

Meeting Minutes for Weaver Street Market's Board of Directors

April 2016 Meeting

Monthly Board Meeting, WSM Admin Center, Hillsborough, NC on April 13, 2016, 6:15 pm to 9:30 pm

Directors present: Ruffin Slater (general manager), Alicia Altmueller (treasurer), David Bright (secretary), Barbara Keith, Jon McDonald (chair), Linda Stier, and Charles Traitor.

Others attending: Andy Sachs (facilitator), Brenda Camp (notes), Hank Becker (consumer owner), and Amy Lorang (worker owner).

1. Preliminaries

Owner Input: Amy Lorang, worker owner, expressed her excitement about the EC's report. Hank Becker suggested using a social networking format like "Meetup" to involve owners in conversations about WSM. He noted that he would seek formal approval and the use of marketing channels for promoting the activity.

Agenda: There were no changes to the agenda.

Minutes: Minutes from the March meeting were approved.

Decision: The Board approved the March minutes.

2. FY2017 Plan and Budget Preview

General Manager Ruffin Slater presented a preview of the FY2017 plan and budget. He noted that the presentation was the beginning of a 3-month period in which he would test Ends interpretation for the Planning & Budget policy. He noted the importance of the Board having dialogue around the process and methodology being developed as this is the first time the new policy has been in place for the planning and budget period.

Slater identified five key goals for his interpretation and reporting of B2-Planning and Budgeting:

- To demonstrate consistency with Ends achievement.
- To disclose planning assumptions.
- To provide a multi-year plan.
- To comply with B1-Financial Conditions and Activities policy.
- To address business systems improvements and test for feasibility.

Consistency of the plan and budget with Ends achievement

The GM introduced this diagram as an illustration of how his interpretation aligns with ENDS achievement. He noted that his interpretation of *shared knowledge* had been modified to embrace Brett Fairbairn's concepts of transparency, cognition, and accountability. *Transparency*, he observed, includes more than transparent communications; it means our owners



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understand how our choices are influenced, what the opportunities are to change the marketplace, and the latent assumptions under the co-op's plan. *Cognition*, he noted, means recognizing the system we're working in or through, seeing ourselves as historical actors who are going to make a difference in the world, and stepping back to see what we are as a co-op. He pointed out that policy governance structures in *accountability* in its policies and practices.

Disclosure of planning assumptions

Slater acknowledged that considerable tacit knowledge underlies the budget and planning process. He described several of these assumptions:

Business life cycle: Recognizing where we are in our life cycle. WSM has ridden the natural food wave, but we now need to create our own momentum as we reinvent ourselves. A challenge is that in this part of our lifecycle, we are still doing well financially, and there is less impetus to change.

New competitors: Recognizing who are competitors are. Most of our owners are unaware of the intense competition from new stores, including Sprouts, Wegmans, Publix, and even Amazon Prime Direct.

Pay and benefit trends: Continuing to increase pay and benefits toward the \$15/hour average in the stores while balancing significant, ongoing increases in the costs healthcare.

Healthy eating context: Embracing the new wave of information about what healthy eating means. The new information invalidates previous decades of wisdom about healthy eating. The co-op is looking at using waste food and experimenting with recipe development that promotes new guidelines.

Drive local context: Becoming more involved in the local context, which is earlier in its lifecycle. We mostly sell our products to ourselves, and we're at top 5% of efficiency.

Co-op integration: Looking toward the future and working together. There are more than 250 food co-ops in the country, with many not doing well financially. Many advantages emerge when then the co-ops come together as a co-op of co-ops.

What changes behavior? Recognizing that we're in the business of changing behaviors. We need to consider how change happens, especially within the context of voting in elections, eating healthier foods, and offering more local foods.

Multi-year plan

The GM pointed out that the 2020 Goals have been in place since 2012 and that the co-op works with a 5-year budget. He noted that with long-term plans the rewards often don't show up for a while. He pointed out that the co-op is now reaping phenomenal long-term benefits from the Food House, which opened eight years ago. Ruffin described buying our buildings as another opportunity for considerable financial reward from a long-term investment.

Compliance with the financial condition policy

The GM discussed a number of elements involved in achieving compliance with the new financial condition policy:

- A consistent 2% net profit
- 4% to 10% sales growth
- Gradually lowering gross margins

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- Investing in pay and benefits
- Reducing expenses
- Reducing administrative and Food House overhead

Address business systems improvements

The GM pointed out that this part of the policy was completely new. He proposed a process for testing the feasibility of new systems and/or improvements:

Step 1: Develop a one-page document with a thesis. (The process allows us to come to a thesis more quickly and then try to disprove it. This step of the process includes looking to see if there is relevant policy guidance and assessing the context, including the current situation and existing plans.)

Step 2: Test the thesis conceptually. (This is the easiest time to quit the exploration of a new system or improvement.) Test with multiple stakeholders:

- i. Board
- ii. Worker
- iii. Consumer
- iv. Co-op sourcing

Step 3: Pilot the thesis by turning it into a project (Slater provided two examples: Pay Raise project and Healthy Product Development project.)

Step 4: Systematize it

Slater suggested that over next three-month period the Board pick out parts of the plan and drill down to this project level. He observed that in doing so, the year view of the 2017 Plan will involve everyday implementation of the projects (products and processes). Understanding of the former creates greater engagement of the later.

Highlights of the discussion and suggestions from the Board include the following:

- When we reduce cost of products, we may sell more products but have lower sales dollars.
- The definition of transparency is super powerful and having the planning assumptions articulated explicitly is a good example.
- The presentation integrates the elements of the policy clearly, and the examples are very promising.
- There is a middle gap—between general workers on the floor and shoppers. Could we take the chart (presented above) and create department charts with managers responsible for it on a multi-year level that plugs in the day-to-day work?
- Department planning works effectively and can be very simple. A suggested example is to have 15- to 20-minute standup meetings daily rather than monthly.
- Can business schools help us identify what we're trying to look at?

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- It's important to find out why customers are coming to us and why they are not owners.
- If knowledge exists in the community, and we're taking a bold step, then it exists for everyone. How do we communicate to owners what's happening here tonight—the way this is being approached?
- Communication builds transparency.
- Reconciling our plan to the “reactional” pulse of the market is complicated but doable; it's a big project that requires resources.
- There's a lot of data that we're not using—for example, shopping data, customer comments. We need to connect with people where they care about things. The survey gave us good data about what owners care about.
- The Ends and 2020 Goals are important, but what other strategies exist for the next 5 years? Can we communicate those and connect them to the bigger goals?
- It's important to show and share the goals every day.

3. Board Elections

Elections Committee

Linda Stier, Chair of the Elections Committee, led a discussion of the *2016 Elections Procedures Manual* submitted by the Elections Committee (EC) prior to the meeting. The GM expressed appreciation for the supporting document that outlined the changes and the reasons underlying them. A Director observed that the elections still do not include a mechanism through which candidates can reach out to the different work units. Stier responded that developing this type of mechanism requires coordinating with operations, and she noted that there was an ongoing discussion about the topic.

Decision: The Board approved the *2016 Elections Procedures Manual* submitted by the Elections Committee.

Stier also reported that the committee had addressed the issue of voter participation. The EC presented a commentary on the importance of elections and voting for the co-op and the characteristics of a good election. Stier observed that the EC had a longer-term focus than just going out for votes, that they were focused on awareness, knowledge about how we operate, transparency, and voting as a key privilege. The committee also proposed a two-prong framework for expanding owner engagement in the elections: The EC would implement and manage online voting and engagement tables to increase voter participation, and the Board would manage a Board-level topic through a survey or other format. Amy Lorang observed that last year's owner survey was the inspiration for the Board-level element.

Highlights of the discussion include:

- Acknowledgment that it's good to remember why we have governance and voting in place.
- A good idea to tie the elections with the work of the Board and the values the Board inhabits and promotes. They reflect one another.
- Another good connection would be to relate voting to a volunteer event—to create excitement and draw in individuals who are finding fulfillment in the other activity.
- The importance of engaging owners in ways in which they can see the value.

The Board expressed alignment with the Elections Committee's proposed approach.

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4. Board Budget Report

Alicia Altmueller, Board Treasurer, presented the budget reports for Q2 and Q3.

5. GM Reports

April 2016 GM Report

The General Manager answered questions on his monthly General Report. Highlights include:

- **Sales Growth vs. Budget:** We achieved 5% sales growth for the quarter ending in March. This is above our various benchmarks. Our sales growth is driven by prepared foods and produce.
- **March 22 Town of Carrboro Public Hearing:** I spoke at several meetings leading up to the Town of Carrboro public hearing on the zoning text amendment. These included an IFC Board meeting, a Carrboro downtown business association meeting, a meeting of local CEOs, as well as the public hearing itself. Our message was well received at all of the meetings. The Carrboro Town Board voted to approve the text amendment.
- **NCG National Meeting in Chapel Hill in April:** Co-op managers from across the country met in Chapel Hill last week. The event included tours of the Carrboro and Hillsborough stores and the Food House.

6. Verify Retreat Date

The Board set its January retreat date as January 5, 2017

Decision: The Board decided on a January retreat date of January 5, 2017.

6. Closings

- Review Decisions and Tasks
- Rolling Board Calendar
- Meeting Evaluation
- March Agenda: Orientation sessions, ongoing discussion of 2017 plan and budget

7. Executive Session: Real Estate