

The Co-operator

The monthly newsletter of the East End Food Co-op • Pittsburgh, PA



Expansion Preparation Timeline

by Mike Collura, Board of Directors

As you all likely know, the Co-op board and management team has been working on our expansion project for quite some time. The board wanted to spend a bit of time this month reviewing several different steps along this process of which you may not have been aware. The idea behind this is to increase the transparency of our decision making process, and to share with you a broad outline of our collective story. While compiling these items, I found that they seemed to fit into a few categories, learning; planning; implementing; and finance. As you heard, if you read our annual report this past fiscal year-end, there is quite a bit of background to the finance portion of our expansion journey. Therefore, that has been reserved for its own full-length article next month, along with some final thoughts on the items mentioned below.

LEARNING

In June of 2008 some of the Co-op's staff and board attended the Consumer Co-operative Management Association's annual conference. The board focused heavily on co-op expansion, and they attended a seminar entitled "An Opportunity to Lead: The Board's Role in Expansion." In addition to the large volume of information this session offered, directors also made an initiative to engage other co-ops that recently went through the long journey of expansion. We were able to discuss how other co-ops communicated with their membership, made decisions, and prepared themselves, their management, and their members for the changes ahead.

In February of 2009 Rob shared a very detailed and informative presentation on market trends for co-ops and natural food stores that was originally given at the annual Eastern/Central Corridor Conference of the National Co-operative Grocers Association. The board was able to see the state of our industry and discuss how our preparation for expansion up to that point actually left us in a much safer position going into the

most recent recession. This, of course, delayed expansion goals, but allowed us to keep ourselves in a good position to move forward aggressively as the market began to recover.

In May of 2009 the board collectively read the book "The Ascent of Money" by Niall Ferguson. The board's intent was to further our understanding of economics and how the co-op and our community intersect on a financial level. Because of the economic downturn, the board felt it necessary to spend extra time discussing the local economy and how our co-operative business model could be an example for sustainable business.

As part of a suggestion that came out of our earlier Board retreat, in March of 2010 the board began to incorporate some longer education discussions into our regular monthly meetings. The idea was to discuss expansion as it relates to community development, to choose ways to learn about the topic, and to think about how to communicate what we learn and do to the membership. The board read several articles for this purpose, but the one that sticks out the most is the *Co-operative Grocer* article #146, "Learning While Leaping." This piece focused on how it was imperative to stabilize and strengthen store operations and implement the improvements that will be needed after expansion. As one of the authors, Dan Gillotte, put it, "Get your house in order." Dan shared how cleaning up and restructuring his co-op's policies, bylaws, and articles of incorporation helped to streamline and support the big changes that go along with an ambitious expansion project. He showed that an efficient co-op will make better use of its time, space, and resources.

PLANNING

In October of 2008 the board met with C.E. Pugh from the National Co-operative Grocers Development Co-op about long-term business planning for expansion. We learned about different strategies for approaching

expansions, and how we could work with organizations such as the URA to try to subsidize the costs for things like market studies. The costs, and the impact of these costs, were carefully considered. Later, we were able to avoid the expense of the first market study impacting the staff profit sharing plan. It was important to the board and GM to be able to move forward through this process without negatively impacting our staff with heavy upfront costs.

In February of 2009 the economy was in the midst of the latest recession. We decided to slow down the expansion planning process to avoid making any large financial commitments when the economy was slow. We had just received a draft market strategy survey. We were looking for where the market was strong for our type of store while also considering what community partnerships would be available. Though we chose to delay our actions, we were able to continue our expansion planning process. These choices allowed us to be better financially and strategically prepared when it was once again time to move forward.

In both June of 2009 and April of 2010 our GM brought Co-operative Development Services consultant Mel Braverman to EEFC to do a site evaluation and discuss our current store's strengths, weaknesses, and opportunities. This advice helped to inform decisions that will shape how our current store will be redesigned. Feeding back from what we learned from our learning process, these ideas fit perfectly into line with the path that we set out for ourselves as we grow our Co-op.

In May of 2010 the Board met with Co-operative Development Services consultant Thane Joyal to begin our discussion of how EEFC could best position itself legally. We talked about areas of our bylaws that are confusing and restrictive. Thane also detailed some options that we have for making additions that could allow the Co-op more flexibility to grow. The board is currently preparing to engage legal counsel to assist in drafting revised bylaws that will be voted on by our members. Thane also discussed the possibility of reincorporating the Co-op locally, or in a state that has more co-operative business friendly laws. As it turns out, EEFC is incorporated in Washington D.C., and is

thus bound by its laws. The board will be investigating the value of reincorporating in another state.

IMPLEMENTING

In April of 2010 Rob and the management team present a reinvented Ends interpretation to the board. To refresh everyone's memory, Ends refer to the outcomes that our Co-op exists to produce. I should mention that the board felt that Ends was an area where we really excelled. The new interpretation was simply a clear, concise, and memorable way of phrasing what the Co-op was passionate about, and how it would be achieved. It focused on three areas that encompassed our co-operative values and principles: people, planet, and economics. The most notable difference was the measurable objectives given in order to show how we were living up to meeting these desired outcomes.

In June 2010 Rob submitted the strategic five-year business plan for the co-op. This plan outlined a broad view of the expansion goals and the steps we would take to accomplish them. The plan takes into account much of the advice that the board and GM learned through engaging with co-operative business consultants and other co-ops. For the first time, East End Food Cooperative has a road map for our long sought expansion dreams.

In October 2010 our GM presented a plan for some design improvements for our current store. This was a major step in preparation for both opening a second location and relocating our current store to a larger more accommodating space. Rob took the advice of many different co-operative business consultants, as well as the experience and hindsight of other co-op GM's that have recently gone through this same process. Because opening a second location is likely to generate more revenue than relocating our existing store, it was decided that it would be prudent to pursue relocation first. In this way, we can ensure that one project helps to pay for the other. However, this does not mean that we simply abandon our current store until it is time to relocate. As the board learned earlier, reinvesting into our current space will allow us to operate more efficiently and maximize the strong points of our store.