

Meeting Minutes for Weaver Street Market's Board of Directors

June 2012 Meeting

Monthly Board Meeting, Panzanella meeting room, Carrboro, NC on June 25, 2012, 6:15 pm to 9:30 pm

Directors present: Ruffin Slater (general manager), Curt Brinkmeyer (chair), David Bright (secretary), Audra Marotta (treasurer), Lisa Best, and Linda Stier.

Others attending: Andy Sachs (facilitator), Brenda Camp Orbell (owner services coordinator/notes), and Kristina Janson (worker owner), Amy Lorang (worker owner/election committee chair), and Nyal Cline (worker owner).

1. Preliminaries

Owner Input: Worker owner Kristina Janson asked whether the agendas for Board meetings were made public prior to meetings. The GM said that the agendas had been available in the past and that in the future the Board would resume the practice of posting the agenda prior to the meeting.

Agenda: There were no changes to agenda.

Minutes: Minutes from the May meeting were approved.

New Owners: There were no exceptions to the owner lists for May 2012: 94 new consumer owner shares, 6 new worker owner shares, and 40 refunded shares.

Decision: The Board approved the May minutes.

Decision: The Board made no exceptions to new consumer and worker owners.

2. Monitoring Report 2-5: Planning & Budgeting

Prior to discussing the WSM 2013 Plan and Budget, the GM described his intent with the planning activities for 2013. He posited that if "planning and budgeting" are really what drive WSM to do what we do and accomplish what we accomplish, then we should pay more attention to the process and the relationships involved. One relationship is the unique one between the General Manager and the Board, which few people outside the Board understand or interface with. Another set of relationships involves the day-to-day operations, much of which the Board doesn't understand or interface with. The GM suggested the planning and budgeting process can be an area in which these relationships are brought together. Within that context, the GM attempted to put together a plan that made sense to *all* groups—so that each group could understand the elements related to their work as well as gain insight into what the other group's work entailed. He described his intent as creating more transparency between the two elements of the business, that is, the work that the Board does and the work that the staff does.

In his planning document, the GM identifies three things that need to happen in the process; he reviewed these items for the Board:

- 1) For people to understand and engage in the plan, they need to understand the context from which it evolved. The context includes planning assumptions, including what we think is working and what may no longer work tomorrow.
- 2) More people in the organization need to see through the organization into the industry we operate within, including how the different parts function together.

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3) The fundamental foundation of the co-op—its connection to the people who own it—needs to remain in focus so that economic linkage occur. He defined economic linkage as “The people who shop at the co-op get what they want.”

To meet the specific requirements of the Board, the GM presented his plan in two formats, the traditional monitoring report and a descriptive narrative which blocks of information that addressed the needs of the different audiences.

The GM also described two different approaches to planning and budgeting: One is looking at what you did last year and responding by doing a little more or little less to address the circumstances. He described this approach as “not very satisfying” and “ultimately you don’t do anything different.” The other approach requires looking at what we want to achieve and then working backwards to what it takes to achieve that. He observed that this approach aligns with what the Board does and that ultimately it comes down to the Ends. In his plan for 2013, the GM included ideas about what WSM would look like 10 years from now, what would be different, and what would it take to get there.

Finally, the GM suggested that the Board’s role included assessing and answering 3 questions:

- 1) Do the documents reflect that there’s a reasonable planning process taking place, one that is thorough and takes into account relevant information?
- 2) Are the intended results consistent with the Ends?
- 3) Does it avoid fiscal jeopardy?

The GM observed that his plan has flexibility built into it that allows for change, it empowers the organization to work in the direction of the plan, and it requires an alignment process between where we are today and where we going.

The GM proposed a process called “1 Plan, 6 Questions, 3 Months, and 10 Opportunities for Input and Alignment.”

- The “1 Plan” is a single plan that addresses the needs of all stakeholders—worker owners, consumer owners, community stakeholders, the Board, and staff.
- The “6 Questions” refer to questions that stakeholders would be asked that pertain to the six parts of the plan. For example, stakeholders would be asked, “What do you see in the world that should influence WSM’s plan? What does WSM need to do differently today to get us to where we want to be in the future? What is WSM going to be doing 20 years from now that makes people want to shop here?”
- The “3 Months” is the period of time in which the focus is more on developing a shared plan than implementation.
- The “10 Opportunities” include opportunities to participate in the process, including Board meetings, management meetings, discussions with employees, small group meetings with owners, meetings with community stakeholders, as well as owner meetings aligned with the annual meeting and co-op week.

The GM sought alignment of the Board with this process. In an aside, the GM noted that the worker owners visiting the meeting were not going to be given a copy of the plan as it had not yet been approved by the Board, which needed to determine its reasonableness first. He assured the visitors that at some point in the next few weeks worker owners would receive copies of the plan.

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Prior to the meeting, a Director had emailed comments about the Board's role in the planning process. At the meeting the Director placed the comments within the context of the planning process the GM described. The Director's intent was to clarify the difference between the Board voice versus the voice of the individual Board members as key stakeholders in the co-op. The Director encouraged the Board to be clear about this point:

What is the Board saying about whether the policy is reasonable? If the Board says yes it is reasonable, that's the empowerment of the plan. On the other hand, individual Board members as key stakeholders also have a voice in the planning that is not a governing voice. The Director urged the Board to keep the two very distinct and their roles clear: The governing role of the Board is reviewing and approving the monitoring versus the participation part of the process, which is secondary but valuable.

The GM concurred that it is important for the Board Directors to agree on the plan's compliance but that it is also important for there to be alignment with the plan, as the Directors play a pivotal role in owner linkage. To keep the two roles separate, the Board agreed to review the Monitoring Report first, and then to discuss the 2013 plan and budget using the discussion format setup prior to the meeting.

Monitoring Report 2-5: Planning & Budgeting

The General Manager presented the Planning and Budgeting Monitoring Report. He explained that the CAMEL scale referred to in the report is an assessment tool that regulators use at banks and one that the NCGA plans to use to calculate the risk of a co-op defaulting its obligation to the NCGA's joint liability fund. The GM intends to incorporate the tool into the plan to indicate whether or not actions move the organization into fiscal jeopardy or away from it.

The GM posited a question to the Board, "How do we know revenue projections are credible?" He acknowledged that the importance of looking at historical performance (the first kind of planning and budgeting discussed above). The GM suggested that it is also important to look at how we're avoiding jeopardy in the future. He observed that the proposed plan does this by equating Ends Accomplishment with Financial Success and Financial Success with Market Success. He noted that what's new in the plan is the focus on Market Success. The plan asks for a value proposition that works with the customer: How do we meet the totality of the customers' needs over a period of time so that they choose to shop at WSM?

The GM noted that the totality of the plan drives the reasonableness of the assumptions in the budget. He suggested that it is no longer reasonable to daisy chain one year's performance with the next and the next and hope to end up where somewhere different. He observed that if the margins go down as predicted in the natural foods industry, the current high-cost structure may not have the flexibility to match prices to the market. He suggested that in the future there will be a need to reengineer the finance to deliver the product we want to deliver, and that one way to do that is through scale.

The Directors expressed their appreciation for the GM making both versions of the plan. One Director asked for more information on the CAMEL scale, particularly the criteria used in the assessment. The GM agreed to bring back information on the indicators used and what they show. Another Director expressed appreciation for gaining budget feedback from peers. He thought this would be valuable information in making an assessment of the monitoring report. The Board agreed to continue the review of the monitoring report at the July Board meeting.

WSM 2013 Plan

The Board then discussed the WSM 2013 Plan and Budget, with each Director taking the lead in discussing an assigned section of the plan. The plan was organized into 6 steps: Learning and Innovation, Internal Process Improvements, Customer Experience Vision, Market Success, Financial

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Success, and Ends Accomplishment. A Director noted agreement that “how we operate as a coop will need to be transformed to be viable and relevant.” The Director appreciated the focus on community and suggested that social media could play an important role in facilitating the connections. Another Director approved of engaging employees more in process improvement and product development. A Director observed that it would be important to create customer experiences that match their values, and that the co-op could do more to help shoppers know how to use the foods. Ideas were suggested that included sharing ways for preparing foods and tying owner sales into stretching your food dollar.

Other ideas included making the customer experience a “360 experience,” including testimonies and success stories related to the food or co-op activities, stories about WSM means to you, a focus on food as an experience that brings people together, and the power of social media to draw in the younger community. Another Director suggested that in order to maximize the impact of the co-op with owners, it would be important to expand in a way mutually beneficial for new and existing owners. She suggested starting with smaller units, like a kiosk, that sold selected products to build interest and clientele.

Directors identified a number of areas where they would like more information, including percent sales based on owners, a plan to address internal expenses, information on the relationship of sales increases to new owners versus changes in purchase amounts, and examples of how the co-op could achieve zero net energy and zero net waste.

WSM 2013 Budget

The Board also discussed the WSM 2013 Budget, which projects revenue, expense, and capital investment for the next 10 years. The Budget is driven by the financial implications of the WSM 2013 Plan. The General Manager made two comments about the Budget:

First, he noted that Measured Capital Investment was a new indicator that looked at capital expenditure as a percentage of sales. The budget is based on the assumption of capital expenditures as a percentage of sales that averages 5% over the next 10 years. This is more than the 2-3% conventional grocers (with stagnant sales) are spending, and less than the 10% that fast growing natural grocers like Fresh Market. The GM observed that capital expenditure was close to 50% of sales when the co-op opened the store and food house in Hillsborough. The GM recommended managing the indicator overtime and keeping the indicator within the appropriate category.

Second, he noted the importance of managing owner investment versus debt. The budget was based on the assumption that capital needs would be met from cash flow and from additional owner share and loan investment. He identified the advantage of giving owners a place to invest that is in alignment with their values.

A Director asked about the figures shown for Panzanella (zero sales growth) staying the same over the next 10 years. The GM acknowledged that area as a gap that still needs to be considered for the 2022 vision. The group discussed the origins of Panzanella as the first restaurant in the area focused on local and questioned what it might showcase in the coming years. The GM attributed a jump in wholesale numbers in the 3-year budget to sales to Deep Roots cooperative in Greensboro. One Director noted that from a strategic point of view, the Board needed to ask, “Are the Ends still relevant as they stand?”

Decision: The Board will review the Monitoring Report next month after receiving more information about the CAMEL scale and reviewing the peer feedback on the plan and budget.

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3. General Manager Reports

General Managers Report

The General Manager answered questions on his monthly General Report. *General Report* included a number of highlights:

- Sales growth in May was excellent. Carrboro had its best sales growth in four years, and growth in the other stores stayed strong.
- Hillsborough's downtown made the North Carolina Chapter of the American Planning Association's list of top five Great Main Streets in North Carolina for 2012.
- 33 Dividend Vouchers were redeemed since last report. So far, 42% of the dollar amount of the vouchers has been redeemed.

Monitoring Report 2-9 Emergency Management Succession

The GM reported on the process for emergency management succession. He clarified that both Merchandising Manager James Watts and HR Manager Deborah Konneker were executives familiar with board and chief executive issues.

Decision: The Board accepted the Emergency Management Succession monitoring report.

4. Owner Communications Update

The Owner Services Coordinator presented an update on the co-op section of the new website. The framework and design were redesigned to provide alternate navigation for the co-op section of the website, including an owner document archive, and to provide more interactivity, including the owner café and What's Happening! board. The design of the primary pages was also remodeled to have a stronger visual appeal. The Board Directors discussed the formats available for owner engagement, including forums, pinterest, and message boards. Directors expressed a willingness and enthusiasm for participating in the owner conversations.

5. Board Process

Board Vacancy

The Board discussed two possible options for replacing Board Director Steve Bos, who recently died. The Board considered three issues relevant to the vacancy, including how the absence would impact the functionality of the Board, how an interim appointment might unduly influence the upcoming open election, and whether the absence of a worker-owner Director would be perceived as a loss of voice for worker owners. It was determined that shifting the election forward for the worker owner candidates would be impractical. The Board also determined that the process of consulting worker owners about their preferences would not be expedient, that by the time this occurred too much time would have passed and an appointment would become irrelevant.

The Board also considered the option of having a former worker owner Board member step in temporarily until the new Director was elected on October 8. The Board decided to consult with former worker owner Board members about their interest in a temporary appointment. One condition established was that only someone who did not intend to run for election would be considered, and a preference was given to those who did not have a close emotional connection to Steve.

The Board Directors agreed that keep the election process neutral and maintaining a consistent voice for worker owners were both imperative.

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Decision: The Board decided to solicit a former worker owner Board member to serve as interim appointee to the Board until the October 2012 board meeting. The newly elected worker owner Director will begin serving at that time.

Task: Curt will schedule via email a call for Board members to discuss which individuals are options for the interim worker owner appointee to the Board.

Board Budget

Due to insufficient data, the Board postponed the review of the Board Budget until the July meeting.

Report on Board Emails

The Board of Directors received no emails during the month of June.

6. Closings

Tasks and Decisions: The Board reviewed and confirmed its tasks and decisions.

July Agenda Items:

- Continue Review of Monitoring Report 2-5: Planning & Budgeting
- Review Board Budget
- Discuss Steve's Stipend
- Review Draft of Revised Agenda Planning Policy

Meeting Evaluation:

Board Directors expressed their appreciation for the process used to discuss the 2013 plan and budget, noting that the process provided balance to the discussions. The Directors expressed their appreciation for the “great” work from the GM. The GM suggested that it might be beneficial to separate the monitoring sections of the meeting from the input to planning.