

# Collective Management

## The People's Food Co-op experience

BY BOB DAVIS AND LORI BURGE

**T**he mere mention of worker collectives managing food co-ops sends most modern cooperators into a rehash of the collapse of many “new wave” food co-ops of the 1970s. That wave was motivated by a revolutionary zeal to challenge the capitalist system, translating into hundreds of experiments in worker-managed buying clubs and storefront co-ops.

When the new wave co-ops landed on the shores of economic reality, one common response was a return to the tried and true co-op model of member-owners and hierarchical management systems. However, a small and determined band of cooperators in Portland, Oregon disagreed with prevailing wisdom, and set out to develop a worker-managed and consumer-owned co-op model.

People's Food Co-op, founded in 1970, went through many management system changes, from the general manager model to various iterations of worker collectives. We have had many near-death experiences due to mismanagement, ideological differences, and lack of funds. One defining moment for People's came in 1991, when the store was struggling and the collective voted to close the doors. The board of directors fired the collective and hired a general manager and staff. Together, they developed tactics to improve People's sales and management. The staff began working to return People's to collective management, an approach that the board of directors finalized in 1993.

The People's co-management is a dynamic force in our co-op. We continue to develop and refine our understanding of the distinct roles of members, board, and staff. Until recently, it would be fair to say our board of directors was staff driven. Major decisions often were decided by the collective management and given to the board for approval. In the past four years, the People's board has re-invented itself as the governing body of the co-op through the Policy Governance model. Because the Policy Governance structure assumes staff are organized in a hierarchical structure and led by an executive, a major modification was required to accommodate our collective management model. In the end, we are finding that Policy Governance actually serves as a complement to our collective management.

We now have a 29-person collective: co-management instead of a general manager. Under



In 2008 the co-op, in 2,400 sq. ft. of retail, will generate sales of \$4.5 million.

### People's Food Co-op

#### PORTLAND, OREGON

Retail Square Footage	2,400 sq. ft.
Active Members	2,700
Member Equity	\$392,000
2008 Sales (estimated)	\$4.5 million
Sales Growth (2004–2008)	125%
Labor Margin (2008 YTD)	21.2%
Margin Minus Labor	15.5%
Net Income 2008	6.6% (before patronage dist.)

this management system, People's has grown from 500 member-owners to over 4,000. We expect to see \$4.5 million in sales in 2008, and we are considering other ventures. Potential projects in People's future include a second store, a farm, a certified community kitchen, and a co-op incubator to grow new co-ops.

We've all heard questions about what might happen if workers actually managed their own workplace without the oversight of a boss: What

about accountability? What will ensure that staff are working on behalf of member-owners? Does everyone do everything? What about efficiency? How are decisions made?

In order to be successful, collective management structures must contain the elements that are crucial to any co-op management structure. We will outline how the People's system of worker self-management has contributed to our success, how the system is structured, and its relationship with the membership and board of directors.

#### Staffing the co-op

Our workforce consists of 29 full-time collective staff, 15 part-time staff and the occasional temporary/seasonal worker. Attracting and retaining staff members who are both qualified and interested is essential. For collective positions, our application processes include questions that help the hiring committee anticipate how well a candidate will thrive in this environment. All workers need to be both adept in their primary jobs and inclined toward working collaboratively as a co-manager. Every regular, full-time staff member is considered for collective mem-



People's Food Co-op has 29 full-time collective members plus 15 part-time staff.

bership after a nine-month probationary period. The personnel manager coordinates the evaluation and confirmation process that determines if a person meets agreed upon standards and should become a part of the co-management.

The collective uses a democratic process to make this decision. Part-time staff go through a similar process, but without the emphasis on participation in democratic management. Part-time workers are free to apply for collective positions as they become available.

A living wage is an important part of People's fair labor philosophy. At one year of employment, every worker earns the Oregon living wage or better. We also provide regular annual seniority-based raises, an annual cost of living adjustment, retirement plans, and full medical and dental benefits. Our workers may also receive a massage for just \$13 and have their bikes worked on for free, all as a staff benefit.

Another People's experiment is wage equality; all staff start at the same wage, regardless of position or prior experience. After one year, a worker takes a step up the scale. Currently, much of our administrative staff has grown into their positions, either as ambitious internal hires

or as fresh college graduates. Will our co-op always be able to find the right person to fill any open position? The board may revisit the issue if crucial staff cannot be recruited.

### Worker engagement

Worker engagement is an area where collectives are poised to excel. Remember the Zingtrain philosophy, "Why should your dishwasher understand your bottom line?" Our collective emphasizes worker understanding of co-op ends, annual goals, and key financial indicators. When workers approve personnel policy and procedure, they own it and are more likely to support rather than to undermine it. While not everyone is going to be equally engaged in every aspect of operations, there is overall involvement. In 2008, People's co-management decided to continue participating in major decisions such as annual plans (the top level of operational goals), budgeting (key financial indicators for the year), significant development options (e.g., to open a second store or start a farm), personnel policies (including compensation and accountability), decision-making policies, overarching teams structure, and regular hours of operation.

### Delegation and decision-making

Knowing who does what is important in any workplace, and in a collective it is vital. Job descriptions need to clarify each worker's role in decision-making and accountability systems. Every duty done at the co-op is clearly defined in an individual's job description. At People's, teams and committees are often charged with decisions, and within those bodies, one individual is generally responsible for calling meetings and ensuring results.

Size of a workplace is a major factor when determining what level and types of decisions are delegated to individuals, teams, and committees. In 2001, People's re-organized in preparation for our pending expansion. Our 14-person collective decided to maintain the collective structure by creating teams and further delegating decisions. In 2008, our 29-person collective completed another reorganization that further empowers teams and individuals to make decisions. The collective maintains a process that allows itself to challenge and overturn a decision that is either poor quality or doesn't fall within proper jurisdiction. ■>

■> At People's certain major decisions are reserved for the collective. Co-management at People's has evolved its consensus decision-making process to meet operational realities. As of 2007, People's co-management uses modified consensus to make decisions. This change was a direct result of our co-op's growth. Only confirmed co-managers that have worked at the co-op for nine or more months may vote to block a decision. Our next challenge may be to evolve to a two-store business.

Other models of democratic decision-making exist for larger workplaces. Olympia (Wash.) Food Co-op has been collectively operating a multi-store cooperative since 1994. The 240-plus member, worker-owned Rainbow Grocery in San Francisco is a successful business and a democratic workplace. Rainbow delegates decisions to departments or committees and reserves key decisions for the workers' membership meeting. The Rainbow workers' membership meeting uses majority voting, a reasonable democratic method for a workplace that large.

In worker-managed businesses, care should be taken to balance workers' democratic rights and the goals and interests of the member-owners. If People's commits to opening a second store and doubling our staff size, we may need a fallback mechanism for decision-making should we ever get stuck on a crucial issue.

## Transparency and accountability

Good co-op management is accountable to both the board of directors and the member-owners. While collective management offers more checks and balances than a hierarchical model, it still has the potential of disregarding accountability to the membership. To avoid that pitfall, People's has created processes and structures that ensure adherence to the both the co-op's bylaws and to its ends and executive limitations policies.

With no general manager, how does the People's board communicate and hold staff accountable? We use executive limitations and an array of monitoring reports most cooperators would recognize. Our collective management appoints a "link" to present monitoring reports that are signed by the appropriate worker teams. The board speaks as one to the workers' collective, and the collective speaks as one to the board. The link is not responsible for the decisions of the collective; she is evaluated on her ability to maintain clear lines of communication and accountability between the board and collective. The board holds the co-management as a whole accountable for its decisions and expects the collective to have and utilize strong internal accountability systems to support its actions.

If the board rejects a monitoring report, it is returned to the team responsible with reasons for its rejection and a date for corrections to be submitted to the board. If the board feels the interpretations are not reasonable, it will create a second tier policy to move the co-management toward compliance.

The co-op is in alignment with the cooperative principles when co-management applies the principles of servant leadership to our work. Through Policy Governance, our board of directors outlines ends and limitations for which co-management must create reasonable interpretations and measurable monitoring reports. Board policy expects us to act as servant leaders by engaging member-owners, utilizing their input, and building support prior to committing to any major plans that could affect the co-op. Every significant plan that the co-management makes must support the ends statements that our board has created on behalf of member-owners.

A disparity between the views of the board and the collective can become a source of conflict. On rare occasions, some collective members have disputed a board and/or membership decision on ideological grounds. This exposes a friction point in a consumer-owned and worker-managed enterprise. Although People's' board and staff are non-hierarchical, the co-op as a whole does have a hierarchy. Members govern through their elected board representatives, and the collective is only empowered by the board through Policy Governance and the cooperative's bylaws. In short, the worker collective cannot block a decision of the board. Educating the collective on the relationship among the member-owners, board,



## THE CASE FOR COLLECTIVE MANAGEMENT

What does the People's management model add to the co-op movement?

- Its successful democratic management serves as an exemplar for the future of cooperation.
- Its approach adds depth and action to the cooperative values of democracy and solidarity.
- It enables consumer-owned co-ops to become three dimensional organizations that balance the interests of members, the community, and workers.
- Everyone has a voice, and everyone is a partner in the co-op economy. When the co-op movement fosters the empowerment of all stakeholders, we demonstrate the potential for a new social, political and economic structure for our society.
- The People's experience—through chance, planning and hard work—demonstrates that worker collectives can be successful.

and staff has moderated the rare ideological struggle into constructive debate and resolution.

Every workplace needs clear internal mechanisms for evaluation and accountability. Our co-op limits punitive disciplinary actions. Progressive accountability policies foster growth and empowerment of workers. An appeals process ensures that workers have the ability to challenge any disciplinary action they feel is unfair or unjust. As in any workplace, adversarial relations may occur between workers. Because there is no one person we report to, workers each play a role in accountability. Workers learn to overcome fears and challenges by giving and receiving critical feedback, which in turn improves worker relations, morale, and productivity.

## ► Navigating market forces

Because natural foods cooperatives face stiff competition from other retailers, favorable purchasing terms, pricing strategies, appropriate product selection, and a meaningful niche in the community are essential. Management's ability to understand and effectively navigate these areas is crucial. Food cooperatives are fortunate to have access to resources like the National Cooperative Grocers Association (NCGA) and CoCoFist data and tools.

Not so long ago, terms such as strategic pricing and branding were considered "corporate," because we thought we were so "different." Now, we expect every full-time staff to participate in brand awareness training. Our buyers and finance team are using CoCoFist to help us assess and plan for coming quarters. As mentioned above, our staff also has a basic understanding of the key financial indicators we use to measure our success and what actions affect them.

## Creative problem-solving

Co-ops are dynamic organizations, growing and evolving with the times. Add the experience and expertise of cooperative managers to the fresh ideas of new workers, and we have a winning combination. In a collective environment, a broad base of input and creative problem solving is a part of the natural infrastructure, creating a sense of empowerment that welcomes

individuals to share ideas that continually invigorate our co-op.

## Advancing the co-op model

Successful collective management, as with any management model, must adhere to the fundamentals. People's has creatively incorporated

basic management principles within the context of worker empowerment and decision-making. The People's self-management model is built on qualified staff, transparency, accountability, effective decision-making, worker engagement, creative problem solving and dynamic planning to thrive in a changing market. ■

### Call for Proposals



Blooming Prairie Foundation is now accepting proposals for its 2009 funding cycle.

The Foundation's mission is to promote innovative ideas, practices and procedures in the area of organic and natural foods in order to further the health of the people, the health of the environment and cooperative ideals.

The Blooming Prairie Foundation makes grants to nonprofit, charitable organizations that conduct any of the following activities:

- Developmental, research and educational efforts in the organic industry and the cooperative community
- The development of organic and natural products.
- Cooperative development in the natural products industry.

Grants are not made to individuals. To be considered for a grant, your organization can follow the guidelines on the "Grants" page of the Blooming Prairie web site at: [www.bloomingprairie.org](http://www.bloomingprairie.org). Deadline for proposals is 5:00pm, Feb. 1, 2009.

**For more information:**  
Please call Lynn Olson, Grant Administrator at (609)556-3055 or e-mail at [bpinfo@yahoo.com](mailto:bpinfo@yahoo.com)





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