

# Competition

## What Is the Board's Role?



by Martha Whitman

*Competition* is such a loaded word, particularly in Co-op Land, where we play nice. But two statements I've recently heard have caused me to sit up straight and think differently about the reality of our marketplace. The first, shared by our co-op's general manager, is: "If you don't like change, you're going to like irrelevance even less." The second is from a recent conventional grocer's convention, where a speaker said, "Too many companies continue to change *incrementally* while the world is changing *exponentially*."

If you're anything like me, you might find yourself, as a board member, a tad overwhelmed by such sentiments. In these cases, I always find that it's a good idea to step back and parse these statements to get at them more deeply.

Competition exists, and all co-ops are affected by it—even if a more traditional competitor hasn't yet set up shop in your town. Rare is the co-op that operates in a market where no one else sells groceries or food. All grocery stores, as well as convenience stores

and restaurants, regardless of product focus, compete with the co-op for a share of consumers' stomachs. The factors that affect those businesses affect the co-op.

Additionally, the natural foods business is booming, and at least two consequences will affect all co-ops: product availability and pressure on margin. In many ways, this is an unintended consequence of our success: more consumers care about what's in their food, leading private equity firms and chains to happily serve that need. Private equity's ready capital is fueling rapid growth of new and emerging chains emphasizing natural foods, such as Lucky, Sprouts, Fresh *Competition* is such a loaded word, particularly in Co-op Land, where we play nice. But two statements I've recently heard have caused me to sit up straight

This article is excerpted from Issue #20 of the [LEADer](#) (Leadership Education and Development newsletter), published in summer 2013. The topic of this issue was building agreement on the co-op's growth strategy with other articles about sharing a compelling picture for growth, sharing insights gained from a national NCG meeting with the rest of the board, and the board's role in shaping strategy. The study guide offers steps for a guided conversation about key issues for co-op boards in shaping a growth strategy. Find the [full issue here](#).



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Additionally, the natural foods business is booming, and at least two consequences will affect all co-ops: product availability and pressure on margin. In many ways, this is an unintended consequence of our success: more consumers care about what's in their food, leading private equity firms and chains to happily serve that need. Private equity's ready capital is fueling rapid growth of new and emerging chains emphasizing natural foods, such as Lucky, Sprouts, Fresh Thyme, Earth Fare, and many others. And conventional stores such as Kroger, Safeway, Wegmans, and others are expanding their natural and organic lines as their profitability satisfies shareholder return.

Though short-term gain and private equity are not how cooperatives grow, we will be impacted by others' growth. We'll experience more out-of-stocks as production systems adjust to increased demand. As Whole Foods and other natural

foods chains gain buying power and enter our markets, we'll feel pressure on our margins. In addition, developments in technology and online shopping will continue to touch us. The millennial generation is shifting its influence in our markets, and its relationship to technology and shopping will require us to learn how to serve per its preferences.

While these issues are mostly within the purview of co-op staff and managers, board members are not off the hook. We may have delegated the responsibility of operations, but we're still responsible for the overall health of our cooperatives.

For boards, the first step is recognizing whether the general manager has the talent and skill to meet the challenge of defining the co-op's competitive positioning and strategy. One sign that your general manager might be struggling is how well and how often he or she keeps you informed. Do you receive reports on competition and trends—at least on an annual basis? The biggest indicator for



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concern is declining sales and profit. Fortunately, training and support are widely available, and our co-op network is poised to make sure that no GM struggles alone.

While management must be nimble to respond quickly to market forces such as competition, the board's position is more deliberative. Our job is to understand the issues and to create a cooperative culture of high expectations. That takes time and intention. Creating a culture of high expectations begins at home by holding directors accountable to the whole. Professionalism comes not just from written policy, procedure, or job descriptions but even more from an agreement to comply with those documents.

Building board agreement about following policies is easy to do when all is going well and is trickier when it's not. Directors need to be grounded in the cooperative model, grounded in board process, and committed to ongoing board development. Our conduct

strongly influences the general manager, and expecting much of ourselves lends credibility to our high expectations for him or her. As written into policy or job descriptions, the board should receive professional trends reports, multiyear budgets, and plans with assumptions of competition. We all know plans change, but planning is an illuminating process; it exercises business muscles and increases awareness and agility.

While we know nothing stays the same, we often struggle with change. Our co-ops are precious to us, and we're proud of our roots, but we must accept the marketplace realities of the 21st century. That doesn't mean forfeiting our values; rather, it calls on us to strategize a future based on the cooperative advantages. Between fair trade practices, commitment to staff, and community service, we have much to offer. Since we can't assume business as usual, why not use the competition as a tool for paying attention and becoming stronger? Our cooperative advantages can

help us succeed in the toughest of markets. Over the past 40-plus years, we have built an impressive collective pool of imagination and experience. Our transparency and integrity resonate with human values that speak to everyone, and if we have to get better at conveying that, so be it. Thyme, Earth Fare, and many others. And conventional stores such as Kroger, Safeway, Wegmans, and others are expanding their natural and organic lines as their profitability satisfies shareholder return.