

Updating Trends in General Manager Compensation:

Data from 104 co-ops with annual sales ranging from \$1M to \$74M

BY CAROLEE COLTER

In 2006 and 2011, this magazine published studies on general manager (GM) compensation. Continuing that tradition, here's a look at the state of management compensation in food co-ops today.

The 104 general managers in this study serve co-ops ranging in size from \$1 million to \$74 million in annual sales.

Ten years ago, 20 percent of participating co-ops had less than \$1.5 million in sales, while this year only 3 percent fell below that amount. At the upper end, 21 percent brought in more than \$10 million in 2006 compared with 43 percent today. (Participating co-ops are summarized by sales volume in Chart A.)

holiday bonus.") It's interesting to note that contingent pay has moderately decreased in frequency and in the amounts at risk. A smaller percentage of GMs has contingent pay as part of their compensation now than five years ago. (Contingent pay use is summarized in Chart D.)

Since many co-op boards now ask their GMs to submit a proposal for their own compensation, it appears that the relatively low frequency of contingent pay arrangements and the relatively small amounts involved reflect what GMs themselves actually want.

However, there are clear patterns both in the design of contingent pay programs and in whose compensation includes these programs. For all but

Chart A: Comparing Participating Co-ops, 2006–2016*

Sales Volume	Percent of Participating Co-ops in 2016	Percent of Participating Co-ops in 2011	Percent of Participating Co-ops in 2006
<\$1.5 Million	3%	8%	20%
\$1.5–\$2.9 M	14%	19%	23%
\$3–\$5.99 M	19%	23%	17%
\$6–\$9.99 M	20%	14%	20%
\$10–\$16.99 M	18%	22%	21%
\$17–\$25.99 M	13%	8%	
\$26 M +	12%	4%	

*percentages rounded

As in previous years, there is a strong correlation between a co-op's annual sales volume and the total compensation—base salary plus contingent pay—that its general manager earns. (Chart B summarizes compensation by store size.)

Given this correlation of sales and compensation, and given the growth in co-op sales over the past 10 years, we see more co-op GMs receiving higher base salaries than in 2011 or 2006. (Compensation trends are compared in Chart C.)

Contingent pay and special benefits

In addition to base salary, half the managers receive some form of contingent pay—that is, an amount of pay that is only earned if certain conditions are met or goals achieved. (Contingent pay may take the form of a bonus, but not all bonuses are contingent, for example a "Christmas

a handful of the 52 GMs with contingent pay, there is a maximum amount that can be earned. And as in 2011, for the vast majority (79 percent), the criteria for earning contingent pay are known in advance.

Those at the higher end of the income scale are much more likely to have contingent pay plans. Moreover, the amounts of contingent pay at the high end of the scale tend to be greater than at lower pay levels, contributing significantly to higher total compensation.

As for criteria on which contingent pay is based, the most common formulas in order of frequency are:

- A small number of financial indicators plus board acceptance of Ends report;
- A small number of financial indicators plus some element of board discretion varying year to year; >

Chart B: Total GM Compensation by Store Size, 2016

Percent of GMs earning Total Compensation of	<\$3 Million	\$3– \$4.99 M	\$5– \$9.99 M	\$10– \$16.99 M	\$17– \$26.99 M	> \$27 M
<\$50,000	64%	36%				
\$50,000–\$59,999	50%	42%				
\$60,000–\$69,999	6%	50%	44%			
\$70,000–\$79,999	14%	14%	58%	14%		
\$80,000–\$99,999			23%	54%	23%	
\$100,000–\$129,999				31%	38%	31%
\$130,000+				8%	25%	67%

- Two financial indicators, usually involving sales and net income, no board discretion;
- Net income only, no board discretion.

At four co-ops, the GM receives the same contingent pay as the rest of the staff in some type of gainsharing or profitsharing.

A few co-ops include acceptance of executive limitations monitoring reports as one of the criteria to be met for contingent pay. (As an editorial aside, to me this seems to contradict the purpose of contingent pay by financially rewarding a GM for merely complying with policy, as opposed to the creative and demanding work of interpreting and developing metrics for Ends policies that earn acceptance by the board.)

Benefits, while not included in the calculation of total compensation since their financial value is not known, are an important part of compensation—including benefits that go above and beyond the regular benefits

package for co-op staff. Fifty-seven percent of GMs in this study receive one or more such benefits. Of those who receive special benefits:

- 56 percent received additional paid time off;
- 24 percent received deferred compensation (e.g., retirement account or life insurance);
- 14 percent received additional health benefits (e.g., family coverage);
- 33 percent received some other type of special benefit;

Most frequently mentioned in the “other” category are cellphone reimbursement and professional development.

Gender inequality

The 104 GMs in this sample break down 55 percent male to 45 percent female. Unlike the previous studies, this year’s shows a perceptible difference between compensation of male and female general managers. In

Methodology

The data for this article comes from the co-op general manager (GM) compensation database created by CDS Consulting Co-op in collaboration with CoMetrics and National Co+op Grocers. All co-op managers with CoCoFiSt program user names and passwords can access this database via the CoMetrics website. After

answering 15 questions, users can then pull reports showing the range, median, and average for the base salaries, contingent pay, and total compensation for managers of other co-ops in the same size range. These reports contain no identifying information about the other co-ops in the sample.

In preparation for this article, I worked with Kate Sumberg of CoMetrics to

delete obsolete entries, encourage GMs with old entries to update their data, and sign up new GMs. All information in this article is based on the entries of 104 current co-op general managers as of November 1, 2016.

For information on accessing the database: <http://library.cdsconsulting.coop/gm-compensation-database/>

—Carolee Colter

Cooperative Grocer IN FUTURE ISSUES...

- Rebranding: co-ops small and large
- Outstanding: produce departments
- Demanding: online ordering and delivery
- Commanding: boards speaking with one voice
- Glad-handing: peer support for startups
- Expanding: new stores and new ventures

Chart C: Manager Compensation Trends*

Base Salary Before Contingent Pay	Percent of Managers in 2016	Percent of Managers in 2011	Percent of Managers in 2006
<\$40,000	2%	9%	32%
\$40,000–\$49,999	11%	20%	17%
\$50,000–\$59,999	12%	12%	16%
\$60,000–\$69,999	17%	20%	19%
\$70,000–\$79,999	13%	9%	5%
\$80,000–\$99,999	21%	15%	6%
\$100,000–\$129,999	13%	15%	5%
\$130,000+	12%	0	0

*percentages rounded

each range of sales volume, the total compensation of female GMs averages lower than that of their male counterparts. (Gender compensation data are summarized in Chart E.)

The differences increase with the size of co-op—but note that among co-ops with over \$27 million in sales, male GMs greatly outnumber female GMs, and the data base is small (12 individuals).

A possible contributing factor to the differences in compensation between male and female GMs could be the fact that male GMs are somewhat more likely to have contingent pay (43 percent of female GMs, 56 percent of male GMs). However, at every pay range, base salaries of male GMs average \$1,000 to \$10,000 higher than base salaries of female GMs.

When it comes to benefits, men are much more likely to receive some

type of deferred compensation (20 percent of male GMs compared to 3 percent of female GMs with special benefits) and somewhat more likely to receive other special benefits (24 percent compared to 14 percent).

Length of service matters

In the 2011 study, length of time in one's position did not translate into higher compensation. Managers with over 10 years of seniority actually received lower compensation than those with less time in their position, and in most sales volume categories the newest managers were paid the highest.

This year's results completely reverse that pattern. Now seniority clearly correlates with compensation. Not only do the more-senior GMs >

Chart D: Manager Compensation Trends*

Percent of managers with some form of contingent pay	2016	2011	2006
	50%	58%	40%
Contingent pay as percent of base pay for all managers with contingent pay	2016	2011	2006
<10%	42%	25%	44%
10-20%	38%	45%	29%
>20%	14%	18%	8%
No set amount	6%	12%	19%
Percent of managers with extra benefits	2016	2011	2006
	57%	57%	44%

*percentages rounded

Chart E: Comparing Compensation of Female and Male General Managers

Co-op Sales Volume	Average Total Compensation for Female GMs	Average Total Compensation for Male GMs	Gender "Premium" in Total Compensation
<\$3 Million	\$48,236	\$52,013	\$3,777
\$3–\$4.99 M	\$59,085	\$61,321	\$2,236
\$5–\$9.99 M	\$68,300	\$77,413	\$9,113
\$10–\$16.99 M	\$91,701	\$98,398	\$6,697
\$17–\$25.99 M	\$110,483	\$116,610	\$6,127
>\$26 M	\$134,603	\$147,809	\$13,206

receive higher total compensation than those with less seniority, the GMs in the two most senior groups are also at least twice as likely to have contingent pay and special benefits as the two groups with least seniority.

It appears that the gender disparity in compensation is not due to length of service. There are more male than female GMs in the under-two-years category and more female than male GMs in the over-ten-years category.

Conclusion

The data in this article represents just one point in time. For boards and GMs looking for accurate information on peer co-op compensation, the GM compensation database itself is the resource to turn to. Managers, please keep your compensation information up to date. Boards, please ask your GMs to participate in the database. □

"A good cause never tasted so rich."
- Wine Spectator, 2016



PACHAMAMA
- COFFEE COOPERATIVE -



At Pachamama, the farmers own the company. This means better coffee for you and a higher quality of life for family farmers. 100% Farmer-Owned and all profits paid to family farmers. Please email us at info@pacha.coop for free samples and information.
www.pacha.coop

"Redefining the scope of direct-trade"

Martha Whitman

Helping Co-op Boards Achieve Excellence



- Over 30 years working in cooperatives, credit unions, and small businesses
- Former manager and board president of La Montanita Food Co-op
- Recipient of Bowers Fund Cooperative Board Service Award

Martha's services include:

- Board leadership training and support
- Retreat planning and facilitation
- Ongoing consulting support to boards
- Governance workshops and trainings
- Board resource development

MarthaWhitman@cdsconsulting.coop –or–
505-804-0947

CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES
For a complete listing of our consultants, visit www.cdsconsulting.coop

[www.facebook.com/
CDSConsultingCoop](http://www.facebook.com/CDSConsultingCoop)

