM. The strategic plan is the next “big thing” or “big move” the co-op will make to manifest more of the owner’s mission and values in the world.

The board and GM together will form your co-op’s strategic leadership team. Both the board and the GM have unique roles and responsibilities as part of the strategic leadership team, but your mutual goal is always maintaining the health of the co-op and growing the co-op’s Ends impact. Neither party puts any other goal above the well-being of the co-op, and both parties commit to transparency in their work.

Strategic leadership is a process that the board and GM go through together, a set of steps that play out in a specific order and then repeat over and over, for as long as the co-op continues to exist. In an established food co-op, the board and GM work together through all the steps in their differing yet complementary roles.

In the case of a startup food co-op, the operational strategic goal, or mission — to open a successful retail grocery store that meets the pro forma projections for financial sustainability in a manner that meets the co-op’s mission and values — has been developed and approved prior to the GM’s arrival. The GM was not a part of the first stages of your co-op’s strategic process, but is instead coming in mid-process to execute the operational strategic goal you have already created. In accepting the GM position, your GM is agreeing to now execute this existing plan, to report in an effective and timely manner on the execution of the plan, and to be monitored and assessed in this work by the board. In hiring the GM to take on this work, the board has agreed to not only monitor and assess their work in a timely and

The board and GM have agreed to center the co-op and its needs in their work together; to put respecting the work you’ve been elected/hired to do above your personal opinions and egos.



thorough manner, but to also empower and team with the GM in the work ahead. (There are those TEAM system actions again, we'll get to them in more depth in just a minute!)

In an established food co-op, this process of creating an operational big-picture goal that will move forward the co-op's values has allowed the board and GM to develop a deeply shared understanding of the Ends and how the owners want the co-op to manifest them. As a startup, your GM will not have been with you through the years of building both an intimate understanding of the owners' values and the operational vision for manifesting those values. Without that understanding, the GM is at a significant disadvantage when attempting to team with the board and build a business that will resonate with those it serves. To address this, a startup board has to be prepared to create a process to bring the GM into that alignment through a vision transition plan. We'll address this in more depth in Section 2 of this workbook and walk you through how to build this plan.

Chapter 3:

Policy and Reporting

We've discussed the role of the board and the role of the GM, and how these roles together — through the TEAM system of teaming/empowering and assessing/monitoring — form the strategic leadership team. As we've mentioned in each chapter so far, policy and reporting are two of the most important tools in creating the dynamic tension that holds the GM and board in their roles, creating the necessary space between them for the strategic leadership team to work effectively on behalf of their co-op.

Policy is the backbone of a strong board/GM relationship, but it often gets the least amount of attention. Policy is seen as, dare we say it, un-sexy. We mean, come on; dry, dreary policy? It just doesn't feel very co-op, does it? When we think 'co-op', we think people working together, all voices being heard, and, well, fun.

Even we used to think that policy creation was just this formal thing we had to do after the real work of building our co-ops was done. But over time we learned that policy's role in our co-ops, and the reporting that goes with it, actually is about working together and about all voices being heard. Without effective, well-written policy that all leaders understand, and reporting that gives the leadership team an unclouded picture of their co-op's health, there will quickly be no co-op. Policy is actually as "co-op" as it gets, because it is about making sure our collective community vision is carried out in a clear and transparent way. Okay, we admit some of us may never find policy work fun exactly (then again, you might be in for a surprise). But, when done well, it can be incredibly satisfying and rewarding.

Policy Basics

As a board you are responsible to your co-op owners, as the power of the board has been granted to you by your owners. So every time a board delegates, there has to be a description of how responsibilities and power are delegated (policy) and a process by which information comes back to the board about how that power is being used to meet those responsibilities (reports). This is true for every food co-op board, whether it is a working board (pre-GM) or

a governing board (post-GM). To effectively delegate power, you have to make sure all four areas of the TEAM system are being used. Let's review what that looks like:

Team

The board sets and adheres to their reporting calendar, and is unified in its understanding of what has been delegated. The board fully evaluates reports as they come in, prepares for meetings, and is ready to be an effective resource for the staff/committee/GM they have delegated to.

Empower

The board creates policies that define the responsibilities being delegated and specify how and when they expect reports back on results. For example, job descriptions and committee charters in early development pre-GM co-ops and Policy Governance policies in later stage startup.

Assess

The board regularly evaluates the overall performance of the staff and/or committees by reviewing how well they've met the expectations laid out in their charter/job description, how well they've participated in the reporting process, and the results demonstrated by their monitoring reports.

Monitor

The committee/staff turns in monitoring reports, showing data that demonstrates progress and compliance with policies. The board then evaluates the monitoring reports. If the board feels the reports show their expectations (as previously defined) are being met, but they are not getting what they actually need, this is when they revisit their policies and reporting expectations.

Wait, hold up. Did we just say this is true every time a board delegates, even if your board is a working board? Yep. If you're thinking in response, "But, we're a working board and we're not doing that," then it's time to revisit governance. **The board's home base, the place it works from, is always governance, from day one.**

If your board has not read much on Policy Governance® or attended trainings on Policy Governance basics, we can't stress enough how important it is to take the time to get up to speed on it immediately if your co-op is in Stage 2a or beyond. If your startup is still in Stage 1, keep in mind that you also need to start your Policy Governance education soon, ideally before you move into Stage 2a.

To give you a full understanding of how Policy Governance works is beyond the scope of this workbook, so this review of the types of policies used in Policy Governance is meant as just that – a review.

There are four types of Policy Governance policies:

1. Board-Management Linkage
2. Executive Limitation
3. Ends
4. Governance Process (sometimes referred to as Board Process)

Board-Management Linkage policies

Describe how the board will delegate authority to the GM. In a nutshell, most food co-op's Board-Management Linkage policies say that the board will delegate all operations to the GM and will use Ends and Executive Limitation policies as their only tools to oversee and assess those operations. The board must write and approve these policies, and understand them well, for an effective board/GM transition. We recommend starting with the Board-Management Linkage policies when reviewing your policies for board/GM transition readiness. The board-management linkage policies get to the heart of how your co-op will utilize Policy Governance. They will set the stage for all of your other GM-related policies.

Policy Governance Resources

Transitioning to Policy Governance is a heavy lift for any volunteer board, and getting help from someone who is experienced applying it is always recommended. Budget for and utilize an expert to help in your transition. We suggest calling Food Co-op Initiative or Firebrand to explore your options for support, but these are some resources to get you started learning the basics of Policy Governance right away.

For a high-level overview: Here is what Policy Governance is and isn't, and the 10 principles of Policy Governance: <https://governforimpact.org/resources/principles-of-policy-governance.html>

The classic text on understanding Policy Governance: *Boards That Make a Difference* by John Carver, the founder of Policy Governance (3rd edition, 2006)

The Carver Policy Governance Guide Series (2009): This series of six short guides provides an introduction to Policy Governance from John and Miriam Carver. We recommend board members read these four guides, in this order:

1. "The Policy Governance Model and the Role of the Board Member"
2. "Implementing Policy Governance and Staying on Track"
3. "Ends and the Ownership"
4. "Evaluating CEO and Board Performance"

If your board has the capacity to read the other two guides, great! But at a minimum, your governance committee should read "Adjacent Leadership Roles: CGO and CEO;" and your finance committee should read "The Governance of Financial Management."

To use our dancing metaphor, Board-Management Linkage policies set the boundaries of the dance floor. They do this by saying what the board will delegate to the GM (all operations of the business), how they will define expectations of the GM, and how they will evaluate the GM's work (the Ends and Executive Limitation policies). This creates the space in which the GM performs their duties.

Executive Limitation policies

These policies are a kind of magic. They are written in a way that acknowledges that the GM should be and is the greater expert in the operational work of running the co-op's business, but at the same time allows the board to set the limits the GM must work within. These policies give the GM the space to run the business and solve issues that are beyond the board's expertise by stating clearly what the GM may not do in the running of the business. Everything that is not proscribed by the Executive Limitation policies and moves the co-op toward its Ends is, essentially, pre-approved by the board.

Ends policies

The Ends policies define what the outcomes or results are to be from the co-op's operation and who is to benefit. It defines what the co-op is heading toward, giving direction to all of its efforts. The Ends policies are how the board instructs the GM on what they must be progressing toward – and for whose benefit – in the operations of the co-op's business.

If your board has not yet written its Ends policies, we recommend reviewing:

“Ends And The Ownership” from the Carver Policy Governance Guide Series by John and Miriam Carver

“Writing Ends Policies” field guide (2012) from Columinate will give you an idea of how Ends are created and why. You can find it on their website at: <https://columinate.coop/writing-ends-policies/>

Governance Process policies

These policies define the board's job and how they execute their responsibilities.

These four types of policies allow the board to lead the board/GM leadership dance. They define the space within which the GM's work will happen (Management Linkage policies), what moves the GM cannot make without going outside the bounds of the dance floor (Executive Limitation policies), how the board will do their part of the leadership work (Governance Process policies), and what success will look like – i.e. what the GM and board will strive for on behalf of the co-op's owners (Ends policies).

Policy Governance is made up of just these four types of policies and is elegant in its design and simplicity of concept. Some policies may have more detail or depth, while other policies may be more global or high-level. The empty space in the middle represents those smaller decisions that the board is content to leave to the GM or the board's governance expert or

board leadership. Policy governance is also a discipline that takes time to learn, and everyone who participates in it needs to consistently invest in keeping their skills fresh for the organization they serve to thrive. Managing shared power is never easy (and anyone who says otherwise is selling something), but Policy Governance at its best makes managing that shared power clearer, more transparent, and effective.

Setting Up Your Policies

Knowing that policy is a critical piece of making the board/GM transition successful, and that Policy Governance has a learning curve, prioritizing the creation of your policies is a must. As we discussed earlier, writing your policies should happen in Stage 2a to give your board adequate time to create the policies, digest the policies, train on the use of the policies, and practice using the policies long before the GM arrives.

So that's the basics of Policy Governance. At the beginning of the chapter we reminded you that part of your work as a board is to be responsible to your owners and use your power to delegate effectively through policy. You've created all of your policies and laid out clear expectations. Now the flip side of meeting your obligations to owners is having an accountability process, which leads us to reporting. In Policy Governance, reporting is how we close the loop to be sure the power and responsibility you have delegated as a board are being used effectively.

Reporting Basics

We're just going to cover the basics of reporting here. You will want to go into further depth on reporting with the help of your Policy Governance expert. Note that we will offer some tools and guidance for helping your new GM get up to speed on reporting later on in this handbook, because getting this right is critical for your new co-op.

Let's take a moment and revisit the four keys to effective board delegation of power: **Team, Empower, Assess, Monitor**.

Now let's take a look at the role reporting plays in these areas. The board sets clear policy and creates a reporting calendar outlining when the GM will need to report on each policy based on the co-op's current needs (empower). The GM then creates each report as it comes due and submits it to the board in a timely manner.



Within Policy Governance, each report a GM turns in is evaluated (monitored) by the board on three criteria that are usually defined like this:

- **Interpretation** — Is the GM’s interpretation of the board’s policy reasonable? (Is their interpretation fair and sensible, based on sound judgement?)
- **Data Adequacy** — Is the data provided adequate for the board to determine if the GM has met the interpretation and is compliant/successful?
- **Demonstration** — Does the data prove/demonstrate compliance/success?

While all co-op boards need to take reviewing their GM’s reports seriously, a startup board that has within the last year transitioned from a working board to a governing board needs to truly sit with each of these three questions, discuss, and consider – or in one word, assess. As you’ll quickly see, the board will not only be assessing the GM’s work, but also assessing its own policies through this process.

Interpretation

Here are some suggested questions for the board to ask themselves before deciding if the interpretation is reasonable:

Does the board understand the interpretation and what the GM means by it? If not, pause, ask questions, and work with your GM to reach an understanding.

If you do understand the interpretation of the policy, is it what you as a board intended? Is it within range of what you intended? It may be reasonable (to be decided separately in a moment), but it may be so far off from what the board hoped to convey that the board needs to consider changing their policy.

Finally, circle back to the question of whether the interpretation is reasonable.

Data Adequacy

Here are some suggested questions for the board to ask themselves before deciding if the data is adequate to determine compliance:

Does all the data seem useful/applicable to assessing compliance? Is there any that seems unnecessary or unhelpful? If so, discuss with the GM why they included it, why they feel it is relevant to their case, and decide if the board needs to get better educated on that data or if the board will suggest to the GM that extra data not be included in future as it muddies the report. (Your GM will be grateful for this clarity.)

Is there other data that would be useful in determining compliance with this policy that isn’t provided? If so, what is that data and why would that additional data be useful? Is it needed to assess compliance? Decide if its absence makes the data set offered to prove compliance inadequate, and if you as a board want to recommend the GM add this data in future reports.

After reading this data, do you feel adequately informed to perform your duties as a board? Do you have the information you need to assess your co-op's health in the area of this policy? Or do you feel confused/in the dark?

Demonstration

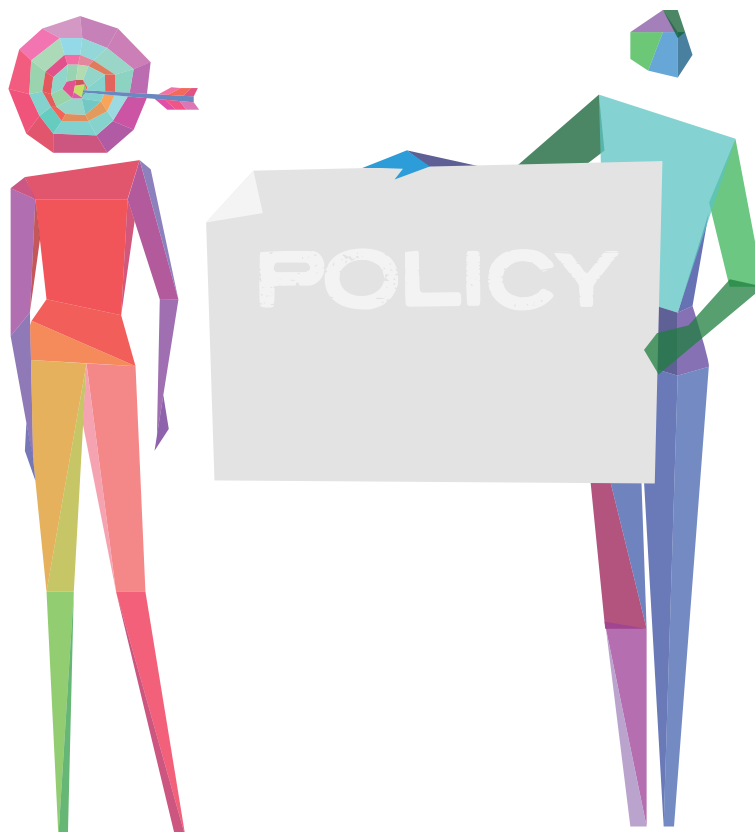
Here are some suggested questions for the board to ask themselves before deciding if the data demonstrates compliance:

Does the data demonstrate results achieved, not just intentions, plans or activity?

Is the question posed by the policy answered fully by the data?

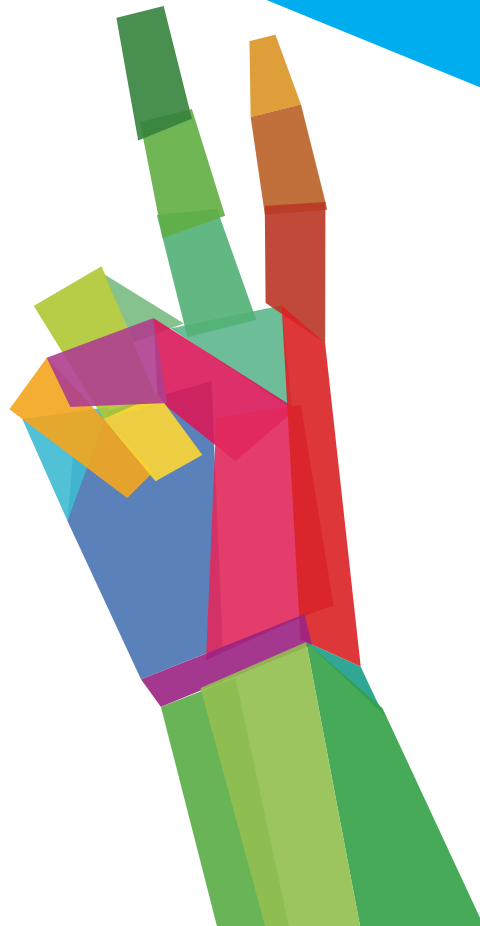
Has accomplishment of a reasonable interpretation of the requirement set out in policy been achieved?

To effectively use policy reports to assess your GM, you need to give each report adequate time and discussion, ask questions, and give thoughtful feedback on both the content and the functionality of the reports. Over time, your board will get really good at this assessment process, but intentionally working through each step with every report will take a bit more time at the beginning. Plan your meeting agendas accordingly and know that you are building your governance skills with every report you assess.



Section 2:

Readiness



Chapter 4

INTRODUCTION

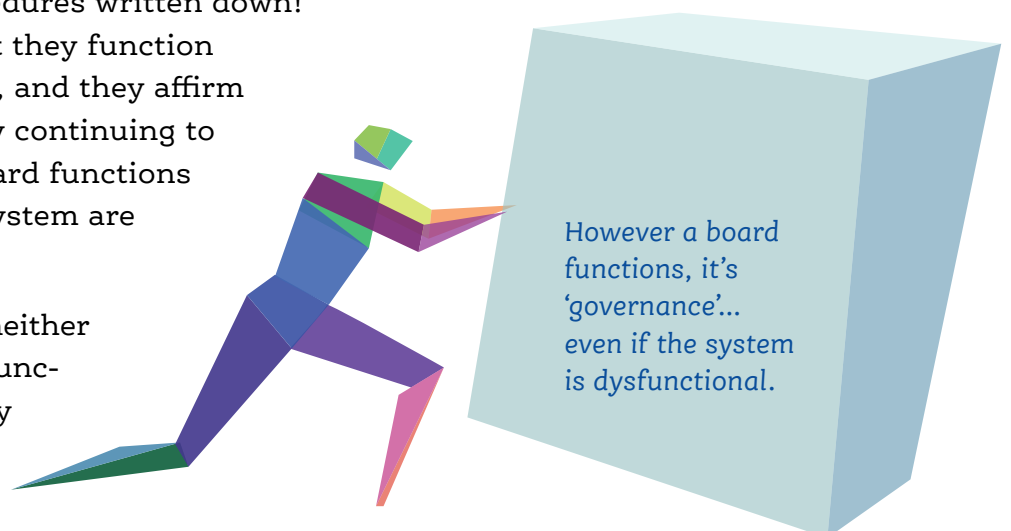
To be ready for the complex moves of the board/GM dance, you have to build your skills and put your tools in place before the GM arrives. In this section of the workbook, we take you through the work of getting ready to lead a powerful and successful board/GM leadership team. The board must build its governing muscle, get ready to transition the mission into operations, and run a GM hiring process that sets you and the GM up for success. This section of the workbook is going to take you into all four areas of readiness and give you the tools you need.

System of Governance

Before we get started, let's make sure you're clear on what a board's system of governance is. System of governance is just a formal term for an agreed-upon set of processes for governing an organization. If you have a functioning board at your startup food co-op, you already have a system of governance — whether you've consciously chosen one or not. Every board of directors has an agreed-upon way that they make decisions and oversee the organization they serve. This is true even of highly dysfunctional boards and/or boards that are disorganized and have no policies or procedures written down!

These boards have a way that they function (i.e. a system of governance), and they affirm that system of governance by continuing to participate in the way the board functions — even if the rules of their system are unspoken and ineffective.

Your goal as a board is to be neither a disorganized mess nor dysfunctional, but instead to be highly effective leaders on behalf of



your co-op owners. To do that, the board needs to make conscious decisions about how you will execute the work you have been entrusted to do. This requires deciding what system of governance the board will implement and embarking on a thoughtful process to adapt your chosen system to your co-op's needs. As we shared in the introduction, we have assumed for the purposes of this workbook that your board has decided to use the Policy Governance® model.

Are there other systems of governance that food co-ops use besides Policy Governance? Yes, but they are rare in the food co-op sector. While we don't have exact statistics, we're very comfortable saying that more than 95% of existing food co-ops use Policy Governance. Therefore, we've chosen to focus on this system of governance in this workbook because, at this time, the vast majority of startup and established food co-ops use it.

If your board is not using Policy Governance, will this section of the workbook still be useful to you? Yes, absolutely. There's much in this workbook that will be useful to any startup food co-op board about to embark on their first board/GM relationship — no matter what system of governance they have decided upon. We identify when we're discussing a specific Policy Governance process in this workbook. If your board has decided upon a different governance system, these will be the areas to set aside extra time to discuss how the recommendations apply to your system of governance and/or how they might be adapted.

Why Readiness Is So Critical

Whatever you do, don't skip this section of the workbook or fail to actually work through it. We've dedicated such a large portion of the workbook to readiness because we've repeatedly seen the impact that a lack of board readiness has on the board/GM transition. A lack of readiness work on the part of the board can have big consequences.

Let's take a look at a true-life experience of a real startup food co-op. While this situation really happened, it is something that could happen at any startup food co-op if the board doesn't find sufficient time for transition readiness work before the GM arrives.



Our intrepid startup co-op board had been busy growing their co-op (we'll call it the Cucumber Food Co-op) and had always felt too busy to formally decide to move forward with Policy Governance. That is, until their first consultant-led board retreat in Stage 2b, when they were starting their GM hiring process. The board built their Policy Governance policy register and adopted it at the same time that they made an offer to their top GM candidate. The board did not get any additional Policy Governance training before the Cucumber Food Co-op's store opened. They hadn't practiced how the reporting process worked and they didn't instruct their GM on how to write reports or fulfill the GM's role in Policy

Governance. The only takeaway the board remembered clearly from their single Policy Governance training was that, to be a governing board they needed to “stay out of operations and let the GM do their job.”

Immediately complicating matters, the board’s top GM candidate acknowledged they were not trained in overseeing company-wide financials and would need support in preparing and understanding financial reports. The board moved forward with hiring this candidate, deciding they were prepared to provide additional support to the GM in this operational area themselves, with the assistance of their very active board treasurer and board finance committee. However, they did not create a plan for how they would train the GM on these critical skills, nor did they set goals for when these duties would transition back to the GM. In the meantime, the GM was in charge of the checkbook almost from day one and was actively

Without the expense reports providing a comparison to the actual budget, the board almost immediately lost its grasp on what was happening with their co-op’s finances.

executing the buildout of the store according to a financial pro forma plan they did not entirely understand. Financials created by the treasurer during the construction of the Cucumber Food Co-op were only reports of what had already been spent. Without the expense reports providing a comparison to the actual budget, the board almost immediately lost its grasp on what was happening with their co-op’s finances.

Months passed with the board receiving inadequate reporting and financials, and suddenly the store was ready to open. The GM staffed the store to match the level of sales indicated in the pro forma plan. But

within the first two weeks of being open, sales dropped to only half of the projected sales and settled there. The GM hesitated to reduce hours or lay off staff, believing sales would pick up any day. Labor percentages in the first three months were close to 50% of sales, where the pro forma showed labor needed to be held to 23% for the co-op’s cash reserves to be adequate. Labor costs burned through over \$200,000 of Cucumber Food Co-op’s working capital budget within three months, which represented over half of the cash reserves meant to see the co-op through its first three years of operations.

The board lacked financial literacy and didn’t know labor was a key metric to watch following their store’s opening. They also believed they had to stay entirely out of operations because of their lack of sufficient Policy Governance training. Not understanding the critical role of reporting in the board/GM relationship, they didn’t insist the busy GM turn in regular reports — and when they did get reports, they didn’t know how to assess what those reports meant.

When the board became aware of the severity of the labor issue and its effect on the co-op’s cash reserves, the board still stood back — again, believing it wasn’t “their lane” — and gave the GM wide latitude on both the process and the timeline for reducing labor and slowing the loss of cash. The GM took another 3–4 months to bring down labor costs to 30% of sales... all while the co-op’s cash rapidly dwindled.

The initial staffing levels would have been appropriate if the sales had come in. But they didn't. The problem? The product mix was the wrong fit for the community. And it didn't represent the desires of the owners. Because they hadn't thought through their mission transition, the board left out key pieces of information regarding the owners' expectations when they hired the GM. That lack of transition planning cost the co-op significant sales.

The cash reserves lost in those first three months of operations before the board demanded a plan of action from the GM, in addition to the cost of many more months of a too slow course correction, jeopardized the co-op's financial stability, and they were never able to recover. The co-op closed about two years after opening.

If you thought to yourself, "That won't be us," or "Oh, but we wouldn't have allowed that," or "We would have caught that sooner." Think again. The transition from board to GM leadership is very, very fast and happens during a time when big, critical decisions are being made on a near daily basis. After long years of building up ownership and developing your co-op's business, suddenly everything is happening at once with very little time to catch problems before they have repercussions. Cucumber Food Co-op's story could easily become the story of any startup food co-op — including yours.

But you're right. Cucumber Food Co-op's story will not become the story of your startup food co-op. Why? Because you're here, reading this workbook. If you work your way through this section and do the work to make sure your board is ready, you will fulfil your role in the board/GM relationship with clarity and confidence.

In this section, we'll cover:

Building Board Muscle — getting ready to lead as a governing board

Articulating Your Mission — creating a plan to effectively transfer your knowledge of the co-op's values, and the owners' and community's expectations of how those values will inform the creation and operations of the store

Baking GM Success Into Hiring — viewing your entire GM hiring process through the lens of setting your new GM up for success by managing expectations, ensuring adequate accountability and monitoring systems are in place, and watching out for red flags in the hiring process

Putting It All In Place — thinking through when all of this work should happen, how to find the time to get it all done, and what tools to use to track your progress

Chapter 5

Building Your Board Muscle

Ready to pump some governing iron? Let's go! You'll need to build board muscle in four areas to be ready for the transitions ahead: Board Functioning, Policy, Reporting, and Financial Literacy.

Board Muscle — Board Functioning

When we say *board functioning* in this workbook, we're referring to the basics of how the board works together and accomplishes its work. These are your "core muscles" as a board. If these muscles are not well-developed and regularly worked, no efforts in other areas to develop yourself as a board will keep you from falling over when the co-op most needs you. These muscles stabilize all of your efforts. We cannot stress enough how important these muscles are for your GM transition to be successful.

The core board functioning "muscles" are:

- **Capacity** — having enough board seats and members filling those seats, with board members putting in the work and hours needed for the co-op to succeed.
- **Development** — a strong commitment to board retreats, training, and onboarding that strengthens each board member to do their work.
- **Policy/Roles** — internal board policies and roles that are defined and adhered to.
- **Dynamics** — a healthy board culture where discussion and debate flourish, all voices are heard, and conflict is effectively managed.
- **Time Use** — board meetings run on time and end on time, stay on agenda, and board members come to meetings appropriately prepared to make the best use of the meeting.

- **Accountability and Delegation** — the board has a process for assigning tasks/deadlines — and holding itself and others accountable to those tasks/deadlines — as well as effective delegation tools for making the most of the work of chartered committees, staff, and consultants.
- **Responsibility to Owners** — the board executes on all responsibilities to co-op owners: opening board meetings to owners, having an owner input process at board meetings, holding well planned annual meetings, and having a clear method for owners to access board meeting minutes in a timely manner.

To develop these core board functioning muscles, it's vital to meaningfully assess yourself as a board. This is true now, as you prepare for a GM transition, and will continue to be true going forward — long after the GM has arrived. Every board has strengths and weaknesses. Knowing what they are and how to address them sets effective boards apart from boards that struggle with their responsibilities.

If your board doesn't already assess itself in the above seven areas on an annual basis and plan for the board's development based on the results of that process, we strongly recommend you make time to immediately review and implement Food Co-op Initiative's FCI Action Guide: Board Self-Assessment. The FCI Guide has everything you need to understand the basics of board functioning. It will lead you through effectively using the included board self-assessment tool, plus give you tips on how to build a board improvement plan based on the results.

Public Board Meeting Minutes

Whoa, make our board meeting minutes available to the public?! Yes, we actually recommend you put your public board meeting minutes on your website where even non-owners can read them, with one big caveat — make sure you understand what belongs in board meeting minutes, and that you have a firm grasp of what topics belong in an open meeting (the portion of the board meeting open to all owners), and what belongs in a closed session.

Creating and keeping minutes of your board meetings is a legal obligation. But, board meeting minutes are only supposed to record what happened — what documents were reviewed, what was voted on, who voted for or against a measure, etc. — not what each individual participant said.

Once you have clarity on what should be included in the minutes of your meetings and what should be left out, you then can address the concept of **public** and **internal meeting minutes**.

Public meeting minutes capture what happened in the open session portion of the board meeting, but not what happened in any closed session portions of the meeting. Some topics on the board agenda should not be discussed in front of anyone, including owners, for legal

Your ability to hold your future GM accountable starts with the board's ability to hold itself accountable in a transparent and respectful fashion. Assessment of your board's functioning is the first and most critical step for identifying where you need to build the board's strength in order to lead a successful GM transition.

Board Muscle — Policy

As a Policy Governance® co-op, it's important that you have your policies written before the GM arrives, and that the board understands the role of these policies and how to use them. But policy as a startup board begins even before you put Policy Governance into place. Before we discuss the actual writing of Policy Governance policies in more depth below, check if you have the following types of policies in place:

- **Board code of conduct** — these are ethical guidelines for how all board members will conduct themselves on behalf of your co-op. For an example visit page 21 of the Policy Register Template from Columinate at <https://columinate.coop/cbld-policy-template/>
- **Board working agreements** — these outline how you will do your work. Working agreements often contain the board's voting policy, budgeting policy, meeting procedure, and agreed upon board officer roles.
- **Board work calendar** — this calendar maps out important annual tasks of the board, scheduling this work so it is tended to with necessary frequency. It would include items like:

reasons and/or to protect the co-op. If you're not sure your board has clarity on what belongs in the public part of their meetings and what should be reserved for closed session, take the time to build this understanding ASAP. A lack of clarity on what belongs in open versus closed session can not only cause confidentiality issues that can seriously impact the co-op, but can also lead to a secretive culture where too many topics are reserved for closed session that actually belong in open session. Get clear on what board minutes should and should not contain, and how to effectively use closed session procedures before posting your minutes anywhere (unless it is mandatory to do so immediately according to your incorporation filing and/or bylaws).

Once you have established this clarity, it is the public minutes of your board meetings we recommend making available on your website. Internal minutes, which include the minutes from all closed session items, must also be recorded and retained, but are only shared outside of your active board members with your state governing body upon their request.

annual board self-assessment; board election tasks; board code of conduct review and renewal; the co-op's annual report filing to the state; etc. When you fully implement Policy Governance, you will integrate your policy review schedule into this calendar.

If you do not have these tools in place yet, now is the time to pause and take the time to do so. These tools serve as your earliest policies as a board and as means for tracking and reviewing your policies, which helps you build the muscle needed as a team to move into the more advanced work of Policy Governance.

Writing your Policy Governance policies should happen in Stage 2a to give your board adequate time to create the policies, digest the policies, and practice using the policies long before the GM arrives. Your Policy Governance policies will inform many of your decisions in the late stages of your food co-op's development, especially in the GM hiring process.

There are many resources available to help you in setting up the four types of Policy Governance policies for your food co-op. Two resources we recommend for getting started on drafting your policies are:

Reinventing Your Board by John and Miriam Carver — this book contains actual sample policies, and is predominantly about how the types of policies work.

CBLD Policy Template from Columinate — this is a free, online resource that follows Carver's version of the policies closely while adapting them to the needs of food co-ops. They are a jumping off point for the creation of your own policies <https://columinate.coop/cbld-policy-template-2/>

Though the available written resources out there, including those listed here, are a great beginning, we recommend securing professional support in creating your co-op's actual Policy Governance policies. Having someone with Policy Governance expertise help you create your process for drafting the policies and then execute it is going to make a big difference in your satisfaction with the results.

Do not wait to begin to train as a board on what Policy Governance is, how it works, and how to set up your policies. By Stage 2b, your board should have a working knowledge of Policy Governance and be using Policy Governance as the central tool of your governance work in your board meetings.

Board Muscle — Reporting

Reporting, reporting, **reporting**. As we stressed in Chapter One, reporting is the central tool of board/GM communication and GM performance assessment. Once you are a governing board, the GM's reports become the most important barometer of your co-op's well-being. Without a strong reporting process in place, the board is wielding the power delegated to them by the co-op's owners in the dark without a flashlight. While that may sound a tad dramatic, once the GM is on board, reporting is truly that critical.

Knowing this, it's clear the board is going to need to build some reporting muscle before the GM is hired. The board needs to be ready to guide their GM in using their reporting processes; know how to read and assess the reports they are receiving; and have clarity on how to act on them. How does the board build this muscle pre-GM?

To train up on how to read and act on Executive Limitation (EL) reports and Ends reports (which are the type that will be submitted by your GM), consider a mix of the following options:

- **Read through samples as a board** — there are sample EL reports from food cooperatives available on the website www.columinate.coop that you could review as part of your monthly board development work. In addition, you could ask for samples from your mentor co-op to review.
- **Visit a board meeting** — there's no better way to get a feel for how these reports are discussed and responded to in food co-op board meetings than to attend the board meetings of other food co-ops. You can reach out to food co-ops in your region and request to visit their board meeting (and perhaps meet with them before/after the meeting for more discussion), or ask if they'd be willing to allow you to attend their meeting during the reporting portion via video conference.
- **Training** — this isn't an area of work where the board can just do a bit of reading and hope for the best. Consider investing in outside training support specifically in how to read, process, and respond to EL reports.

Of course, EL policies are not the only policies in the Policy Governance system. While the GM is governed by the board through the Ends and EL policies, the board governs itself through the Board/GM Linkage and Governance Process policies. And just like having a calendar of when you will review reports from the GM and assess those reports for compliance, the board needs to have a calendar that includes when you will report on the policies you are responsible for reporting on and a process for assessing your compliance with those policies.

The good news is you don't have to wait until you have hired a GM to begin utilizing your Governance Process policies and reporting on them. In fact, you should start as soon as possible. Beginning your Governance Process reporting now will allow your board to practice the process your GM will go through, as well as provide an opportunity for the board to develop an understanding of what should be in these reports and how to respond when the reports reveal deficiencies or, in Policy Governance terms, **non-compliance**.

As soon as you have created your Policy Governance policies, the board needs to begin reporting and doing compliance evaluation of the reports. Your efforts may be awkward at first, but that's exactly why you should begin practicing reviewing reports, discussing their content as a board, and running the board voting process on compliance as soon as possible. This early reporting practice will build your board's reporting muscle while strengthening your core board accountability muscle. It's a win-win!

Board Muscle — Financial Literacy

Financial literacy. If that combination of words gives you the shivers and then leads you to think, “But that’s our treasurer’s job!” read on. This section is especially for you. And steel yourself... you may be about to have some assumptions shattered.

The board as a whole has final fiscal responsibility for the co-op, but can delegate much of it. In startup food co-ops, there is always a board treasurer to whom certain financial responsibilities are delegated. Sometimes there is also a finance committee created by the board, though not always. The board delegates the oversight of the co-op’s financial records and accounting to either the treasurer or finance committee, and then also often delegates the development of pro forma financials for the project to either the treasurer or finance committee as well.

This delegating makes sense. It is an efficient use of the board’s time and resources to delegate this work to one or more persons who have, or can develop, expertise in this area. But in this delegation process, the board often abdicates too much of their oversight responsibility. This leads to the board as a body failing to develop the financial muscle it needs to oversee the spending of millions of dollars in the store construction process and to assess the financial performance reports from the GM once the store is open. With so much on its plate, the board often just trusts that the treasurer or committee knows what it is doing. They fall out

CoCo-what?

Have you noticed how much we love our acronyms in the food co-op world? If you haven’t yet, you will. At times it can feel like our own food co-op dialect.

CoCoFiSt stands for Common Cooperative Financial Statement. CoCoFiSt is a suite of financial support tools for operating food co-ops designed by CoMetrics (www.cometrics.com) — a company started by passionate cooperators to provide our industry with the same kinds of powerful, collective data that major chains have access to.

Food co-ops were at a big disadvantage, because we weren’t sharing financial data across the sector. To solve this issue, CoMetrics created this suite of financial tools that are populated with the shared data of all food co-ops around the country. These tools not only shed light on many aspects of our financial picture, but allow us to turn a spotlight on specific areas of food co-op finance so we can parse out areas where we’re having financial challenges and solve them. CoCoFiSt provides data that can analyze in the blink of an eye what is happening with important financial details — everything from average construction costs per square foot, to catching an early trend toward tighter labor margins in dairy departments. In fact, your pro forma probably has a CoCoFiSt tab, and assumptions for your co-op’s projections are based on this data.

of the habit of making sure they understand what is going on financially beyond the broad strokes. This balance between effective delegation and staying knowledgeable enough to execute your responsibilities as a board member on behalf of your owners can be delicate to maintain, especially in the area of finance.

If a disconnect between the full board and the board's financial duties is going to develop, it often happens (or becomes far worse) when the work on the pro forma financials begins in earnest. The pro forma financials for a startup food co-op are — if created by knowledgeable experts with the appropriate background in food co-op finance — robust and complicated. There absolutely needs to be one or two point people assigned by the board to take on this work in partnership with an expert, as it will quickly become far too detailed for the entire board to understand. As this delegation happens and other board members are hearing about the deep complexity of the work, a feeling can emerge that board members without a financial background could never understand it and should just trust whoever they delegated the work to. It is an understandable feeling, but it is inaccurate and potentially detrimental.

The board will need to strike a balance between delegating financial responsibility and ensuring full board education on the financial well-being of the co-op. How can the board establish this balance? What level of knowledge does every board member need? We believe boards need to understand these three basics:

You will absolutely want to participate in this important co-op industry program, and taking time in Stage 2a to align your financials with the **Common Cooperative Chart of Accounts** will make it easier for everyone in the industry to work with your co-op. Why? Because it will give your GM immediate access to information on what targets are reasonable for margin in each subcategory of the store, what Sales-Per-Labor-Hour (SPLH) to be aiming for, and so much more. It will also be a source of industry averages your GM can use to report to the board on how your co-op is doing in comparison.

There is a cost to joining CoMetrics and a learning curve for getting your financial accounting aligned with their chart of accounts. We recommend starting this work as early as possible so the GM can immediately start learning this tool upon their arrival and inputting your food co-op's data. You want your GM to have access to the training tools for using the CoCoFiSt suite and be able to compare your co-op's performance to other food co-ops as quickly as possible.

When you sign up for CoCoFiSt reporting with CoMetrics, they will walk you through the process of aligning your accounts with their system. Getting this done before the GM arrives will be very worthwhile. Contact CoMetrics for pricing and let them know if your co-op is planning to apply for membership in the National Cooperative Grocers, as this may qualify you for special pricing.

- **Types of Financial Reporting** — Income statements vs cash flow statements vs balance sheets... do we really all need to know this stuff? Yes. The whole board should understand these reports on a basic level; and it's not as challenging as it sounds, we promise! Seek outside training support if needed to go over what each report does and what they look like at a food co-op. You'll need to know this stuff to be a part of conversations assessing your co-op's overall financial health.
- **Pro Forma Financials** — once a draft of your pro forma financials has been created, ask your pro forma consultant to explain what numbers to watch as a full board vs what to leave to the experts and your designated representative(s) to work on in more depth. Your provider should be able to do this after the draft phase via phone or video conference. They should provide a walkthrough of the pro forma and the points of concern in the document with the full board. Also make sure you review our suggested startup EL Policy #B1 and its interpretation in the appendix of this workbook. It provides a good deal of information about what you'll need to be able to assess a report on Financial Conditions and Activities. The goal is for all board members to understand the pro forma financials deeply enough that you also understand why you can or cannot move forward with the plan outlined. This knowledge is not only necessary in the development stage, but will be crucial as your GM takes over those pro forma financials and is reporting on them (and to them) after the store opens.
- **Operational Key Indicators** — your pro forma financials will include income statement projections and a tab showing the average financial performance of other food co-ops with similar annual sales volume that your food co-op is predicted to open at. Do you need to understand everything on that very long income statement tab? Absolutely not. But, all board members do need to understand which of those operational performance markers can have a fast and painful effect on the co-op's well being. The GM should carefully watch and report on these critical markers from day one of the store's operations. Building this understanding is something that should begin before the GM arrives, then worked on in much more depth once the GM arrives. Outside professional support is strongly recommended for building an understanding of food co-op income statements, including identifying what factors the board should understand and watch in the co-op's early open days and explaining what they mean.

Every board member needs to know the basics of your pro forma financials and the three kinds of financial statements universal to every business in order to execute their fiduciary responsibility to the co-op and its owners. Again, it's not as painful as it sounds! We don't expect every member of your board to become a financial expert. But if you don't have this information and these skills, you can not hold your GM accountable and do your job as a board.

Building your board muscle in board functioning, policy, reporting, and financial literacy in Stage 2 will equip your board to lead your co-op through all three of the transitions that happen in Stage 3. It may look like a lot of work on paper, but taken step-by-step, this work will equip your board to gracefully lead your co-op through the intricate dance ahead without missteps or crushed toes.

Chapter 6

Mission Transition Readiness

Now that we know all of the muscles the board needs to build to be ready for the lift of leading a successful GM transition, let's introduce the GM transition area of readiness unique to startup food co-op boards: the **mission transition**.

Before we dive in, let's review some ideas and clarify some terms. This is mostly a repeat from the sidebar in Chapter one, but we find most of us get tangled up and forget what each of the pieces of the Vision Cornerstone are. They are going to need to be front of mind for the work of this chapter.

Coming out of Stage 1, you'll have a **vision**, which is one of the four cornerstones of the Food Co-op Initiative development model — often referred to as the “4-in-3” model. The vision cornerstone is made up of three things:

Vision

Defines what the co-op exists to do on a large scale and for whom. The phrase that sums up mission is, “We exist to _____ for (whom).”

Core Values

The means by which the mission will be delivered. The phrase that sums up core values in relation to mission is, “To achieve this, we will _____.”

Mission

The operational method of delivery. It is our “big idea” for manifesting the vision through the work of the core values. In the case of startup food co-ops, the mission is to build a retail grocery store that will focus on the core values to deliver the vision.

For more in-depth insights and examples as to how the vision cornerstone is developed in startup food co-ops, please refer to the Food Co-op Initiative video series at: <https://www.fci.coop/about-us/food-co-op-development-model/>

While there are varying definitions of vision/core values/mission out there, the ones above are the most common — especially among non-profit organizations.

When we refer to core values in this workbook, we are referring to the ones created by the startup co-op in their Vision cornerstone work. The core values are used to build the mission — i.e. the operational manifestation of the values, or, more simply, the thing we build to achieve our vision, according to our core values.

The Purpose of the Mission Transition

For an incoming GM of a startup food cooperative, nearly everything is a blank slate. The Ends policies the board hands them are big and broad (as intended), so they can effectively give the GM room for operational interpretation once the co-op is established and running. But the Ends are so broad that it is easy for the new GM to misunderstand what the owners of the food cooperative want from their store. What do the owners consider so essential as to be non-negotiable in the creation and opening of their store? Your GM will not have time to gather this knowledge before the shovels are in the ground, which can result in radical disconnects. For example:

- A startup GM opening the co-op with a 90%+ organic product mix in a community that is very price-conscious and had been expressing for years that they wanted the focus to be on local offerings (organic or no) and an otherwise “clean,” but more affordable, product mix with minimal focus on organic foods. The results of this disconnect led to sales well below projections in the first months the co-op was open.
- A startup GM putting little to no focus on local farmer/producer offerings, and not building relationships with these local vendors because they believed this could come later once the co-op was financially stable. They put all of their energy into the very important work of making sure the business was operationally sound, but failed to address the core owner value of putting local farmers/producers first, thus unintentionally doing significant damage to the multi-year relationships the food co-op had built with local farmers/producers during its organizing.
- A startup GM not understanding that cultural fit and making the low income community surrounding the store feel at home were central to the co-op’s promise from day one. The GM did not create a robust community input process to ensure the store was “for them,” resulting in a store that felt visually unwelcoming to those who lived nearby. Very few nearby community members changed their shopping patterns to support the co-op once it opened.

When we talk to startup boards about GM transition, situations like these are often what keeps them awake at night. We find that most startup food co-op boards absolutely understand that the GM will need room to decide what the co-op can afford to do and offer (based

both on time and the financial resources available) and don't wish to tie the GM's hands with too many limits. They understand that their store may not be able to have everything the owners dreamed of — at least not right away, and certainly not in the first year. But at the same time, the board has been working for years to build their co-op on behalf of their community and the co-op needs to deliver the values it was built on. They know that no one is going to show up and shop if the GM opens a store that isn't what was promised.

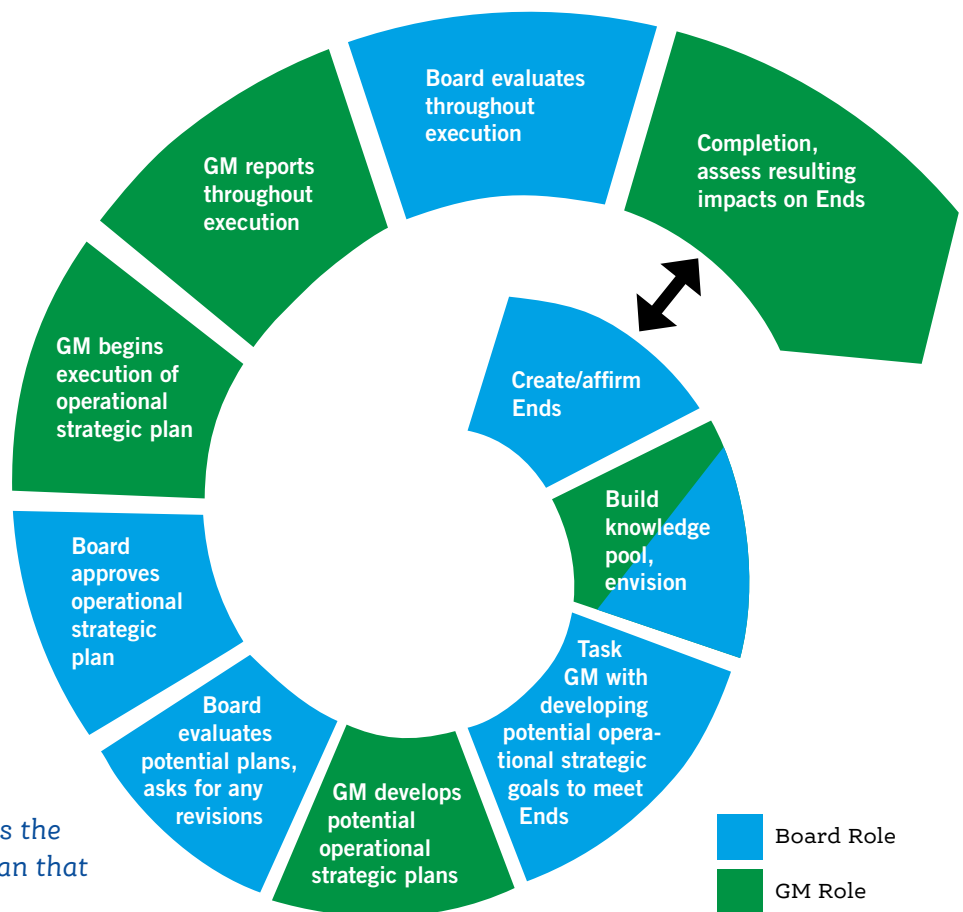
Within a few short months, the GM will be interpreting the values that have been built by the owners over many years and embedding them in the actual retail store. In many cases, the board has been told that the GM will handle all of the decisions when they arrive — both those that will create the store and those that will create its culture — with no substantial guidance from the board on the vision. Startup boards rightly want to know if that's a reasonable expectation. No, we do not believe it is. Just as it would not make sense for the board to immediately step back upon the GM's arrival without a period of training on and transition of the operational business plan from the board to the GM, we believe it is just as bad of an idea for the board to hand the new GM a copy of the Ends policies and leave them alone to sort out every bit of how the owner's vision will be realized in the creation of the store.

The board needs to plan a mission transition that gives the new GM guidelines about what the owners would consider out of bounds or out of alignment with what they care about most and tools for plausible ways to implement what they are envisioning. To do otherwise significantly jeopardizes your GM's chances for success.

Why It's Crucial

In Chapter 2: *The Dance*, we looked at the layered process the strategic leadership team goes through to develop the operational strategic plan to grow the co-op's Ends. To arrive at their **operational strategic plan**, a startup food co-op goes through a process equally as layered as that of an established co-op, but the GM is not present for those years of process and the Ends are not written yet. Instead, the GM is

Strategic Planning Cycle: Your GM joins the co-op in time to execute the strategic plan that has been developed by the board.



joining the co-op just in time to execute the strategic plan that was set by the board. The GM was not involved during those rich years of building up a shared understanding of the co-op's owners' core values, nor were they a part of the work to transform those values into the mission of a full-service grocery store customized to what your market is capable of and what your community needs.

For the purposes of startup food co-op GM/board transitions, we're going to talk about the operational strategic plan as consisting of two parts: the **business plan** and the **mission**. Though these two parts shape and inform one another — and only together form the strategic operational plan — we discuss them separately here for clarity. We suggest startup boards do this with their GMs as well.

The Business Plan

This is the pure business side of planning your co-op — the market study is conducted, then pro forma financials are created based on the market study recommendations to forecast its financial future. Also based on the market study's recommendations, a site is searched for

Business Plan Checklist:

Remember all that work you did in the early days to determine if a co-op was feasible in your community? Now all of these pieces come together to inform your strategic business plan.

- Market Study
- Pro Forma
- Site Design
- Funding Plan

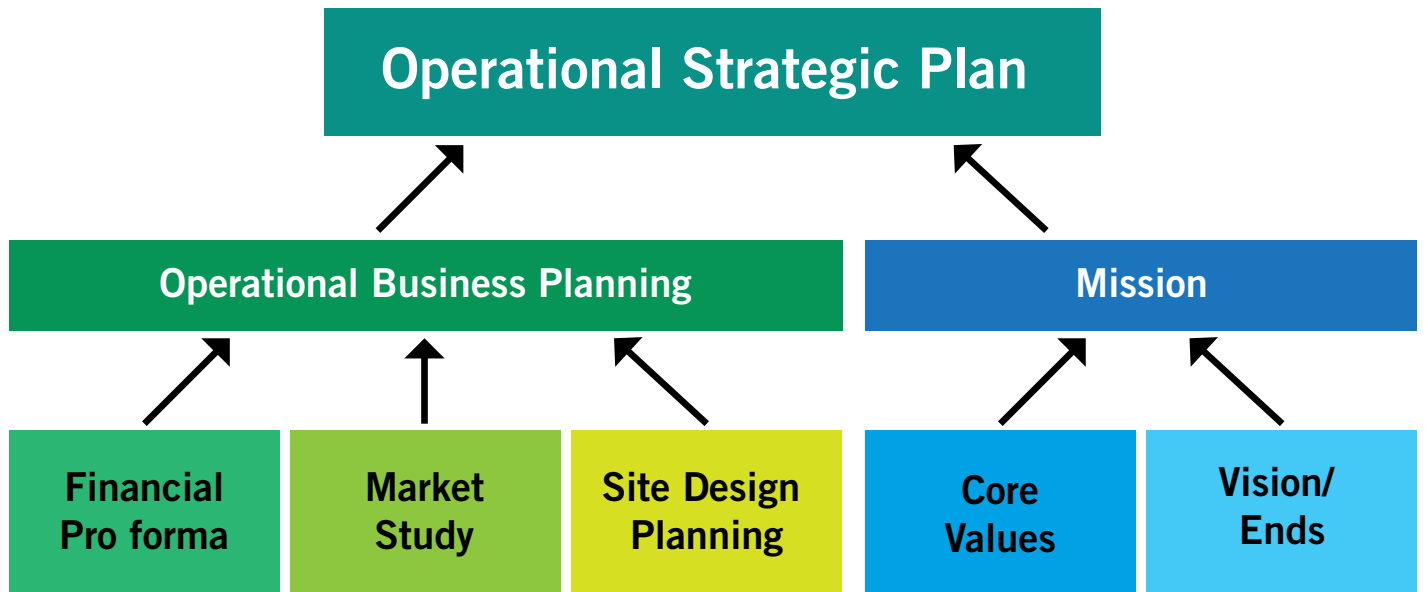
We'll cover how to transition all of this important data in Chapter 13, when we walk you through the first 30 days with your new GM.

and secured to meet the business's need to perform as predicted in the study. Once the site is secured with contingencies, preliminary design is done to see if the site can meet all of the operating needs of the business, and the pro forma financials are updated to reflect the realities of the site and design. If all of these pieces still show feasibility, then a funding plan to meet the sources in the pro forma financials is executed and, if successful, the business goes forward. All of these businesses plans, projections and supporting research are what is traditionally passed on to the GM as the board transitions their knowledge and trains their GM to take over the work of running the business.

Mission

Mission is less clear cut, yet is deeply woven into the overall operational strategic plan. Informing the board's business planning decisions every step of the way is an ever evolving understanding of the co-op's owners' core values and how they manifest

in the mission — i.e. the creation of a retail grocery store. If the owners wanted just any old grocery store, they know where to find one. Heck, they are already getting their groceries somewhere else and could continue to do so. The owners of the co-op have invested their hope, time, and money to create a very specific grocery store — one that meets the vision and values they were promised. The vision came first, and then a business plan was created that was



shaped both by what was feasible for their community and by their own evolving understanding of the mission — what a grocery store built on their needs and core values would be like.

When the GM of a startup co-op arrives, the board brings them up to speed on the business side of the operational strategic plan by sharing the numerous detailed documents they have created. But the GM also needs to be brought up to speed — quickly — on the values and mission that shaped the operational strategic plan. Filling in that gap cannot happen fast enough if the GM is going to effectively bring those values to bear in the creation of the store. The GM should not be left to their own devices to just “wing it.” The GM will need robust support from the strategic leadership team that developed the plan, which (in the unique case of startups) is the board of directors. The board needs to have a plan for how they are going to transfer this life-blood of the co-op — its values and mission — to the GM in a quick and concentrated way so that they can build a store that will resonate with the community it is meant to serve.

The board needs to have a plan for how they are going to transfer this life-blood of the co-op — its values and mission — to the GM.

The operational strategic plan is built from years of visioning, coalition building, and business planning. You wouldn’t hire a GM to execute the business side of the plan without carefully onboarding them to the financial pro forma, introducing them to the architect to pour over the site specs, connecting them with the store designer to review equipment plans, etc. — it would be a recipe for disaster. You need your incoming GM to take over the business planning that has already been done and execute the rest of it, not come in and make it up as they go along or start redoing the whole business plan from scratch. Why should it be any different when handing over the core values/mission that were carefully developed by the co-op, and that need to inform the execution of the rest of the plan? Yet historically, this piece has been

left unaddressed when the GM arrives at a startup food co-op and the results have, at times, been unfortunate. The operational strategic plan that the board of directors has created over years of work is as much an operational mission as a business plan, and the mission must be transferred over to the GM with as much care and information sharing as the business plan. The mission transition plan will accomplish this.

Established food co-ops do not create operational mission transition plans for onboarding a new GM, so why do startups need to? An established food co-op board has a plan to transfer the financial and operational knowledge of their co-op over to their GM rapidly and effectively, just like the one you will be building in this workbook. We recommend that the board of any established food co-op that is hiring a new GM also create a training plan like the one we will walk through in Section 3 of this book. Making sure there is a plan to effectively transition operational knowledge of the co-op to the GM and fill any gaps in GM's training will be

Is This All Necessary?



In talking to the leaders of startups that have opened successfully, you might hear, “Oh, our GM was great from day one and we didn’t use transition plans.” You might wonder if all of this planning and reporting is really necessary.

The last thing any startup organizer wants to do is create unnecessary work. Our response to that question would be, “Yes, they are necessary” and our reason for that response has multiple layers.

Startups that did very limited GM transition preparation and yet had great success with their board/GM transition are *exceptionally rare*. These startups got lucky not just once, but twice.

First, the stars aligned for them when they were able to hire a GM with extensive food co-op management experience. Demand for experienced food co-op GMs is at an all time high with both existing and startup food co-ops clamoring for their services. It is possible for a startup to hire a GM with co-op experience, but the odds aren’t great for most.

The stars aligned for these startups a second time when their co-op experienced GMs turned out to be able to handle every twist and turn of opening up a startup food co-op without needing outside training or significant support. When an experienced GM is hired by a startup, often the board and the GM then assume the GM should know how to handle the unique challenges of opening and running a store for a startup food co-op without much training, resources, or evaluation. That doesn’t always turn out to be the case, and it’s not a reasonable expectation of any GM, actually.

We don’t want startups — and the future of the startup food co-op movement — to have to rely on blind luck. That’s why we’ve created this workbook, to give startups tools and plans that will empower them to strengthen their board, their GMs and their board/GM relationships — and not leave their co-ops at the mercy of the stars.

necessary every single time a GM is hired — at any co-op. However, the newly hired GM at an established co-op comes into a store culture that already exists and can then make adjustments over time. They do not need to build both the store and the culture of that store from scratch on a short timeline. A startup food co-op's first GM will not have this luxury, hence the need to take this extra preparatory step to support the GM's success.

The Mission Transition Plan

Okay, so you're convinced you need a plan to support your GM in understanding the business side of the strategic plan your startup board has created, the core values it was built upon, and how the owners want the mission manifest in the physical space of their co-op. So what exactly is the plan?

The **mission transition plan** is a document that captures the core values and mission that the strategic operational plan was built on in a way that allows the board and GM to have a shared understanding of what those values and mission are, and gives the GM research on specific ways those values and mission can be manifested in the planned retail store.

First, it is a plan built on the principles of Policy Governance®. The mission transition plan is built to be an on-ramp to the Ends/Means split between a governing board's and GM's responsibilities. It will accomplish two important things:

- allow your GM to step into a critical part of the strategic plan they have been hired to execute
- allow the board to clearly map out a path to transfer over the core values their Ends were created from, which can be the hardest piece of the strategic plan to successfully impart to the GM

Done right, the mission transition plan is a tool that builds both the board/GM relationship and the GM/owner relationship, strengthening your GM and your co-op as it moves into retail operations. It brings the mission transition into the TEAM model of board/GM interaction, both teaming with and empowering the GM by doing the homework to be ready to partner with them and define the boundaries they can work within; as well as giving the board and GM a way to clearly monitor progress and then assess the GM's overall execution.

In Policy Governance, all policies can be revisited or changed whenever the board desires, but generally stay consistent (with changes being periodic, but not frequent). When the co-op is approaching a major transition, like the hiring of a new GM or a capital project as we discussed in Chapter 1, the board revisits these policies and considers if they need to increase how often they ask their GM to report on specific policies during the transition, and/or if they need to create any additional policies to be used during the transition period.

The mission transition plan is an example of the board creating additional reporting guidelines and/or policies for a specific time of critical transition at their co-op — but, it can only be built when all Policy Governance policies are in place, including the Ends. The plan is not meant to stand alone, but to enhance your existing policies.

The mission transition plan will contain three parts:

1. Executive Limitations — as we discussed in Chapter 3, these are policies the board writes specifically to communicate to the GM what is out of bounds, what lines cannot be crossed, and/or what the GM cannot fail to do. They contain the things that must be addressed in the creation of the store for it to be your co-op, the one that was promised to your owners and community. These Executive Limitations (ELs) will be few and carefully chosen to preserve space for the GM to interpret the co-op's Ends (values), while creating a store that can be financially successful. Building the store is the means (or the way the co-op will run their business) to meet the Ends that the board decided on when they were still a working board. These ELs are how the board establishes responsible boundaries for the hand-off of the development of the co-op to the GM.

2. Recommendations — in the process of building the strategic plan to open your co-op, the board has collected a great deal of knowledge about how other food co-ops have put their co-op's values and their community's culture into action in a retail store setting. As part of the mission transition plan building process, the board (through a committee delegation) will research affordable, sustainable ways that similar co-ops have implemented their own core values in a retail setting. Being proscriptive is reserved for EL policies. The recommendations are instead a playbook of possible moves, with enough details for the GM to rapidly evaluate and decide on appropriate moves so the store can manifest and execute its values.

3. Advisory Space — the third and final piece of the plan will be a process where the board outlines how they will connect the GM to key voices who have insight on the co-op's values and how they see the mission of the store. This also includes the process for the board itself sharing advice with the GM for executing the owners' values and mission based on the expertise they have built up throughout its development.

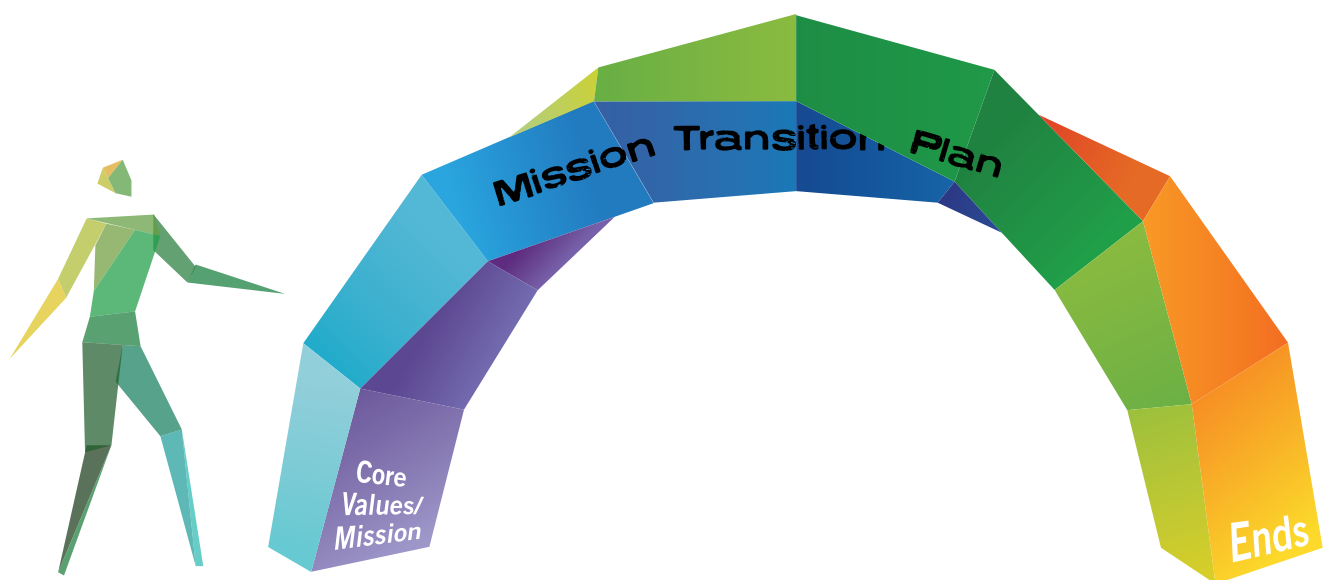
Getting Ready to Build the Plan

The board will need two things in order to be ready to move forward with creating its plan: their co-op's policies and Ends, and a well thought out map of their owners' highest priority core values.

Policies and Ends — if you haven't created your policies and Ends, take the needle off that record! You're not ready to tango with creating your mission transition plan yet. If the board has not done the foundational board work to build your policy muscle, you'll need to circle back and do that before you'll be ready to delve into this more advanced GM transition planning. You'll be using your ELs and Ends as the dance floor that supports and shapes your mission transition planning.

Owner core values and mission — during the development process of your co-op, the board has set core values for the co-op based on what is most important to the co-op’s owners about how the co-op accomplishes its mission. The board will need to revisit those core values and affirm they are still accurate, and then run a process to bring forward what they understand to be their owners’ expectations for how their store will meet those values.

The mission transition plan will ultimately be a bridge from your owners’ core values and mission to the bigger, broader Ends policies the board has set for the co-op. The transition from your core values to your Ends is pivotal for your GM’s success as your co-op manifests its mission of operating a grocery store. Your plan for this transition will be key for creating a co-op grocery store that reflects its community and thrives. Equally important, it will be a powerful training process for the board on how it leads when it’s no longer in the driver seat for business development decisions. In Chapter 10 we will lead you through the step-by-step process of creating your mission transition plan.



Chapter 7

GM Hiring Process: Shall We Dance?

The GM hiring process is the first dance between the board and their future GM. Your relationship with your future GM actually begins in those interviews. Understanding the role of the GM hiring process in the board/GM transition and creating your hiring process through that lens is critical to the future success of your board/GM relationship. In this chapter, we'll prepare you to create a hiring process that uses TEAM system thinking, and then in section three of this workbook we'll lead you through building your own GM development plan.


The purpose of the GM hiring process

The purpose of having a GM hiring process is obvious, right? It's to hire a GM to open and run the co-op's retail store. Yes, the purpose of the hiring process is to hire the GM but it's actually about more than just that. The GM hiring process needs to:

- Lead the board to a final GM candidate that is adequately qualified for the job and who is a good fit for the co-op's Ends; meaning they understand the co-op's values and how important it is to center those values in all decisions, and they have the skills necessary to do so
- Reveal any and all areas of **deficit** and/or need for **upgrading skills** for your top candidate
- Lay a strong foundation for the board's expectations of the GM and set the tone for how the board and GM will work together
- A startup food co-op can run a GM hiring process and hire a GM, and yet have accomplished none of the above. Using the board/GM transition lens on the GM hiring process means understanding that the hiring process needs to meet all three of these purposes, not just deliver a GM.

The Challenge

To prepare to run a GM hiring process, the board has to understand exactly what they are up against. The reality is, there are very few experienced food co-op GMs to go around. Food co-ops are not like any other business. Running one takes a unique combination of skills, so there has never been a glut of available people who have served successfully as food co-op GMs on the job market. On top of that there have been multiple startup food co-ops ready to hire their GM every year for the last decade or more, which creates competition for the experienced candidates that are available. And on top of that, we have a new factor creating food co-op GM candidate scarcity in the last five years: retirement. Many GMs of established food co-ops who have been with co-ops for decades are now hitting retirement age. With a significant number of established food co-ops on the market for GM candidates now, the odds of your finding an experienced food co-op GM just got tougher. Are startup food co-ops ever able to hire experienced, successful food co-op GMs? Yes. Is it likely a startup food co-op today will be able to do so? No.



The board should strive to attract an experienced food co-op GM for their co-op, but at the same time prepare for not being able to. As we discussed in chapter one, for small to medium-sized co-ops (the size category all startup food co-ops fit into), the GM role is both CEO and store manager all wrapped into one. This combined set of skills is rarely called for in chain grocery stores or in any other industry. Almost any candidate without successful food co-op GM experience will have deficits that need to be identified and addressed, no matter how great a fit they may otherwise be for the co-op or how impressive their resume is. It would be irresponsible for any startup food co-op board to not prepare as if their eventual GM will not have experience as a food co-op GM.

Even if you're able to hire a GM with food co-op experience, that does not mean they will have a background running a co-op as small/large as yours, and size can make a big difference in what skills the GM needs to have to do their work. For example, if an experienced food co-op GM is used to having a full time finance manager who handles all financial functions and creation of reports that they then interpret, and they come to work for you in your small store, they're going to need to learn how to set up internal financial

systems and create the reports they will need to inform their management team's goals and write their board reports. Alternatively, if the candidate has successfully run a food co-op that had half of your co-op's expected sales, they will not be experienced in creating a staffing structure for a staff the size your co-op will need and may not have knowledge of how to create appropriate HR systems for a team that large.

The reality is, no GM candidate is going to come in with all the skill sets they need for the unique challenge of setting up a new food co-op, running a food co-op of the exact size yours will be, and working for a board of directors. The board must have a plan for identifying and addressing missing skills and/or skills that need to be strengthened. We address how to do this later in this chapter.

The challenge of GM hiring for startups is two-fold: finding qualified candidates in a competitive market, and then having a plan to quickly address any gaps in their knowledge or skills.

Tools We Recommend

The challenges above might sound daunting, but there is information and support out there to help startup boards. Let's start with some readily accessible tools.

The Hiring a General Manager toolbox from Columinate and the National Cooperative Grocers is a food co-op specific hiring guide that will walk the board through the process of hiring a GM. This tool will guide you through all the steps of the GM hiring process, so we will not be covering these steps in this workbook, but will instead focus on what a startup board needs to know in addition to what the toolbox covers to integrate GM hiring successfully into the board/GM transition. Any new co-op gearing up to hire a GM should get copies of this toolbox and treat it as their primary reference tool for the hiring process. We recommend the entire board read it and discuss it together, and then go through it and decide which parts of the process to delegate to the GM hiring committee. Use the results of this process to write the committee's charter. Once formed, the committee's first task should be to read the **entire** toolbox with special emphasis on the parts of the work the board has delegated to them, and to discuss it so they have a shared understanding among themselves, and with the board, of the task ahead.

Within that GM hiring toolbox is a particular tool we want to call your attention back to (we mentioned it in chapter one as well) and discuss in a bit more depth: the GM Success Profile. If you've been working through the chapters, you already have a firm understanding of the GM's role. But the GM Success Profile is also an important tool for GM hiring. As you'll remember, the tool focuses on which competencies are most needed in GMs, which gives the board a road map for what to look for in a GM candidate. Before creating the GM hiring committee, the board should pull this tool out again and re-read the section on the competencies that are specifically recommended for a startup food co-op GM. The goal of re-reading it as a full board is to decide if the board agrees with the recommendations. The authors of this workbook

agree with the recommendations in the GM hiring toolbox, having served as GMs ourselves, but it is important that the board decide for themselves if they can affirm these competencies as the top priorities and, if not, make any changes needed so they can agree on a list of what their top priorities are. This shared understanding of what is most needed in the co-op's future GM is the foundation upon which the GM hiring process is built. The board would then share this tool and their decision on which competencies to prioritize with their GM hiring committee.

The last tool we need to discuss before moving into the rest of this chapter is outside expertise. We'd be remiss if we did not bring up that startup boards are unlikely to have all the skills needed on their board and/or GM hiring committee to complete all parts of the process with the excellence necessary. The board will need to strongly consider hiring a co-op expert to help them develop their hiring process and will also need to consider using headhunting firms that specialize in the grocery industry who may be able to help find the candidates with the experience needed. In addition, we will recommend later in this chapter that the board get professional assistance in assessing your top candidate's skills and creating a GM development plan for that candidate.

The board does not need to hire support for all areas of the GM hiring process, but we do believe they will need to hire for at least some of it, even if that board has the benefit of someone volunteering on their GM hiring committee who is very experienced in HR. Be careful not to confuse general experience in hiring with the specialized expertise of GM hiring for a food co-op. The GM hiring process is not a place to cut corners. Some of the needed expertise can come from those with HR experience, some of it can potentially come from the co-op's mentor co-op, but it is highly unlikely all of it can.

Using the Hiring a General Manager toolbox as the blueprint, augmented with the GM Success Profile and professional support when and where it is needed, the startup board has all the tools they need to run a strong GM hiring process.

The Board/GM Transition Lens

Applying the board/GM transition lens to the GM hiring process starts with using the TEAM system to make sure you end up with a hiring process that will serve all three purposes that we listed at the beginning of this chapter. Let's take a quick look at how the board can apply the TEAM system to building their GM hiring process.

Teaming

Preparing — the board comes to the GM hiring process fully prepared. You have done your readiness work and have put in the time to design a full and comprehensive GM hiring process.

Unifying — as a board, you have all reviewed and approved all of the GM transition plans as well as the GM hiring process. You've spent enough time on these efforts to build the

board's understanding of why each piece is important and have strong alignment on the plans and process. You arrive at the final candidate interviews unified in your plan.

Supporting — the board has delegated a large portion of the hiring process to the GM hiring committee. Knowing they have clearly defined what is delegated to this committee and set reporting expectations that are being met, the board stands behind their committee and goes into the GM hiring process fully supportive of their work.

Engaging — the **entire** board engages fully in their role in the GM hiring process. They study the recommendations of the GM hiring committee and make informed decisions. When the time comes for the full board to participate in the intensive final interview processes, all board members not only prioritize being available for those interviews, but do all the pre-reading assigned and come to the process fully engaged.

Empowering

Defining — the board has carefully defined the GM role through policy and the creation of a job description; the board is ready to confidently explain and take questions on what the GM role will be and what they will expect of it in the interviewing process.

Mapping — the board has clearly defined the boundaries for the GM and how they will monitor those limits through the creation of their transition plan which they will share with their top candidates in the interview process.

Showing — the board has examples of what kind of reports they will expect to get and will share them with the top candidates in the interview process.

Developing — the board has a culture of on-going learning for themselves that they will talk about with their top candidates and has a plan for assessing their top candidates' skills. These assessments will be turned into a GM development plan, which they are ready to outline and will share as part of the offer of employment.

Assessing

Board self-assessment — the board has not only assessed their readiness to move forward with GM hiring as outlined in chapter eight, but has also gotten an outside assessment from qualified experts of their overall GM hiring process plan before launching it.

GM assessment — the board has designed a process for assessing their GM's skills during the interview process. In addition, the board is ready to share with their top candidates their GM assessment schedule which will outline how often and when the GM will be assessed.

Monitoring

Reporting — the board has prepared a monitoring schedule they are ready to share with

their top candidates as part of the interview process. They are ready to support the GM's development needs so they can launch directly into monitoring work upon hire.

We recommend that the board develop a rating matrix to use in assessing their top candidates that is filled out by all board members and then collected into one data set for each candidate. This use of data will help cull some biases from the process and give you a solid base of information to make your decision from. Using data in this way as part of your hiring process is an excellent self-monitoring step.

Weaving TEAM into the Interview Process

Reading above about how to look at the GM hiring process through the TEAM system lens, you probably noticed a pattern: we listed a whole lot of things the board should make sure to incorporate into their interview process with top candidates. Setting aside significant time in the board interviews with top candidates to talk about cooperative leadership is crucial to establishing the board/GM relationship.

Historically, we've found that new GMs at startup food co-ops often arrive on the job not fully understanding who they will be answering to, or how. Those with conventional retail management experience have likely never answered to a board. Your top GM candidates are probably used to answering to one person, and you'll want to make sure they understand that answering to a cooperative board will feel quite different and that participating in your governance work through reports and strategic planning will be a significant part of their job. Even if the candidate you are interviewing has experience working for a co-op, don't assume they fully understand how you intend to lead. Set aside the same amount of time to discuss cooperative leadership with them as you would with any other candidate.

Items to share in the pre-interview packet for top candidate interviews:

- Chapter 2 of this workbook: the TEAM system, the role of policy in the board/GM relationship, and the strategic leadership team process
- The reporting plan (containing the monitoring schedule)
- The mission transition plan
- Sample EL report(s)
- Chapter 11 of this workbook: GM development plans

Let the candidates know you'd like them to come to their interview prepared to discuss the material in the pre-interview packet. It may sound like a lot to expect a candidate to read all this before an interview, but if they've gotten this far in the candidate process and are being interviewed by the full board, one would hope they understand the intensity of the role for which they've applied and would be hungry for information about the board's expectations of the role. And, we know you won't want to hear it when you're down to a couple of top candidates, but it is true — if they aren't willing to do this level of prep for an interview with the full board, you've likely just found out how seriously they would take TEAMing with the board and participating in a development process, and it's not good news for their candidacy.

Share these materials with your GM hiring committee, who will be helping develop many or all of the pieces of the GM hiring process, as well as with any experts you are using to help craft your interview questions and process. Let them know you want to spend a significant amount of time in this area during the full-board interviews and ask whichever team or consultant that is working on your interview questions to craft a section of interview questions that relate to what is contained in these materials that you can then react to and perfect.

As a board, think through which pieces of this material you'll want to cover with them and review in more depth to make sure they understand it. We recommend, at a bare minimum, having a discussion around the culture of continual development and the GM development plan and getting their thoughts on the reporting plan. Leave plenty of time for them to ask questions and for a robust conversation to unfold around cooperative leadership.

Assessing Candidates and the Final Interview

We've explained that your assumption must be that no GM will come in with every strength or skill your co-op might need, so how will you assess the strengths and weaknesses of your top candidate? The very best GM candidate will still likely bring only 90% of what your co-op needs to the table. No matter how much experience your new GM has, it is necessary and reasonable that the board create a GM development plan that the GM will agree to embrace as part of the important early work they will need to do to serve their new co-op. The GM will get a role in shaping their development plan as well, if they accept the job

You will need to assess your candidates on a variety of skills and competencies. The qualifications ranking process that you go through at the beginning of your GM hiring process, using the GM Success Profile, will establish what your GM needs to be able to do. The board will use the same criteria to assess the final candidates by creating a qualifications matrix (example found in the *Hiring a General Manager* toolbox) to rate the candidates on each qualification criteria.

It is not uncommon for a startup to ultimately hire someone who may have weaknesses in one or more areas of your ideal GM success profile. Again, no GM will come in with every single possible skill needed. And in some cases, your top candidate will be inexperienced in a very critical GM skill — like the ability to read pro forma financials and balance sheets — and still seem to be otherwise a great fit for the job. If, after a full evaluation process, the board feels solid about making an offer to a candidate with a critical **deficit** in knowledge or experience in an area of GM responsibility, the board and the GM must come to an agreement on what those areas are and both agree to invest fully in a GM development plan to address these areas in a short amount of time.

But while it is most critical to identify deficits that need addressing, you'll also be looking to identify areas where the candidate should upgrade their skills to thrive in the GM role for your startup. Even if your star GM candidate seems to check every box on your qualifications matrix, in 99 out of 100 candidates, there are still going to be areas where they will need further development.

Identifying Deficits, Skill Upgrade Needs

So just how do you identify these deficits and areas for skills upgrades? Start with your customized GM success profile that the board has reviewed, amended as they desired, and agreed upon. This is going to be a key tool for identification. Share it with absolutely everyone who will play any role at all in the GM hiring process, including your top candidates.

We would wait to share it with the candidates until the final interview itself. Review it with them toward the end of the interview and ask them to rate themselves in each of the areas of the success profile, sharing where they think they are strongest and in which areas they feel they would need the most development support. Take good notes, this is going to tell you a great deal about them and is going to be important information to use in your GM development plan building.

But, before you even get to final interviews, share your GM success profile with any experts you're using to help assess the candidates' abilities. Assessment, especially in key operational areas where you won't have the needed knowledge to rate the candidate's competency, is an area where you should consider getting outside support and input, ideally from someone who

The Magic of a Matrix

A **cognitive bias** is the way a particular person understands events, facts, and other people, which is based on their own particular set of beliefs and experiences and may not be reasonable or accurate.¹ In fact, there are hundreds of noted biases that have been studied in the field of psychology, business, and economics. These cognitive biases can take many forms: being drawn to details that confirm our existing beliefs, finding stories and patterns even with sparse data, thinking we know what other people are thinking, etc.²

Even the most thoughtful, logical, and self-aware person has cognitive biases. The tricky thing is that we often don't know when our cognitive biases are at play. It may just feel "right," "normal," or you can "feel it in your gut."

It's fine to note these feelings, but you need a gameplan so your biases don't take over your GM hiring process.

- Follow the same screening and interviewing methods and procedures for all of your candidates.
- Take the time to create a matrix to be sure that all of your candidates are being judged fairly on the same criteria.

Consider the matrix "checks and balances" on your group's important decision making process and a way to keep your cognitive biases at bay.

¹ <https://dictionary.cambridge.org/us/dictionary/english/cognitive-bias>

² Creative Commons Attribution-Share Alike 4.0 International

knows the GM job well (like a successful GM at your mentor co-op or a co-op management consultant or both). We would recommend your expert(s) interview your candidate before the final board interview with an eye to identifying areas where development investment will be needed, and that they share their findings with the board so the board can keep those insights in mind during their interview with the candidate.

The board will use the candidate's self-assessment, the assessment of their experts, and their own assessment of the candidate in all areas of the GM success profile to then create a list of areas they feel must be addressed in the GM development plan. The resulting list might be a substantial list of deficits and skill upgrade areas, or a short list of two or three skill upgrade areas, or anything in between.

Remember, your goal as a board is to develop a plan to intentionally build your candidate's GM competencies to the point where they can be independent in all areas of GM responsibility, ready to be successful in every area of work you delegate to them. This can be tricky to address as part of the interview process, but is far easier if you lead with discussing your overall culture of on-going development and how the board is committed to on-going development for both themselves and the GM alike. Make sure you're clear that deficits and areas where they could use skills upgrade support does not disqualify them as a candidate, that it, indeed, can make them a more attractive candidate because you are looking for someone who is self-aware, able to admit their needs for support, and transparent. You'll be letting them know upfront that a draft GM development plan will be part of the job offer, if the board offers them the position, and that, if they accept the position, they will have input into shaping the final version of the plan.

We'll show you how to build the actual GM development plan in section three of this workbook.

Red Flags

While we leave most of the general GM hiring process advice to the Hiring the General Manager toolbox, there are a few "red flags" that we feel we'd be remiss to not address before we end this chapter. Some weaknesses can be addressed with additional training and support, and some are red flags, meaning they are traits or weaknesses that often signal an issue that no development plan can prevent from becoming a big problem for your co-op. These are the kinds of issues that might cause you to reconsider moving forward with a candidate. We don't believe it is possible to make one definitive list of all potential GM candidate red flags, but the ones listed below are the ones we strongly recommend looking out for. We suggest seeking input from the GM expert you used on what areas of concern came up for them, if any, when assessing your candidates and if they believe any of them would make the candidate non-viable.

After many years of hiring and working with GMs and other retail leaders, we feel confident saying the items below are always red flags. They are probably too difficult for a startup GM and board to overcome, even with a development plan. Closely watch out for these as you assess your GM finalist candidate.

Arrogance

This is a specific personality trait that should not escape your attention. Some alarming things to watch out for in your interview process: an unwillingness to accept feedback or take input from anyone, disinterest in getting information from other experts in the field, and/or an inability to name any areas in which they would have room for improvement if they were to become your GM. Arrogance will flow through to staff and board interactions, impact their ability to lead, and can often prompt them to hide where they are struggling or even hide if the co-op is in danger to protect their own ego. Watch out!

Arrogant people who think they already know everything and are not open to learning will seldom change, so please do not consider hiring someone who readily displays this trait in the interview process. In our experience this is not a trait that can be cured, managed around, or trained away. It should be enough to sink an otherwise solid candidate. We have watched this trait in multiple GMs and retail managers lead to disastrous results. It is the ultimate red flag.

Management Experience

Having no retail management experience is also a red flag. Retail experience in other sectors can in some cases translate into the grocery world with training, particularly if your candidate is excited about the mission and brings the needed financial skills to the table. But if they have absolutely no retail experience, that is a problem and very possibly an insurmountable one.

Finance

A lack of organizational-level financial knowledge is a red flag. We're talking about the ability to understand what a balance sheet and a profit and loss statement (also known as an income statement) are, what the difference is between the two, and how to read them; as well as the role of debt in a business and its impact on cash flow needs. We are not talking here of the operational grocery finance knowledge like margin and how to control labor expense. Those things are mandatory for a GM to understand, but they are also common knowledge for those with any kind of retail management experience. A GM will need all of that knowledge, as well as the CEO-level financial knowledge of your business since there will be no district manager to provide it for them. In the interview process, the top candidate(s) should be given (after signing a nondisclosure statement) a PDF copy of your co-op's current pro forma financials to review. Ask for their thoughts on the balance sheet: What do they understand? What do they have questions about? After reviewing your pro forma, are they able to answer key questions about how your business will need to operate to meet projections and propose reasonable solutions to achieve those projections?

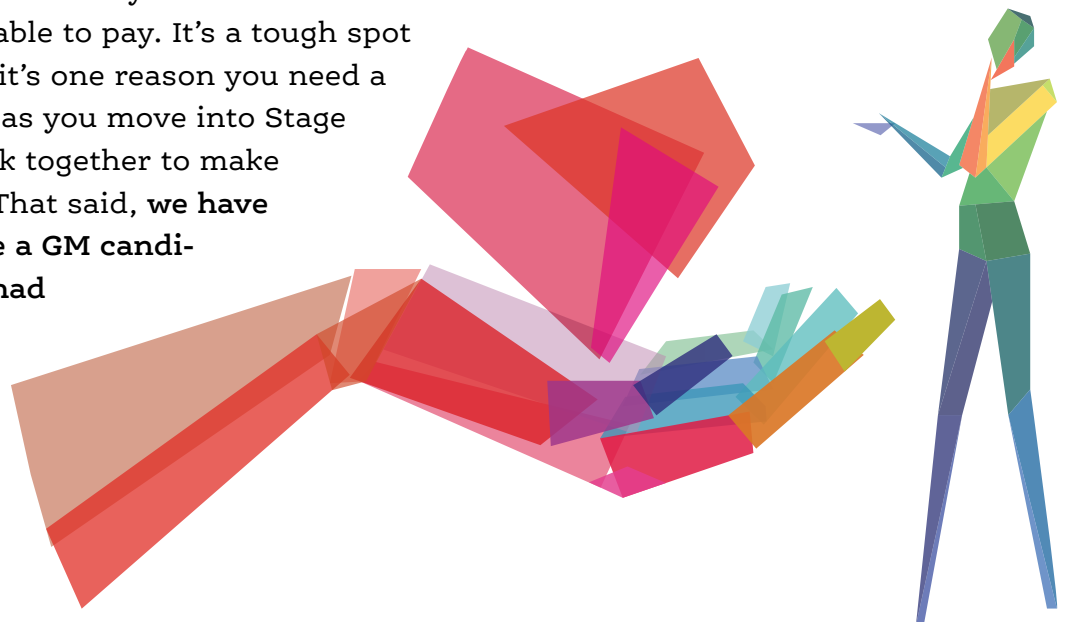
You may decide to move forward with a candidate that does not have all of this knowledge in place — and we have seen a few GMs that started at their co-ops without this knowledge only to develop into great financial managers. But, it's absolutely a critical enough deficit to give you pause. If you were to go forward with such a candidate, your GM development plan will need to cover this issue in depth, and quickly.

Ends Alignment

A candidate with no sense of excitement and curiosity about your co-op's values is another red flag. You are hiring your GM to execute your co-op's Ends, not their idea of what your co-op's Ends should be. Their work experience might be in grocery stores with very different values or product lines from your co-op's; that in itself is not a red flag. On the other hand, a candidate that doesn't make you feel confident they understand key values of your co-op — like how important cultural competence is for your co-op located in a highly racially diverse neighborhood, or that shows little interest in your co-op's dedication to working with local farmers — is a red flag. You are looking for someone who has a genuine passion for and curiosity about your specific co-op and its Ends. But keep in mind, no matter how passionate they are about your co-op's values, that passion cannot take the place of the solid operational skills needed to meet your GM success profile.

If a red flag shows up in the interview process, are we suggesting that you do not continue to consider that candidate no matter what? Not exactly. But we can say that — seeing what we have seen — if we were on the board of a startup food co-op and either the “arrogance” or “no retail management experience” red flag showed up in a candidate's interview process, there is little chance we would proceed further with that candidate. In the case of the “finance” or “Ends alignment” red flags, we'd have to be incredibly impressed in all other areas, but there is a chance we'd continue to consider that candidate.

The GM hiring decision is yours as the board of your food co-op, and yours alone. We stress taking seriously your responsibility to walk away from otherwise promising candidates that don't fully have what it takes to lead — no matter how much you may like them as a person. By the time you are interviewing your top GM candidates, your co-op's development is rushing forward and small set-backs to the timeline can have all sorts of impacts on other areas of the co-op's development, including closing on loans and mounting holding costs. We've seen startup boards choose to hire a GM candidate they had concerns about — that they even suspected had “red flag” level issues — because they felt pressed for time and/or because they did not believe they could find a better candidate because of their location and/or what they were able to pay. It's a tough spot if you end up in it, and it's one reason you need a high-functioning board as you move into Stage 2b. You will have to work together to make some very tough calls. That said, **we have never seen a board hire a GM candidate that they already had significant concerns about in the final interview who turned out to be worth it in the end.**



Chapter 8

Putting It All Together

We've now reviewed the many things the board of a startup co-op needs to do to build its muscle for the transition ahead. We figure you've got two questions right about now: First, is that everything? And second, how the heck do we get all this done? We'll admit that it's not quite everything. There are some other loose ends to deal with before your GM arrives and we share those below in the "housekeeping" section. But, let's take a look at that second question: how you're going to fit all this GM transition readiness work in on top of everything else you have to do to organize your food co-op.

When To Get It All Done

So when should we start all of this transition readiness work? On the next page, we've created an idealized timeline for the board's GM transition readiness work, and we've broken it down so you can see what needs to be accomplished in each stage. If it is important for a piece of transition readiness work to get done at a particular point in a development stage we've noted that here as well.



Board Tasks By Stage

Area of Focus/Stage	Stage 1	Stage 2A	
Board Functioning	Begin doing annual board self-assessments 6 mon after first board seated	Annual board self-assessment; board retreats twice a year	
Delegation	Prep: creation of board code of conduct and working agreements Launch: board code of conduct and working agreements late stage 1	Prep: create GM hiring committee charter	
Policy		Prep: decide upon system of governance; create first set of PG policies; create reporting calendar	
Reporting	Prep: create committee charters for all committees, adopt committee reporting guidelines; create job descriptions for any staff, adopt staff reporting guidelines	Launch: board self-reporting to governance process policies; accepting and evaluating committee/staff reports	
Financial Literacy	Board uses the FCI source and uses template to map out very first draft of what it could cost to build the co-op	Pro forma financials created; entire board receives training in reading the sources and uses tab and understanding key ratios to watch	
Mission Transition	Board runs process from FCI to develop initial mission/vision/core values	Prep: board runs core values exercise late stage 2a; create charter for mission transition committee	

	Stage 2B	Stage 3A	OPEN
	Annual board self-assessment; board retreat twice a year	Annual board self-assessment; annual board retreat	Annual board self-assessment; annual board retreat
	<p>Prep: create charter for executive review committee</p> <p>Launch: GM hiring committee early stage 2B</p>	<p>Launch: once GM is hired and 30-day on-boarding complete, transition GM hiring committee to executive review committee</p>	Executive review committee and board governance committee become standing committees
	On-going Policy Governance training	On-going policy governance training	On-going policy governance training
	<p>Prep: study EL report examples from open co-ops; board studies transition report guidelines/templates from this workbook, decides on any changes</p> <p>Launch: using EL policies/reporting process with any pre-GM staff</p>	<p>Prep: board continues studying post-open EL report examples</p> <p>Launch: accepting GM reports as outlined in the reporting transition plan</p>	On-going policy governance assessment & monitoring
	<p>Launch: all board members updated on and approve any major changes to the sources and uses tab of the pro forma financials</p> <p>Prep: entire board trains to understand the transitional financial reports and post-open financial reports</p>	<p>Launch: accepting and monitoring transitional financial reports from the GM</p>	Accepting and monitoring financial reports from the GM and intervening in a timely and appropriate manner if reports are non-compliant.
	<p>Launch: activate mission transition committee early 2b; board accepts and approves recommendations; board creates final mission transition plan before GM applications begin to be accepted</p>	<p>Launch: share mission transition plan with GM, accepting mission transition reports</p>	GM submits first post-open Ends report

If looking at this chart of everything that needs to be done and when is sending you into a mild (or not-so-mild) panic, take a deep breath and read on. We dedicate the next two sections of this chapter to strategies that will help you fit it all in and keep your eye on moving this work forward, no matter what else is also going on in your co-op's development.

Putting In the Time

There is so much on the plate of an organizing food co-op board that it's hard to find time for everything that needs to get done. What's the first thing to fall off the plate when the going gets tough? Yep, you guessed it — governance. Problem is, you can ill-afford to allow governance to fall off the plate. Putting off developing your policies or creating the governance committee may not seem like a big deal at the time, but the interest is accruing and will come due later. The “bill” can be a doozy if your co-op is not ready to execute a strong GM transition, or if your co-op struggles upon opening and the board isn't prepared to team effectively with the GM to lead the co-op through those rough times.

Putting off developing your policies or creating the governance committee may not seem like a big deal at the time, but think of it as getting ready to publicly perform a complex dance routine with a brand new partner you've never met — aka your GM. Practicing the basic steps seems like a good idea because they make up 95% of the dance. But, if the dance calls for catching your partner midair and you don't practice that part, figuring you'll just wing it later... it's not going to go well. And while governance might not seem as critical as the core steps of ownership growth and business development in the pre-GM phase, it's suddenly going to be the most important thing in the world when your job is to “catch” the GM midair as they leap into their leadership role with you and it's time to build the store. You must get ready to do the complicated moves of empowering/teaming and assessing/monitoring before your GM arrives. Putting this off will come at a high cost later if you “drop” your GM due to lack of proper empowering/teaming, or damage your co-op because you are not ready to assess and hold your GM accountable.

The good news, however, is that every bit of effort you invest in developing your board's governance muscles will pay off in a stronger and more efficient board and give your co-op a better chance of getting open successfully.

Governance is one of the three areas of a startup food co-op's pre-open responsibility, right up there with ownership/outreach and business development. Your governance work deserves as much time as the other two areas of work during your board meetings. Ideally, by the time your co-op is well into Stage 2a, you should be spending no less than one quarter of your board meeting time on building your governance muscles.

You may be thinking to yourself, “That doesn't sound possible without running three-hour board meetings!” Take another deep breath. We don't expect you to run board meetings that go into the wee hours of the night, and actually we strongly advise against it. It is possible to

dedicate this kind of time to governance in your board meetings — from Stage 2a onward — without running marathon meetings. It's definitely doable if a startup board uses these best practices:

- running a strong agenda process
- carefully including only board-level topics with assigned amounts of time for each item
- having a board development committee to pre-plan the governance work for the meetings

Do you have to do governance work and/or study at every single one of your board meetings? Not necessarily. If your board meets for a total of three hours a month, you should set aside at least 45 minutes of your meeting time per month for governance work. Whether you do it all at one meeting or split the 45 minutes between two monthly board meetings is up to you. What's important is that your board is putting in the time to build its governance muscle. You can work it into your agendas in whatever way works best for your board.

This setting aside of time for governance work and training in your board meetings is an important discipline to develop, as it is your time to do all of the governance work we discussed in Chapter 4. Together, your board can be working on things such as:

- executing or reviewing policies
- creating policies
- discussing a reading assignment on board officer roles
- having a phone-based training on how to read financial reports
- building the board's annual work calendar
- analyzing an executive limitation report from another co-op

There's always more to be learning and practicing when you're building your cooperative board muscle.

In addition to working on governance during board meetings, you'll also need more significant chunks of time devoted to governance issues via special trainings or board retreats. All startup food co-op boards should be holding at least one board retreat every 12 months. We actually recommend scheduling a board retreat every six months when your co-op is in Stage 2a and 2b if possible, to support you through the intense learning and decision making that happens in all three areas of pre-open board work. For board retreats, at least one third of your retreat agenda should be set aside for governance training and work. And by Stage 2b, as you gear up to hire a GM, we recommend increasing this to 50% or more of your board retreat agenda.



The combination of regular governance-focused time in your board meetings and board retreats will make all the difference in your readiness for your GM transition. When you're preparing to perform complicated choreography in front of a live audience, a couple weeks of rehearsal just before the curtain goes up cannot possibly replace the strength developed by regular practice over months and years. Building governance muscle is like building any other muscle: consistency and repetition are key. Mastery is only achieved through practice, and excellence in governance is built up with small gains over time.

Delegate to Accelerate

Setting aside the time to do governance work as a board is step one. Step two is figuring out how best to use that time. What dance moves do you need to practice? What parts still need choreographing? It takes forethought and planning to know what to do with the governing time you set aside. The secret ingredient to maximizing every hour of that time is an effective governance committee.

Governance committees should be made up wholly of board members. Of the three areas of board work in a pre-open startup food co-op, governance is uniquely the one you cannot delegate. It's also the one area of work that the board keeps after the GM arrives. Governance is the board's work.

We recommend that the governance committee be made up of two to three board members, maximum. You want a small and nimble committee that is able to put in the time to build their expertise in Policy Governance®, to do long-range planning of what the board needs to get accomplished in the area of governance, and who can lead the rest of the board through this work.

Occasionally a startup will ask us about bringing in someone from their community who is very experienced in board work (but does not serve on their co-op's board) to serve on their governance committee. We always advise against it no matter that person's level of expertise. It may sound counterintuitive to turn down the help of an experienced community member, but it is the board itself that must develop the skill for those big governance dance moves with the GM. The board cannot effectively build its governing muscle if they have non-board committee members doing a significant piece of the lifting. By all means, invite any interested community member with extensive governance experience to run for the board or (if they have the appropriate level of knowledge and expertise) invite them to create a training for your full board or for your governance committee. But, fill this committee with board members only.

The duties of your governance committee, pre-open, might include:

- Making sure the annual board self-assessment happens and, using the results, working with the chair to build an annual work plan to address areas of board weakness

- Deciding on topics for the monthly board time set aside for governance based on the board's development needs, then sending along any pre-readings, setting up calls with the governance trainer they want to video conference in, etc.
- Researching policies from other food co-ops and reviewing the samples offered in this workbook, creating draft policies for the board to react to, and/or creating a library of samples for the board to read over before writing their own policies
- Overseeing the timeline for creating your Policy Governance policies and laying out a process for that work
- Creating and overseeing the annual board elections calendar, making sure the board is engaging in each step at the proper time
- Studying this workbook and making sure the board is completing the necessary preparedness work in a timely manner

To start this committee off on the right foot, it is critical to create a good charter. Use the above list of common things assigned to this committee as a starting point for deciding what to include in yours. The board can decide what to include in the committee's charter, but remember, delegating responsibility to a committee doesn't mean "it's totally off our plate now, hurrah!" For the committee to be successful in leading the board in this work, the board has to make time on their agenda for this work and take this area of mutual responsibility seriously. The committee is simply a subset of your peers who have agreed to help pave the way forward for the entire board in these matters.

Housekeeping Before Your GM Starts

There are a handful of tasks that often get left until the last minute by startup boards and then just handed off to the GM to clean up or sort out. Don't waste your money and the GM's time paying them to do these time-consuming organizing and updating tasks that could be handled by someone else. Work with your volunteers and committees to get cracking on these tasks well before the GM's arrival date.

Bookkeeping Systems

Ah, bookkeeping. Your co-op's bookkeeping has probably been done by a series of volunteers, or maybe a paid assistant putting in an hour or two here and there. By the time you're ready to hire a GM, the books often haven't been cleaned up in quite a while (or ever). The problem is, it's critical that they are cleaned up, as the GM is going to need all of those organizing cost numbers to be part of the financials they use going forward. As a food co-op, you will want to join the CoCoFiSt shared reporting system we talked about in Chapter 5. But to do so, you'll need clean records. We've seen GMs have to put weeks and weeks of work into cleaning up their startup co-op's books when they arrive, and the longer they don't have accurate numbers, the longer you, as a board, aren't getting correct financial reports so you can do your critical monitoring work. This may be a project you'll need expert assistance with, so

be prepared to accept that volunteer labor won't be enough to get the books up to the necessary standards.

Owner List

What's the state of your owner list? Is it easy to tell who is paid in full and who isn't? Is it clear when owners using your installment plan are due to receive an invoice or reminder? Is the list in a spreadsheet or software that allows all of the data to be easily exported into a point-of-sale system? If you answered "no" to any of the above, it's time to roll up your sleeves and get those records into a clean, usable state so they can be transitioned to the GM.

Vendor Lists

If building the local food system is a big part of your co-op's values, you've probably been collecting information about potential local producers throughout your co-op's development process. Get this information pulled together in an updated spreadsheet so that it's ready for your GM when they start. This is a perfect job for a volunteer (or two) who is passionate

about local food. You'll want, wherever possible, the name of the farmer/producer, their phone number, e-mail, address (at least the city), what they sell, and any notes on their interest level, etc. This spreadsheet will be a huge help to your GM, ensuring you open with the level of local food your owners are hoping for.

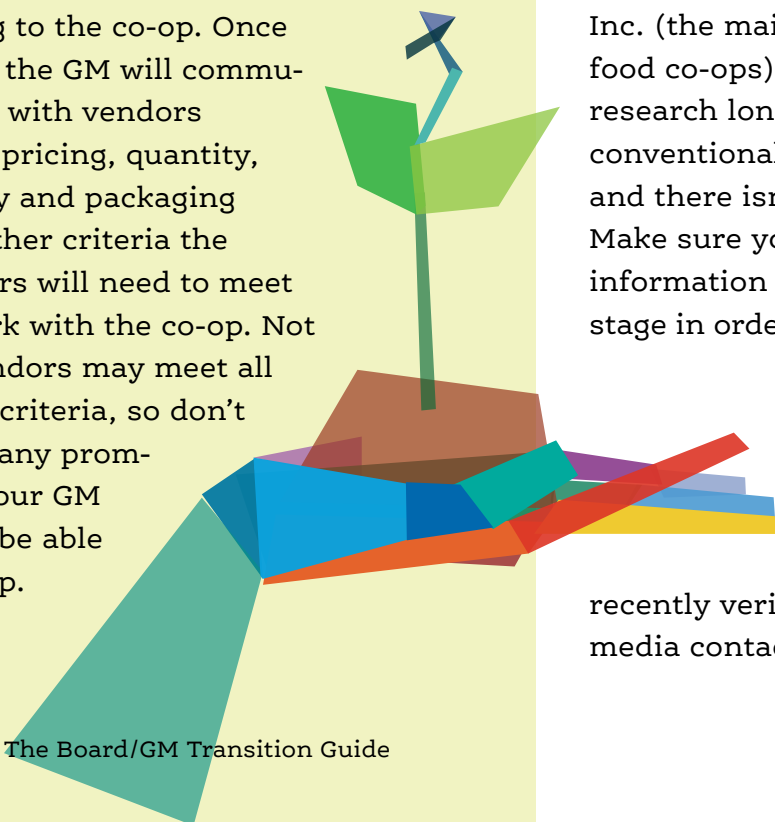
Local food producer names are not the only ones that will be of use to your GM. If your store will be carrying a large percentage of conventional foods not carried by United Natural Foods, Inc. (the main distributor of the majority of food co-ops), then you'll have been doing research long before the GM's arrival because conventional food distribution is very regional and there isn't just one distributor nationally. Make sure you have all of the potential vendor information you collected during the organizing stage in order and ready to hand over to the GM.

Media List

The contacts at media outlets change frequently, so make sure your communications team has recently verified and updated the list of key media contacts shortly before the GM arrives.

Managing Farmer/Vendor Expectations

Remember to appropriately manage your vendor expectations: just having their info this list does not mean they will absolutely be selling to the co-op. Once hired, the GM will communicate with vendors about pricing, quantity, quality and packaging and other criteria the vendors will need to meet to work with the co-op. Not all vendors may meet all those criteria, so don't make any promises your GM won't be able to keep.



Include any notes in your list of media contacts about how those relationships have gone up to date: Who's reluctant to cover the co-op? Who's been a big champion in the media of your co-op? Which ones are co-op owners? Which radio host is always happy to have the co-op on their show? Which farmer is always ready to pitch a seasonal food morning tv show segment that the co-op can play a role in? Jot it all down and turn it over to the GM as part of the media contact list. Media will play an important role in making sure your community knows the co-op is coming and when it has opened, and having this list will make the GM and their staff far more effective in utilizing media to make the opening a success.

We've covered board functioning readiness, mission transition readiness, and GM hiring process, as well as how to build the capacity to accomplish all of this readiness work. We're ready to walk you through how to build the customized plans for all areas of your GM transition. Onward!

What about Pre-GM Employees?

Not every startup food co-op hires staff to support the co-op's development during the earlier stages, but the majority of successful startup food co-ops do. If your startup is planning to hire pre-GM staff or has already, it is very important to set expectations with those employees that their job will end — or at the very least start to wind down — when the GM is hired.

The board will manage only one employee after the GM arrives and that is the GM. From that point forward, all other employment decisions for the co-op belong to the GM. The GM will decide what positions are needed, what the compensation will be for those positions, how many positions are needed per department, etc.

The board must make clear to any staff hired pre-GM that they have been hired for a pre-open, development role. The needs of an operating retail grocery store are vastly different than those of the startup during development, and the board is not qualified to project exactly what those needs will be — that will be the responsibility of the GM. Any staff employed during the development stage should be told from the time of hire that they will be welcome to apply for positions on the co-op's store staff as they are posted, but their development position will have an expiration date. If you already have hired staff and did not set this expectation, it is the board's responsibility to rectify this as soon as possible — and certainly before the GM arrives.

How does the GM being hired affect the development staff already in place? During the mutual transition planning you will do with your GM (outlined in greater detail in Chapter 13), you will discuss those existing positions, whether the roles are still needed now that the GM has arrived, and if so, when oversight of those roles will transition to the GM. The GM will then have decision-making power over how long those roles will exist. If the GM and board decide that a development position will transition to the GM's oversight, the board will assist in this transition by meeting with the employee and the GM, thanking the staff for their work, and being present as the GM explains how they will move forward together.

There's more incredible content to come!

We hope you've gotten a lot out of these first sneak peek chapters, and are excited for the rest of the book.

Next steps? Sign up for notifications when the FULL book is released in June (available as a PDF download or printed softcover book!)

Get notified at: www.firebrand.coop/tools