2021 Cooperative Governance Research Initiative

Food Co-op Findings

Center for Cooperatives
UNIVERSITY OF WISCONSIN–MADISON

Cooperative Governance Research Initiative

FOOD CO-OP FINDINGS

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- Columinate
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- National Co+op Grocers
- National Cooperative Business Association
- National Council of Farmer Cooperatives
- Neighboring Food Cooperative Association

Last but certainly not least, we want to thank the 2021 study participants. This project would not have been possible without their time, candor, and commitment to cooperatives.

A full set of CGRI acknowledgments can be found in our report *Findings from the Cooperative Governance Research Initiative 2021*, available at https://uwcc.wisc.edu/cooperative-governance-research-initiative/.

EXECUTIVE SUMMARY

Cooperatives (co-ops) are member owned and controlled enterprises created to address collective needs in areas such as accessing competitive markets, obtaining quality goods, and securing affordable housing. They operate in a range of industries, and many U.S. cooperatives have been in business for over a century. Because of their substantial and ongoing contributions to society, the governance practices of cooperatives warrant greater research attention. In addition, there is a need for evidence-based tools to help leaders and practitioners reflect upon and improve governance practices within their cooperatives.

To address these gaps, the University of Wisconsin Center for Cooperatives launched the Cooperative Governance Research Initiative (CGRI) to collect data on the governance practices of U.S. cooperatives across sectors and over time. Our first CGRI survey produced responses from over 100 retail grocery cooperatives, also known as food co-ops. This report highlights the dynamics and trends shaping governance practices in food co-ops. Our findings suggest:

- On average, food co-ops have more diverse boards than CGRI participants in every dimension; however, they are less confident they have the right mix of directors and that demographics of the board reflect the membership. This lack of confidence is reflected in the finding that most food co-ops plan to prioritize **board diversity** in the next three years.
- When it comes to **board recruitment**, food co-ops are more likely to use a nominating committee than CGRI respondents as a whole. On average, food co-ops with nominating committees are more confident they have the right mix of directors than those without.
- Food co-ops are more likely than other CGRI participants to offer a diverse range of voting options and to hold open board meetings. Despite these efforts and the widespread use of strategies to promote **member participation**, food co-ops reported lower turnout at the last election and annual meeting and less confidence the board understands member needs.
- Food co-ops experience higher board turnover and are more likely to use consecutive term limits than CGRI respondents overall. Interestingly, food co-ops also report less confidence in the effectiveness of their systems for preserving **institutional knowledge**.
- When it comes to **the CEO**, food co-ops are more likely than all CGRI participants to evaluate performance using specific, quantifiable measures; use industry benchmarks to set compensation; and have an emergency succession plan in place. Despite this, food co-ops are less positive overall about the health of the board-CEO relationship.
- The share of food co-ops that compensate the board is higher than all CGRI respondents, but the annual median **compensation for directors** of food co-ops is much lower.
- There are opportunities for improving **board relationship dynamics** in food co-ops, especially following the impacts of the COVID-19 pandemic, which caused most food co-ops to move their meetings online and diminished the typical efforts to build social and interpersonal dynamics that support healthy governance.

Food co-ops apply many of the same governance practices as other sectors, yet they face industry-specific challenges such as increased market competition, thin margins, and pressure to deliver value to members and society in many dimensions. We hope this report inspires reflection and conversations that will help food co-ops achieve their potential today and into the future.

INTRODUCTION

The University of Wisconsin Center for Cooperatives (UWCC) launched the Cooperative Governance Research Initiative (CGRI) in 2021 to generate data and resources that empower co-ops to reflect upon and improve their governance structures, processes, and culture. Democratic member control is an inherent aspect of all co-ops, but the way this fundamental characteristic is operationalized differs across co-op sectors and types. It is crucial to us that co-ops can identify themselves within the data, irrespective of their industry, size, history, location, or membership structure. In pursuit of this goal, we are producing reports tailored to specific sectors. This report presents CGRI data and trends that are relevant to food co-ops, most of which are consumer co-ops with a few operating with a hybrid ownership structure that includes both consumer and worker members.

Consumer owned retail grocery cooperatives, or food co-ops, have been a part of America's food landscape for over a century. During the Great Depression, the first major wave of food co-ops emerged to provide affordable goods to families (Knupfer, 2013). A subsequent wave of food co-ops developed in the 1960s and 1970s. Inspired by the social, political, and environmental movements of that period, this second wave of co-ops was responding to the increasing demand for fresh and unadulterated foods and was the beginning of the nascent natural foods movement. We are currently in the midst of a third wave, which has seen a resurgence of interest in the model and how it can be used to bolster local communities, economies, and food systems. The interest in local and organic food that emerged during the second wave has remained a strong tenet in many of today's food co-ops. This is seen as an asset or a liability—depending on who you ask—and may be poised to shift discernibly with the emergence of start-up co-ops that serve low-income, low-access areas. While food co-ops have been credited for removing barriers for Black families to access healthy food (Nembhard, 2015), and referenced as a possible solution to address food deserts in rural America (Conard, 2022), they have also been criticized (Zitcer, 2015) for unintentionally excluding people with low income and those in need of culturally appropriate food.

Consumer owned retail grocery cooperatives, or food co-ops, have been a part of America's food landscape for over a century.

Although this analysis focuses on the governance practices of food co-ops, the fact that food co-ops have often taken a stand on a host of cultural and sociopolitical issues is pertinent. As readers will find in our discussions, this type of engagement and the expectation of members that their food co-ops be responsive to pressing social and environmental concerns is necessary context for understanding the challenges and opportunities faced by food co-op boards and managers.

CGRI Research Questions

The CGRI project was designed to address a critical research gap by providing actionable information on governance practices to co-op practitioners, researchers, and policymakers. To achieve this aim, we applied a mixed methods approach to collecting and analyzing data on co-op governance. Data in this report is from the following research questions we asked in the 2021 CGRI study:

1. **What is the scope and prevalence of specific governance practices across the cooperative community related to…**
   - **Board composition and qualifications**
   - **Board nominations and elections**
   - **Board training, education, and development**
   - **Board meetings and decision-making practices**
   - **Board compensation**
   - **The CEO**
   - **Member participation**
   - **Board culture**
2. **Where are the most opportune areas to advance cooperatives' practices in these areas?**

Why Study Food Co-op Governance?

Throughout their history, food co-ops have played a pivotal role in American society by generating economic output, creating jobs, addressing social and environmental issues, and birthing the natural foods movement. We know that effective governance is fundamental to the sustainability of food co-ops, yet few studies examine their governance practices and needs.

On a practical level, food co-op governance is complex and requires significant care and effort. We seek to understand it by hearing perspectives from general managers and board members. Morgan, a long-tenured general manager, believes that cultivating strong governance systems is worth the effort: "It's what really makes a high-level connection with the community, which is what we're about. […] For me, it's really important that it's done well." Food co-op managers and directors can benefit from resources that assist them in addressing the intricate dynamics involved in leading member-owned businesses. The need for governance-related data and tools becomes even more important as many seasoned general managers retire and food co-ops strive to provide value to their members within a hyper-competitive environment.

While this report may highlight specific practices or approaches, we do not believe there is a universally correct method for governing a co-op. This document is not a step-by-step guide; rather, it serves as a glimpse into the extensive array of practices used by food co-ops and how their most common practices resemble or differ from those of other types of cooperatives. We hope the report stimulates meaningful discussions among directors and managers, serving as both a catalyst and a valuable resource for effective democratic member control.

METHODS

This report is intended to provide an overview of the CGRI data on food co-ops for professionals and practitioners working directly with and for food co-ops; therefore, we only present descriptive findings. We summarized quantitative data using descriptive statistics such as means, medians, ranges, and percentages. We also assessed potential relationships between variables of interest using correlation tests and incorporated qualitative data when appropriate.

We recognize this analytical method limits our ability to make interferential statistical claims and to extrapolate observations to a larger population of co-ops. We believe, however, that descriptive results are appropriate for our target audience and are able to catalyze valuable dialogue about governance practices in food co-ops and research needs among co-op professionals, researchers, and policymakers.

To remain consistent with our previous reports, we omitted non-responses in the calculation of descriptive statistics. We are aware that this omission may overestimate the percentages in some comparisons, and we note the subsample counts in cases where the excess estimates exceed five percent.

Generalizability

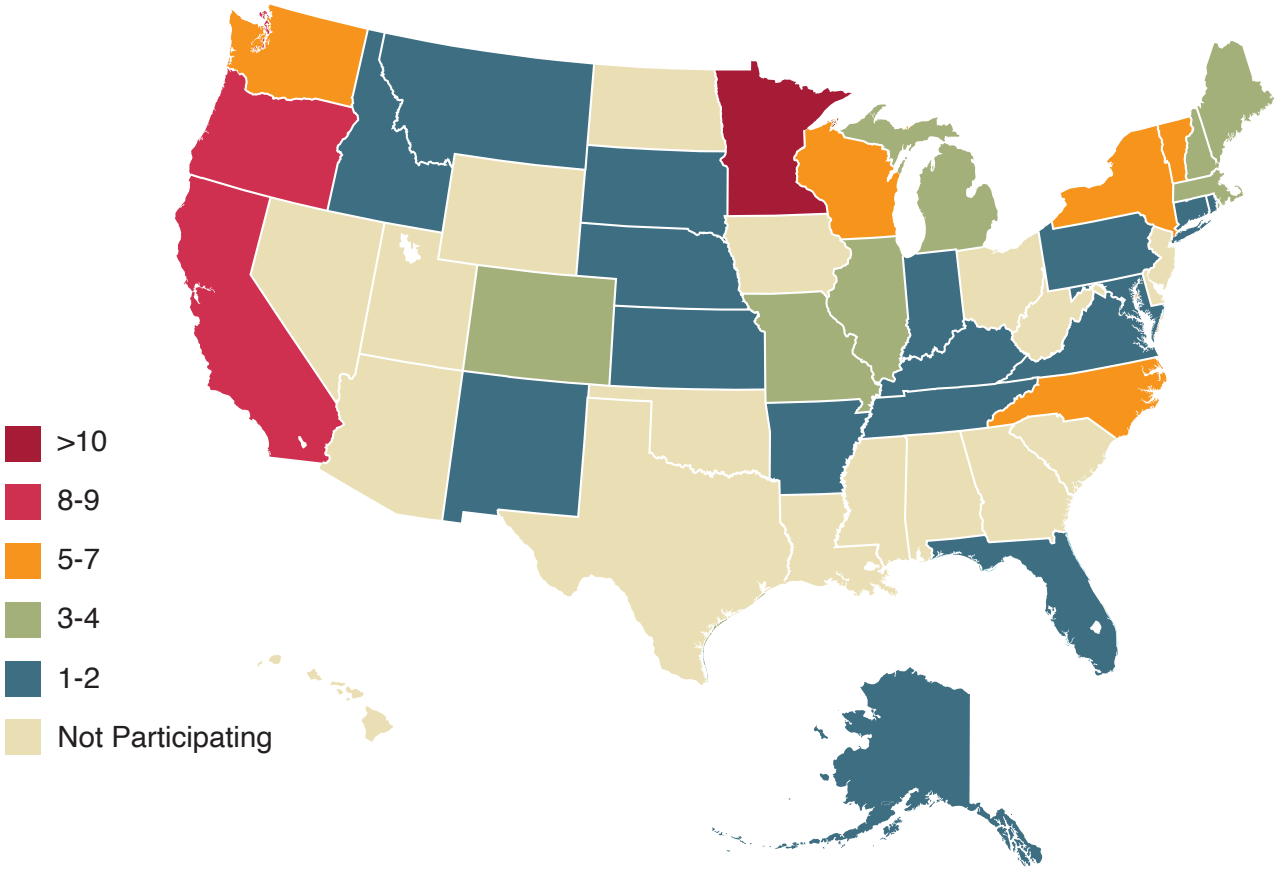
CGRI aims to fill a critical research gap by collecting governance data from U.S. co-ops across sectors and over time and by providing preliminary analyses on trends and variations in co-op governance practices. We used a non-random sample and did not conduct inferential statistical testing. Furthermore, we were unable to access comparison data, so we present unweighted findings. These key limitations hinder our ability to generalize our findings broadly. Additional methodological details about the CGRI study design, data collection, sampling strategies, and generalizability are available in the report Findings from the Co-op Governance Research Initiative 2021, at https://resources.uwcc.wisc.edu/Research/CGRI_2021Report_web.pdf. Our study team welcomes reader feedback and can be reached at cgri@uwcc.wisc.edu.

PROFILE OF PARTICIPATING FOOD CO-OPS

The 2021 CGRI survey yielded responses from 500 co-ops and captured substantial diversity in terms of industry, type, size, age, and location. Classifying co-ops into definitive groups is more complicated than it might seem (Berner and Schlachter, 2022). Some scholars and practitioners use typologies based on industry, while others categorize co-ops based on membership type or function (Williamson, 1987). For the purposes of this report, we reviewed a list of all participating co-ops that selected retail as their industry and consumer, worker, or multi-stakeholder as their type. This process generated a list of 122 co-ops. We then used the participant sources and our professional knowledge to narrow the list to 108 retail food co-ops.

Participating food co-ops are headquartered in 30 states (Figure 1). Nearly half of food co-op respondents are in either the upper Midwest (24 percent) or on the west coast (23 percent). As community-based businesses, it is not surprising that 83 participants report operating in a local market and 19 in a regional market.[1] All participating food co-ops are primary[2] co-ops owned by individual members. Two are multi-stakeholder co-ops with both consumer and worker membership classes, and the remaining 106 are consumer owned.

Figure 1. Participating Food Co-ops by State



[1]Six participants did not complete the question about operating markets.
[2]We define primary co-ops as enterprises owned by individual members (producers, workers, or consumers) and secondary co-ops as enterprises whose members are themselves co-ops.

Business size is typically defined by employment and revenue. The CGRI survey asked co-ops to report their size by membership, number of employees, and financial metrics. The membership size reported ranges widely from 250 to 100,000 members with an average of 8,430 and a median of 4,930. Participating food co-ops employ between 0[3] and 1,500 full-time equivalent employees overall with an average of 88 and a median of 45. Most participating food co-ops (85 percent) are considered small or medium-sized businesses by the number of employees (Figure 2).[4]

Gross annual revenue of participating food co-ops ranges from $50,000 to $425 million with an average of $17.9 million and median of $7.5 million, indicating the participation of a few large food co-ops that skew the averages upward.[5]

Figure 2. Size of Participating Food Co-ops by Number of Employees

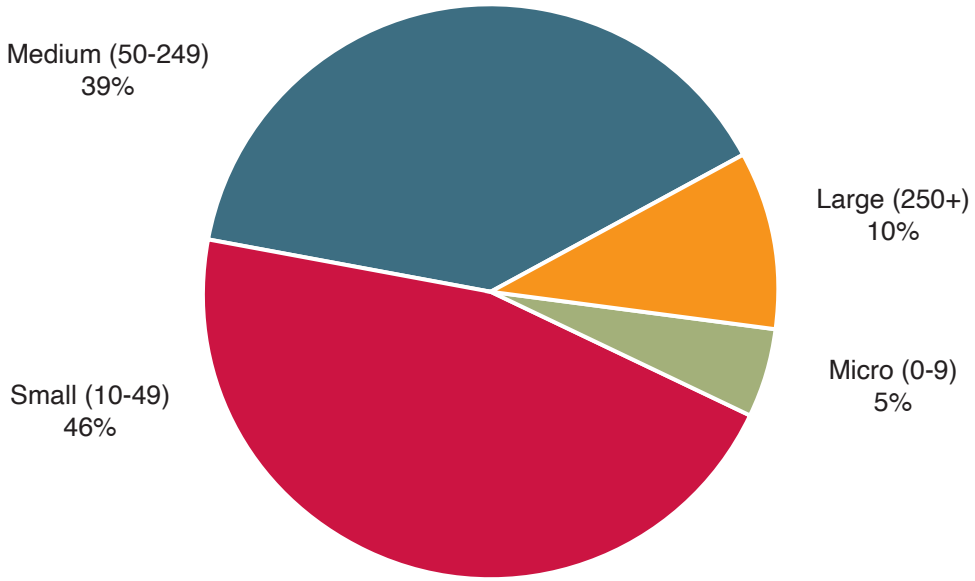


Figure 3. Size of Participating Food Co-ops by Structure

	Min.	Max.	Mean	Median
Number of Members	250	100,000	8,430	4,930
Full-Time Equivalent Employee	0	1,500	88	45
Revenue	$50,000	$425 Million	$17.9 Million	$7.5 Million

[3]It is odd for operating food co-ops to have zero full-time equivalent employees; however, an outlier response such as this is common in survey studies.

[4]The Organization for Economic Co-operation and Development (OECD) uses the following business size thresholds: micro enterprise (fewer than 10 employees), small enterprise (10 to 49 employees), medium-sized enterprise (50 to 249 employees), large enterprise (250 employees or more). See https://data.oecd.org/entrepreneur/enterprises-by-business-size.htm.

[5]When calculating the range, mean, and median for revenue data, we excluded one response that included $0 for all the questions about revenue, profit, and patronage. An internet search revealed this participant is an established, revenue generating co-op.

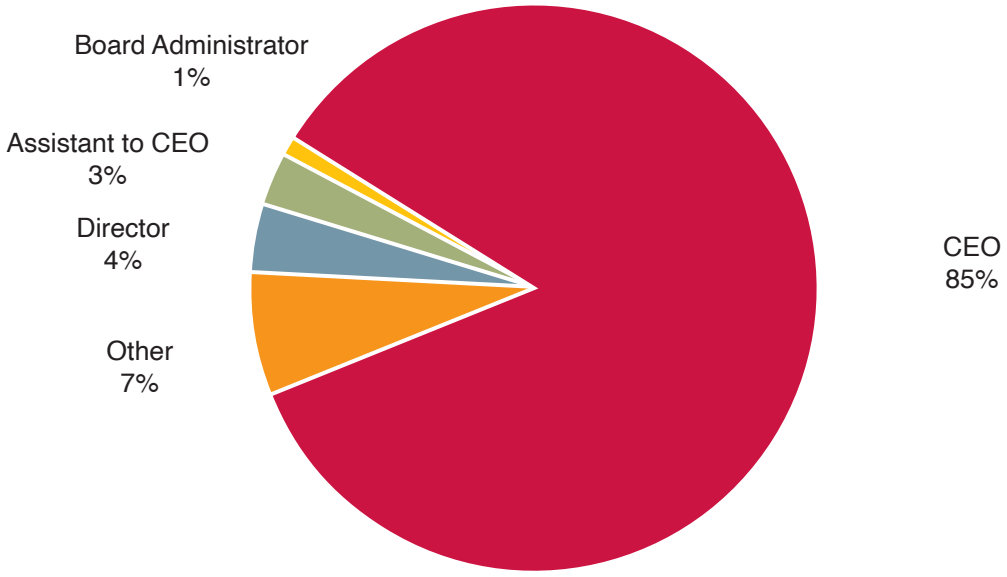
Characteristics of Survey Participants

Recognizing that individuals' roles and backgrounds impact their experiences with governance, we asked each person who completed the CGRI survey on behalf of their co-op to share information about their role, tenure, and basic demographic characteristics.

Most returned surveys (95 percent) were completed by one person. Three food co-ops submitted a survey completed by two people, and two submitted a survey completed by three or more.[6] As Figure 4 shows, most survey participants (85 percent) are CEOs. Most food co-ops use the term general manager; however, to remain consistent with previous reports, we use CEO to refer to the Chief Executive Officer, general manager, executive director, or other type of highest-ranking employee.

Three percent of participants identify as Hispanic. In terms of race, 90 percent identify as White, four percent as Asian, two percent as American Indian or Alaska Native, and one percent as other. The gender composition of survey participants is as follows: 50 percent female, 49 percent male, and one percent non-binary or another gender identity. On average, they have worked at or served on the board of their co-op for 11.5 years, though tenure ranges from under a year to 46 years.

Figure 4. Survey Participants by Role



[6]*More than one person from a co-op could complete a co-op's survey, but only one survey could be submitted by a co-op.*

KEY TAKEAWAYS

BOARD COMPOSITION

Board nominations and elections are important mechanisms for members to exercise democratic control. In this section, we explore several aspects of board composition that are likely to impact how democratic decision-making is carried out in co-ops, including board size, board demographics, and director experience (Bond, 2009; Chen et al., 2010; Franken and Cook, 2017; Reynolds, 2020).

Board Size

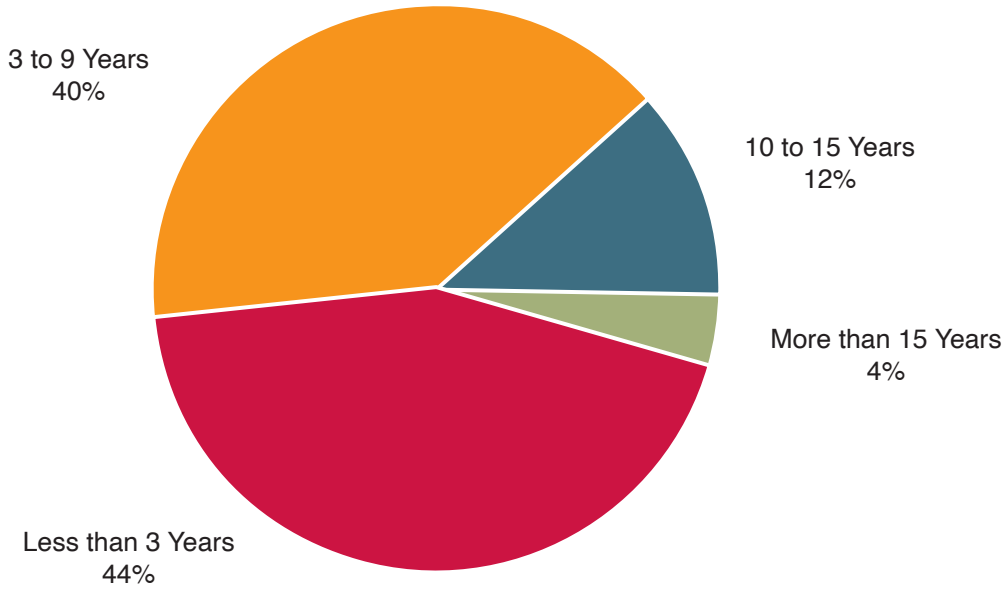
Findings on board size among food co-ops are largely consistent with the overall CGRI results. Participating food co-ops currently have between four and 11 directors serving on the board with a mean of eight and a median of nine. We also asked how many directors co-ops allow on the board. Approximately one in four (22 percent) food co-ops reported they set a range limit for board size rather than a specific number. The number of people allowed to serve on food co-ops boards range from five to 20.

Most food co-op respondents (80 percent) require member approval to change the size of their board, which is slightly higher than the average (65 percent) across all CGRI respondents. Only 20 percent of participating food co-ops changed the size of their board in the last five years. Among those, 14 increased the size and eight decreased the size. The most common reasons cited for increasing board size were to add skills and experience, to better represent stakeholders, and to increase director diversity. The main reason food co-ops decreased the size of their board was to achieve the efficiency of a smaller board.

Board Composition

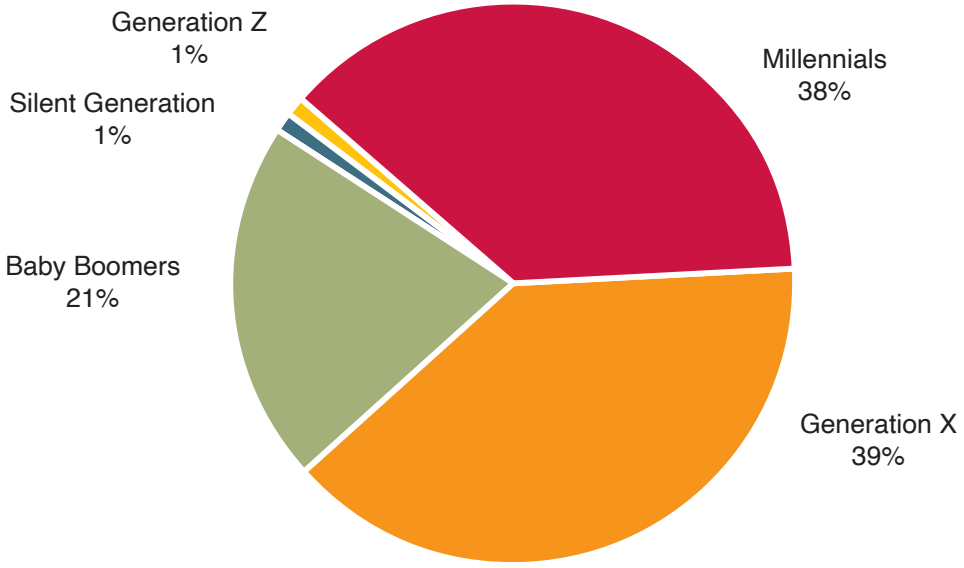
Director tenure is one measure of board composition that can have implications for how co-ops balance member voice, representation, and expertise (Birchall, 2015). **On average, food co-ops have less tenured directors than co-ops in other sectors**. In participating food co-ops, 44 percent of directors have served less than three years on the board (Figure 5). Only 12 percent of directors have served for ten or more years, compared to 30 percent of all CGRI respondents, and 39 percent of agricultural co-ops.

Figure 5. Tenure Composition of Participating Food Co-op Boards



Another dimension of board composition is the **age of directors**. On average, participating food co-ops have younger boards than CGRI respondents as a whole. The average food co-op board is made up of 39 percent Millennials and Gen Z compared to an average of 25 percent across all CGRI respondents.[7]

Figure 6. Age Composition of Participating Food Co-op Boards



The **gender, ethnic, and racial composition** of corporate boards has attracted increased scrutiny in recent years as initiatives to promote diversity, equity, and inclusion have gained traction both in the cooperative community (Meyers, 2016; Roberson, 2021; Schlachter, 2021) and the broader organizational landscape (Roberson, 2019; Roberson, King, and Hebl, 2020).

The levels of gender diversity among food co-op boards are as follows: 47 percent have a majority of women and nonbinary directors, 42 percent have a gender diverse board, and 11 percent have a majority of male directors.[8] In comparison, only 22 percent of co-ops in the full CGRI sample reported having a gender diverse board. This finding suggests that food co-op boards are relatively gender diverse among survey respondents.

On average, participating food co-op boards are more racially and ethnically diverse than CGRI respondents as a whole; however, people in the global majority are still underrepresented.[9] The majority of food co-op boardroom seats are occupied by White directors and a small proportion of seats are held by Black and Asian directors (Figure 7). In terms of ethnicity, on average three percent of food co-op directors identify as Hispanic or Latino.

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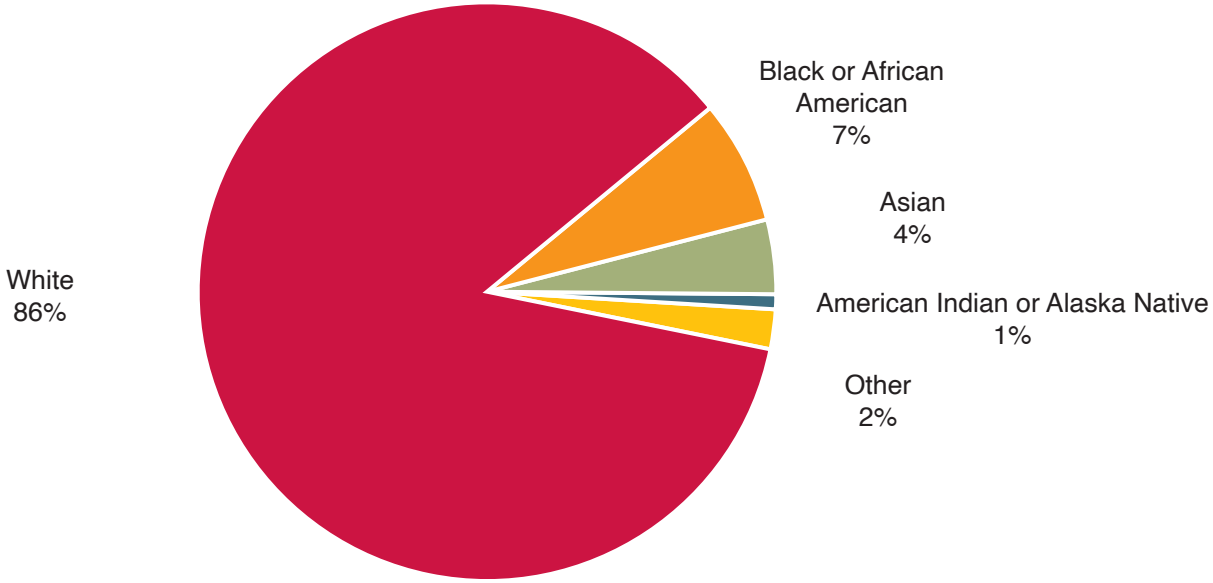
[7]We used generation thresholds from the Pew Research Center that reflect the following age groups in 2022: Generation Z (25 years or younger), Millennials (26 to 41), Generation X (42 to 57), Baby Boomers (58 to 76), and Silent Generation (77 years or older).

[8]We define majority as having 60 percent or more directors in a specific gender category. We consider a board gender diverse when 40-60 percent of its directors identify as women, nonbinary, or in another way (Schlachter and Cherian, 2022). Approximately 3.7% of the participants refused to answer the gender diversity question.

[9]The racial demographics of U.S. population are 75.5% White, 19.1% Hispanic or Latino, 13.6% Black or African American, 6.3% Asian, 3% two or more races, and 1.3% American Indian and Alaska Native, according to the 2022 Census. See https://www.census.gov/quickfacts/fact/table/US/PST045222.

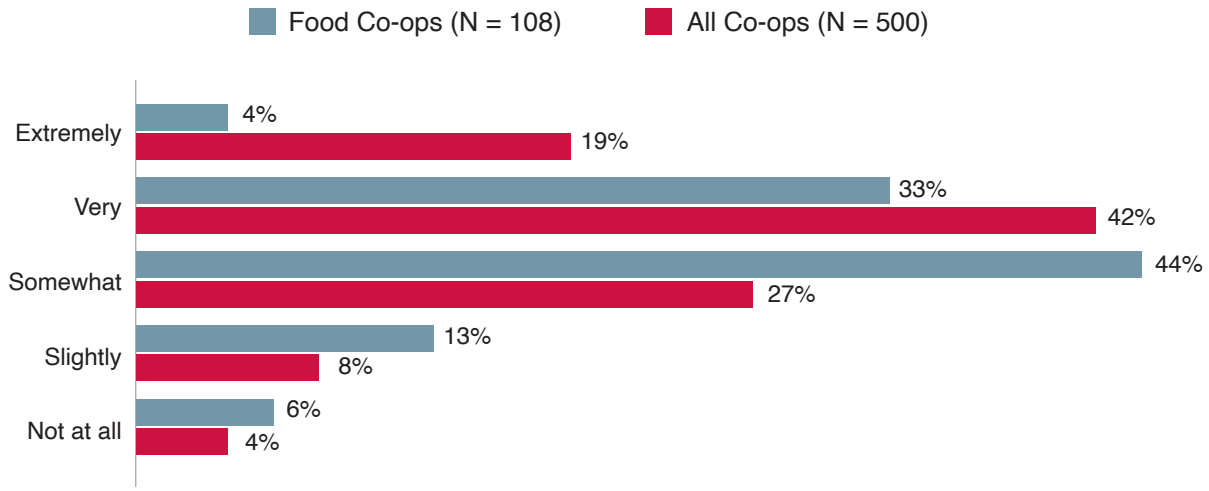
Figure 7. Racial Composition of Participating Food Co-op Boards



Co-ops in the CGRI data with more women and nonbinary directors also tend to be more ethnically and racially diverse; however, we did not find gender diversity to be correlated with racial diversity among food co-op boards.

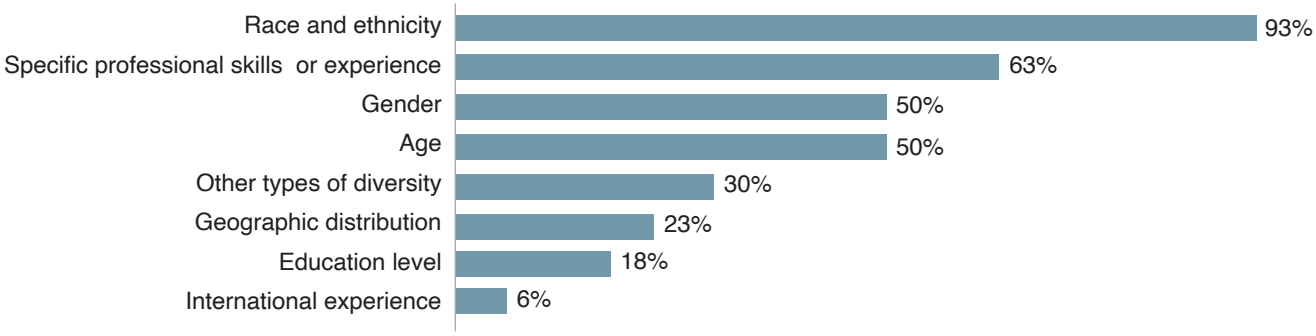
Despite having slightly more diverse boards in terms of gender, race, and ethnicity than the average CGRI respondent, participating food co-ops are less confident that the demographics of their current board mirror the demographics of the membership as a whole and that their board has the right mix of people to govern effectively. Approximately a third (34 percent) of participating food co-ops say the demographics of current board members *mirror* those of the membership overall extremely or very well, compared to 49 percent of all CGRI respondents; and only 37 percent of participating food co-ops are confident (four percent extremely, 33 percent very) their board has the right *mix* of people to serve effectively compared to 61 percent of all CGRI participants (Figure 8).

Figure 8. How Confident Are You that the Board Has the Right Mix of People to Perform Its Governance Duties Effectively?



These low levels of confidence are reflected in the data on how likely food co-ops are to prioritize board diversity. **Over two-thirds of food co-ops say they are extremely (25 percent) or very likely (44 percent) to prioritize board diversity in the next three years**. These levels of interest are much higher than those found across all CGRI respondents (16 percent extremely likely and 28 percent very likely). Food co-ops that plan to focus on board diversity in the next three years identified the following priorities: race and ethnicity, professional skills or experience, gender, and age (Figure 9).

Figure 9. In the Next Three Years, Share of Participating Food Co-ops That Plan to Prioritize Board Diversity Related to...(N=106)



Co-ops may bring new or diverse perspectives into the boardroom by adding board seats for outside directors or employees; however, it is very uncommon for food co-ops to have outside directors. **Only four percent of participating food co-ops allow outside directors to serve on the board compared to 17 percent of all CGRI respondents**. Among food co-ops that allow outside directors, only one currently has an outside director on the board. The majority of participating food co-ops (95 percent) are not considering adding outside directors.

In contrast, allowing employees to serve on the board is relatively common. **Over half (52 percent) of participating food co-ops allow employees who are not the CEO to serve on the board**, compared to 22 percent of all CGRI participants. Two food co-ops in the CGRI sample have a distinct membership class for workers and directors who are elected by and from the worker class. In most food co-ops, however, all seats are elected at-large, and a specific number of board seats may be occupied by employees. By at-large, we mean that every member can vote for candidates to fill any and all vacant positions on the board.

In food co-ops that allow employees to serve on the board, the allowable number of board seats ranges from one to 15, with an average of two allowed and one currently serving. It is much less common for food co-ops to allow the CEO to serve on the board. Only seven percent of participating food co-ops allow the CEO to serve as a voting member of the board; and only three percent currently have a CEO serving on the board.

The sentiments within food co-ops regarding employee service on the board are varied and complicated. Food co-ops are under tremendous pressure to balance the desires for affordable food for customers, fair pricing for farmers and other vendors, and livable wages for employees. A satisfying balance between these three objectives is difficult to achieve in a low-margin industry. As dissatisfaction with wages and benefits has increased in recent years, many consumer co-ops have experienced unionization efforts (Adam and Lalley, 2013; Herman, 2019; Selyukh, 2023). In other co-ops, employees have sought representation on the board.

BOARD NOMINATIONS AND ELECTIONS

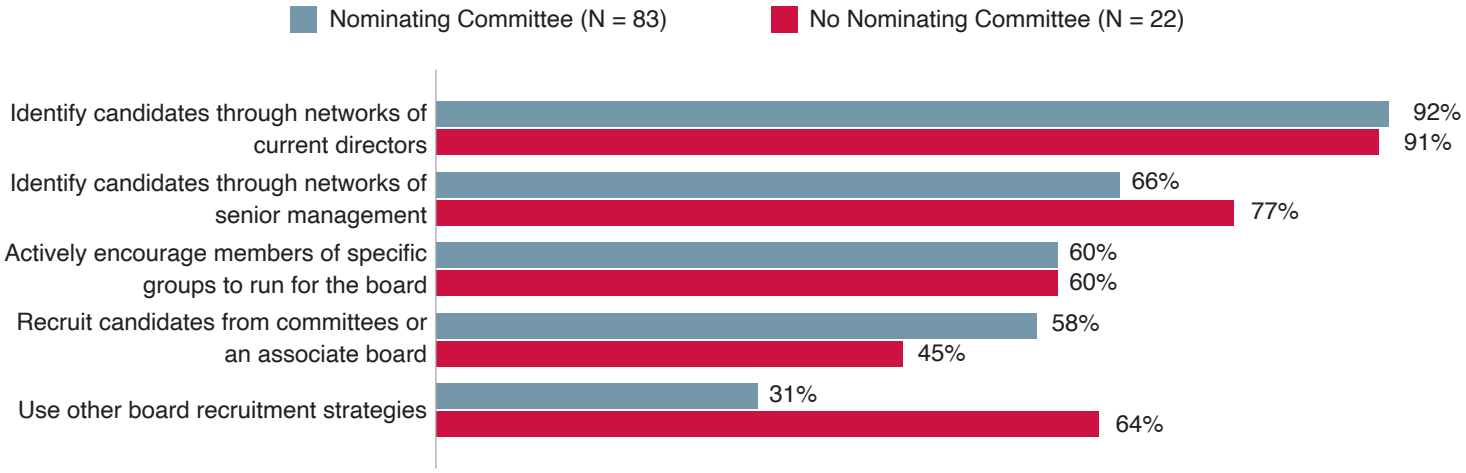
Democratic member control is a core principle and practice of co-ops. Members exercise this control, in part, by electing the board of directors from the membership. Key components of the board installation process include nomination practices, candidate recruitment, and voting by the membership. The survey findings highlight differences in approaches to this important feature of member democratic control.

Director Recruitment and Nominating Committees

The board recruitment strategies most commonly used by participating food co-ops are similar to those of all CGRI respondents. The top three recruitment strategies based on the percentage of respondents are *identifying candidates through networks of current directors (91 percent) and networks of senior management* (68 percent) and *encouraging members of specific groups to run for the board* (60 percent). Common approaches to promoting the opportunity to serve on the board are member communications (e.g., newsletters, websites, or professional publication, 95 percent), social media (94 percent), and flyers (84 percent). Other recruitment strategies include direct communication with potential candidates through in-person conversations, emails, and radio promotion.

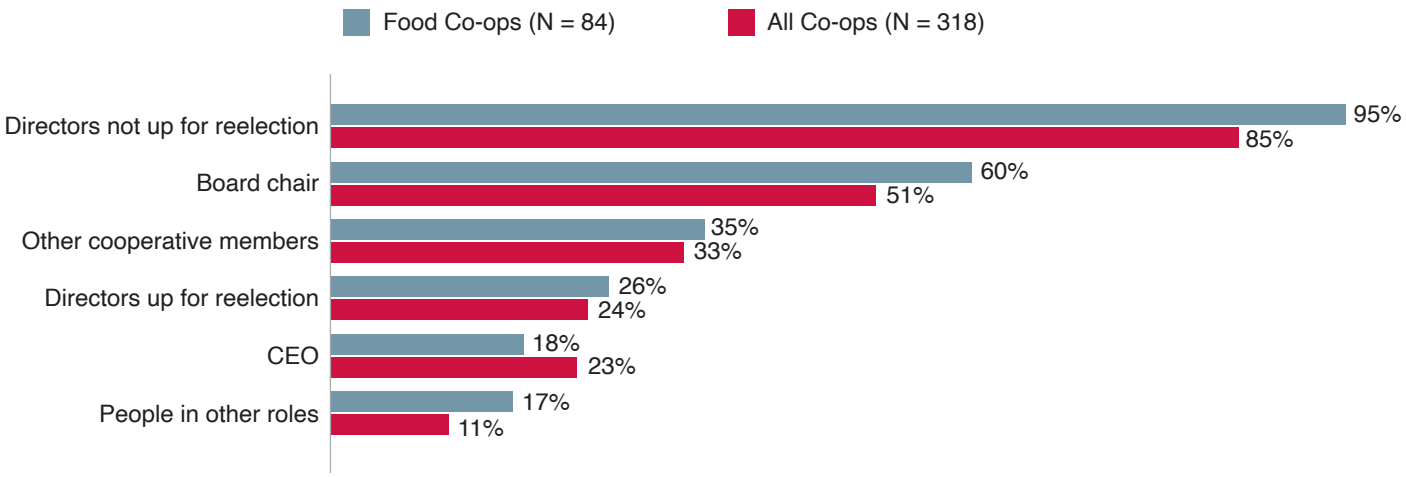
We previously reported that co-ops utilize nominating committees to seek out qualified board members (Berner & Schlachter, 2021) and their application varies by sector. Most food co-ops (79 percent) have a board committee that is responsible for the nomination process, which is slightly higher than all CGRI participants (71 percent). Food co-ops without a nominating committee are more likely to use *other strategies* and *networks of senior management* to recruit board members than those with a nominating committee (Figure 10).

Figure 10. Share of Participating Food Co-ops That...



Consistent with the general trend (Figure 11), nominating committees among food co-ops are mostly comprised of *directors not up for reelection* (95 percent), followed by the *board chair* (60 percent) and *other co-op members* (35 percent). Members of the nominating committee are typically appointed by the board of directors (86 percent); however, among a few food co-ops they are appointed by the board chair or elected by the co-op membership.

Figure 11. Who Serves on the Nominating Committee?



The most common nominating committee responsibilities among participating food co-ops include *assessing the eligibility of board candidates* (83 percent), recruiting multiple candidates to ensure board elections are contested (67 percent), and developing competency or skill profiles to establish recruitment priorities (57 percent).[10] In addition to the use of nominating committees, self-nomination (83 percent) is commonly used among food co-ops, followed by write-ins (34 percent), member petitions (32 percent), and floor nominations (22 percent).

Interestingly, food co-ops are slightly less likely than CGRI participants overall to task their nominating committees with *assessing the eligibility of board candidates* (83 versus 89 percent, respectively) or *proposing an uncontested slate of candidates* (four versus 26 percent, respectively). This may reflect the tendency within many food co-ops to make the board nomination and election process transparent and accessible.

We examined the relationship between nominating committees and: 1) recruitment strategies for board members, 2) having the right mix of board of directors, and 3) board members' self-rated co-op performance. Having a nominating committee is associated with *recruitment through other strategies*, but no relationship was observed with other recruitment approaches. We did not find a statistically significant relationship between nominating committees and *having the right mix of board of directors;* however, **food co-ops with nominating committees are more likely to rank higher on the confidence scale about having the right mix of people than those without nominating committees**. We also did not find nomination committees to be correlated with self-rated co-op performance.

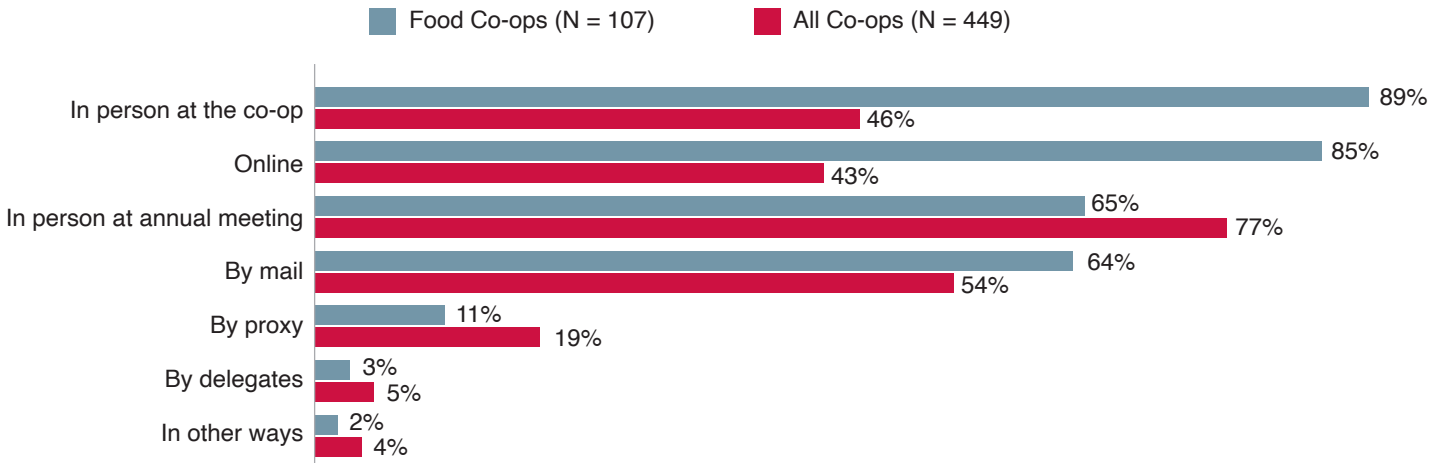
Board Elections

In the past three years, 34 percent of participating food co-ops have not had a contested election. This finding is similar to agricultural co-ops (39 percent) and lower than CGRI participants overall (59 percent). Additional information about contested elections can be found in the full CGRI report (Berner and Schlachter, 2021). Most participating food co-ops (91 percent) conduct at-large elections.

[10]*The number of participants who responded "yes" to the question about specific committee responsibility is as follows: assessing candidate eligibility 70, ensuring board seats are contested 37, and developing competency or skill profiles 48.*

As shown in Figure 12, food co-op members are offered multiple ways to cast their ballots. The most popular methods by percentage of responses are *in person at the co-op, online, in person at annual meeting,* and *by mail* (Figure 12). **Participating food co-ops are far more likely than other CGRI participants to offer voting *in person at the co-op and online***. Voting by proxy, delegates, and other methods is less common. We did not observe any statistically significant correlations between voting mechanism and turnout at the last election or annual meeting.

Figure 12. Share of Food Co-ops That Allow Members to Vote...



Terms

Among food co-op participants, the duration of a standard term ranges from two to nine years, but 90 percent use three-year terms. **Over half of food co-ops (52 percent) have consecutive term limits compared to 24 percent of all CGRI participants**. Of those with consecutive term limits, the number of allowed terms ranges from two to five, with a median of three. Six food co-op participants have total term limits and only three have a mandated retirement age for directors.

BOARD TRAINING, EDUCATION, AND DEVELOPMENT

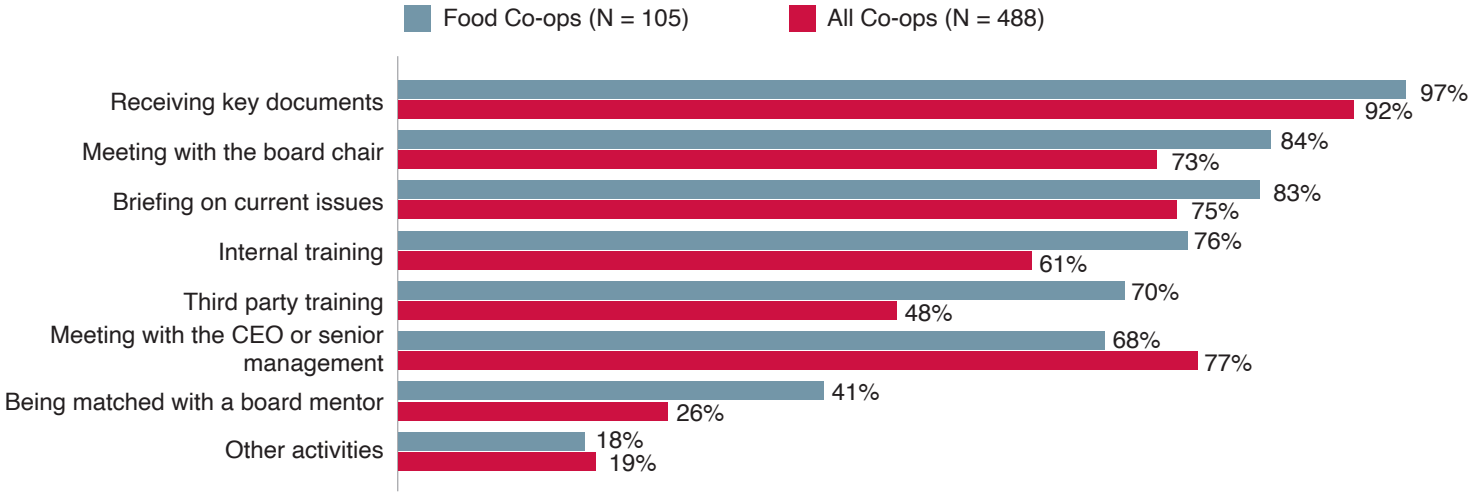
Board training, education, and development are essential for ensuring directors have the information, knowledge, and skills to govern effectively (Chen et al., 2010; Franken and Cook, 2017). The CGRI survey asked questions about board education topics, continuity of institutional knowledge, board evaluation practices, and the process for removing directors who are not meeting their board obligations.

Onboarding and Training

Board education often begins with onboarding, a specific kind of training or set of activities designed to prepare new directors for service. Onboarding is a critical part of board education—it familiarizes new directors with governance-related issues and topics and provides existing directors an opportunity to review established processes and determine if they are still relevant and appropriate.

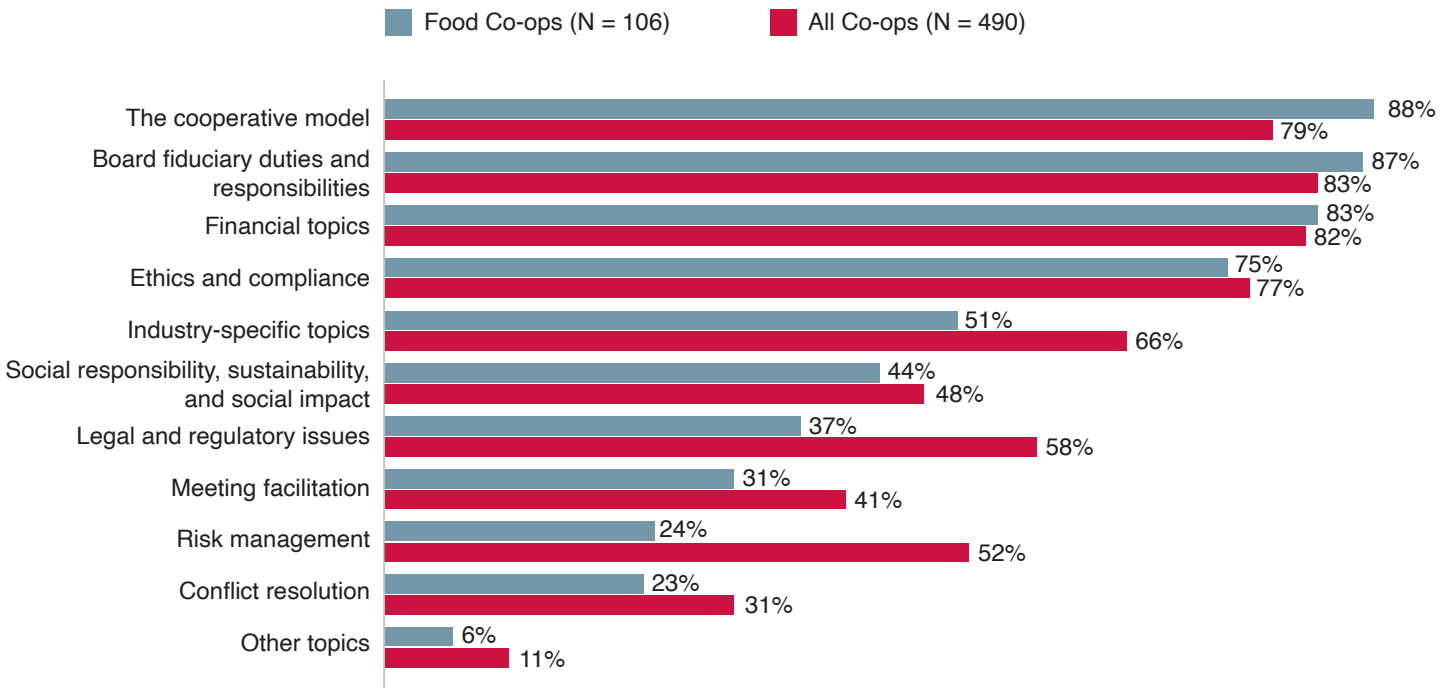
While many of the onboarding activities are similar across sectors, food co-ops tend to have a greater focus on training and mentorship than CGRI respondents overall. For example, a higher percentage of participating food co-ops report their directors receive internal and third-party training and are matched with a board mentor (Figure 13). Other onboarding activities listed by food co-ops include store and facility tours, briefings by members of the leadership team on key areas of business, working in a store for a day, board retreats, and social gatherings. Several participating food co-ops mentioned using resources from consultants and sector-specific associations to augment their onboarding and training programs.

Figure 13. Share of Participating Co-ops in Which Board Onboarding Includes...



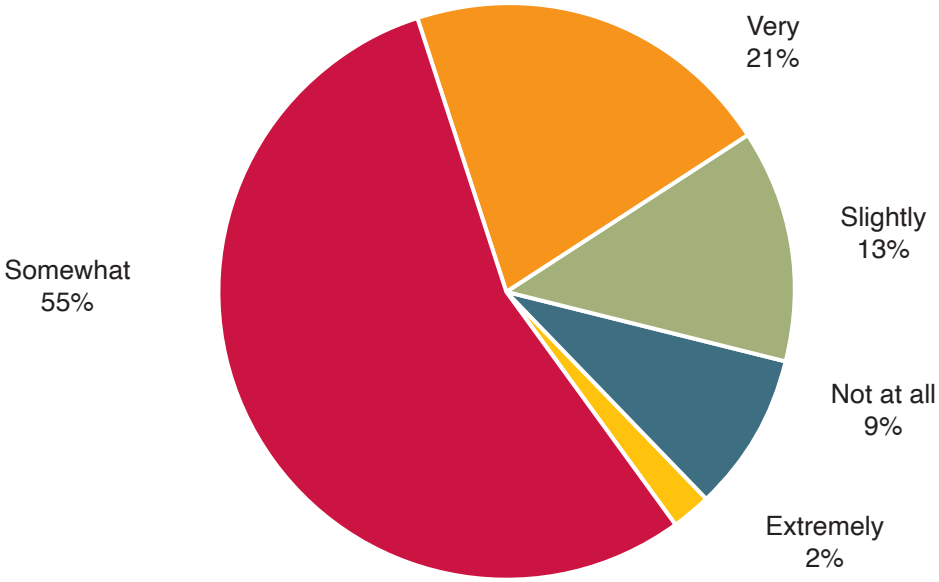
The CGRI survey also asked about the content of ongoing director training. Training in specific governance topics can provide directors with a focus on areas that may need improvement. Again, most of the common training topics are the same across sectors; however, food co-ops are much less likely than CGRI respondents as a whole to offer directors training in *risk management, legal and regulatory issues*, and *industry-specific topics* (Figure 14).

Figure 14. Share of Participating Co-ops that Train Board Members in...



Institutional knowledge—the collective information, expertise, and values an enterprise and its people possess—is just as important for board members as employees. The continuity of institutional knowledge on a board is an essential component of a high functioning governance system. **Participating food co-ops are less confident than CGRI respondents overall in the effectiveness of their systems for preserving continuity of institutional knowledge—only 23 percent are *extremely* or *very confident* compared to 45 percent of all CGRI respondents** (Figure 15). We explored potential relationships between self-rated co-op performance and self-rated effectiveness at preserving institutional knowledge of the board and found a weak positive correlation between effective knowledge preservation and self-rated performance in *financial development, strategic growth*, and *crisis management*.

Figure 15. How Effective are Your Co-op's Systems for Preserving Continuity of Institutional Knowledge on the Board? (N = 106)

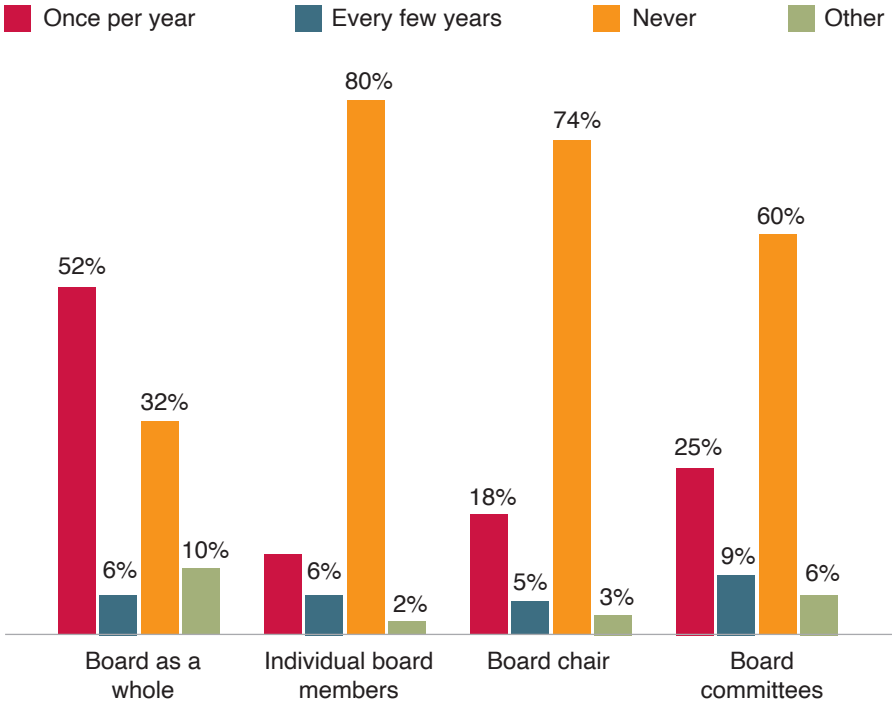


Board Evaluations

A board evaluation is a formal process that assesses the board's health and performance. Done well, it provides an opportunity for directors to reflect on their and others' personal contributions in the boardroom and identify areas of board operations, training, and culture that need attention. Regular board evaluations should build trust and respect with the CEO and help directors work more effectively as a team.

The CGRI questionnaire asked how frequently the cooperative evaluates the board as a whole, individual board members, the board chair, and board committees. Participating food co-ops are more likely than CGRI participants to conduct an evaluation of the board *once per year* (52 percent compared to 30 percent); however, the majority *never* evaluate individual board members (80 percent), the board chair (74 percent), or board committees (60 percent), and nearly a third *never* evaluate the full board (Figure 16).

Figure 16. Frequency of Board Evaluations Among Participating Food Co-ops



We explored potential relationships between evaluation frequency and self-rated co-op performance. Only the evaluation frequency of *individual board members* is weakly correlated with self-rated performance in *delivering value to members* and *risk management*. In other words, boards that more regularly evaluate individual members may be more likely to rate themselves better at *risk management* and *delivering value to members*.

The CGRI survey also asked which of the following individuals typically completes board evaluations: board members, the CEO, other managers, external evaluators, and cooperative members. Among the 108 food co-op respondents, only 16 percent responded to this question. Within this small subsample, board evaluations are most commonly completed by board members and the CEO, which is consistent with the full CGRI sample.

Removing directors who fail to deliver value to the board is an important part of governance accountability. Nearly two-thirds[11] of participating food co-ops (63 percent) have a formal process for removing under-performing directors. Among them, 28 percent have removed a director in the past five years, and 13 percent require member approval to remove directors.

[11] *Sixty-eight participating food co-ops have a formal process for removing directors.*

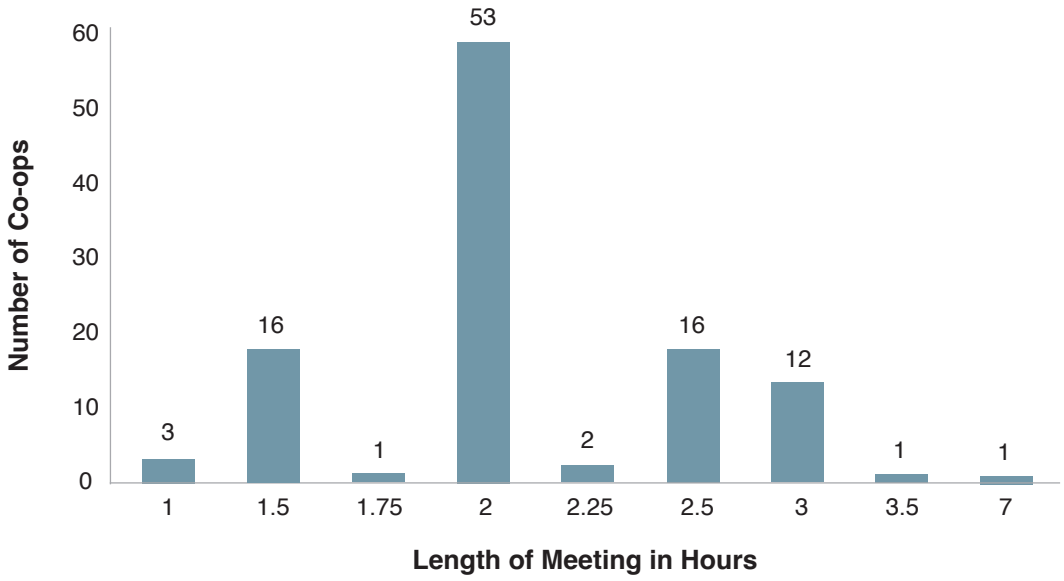
BOARD MEETINGS AND DECISION-MAKING PRACTICES

Much of the work of the board happens in regular board meetings, so it is essential that meeting and decision-making practices are thoughtful and effective. The CGRI survey explored several aspects of board meetings, from frequency and duration to agenda setting, facilitation, and allocation of time to various topics.

Frequency, Duration, and Mode of Board Meetings

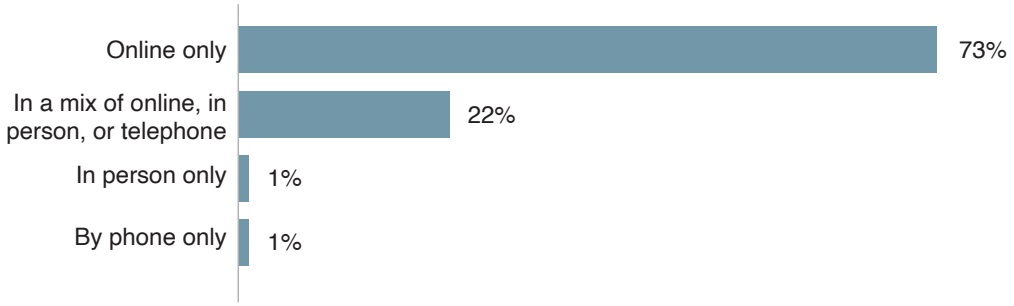
Food co-ops reported they held four to 24 board meetings during the past year, with a median and a mean of 12 meetings. Most food co-op boards (77 percent) meet 10-12 times annually; a much smaller proportion (18 percent) hold 13 or more meetings per year. Each meeting lasts an average of one to seven hours, with a median and a mean of two hours. Average meeting length distribution among food co-ops is shown in Figure 17.

Figure 17. Distribution of Board Meeting Duration by Hour Among Food Co-ops (N = 106)



The CGRI survey was in the field during the COVID-19 pandemic, so we were interested in understanding the pandemic's impact on board meeting practices. As expected, online board meetings became common. As shown in Figure 18, 73 percent of participants stated that most of their board meetings were held online. Hybrid meetings consisting of online, in person, or telephone options were also relatively common—22 percent of board meetings were held using this approach. Meeting in person or by telephone was rare.

Figure 18. Proportion of Board Meetings Conducted... (N = 106)

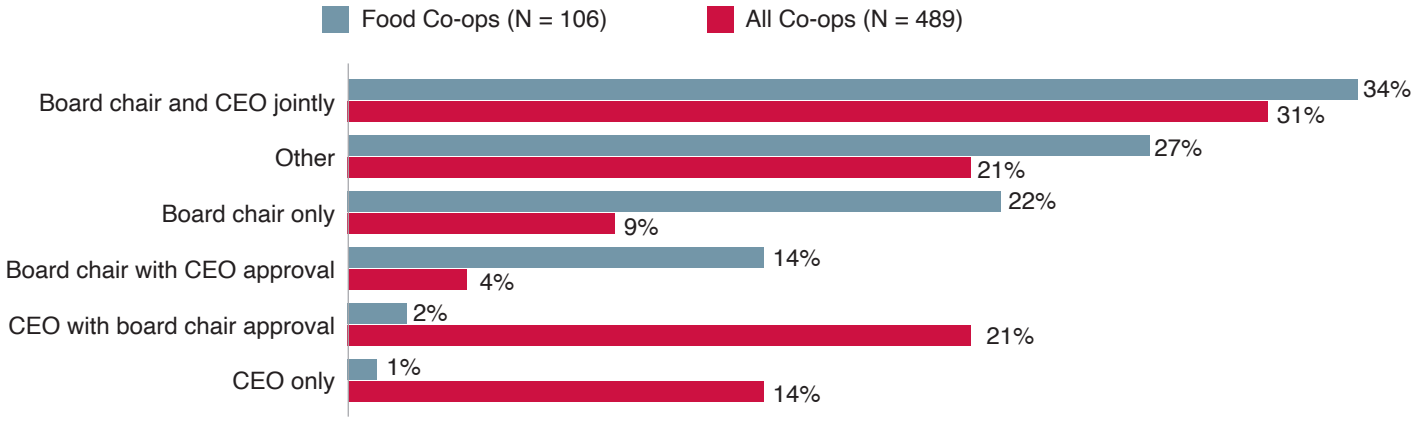


Board Agendas and Facilitation

A meeting agenda with clearly defined topics, objectives, and time frames is more likely to engage participants and lead to intended outcomes. The agenda setting process can also help achieve other governance goals such as strengthening relationships between board members and supporting board succession planning. Morgan, the general manager of a food co-op, shared their unique agenda setting process: "Instead of just the president and the general manager crafting the agenda, the whole executive committee meets halfway between board meetings to talk about the agenda, what we need to do, and ways to do it. Then we go out to dinner together."

The attention a board gives to various topics is undoubtedly influenced by the meeting agenda, and thus the person or people responsible for setting the agenda. Consistent with the full CGRI response, in approximately one-third of food co-ops, the board chair and CEO set board meeting agendas jointly, and in approximately a quarter, the agenda is developed by other individuals (e.g., executive committee members, board secretary). It is more common in food co-ops than in all CGRI participants for the board chair alone to set the board meeting agenda and less common for the CEO alone to do so (one percent versus 14 percent, respectively; Figure 19).

Figure 19. In the Past 12 Months, Who Has Set the Agenda for Board Meetings?



Meeting facilitation is another factor that influences the focus and effectiveness of meetings. Board meetings among food co-ops are mainly facilitated by the board chair (80 percent). A relatively small percentage are facilitated by a third-party facilitator (10 percent), another board member (four percent), or the CEO (three percent). In comparison to other sectors, food co-ops are more likely to use a third-party facilitator and less likely to delegate meeting facilitation to the CEO.

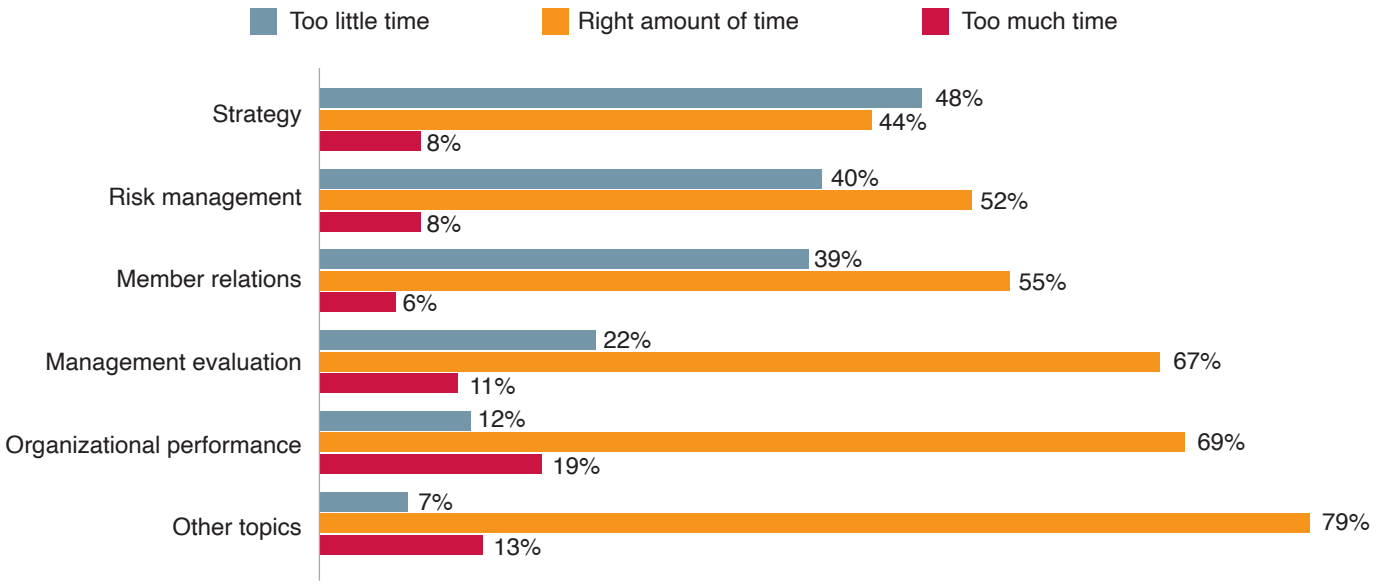
Executive sessions are another tool for shaping what is discussed and how in board meetings. During an executive session, board members meet confidentially and either alone or with other people such as the CEO or legal counsel. Some boards hold a regular executive session at every board meeting, while others only call an executive session when there is sensitive or confidential information to discuss. Food co-ops are more likely than CGRI participants as a whole to regularly go into executive session—58 percent of food co-ops included an executive session in *all*, *most*, or *some* of their board meetings in the last year compared to 42 percent of all CGRI participants. The most common reasons participating food co-ops cited for going into executive session include CEO evaluation and compensation, sensitive personnel issues, expansion opportunities, and legal or real estate matters.

Allocation of Time at Board Meetings

Boardroom challenges frequently cited by directors and CEOs include keeping the board thinking at a sufficiently high or strategic level and avoiding spending significant chunks of time on topics better left for management and operational expertise. Respondents were asked to rate the *actual* and *ideal* amount of time spent in board meetings over the past 12 months on organizational performance, management evaluation, member relations, risk management, strategy, and other topics.

We calculated the difference between *actual* and *ideal* time spent and constructed a new three-level index: too little time (*actual* is less than *ideal*), right amount of time (*actual* equals *ideal*), and too much time (*actual* greater than *ideal*). Results in Figure 20 indicate that while most topics were allocated the right amount of time, approximately 40 percent of respondents felt that too little time was spent on *strategy, risk management,* and *member relations. Risk management* is also one of the top three categories, along with *other topics* and *organizational performance*, on which all CGRI respondents reported too little time was spent.

Figure 20. Actual vs. Ideal Allocation of Time in Board Meetings Among Participating Food Co-ops[12]



The meeting facilitator may influence how time is allocated across the six topical areas listed in Figure 20. Since the board chair generally runs board meetings in food co-ops, followed by a third-party facilitator, we compared differences in time allocation between these two facilitator groups. As shown in Figure 21, more than half of participating food co-ops indicated that insufficient meeting time was dedicated to *management evaluation, member relations, risk management*, and *strategy*, regardless of who typically facilitates board meetings. We should interpret these results cautiously because of the small number of respondents in some categories.

[12]*The subsample size for strategy, risk management, and member relations is 102 respectively, the subsample size for management evaluation and organizational performance is 101 each, and the subsample size for other topics is 81.*

Figure 21. Time Allocation in Board Meetings by Facilitator Among Participating Food Co-ops

		Organizational Performance	Management Evaluation	Member Relations	Risk Management	Strategy	Other Topics
Board Chair Facilitator	Too Much	52%	28%	28%	16%	12%	25%
	Too Little	31%	**55%**	**55%**	**75%**	**80%**	17%
	Number of Respondents	29	29	39	44	50	36
Third Party Facilitator	Too Much	60%	40%	0	0	0	0
	Too Little	40%	**60%**	**100%**	**100%**	**100%**	**100%**
	Number of Respondents	5	5	5	5	7	2

Decisions made in the boardroom have implications for organizational development and growth. We investigated the relationship between self-rated co-op performance and meeting time allocation to strategy, risk management, member relations, management evaluation, and organizational performance. We found some significant differences between the three levels of time allocation and self-rated co-op performance. Participants that reported spending the right amount of time on *organizational performance* rated their performance in the areas of *organizational growth* and *member satisfaction* higher than participants reported that too little or too much time was spent on the topic. Similarly, participants that reported spending the right amount of time on *risk management* and *management evaluation* also rated their performance higher in *organizational growth*. These relationships suggest that appropriate time distribution to meeting topics may drive performance in specific areas.

In addition, it cannot be overstated that active engagement of participants during meetings is critical to accomplishing goals outlined in the agenda. When asked what portion of their board members arrive at meetings well-prepared, fifty-five percent of food co-op respondents reported *most directors*, thirty-one percent *some directors*, and three percent *all directors*. Clearly, there is an opportunity to boost active boardroom engagement among food co-ops.

Strategic Orientation of the Board

There is a prevailing notion that the board's function is mainly strategic, while management's role is operational. We were interested in investigating whether and how this concept is put into action in co-ops today. In our interviews, food co-op leaders emphasized that both management and the board possess distinct forms of expertise that are valuable for the strategic process and the development of a vision. Morgan, the general manager of a food co-op, takes the position that when it comes to strategy, partnership is best: "Vision and strategy, those two things, there's partnership between the management leadership and the governance leadership of the board. Management and the board bring different types of expertise that are both important to the strategic process and the visioning."

Like most issues related to governance, there is not a single best approach. Walking the line between management and governance is always complex, but it is made easier with a shared sense of purpose and relationships built on trust and respect.

CEO

Most food co-ops refer to the Chief Executive Officer (CEO) as the general manager; however, we use "CEO" in this discussion to be consistent with our previous reports. Ninety-six percent of the food co-op participants have a CEO, general manager, executive director, or other type of highest-ranking employee.

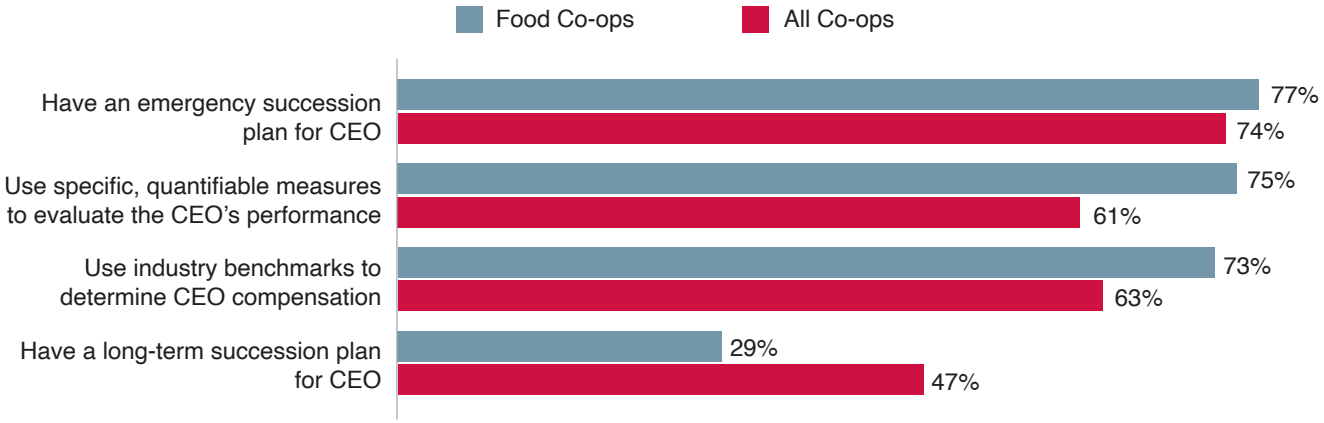
Although governance is typically associated with the board, within the majority of co-ops, the CEO plays a crucial role in the mechanisms and procedures that enable members to oversee their organization and take part in the decision-making process. CEOs contribute by co-creating the vision, interacting directly with members, and assisting the board in various ways. Long-tenured CEOs can also maintain continuity for the board and serve as a valuable repository of institutional expertise.

The CGRI survey gathered insights regarding critical aspects of how the CEO influences and is influenced by governance procedures with a focus on how the board supports and evaluates the CEO and how the CEO contributes to strong governance practices and culture.

Performance and Compensation

One of the board's most important jobs is evaluating the CEO's performance and determining their compensation. **Participating food co-ops outperformed CGRI participants as a whole in evaluating CEO performance using specific, quantifiable measures; setting CEO compensation using industry benchmarks; and having an emergency succession plan for the CEO** (Figure 22).

Figure 22. Share of Participating Co-ops that...[13]



The use of performance metrics and compensation benchmarks are each positively correlated[14] with the presence of an emergency succession plan for the CEO; however, neither practice is correlated with long-term succession planning.

[13]The subsample size for food co-ops is as follows: emergency succession plan 83, using quantifiable measures 74, using industry benchmarks 72, and long-term succession plan 31. The subsample size for all CGRI co-ops is as follows: emergency succession plan 311, using quantifiable measures 256, using industry benchmarks 264, and long-term succession plan 197.

[14]Correlation tests show p-values less than 0.05, suggesting that we have significant evidence that our finding was not due to random chance.

What is Policy Governance?

Developed by John and Miriam Carver, the Carver Model of Policy Governance™ is an integrated set of principles through which the values of an organization and the mechanisms for delegation and accountability are codified in a set of policies that fall into four categories: ends, executive limitations, board process, and board-CEO relationship. These policies specify the organization's purpose, the boundaries of the CEO's authority, the roles and responsibilities of the board, and the relationship between the board and the CEO (Carver, 2016).

In addition to applying specific and quantifiable performance measures, many food co-ops reported using Policy Governance™ in their evaluation of the CEO. For example, participants shared that their CEO evaluation consists mostly of monitoring reports about policy compliance and progress toward achieving strategic goals.

CEO Tenure and Succession Planning

The tenure of participating food co-op CEOs ranges from one to 37 years, with a mean of seven years and a median of five. Interestingly, 16 percent of food co-op CEOs started their positions in 2021, compared to only eight percent of all co-op CEOs.[15] On average, CEO turnover in food co-ops is similar to CGRI respondents overall: both groups have had an average of two different CEOs (including interims) in the past decade.

Given the CEO's importance in both the management and governance of a co-op, succession planning is crucial for successfully weathering changes in leadership. Food co-ops are more likely than all CGRI respondents to have an emergency succession plan in place (77 percent), and less likely to have a long-term succession plan (29 percent, Figure 22).

We also explored whether CEO tenure is influenced by succession planning, performance evaluation metrics, or compensation benchmarks. We found that CEO tenure is associated with[16] the use of emergency succession plans and industry compensation benchmarks, but not with the use of long-term succession plans or performance evaluation metrics.

What is a Succession Plan?

A succession plan is a written document outlining a process and strategy for identifying who can replace a leader in the co-op if they leave. There are generally two types of succession plans. An emergency succession plan identifies who on the team can take over as interim if the CEO leaves suddenly or is not available due to illness, death, or other circumstances. It should also outline the responsibilities of the interim CEO and other key leaders during an emergency and protocols for internal and external communications. Long-term succession plans are focused on long-term business continuity and the development of individuals who can fill critical positions within a company. Both types of plans should be written and discussed confidentially with the board of directors.

[15]Correlation tests show p-values less than 0.05, suggesting that we have significant evidence that our finding was not due to random chance

[16]Statistically significant (p-value < 0.01) associations were detected between CEO tenure and (i) emergency succession planning and (ii) industry compensation benchmarks. A statistically significant relationship was not observed between CEO tenure and (i) long-term succession planning and (ii) performance evaluation metrics.

The Board-CEO Relationship

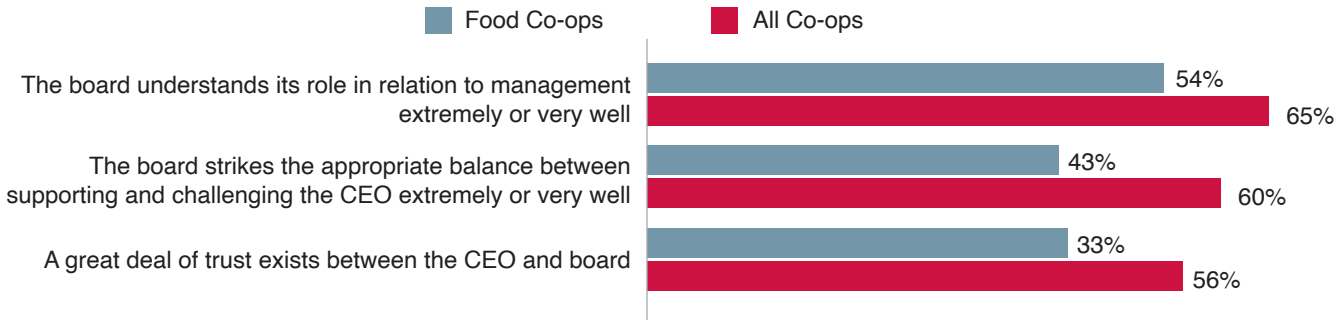
The ability of the CEO and board to work together is paramount to a co-op's success. Extensive studies have reported on the board-CEO relationship in the corporate business community (Dalton et al., 2007; Trechter et al., 1997), and while some of the studies have focused on co-ops (Birchall, 2015), more research is needed to understand region- and sector-specific nuances. In particular, much has been written about the board-CEO relationship in the context of organizational management concepts, many of which flow from the agency theory. The **agency theory** asserts that business owners and managers have opposing interests, and the key function of the board is to control managers.

The types of board-CEO relationships and the desirable attributes of directors that food co-op leaders described in our interviews, however, align more closely with the stewardship and stakeholder theories of governance. The **stewardship theory** suggests that managers have an intrinsic motivation to collaborate with stakeholders to achieve organizational goals, and thus, the board's main function is to work closely with management to add value to decision making and improve performance. The **stakeholder theory** is based on the assertion that organizations should be responsible to stakeholders beyond the owners, thus the board's role is to work with the CEO to understand and balance the potentially conflicting interests of different stakeholder groups in order to determine the organization's key objectives.

Enacting the stewardship and stakeholder theories is only possible under certain conditions. The CEO must have the best interest of members and the broader community in mind and view the board as a worthy partner and vice versa. The board also needs the necessary skills and knowledge to add value to discussions and decision-making. Ultimately, the most effective CEO-board relationship is based on trust, mutual respect, open and honest communication, and an appropriate balance of shared authority and accountability.

To shed light on these dynamics, we asked participants to rate the board-CEO relationship in three areas: 1) how well the board understands its role in relation to management, 2) how well the board balances supporting and challenging the CEO, and 3) how much trust exists between the board and CEO. We found that in all three dimensions, participating food co-ops are less positive than CGRI respondents overall about the health of the board-CEO relationship (Figure 23).

Figure 23. Share of Participating Co-ops that Reported...[17]



[17]*The subsample size for food co-ops is as follows: understanding role 105, striking a balance 100, and the CEO-board trust 100. The subsample size for all CGRI co-ops is as follows: understanding role 478, striking a balance 420, and the CEO-board trust 420.*

To contextualize the dynamic relationships between boards and CEOs, we turned to our interview data. Participants we interviewed suggested that **transparency** is the key to building a healthy working relationship with the board. Matteo, an experienced general manager, emphasized that his openness with the board and the trust it engendered were essential when he came to them with a major strategic opportunity, "without it, they wouldn't have had the confidence to move forward."

The board can and should play a role in laying the groundwork for this type of open and honest relationship. When Morgan became a general manager, the board president came to her and said, "No matter what happens, no matter how bad it is […] call me on the phone and let me know. I want to hear it from you […] Tell me you're on it and you'll get back to me when you can. And as long as I know you're going to do that, I don't need to worry too much because you'll let me know when I need to worry." That critical conversation became the cornerstone of their relationship. "That made me feel safe," shared Morgan. "If things go wrong, I don't have to hide it. It also made me feel trusted. If things go wrong, he trusts me to figure it out, but I've got to tell him."

Participants also highlighted the importance of fostering a **spirit of partnership**. In effective partnerships, each party understands their respective roles and responsibilities. Matteo reminds himself that when the board asks hard questions, pushes back on a proposal, or requests more information, they are doing their job, "my challenge is to not take it personally."

The food co-op sector has seen a lot of long-time general managers retire in recent years. Turnover in the CEO role can challenge the board-CEO relationship in several ways, especially when new leaders do not have prior experience working for a board. "New general managers don't always understand what the board's role and value is, and I think they don't always appreciate it for what it can bring" shared Morgan.

Conflict can also test this critical relationship. In the survey, we asked respondents to think back to the last time there was disagreement between the CEO and the board about the right path forward then explain the disagreement and how it was resolved. Although the specifics varied, disagreements were most often related to divergent viewpoints on the role of the board versus management and strategy. Respondents cited disagreement over relocation, consolidation, expansion, the types of member engagement to prioritize, and financial decisions during the pandemic. In many cases, the conflict had not yet been successfully resolved. In several instances, it resulted in the general manager's dismissal or resignation.

Food co-ops that successfully navigated conflicts of this nature cited the use of outside consultants, advice from peer co-ops, a commitment to reworking proposals through ongoing dialogue and information sharing, and the importance of trust and a willingness to compromise.

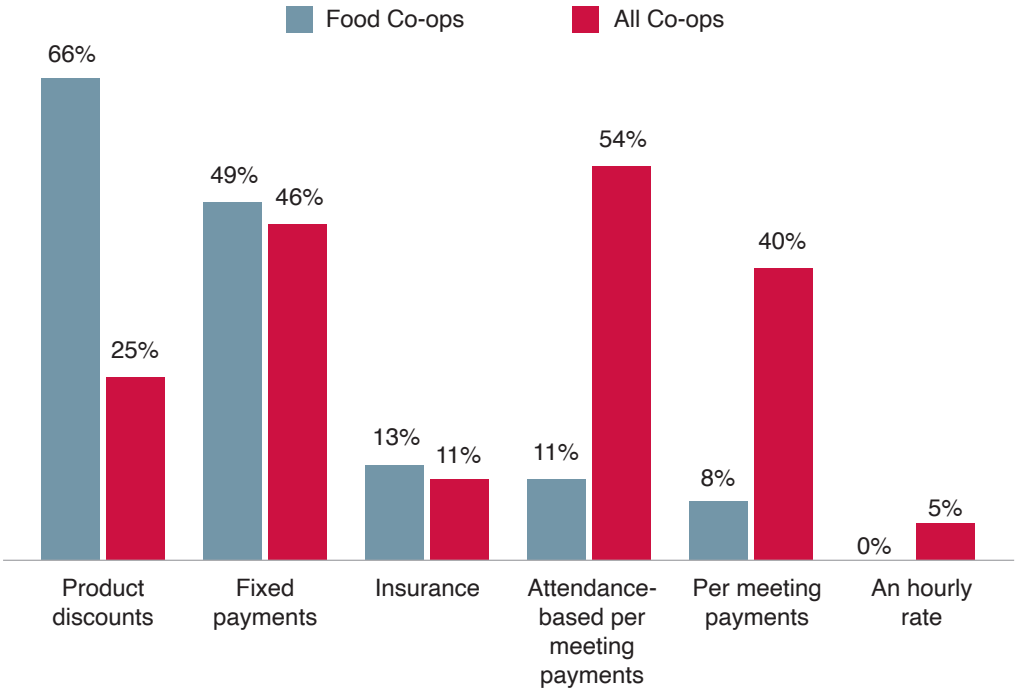
Ultimately, both survey and interview findings suggest that keeping the "engine" of the board-CEO relationship running smoothly requires ongoing investments and humility from both sides. While the CEO is not responsible for a co-op's governance functions, their attitude toward the board and democratic member control is vitally important.

BOARD COMPENSATION

Norms and practices regarding board compensation vary across the co-op community. Most participating food co-ops (77 percent) compensate their board of directors in addition to general expense reimbursement, and 55 percent reported that board officers receive higher compensation than non-officer directors.[18] The proportion of food co-ops that compensate their board is higher than all CGRI respondents (50 percent) but lower than agricultural cooperatives (85 percent) and insurance mutuals (97 percent). Nearly a quarter of participating food co-ops (24 percent) require a member vote to change board compensation.

The two most common compensation practices among participating food co-ops are *product discounts* and *fixed payments*, whereas *per meeting payments* and an *hourly rate* are relatively uncommon (Figure 24). It is unsurprising that food co-ops use *product discounts* more than any other co-op sector.

Figure 24. Share of Participating that Compensate Directors with... [19]



While board compensation is common in food co-ops, the total annual compensation for non-officer directors of food co-ops is much lower than the average among all CGRI respondents (Figure 25). Most food co-ops compensate directors a moderate amount, with 42 percent paying less than $1,000 annually, and 22 percent between $1,000 and $4,999. We found a weak positive correlation between annual compensation levels and revenue, suggesting that as co-ops grow, they may increase compensation accordingly.

[18] *The subsample size is 82 and 45, respectively.*
[19] *The subsample size for food co-ops is as follows: product discounts 54, fixed payments 40, insurance 11, attendance-based per meeting payments 9, per meeting payments 7, and none used hourly rate. The subsample size for all CGRI co-ops is as follows: product discounts 60, fixed payments 113, insurance 27, attendance-based per meeting payments 131, per meeting payments 98, and none used hourly rate 12.*

Figure 25. Comparison of Annual Compensation for Non-Officer Directors in Participating Co-ops

	Avg.	Median	Min.	Max.
Food Co-ops (N = 71)	$1,391	$600	$0	$25,000
All Co-ops (N = 225)	$8,734	$2,000	$0	$190,000

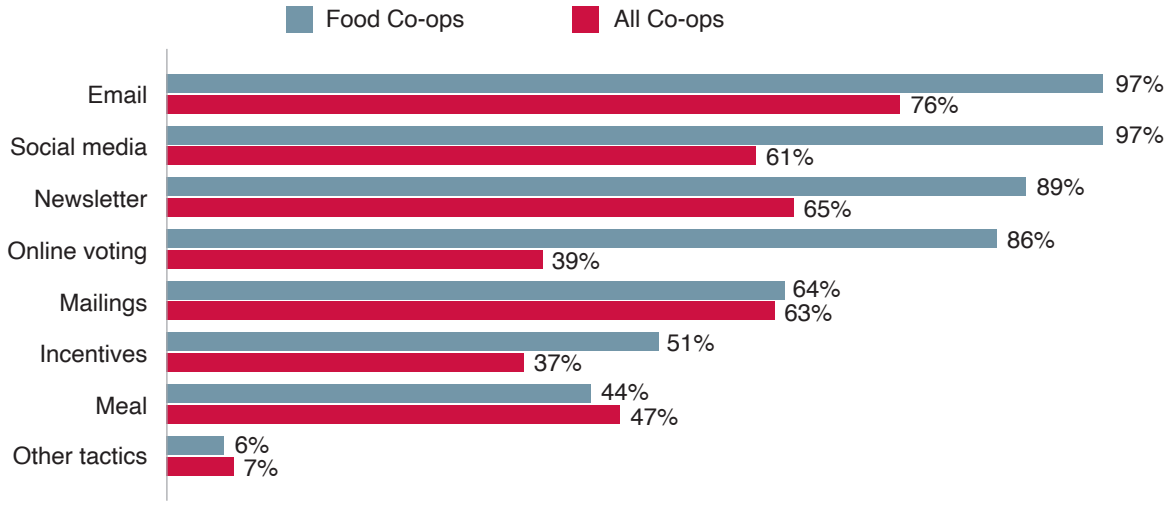
MEMBER PARTICIPATION

Participation in governance is one of the core mechanisms co-op members have for exercising democratic control. The CGRI survey assessed member participation metrics and how well the board understands and addresses members' needs and concerns.

Metrics of Member Participation

Food co-ops deploy a variety of strategies to promote participation in elections and annual meetings (Figure 26). The top three, based on the percentage of responses, are *email*, *social media*, and a *newsletter*. Participating food co-ops are more likely than CGRI participants as a whole to utilize each promotional tactic except *meals and entertainment*. Food co-ops are also more likely than CGRI participants generally to hold open board meetings. **Nearly all participating food co-ops (98 percent) allow members who are not on the board to attend regular board meetings, compared to 56 percent of all CGRI participants**. Almost all participating worker and housing co-ops have open board meetings. This practice is least common among participating producer co-ops (31 percent).

Figure 26. Share of Participating Co-ops that Promote Member Participation in Board Elections and Annual Meetings with...[20]



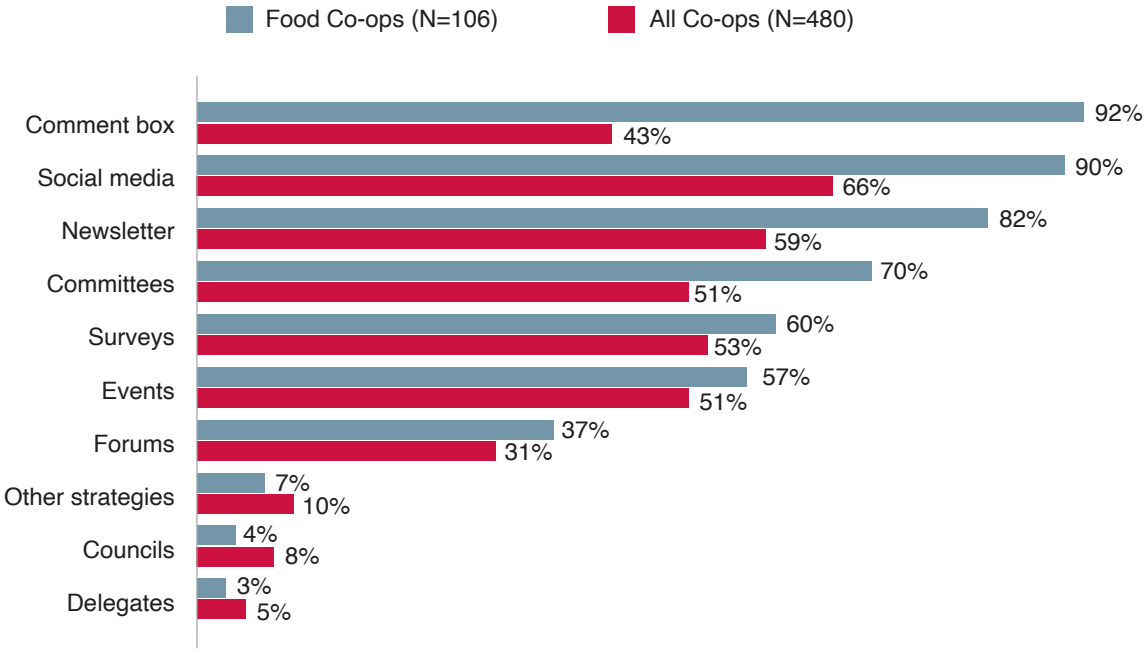
Despite the widespread use of strategies to promote member participation, food co-ops reported relatively low member turnout at the last election (mean[21] nine percent, median five percent) and annual meeting (mean three percent, median one percent). We were not entirely surprised by these findings since member engagement in governance is typically lower in consumer co-ops than in worker, housing, purchasing, and producer co-ops for a various reasons including their much larger membership bases.

[20]The subsample size among food co-ops is as follows: email 103, social media 103, newsletter 94, online voting 91, mailings 68, incentives 54, meal 47, and other tactics 6. The subsample size for all CGRI participants is as follows: email 334, social media 269, newsletter 283, online voting 170, mailings 274, incentives 161, meal 205, and other tactics 31.

[21]Approximately 15 percent (N = 16) of the responses for the annual meeting attendance were excluded from the mean and median calculation due to response errors.

Recognizing there are many ways members interact with their co-ops beyond elections and annual meetings, we also asked participants to share other member engagement strategies they have used in the last year. While social media and newsletters remain popular approaches for general member engagement, food co-ops also commonly use comment or feedback boxes, committees, and surveys (Figure 27).

Figure 27. Share of Participating Co-ops that Engage Members with...



Understanding Member Needs and Addressing Member Concerns

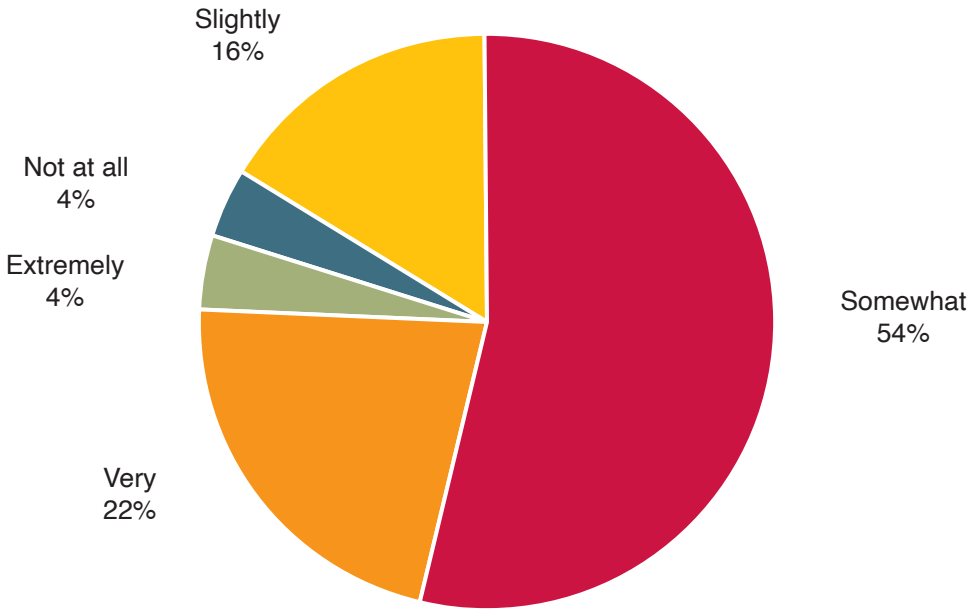
The board of directors is tasked with protecting member interests by ensuring business activities create value for members. Understanding members' needs and addressing their concerns is requisite to fulfilling this responsibility. We assessed both dimensions by first asking participants to rate how well the board of directors understands member needs. We then used an open-ended question to investigate issues concerning members and the actions the board and/or the senior management took to address concerns.

Participating food co-ops are less confident than CGRI participants as a whole that their board understands the needs of members. **A quarter of food co-op participants (26 percent) indicated the board of directors understands member needs *extremely* or *very well*, compared to 61 percent of all CGRI participants** (Figure 28). We found a weak but positive correlation[22] between understanding member needs and self-rated performance in the areas of *delivering value to members*, *strategic growth*, *risk management*, *member satisfaction*, and *reputation.*

To further understand member concerns, we summarized the responses to the prompt, "Think back to the last time an issue or decision at your cooperative elicited a strong reaction from members." Among the issues reported, the key concerns were related to COVID-19 protocols, business expansion, patronage, and social issues. We administered the survey in 2021,

[22]*The rank correlations are between 0.2 and 0.3, which is far from 1 for perfect correlation. Positive correlation means that an increase in rating in an independent variable is correlated with an increase in rating in a dependent variable.*

Figure 28. How Well Do Board Members Understand the Needs of Members? (N=106)



when most states implemented public health guidelines on masking and vaccination, so it is unsurprising that participants identified enforcing COVID-19 protocols as a top issue among members.

Expansion was another key concern—15 percent of food co-op participants noted that the last issue or decision members reacted strongly to was related to expansion. To obtain membership support for business expansion, the board of directors and the senior managers used multipronged strategies to directly communicate with members that included member workshops, surveys, board access events, fundraisers, panel discussions, listening sessions, and social media engagement.

Changing member benefits also led to concern among members. Some co-ops reported replacing their member discount with an annual patronage distribution, while others modified their discount structures. Again, direct communication was critical for allaying concerns and obtaining member support for these changes.

Several food co-ops mentioned social or economic issues such as persistent racial inequities and labor abuses. In response to member concerns, some food co-ops developed explicit position statements on these issues. Others removed products from companies accused of violating workers' rights. For example, Driscoll, one of the largest global distributors of berries, reportedly[23] violated labor laws by failing to provide safe working and housing conditions for farm workers. In response to members' request for a boycott of Driscoll products, some co-ops stopped selling the product.

Labor issues within the co-op, such as labor organizing campaigns, can also sound the alarm for members and result in changes to governance processes.

These examples illustrate stories in which the board of directors listened carefully to member concerns and took actions to resolve conflicts. Of course, respondents also provided examples where board actions or response to their feedback generated additional conflict and turnover on the board.

[23] *Democracy Now!, (2016). Driscoll's workers call for global boycott over alleged abuses at world's biggest berry distributor. Available at https://www.youtube.com/watch?v=owg7VCp2btQ*

Member Satisfaction

Member satisfaction is one of the key indicators of how well decision-makers (i.e., the board of directors and CEO) connect with the membership. We also used an open-ended question to explore the metrics co-ops use to measure member satisfaction. The main assessment tools food co-ops used are sales data and comments from members and non-member customers, followed by membership size and engagement (e.g., member renewal rates, new member signups, member attendance at events). Interestingly, 37 percent of food co-op participants stated that a member survey is administered every two to four years either directly by their co-op or by a third party. Unfortunately, they did not disclose what is asked in the survey. Only four participants explicitly reported their co-op does not have metrics to assess member satisfaction, and 12 percent did not answer the question.

While there is improvement to be made in our design of a question about member satisfaction metrics, these initial observations underline an opportunity to further investigate how co-ops define and measure member satisfaction, and how they use that data to inform decision-making.

BOARD CULTURE

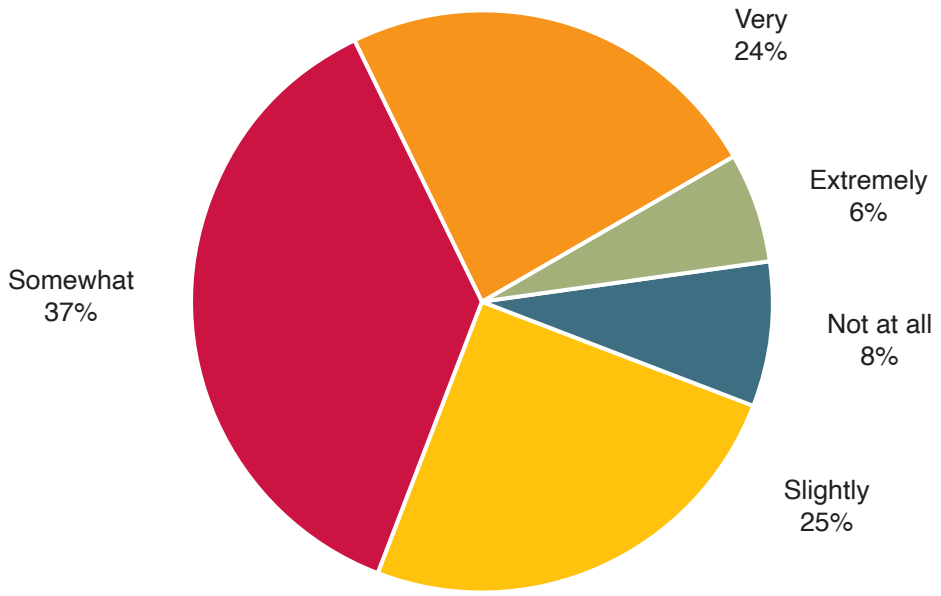
Culture is a concept that characterizes members of society by constructs such as knowledge, beliefs, norms, and artistic expressions. Culture shapes perceptions and behaviors and in organizational settings, it can promote or hinder collegial interactions and job performance. Similarly, board culture can influence interactions among directors and their subsequent governing practices.

Assessing culture with a survey is quite difficult, however, since cultural dynamics are often idiosyncratic and best explored in people's own words. The CGRI survey asked two attitudinal questions about cultural dynamics on the board as well as an open-ended question that prompted respondents to describe a recent board conflict. We also explored issues related to social and interpersonal dynamics in the follow-up interviews. In this section, we bring together qualitative and quantitative data to gain a more nuanced picture of cultural dynamics that impact cooperative governance.

Social and Interpersonal Dynamics that Support Governance Effectiveness

Thirty percent of food co-op respondents said their board builds social and interpersonal dynamics that support governance either very or extremely well, compared to 51 percent of all CGRI respondents (Figure 29). This suggests there are significant opportunities for improving board relationship dynamics in food co-ops.

Figure 29. How Well Does the Board Build Social and Interpersonal Dynamics That Support Its Governance Effectiveness? (N=105)



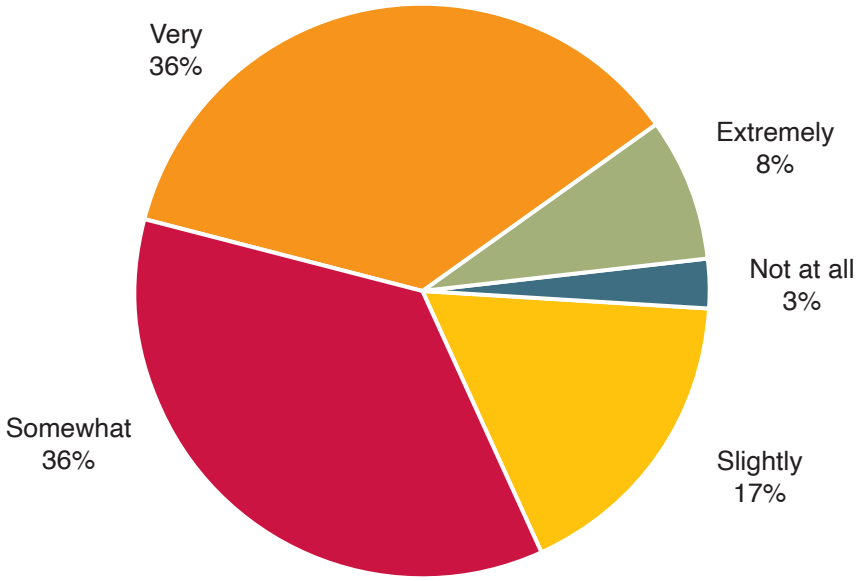
Our interviews with survey respondents made clear **the COVID-19 pandemic created unique challenges for building a thriving culture on co-op boards**. Nearly everyone said they would have answered the question of how well directors build social and interpersonal dynamics very differently prior to the pandemic. While virtual board meetings can be more efficient, the lack of in-person interaction took a relational toll.

The interviews surfaced two different but equally crucial aspects of building a strong culture: essential interpersonal dynamics and the activities that cultivate those dynamics. Food co-op interviewees described **trust, curiosity, open and honest communication, and a sense of partnership as essential interpersonal elements of effective governance**. But how do co-op boards cultivate and sustain these dynamics? One overarching theme was simply spending time together outside of meetings. Interviewees described getting to know one another by attending and carpooling to conferences together, sharing meals, participating in annual retreats, and engaging in group activities. Mentor programs for new directors were also mentioned as a great way to perpetuate the culture co-ops work so hard to establish.

Healthy Dissent and Conflict Among Board Members

One of the hallmark signs of a functional board is the group's ability to share and leverage diverse viewpoints to improve decision-making, so we asked participants to rate how well board discussions allow for healthy dissent. Less than half of participating food co-ops (44 percent) say their board discussions allow for healthy dissent extremely or very well compared to 61 percent of all CGRI participants (Figure 30). Perhaps not surprisingly, participants who gave a high rating on healthy dissent also rated higher on the scale for building social and interpersonal dynamics and for striking the appropriate balance between supporting and challenging the CEO.

Figure 30. How Well Do Board Discussions Allow Healthy Dissent? (N=105)



At times, dissent turns into conflict between board members. We asked survey participants to describe the last time this occurred, steps the board and management took to address the conflict, and the outcome. Qualitative responses illuminate **the top conflicts based on the percentage of responses: policy, enforcement of COVID-19 public health recommendations, director violated governance norms, and strategic direction**.

Participants briefly listed policy conflicts involving disagreement on document language, approaches to addressing workplace harassment, product pricing, business expansion, and discounts for shoppers with limited income. The COVID-19 pandemic was a divisive topic during data collection, and participants identified diverging perspectives on implementing public health guidelines.

Multiple participants identified conflicts involving directors defying governance norms, such as calling an executive session without the board chair's approval, representing the board publicly without authorization, and attempting to interfere with management activities. In addition, participants reported conflicts relating to strategy, such as the direction the co-op should take or approaches to recruiting new co-op members.

Participants shared various strategies their co-ops utilized to address discord. **The top three conflict resolutions (based on the percentage of responses) are resignation, dialogue, and working with a consultant**. In conflicts involving a board member's resignation, some boards investigated the issues and recommended a vote prior to the dissenting members' resignation. However, participants also provided examples in which the boards' failure to address a conflict contributed to board members' resignation.

In contrast, some boards resolved conflicts by engaging in dialogue. Participants disclosed that making space for dialogue allows the board to reevaluate their roles and assess whether they have sufficient information to make strategic decisions. Occasionally, bringing an external party such as a consultant into the conversation can help resolve a conflict as they can provide a more objective perspective. Boards have hired consultants to work through different issues, including educating board directors to refrain from intervening in management activities.

Ultimately, these survey and interview findings reinforce that dysfunctional group dynamics can derail even the best systems and intentions. When co-ops are as intentional about the intangible aspects of governance as they are about concrete practices, they often discover that a healthy culture is both a cause and a consequence of realizing their potential.

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