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## From Fortune 75 Company to Cannabis Start Up

*Learnings from David Lannon, Tumalo Holdings CEO*



JM Search recently placed David Lannon as CEO with the Growcore Investments portfolio company, Tumalo Holdings. Tumalo is a roll up of Oregon dispensaries, cultivation, indoor and outdoor grow facilities, and manufacturing. Prior to Tumalo, David was EVP of Operations at Whole Foods Market, where he spent 29 years. David was a key member of the merger team with Amazon in 2017 and oversaw the operational launch of Prime across Whole Foods Market.

After leading the Amazon merger, he was ready to build something new again and had already stepped into the Cannabis industry. The combination of proven experience in an entrepreneurial setting, and big company best-in-class practices with a well-known brand, are the type of characteristics we look for in our CEO candidates. We had the opportunity to speak to David about what it was like moving from a large company like Whole Foods to a small startup in a new and emerging market.

### **What were the first 6 months like and what were the surprises? Any ah-ha moments?**

At the very beginning, it was just me. When you are working for a bigger company, there are various assets and people you can pull on, so a lot of it was spending time really thinking about how to structure the company, and what the culture we wanted to create was. With some startups, you're launching a product, a service or retail product. We were buying things that were already created, so it was also about adding to the already existing companies. I asked what were the things that are really working in this culture and how do you meld them together? I had to have a sense of urgency, but also a level of patience too.

### **What is it like moving into a new and emerging market?**

Well, cannabis is less predictable than any other business, but the constant change is exciting. Having worked in natural foods for such a long time, you get into a rhythm where things are not in a building phase, but more in a managing phase. It's really exciting to get back into a building phase.

Compliance is such a big thing in what we do. As we set up the company, we wanted to act quickly and do so many things, but if we weren't compliant on all the permits and working with various cities, counties, and states, we could quickly run into trouble. In addition, there's compliance to all the quality standards we want to create.

Banking was another challenge. Because cannabis is still federally a schedule one drug, we do not have access to normal banking, so we had to set up mish mashes of credit unions and understand how to run the company with some of the basic business tools not being available to us. One of the businesses we bought had no bank account, so all the money was in one giant safe!

## **How have you adapted and what changed in your work style/mindset going from a large company like Whole Foods to a small startup in growth phase?**

I really had to reflect on my style and how things work. I had a system and structure with all these tools in my toolkit, but I had to pivot knowing that I was doing more things myself and making more decisions myself. There are less committee decisions, which is definitely great and refreshing. At the same time though, one of the benefits I had was a period of time after leaving Whole Foods where I was consulting and working with a lot of startups that did not have a lot of resources, so I came in having somewhat of an understanding.

I think it's really important to be curious about the business you're doing. One thing I know about my past experiences is that I'm passionate about food, farming, and organic standards, so I'm really curious about cannabis. Some folks feel that they could be selling anything. I don't want to run a company that could be selling anything, and I wouldn't like to buy products from that. I want to buy products from people that are passionate about it, so that when you connect with people in the industry, you get excited about it. Ultimately, it's all about creating the best quality products for the customer. It has to come back to that, first and foremost.

## **What was the experience of hiring your team like? Are you hiring people from other cannabis companies, or hiring people from outside the industry?**

Our most important hire after I started was Erin McFadin our CFO, which JM Search helped with, and she's great. I really think the world of your team and JM Search, and the depth that you guys go through to really make sure the placement is a good fit. I learned from you on this and how you build the team.

Part of it is, what do they bring to the table and is there a cultural fit? Trying to figure out a combination of folks that have bigger experience, some folks from startups and some folks that have pure cannabis experience is key. All of us started off somewhere, so I think it's important to not just pick those with corporate and retail experience. I think it's important to put together a fresh group. We could fill out the whole team with supermarket executives, but I don't think that's the right play. I think it's better to pick a team

that comes from different backgrounds. It's so important to know how you work together as a team vs. individual contributors. Of course, getting everyone to work together as a team through video calls during the pandemic was a challenge, but we did it.

## **What has you most excited about the future of the cannabis industry?**

I think cannabis becoming a big thing is exciting! When we grew up, you'd hide behind the high school and smoke weed. Now it's more out in the open – grandma is using it as pain medication, and someone is using it to help with anxiety and sleep. So, to me, it's exciting to see the normalization of cannabis and it is becoming such a big industry.

Now we are also seeing research happen. There was virtually no research in the U.S. happening over the last 50 years, except for one place in Mississippi. Amazon also made an announcement that they are not doing drug testing anymore, and that they support federal legalization. I think the thing is that we are starting to see the industry go from its baby stage to being bigger and grown up.

The thing I'm most excited about is that we can create something that's differentiated. There are a lot of people growing cannabis now. But between the right effects, quality, and the commitment to organic standards, as well as treating all our team members, customers, and suppliers with dignity and respect, there's a place for that to be a good business. Customers will reward us for that.

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## What were some of the key things that you took from your experiences at Whole Foods to Tumalo?

First and foremost, I would say leadership. I'll call out the inverted pyramid where you're at the bottom as CEO and you're holding everyone up. It's about trying not to be top down. I learned to really create a culture of empowerment. Empowerment truly is giving up power and responsibility and trusting people to make the right decisions. If you are too controlling, you won't be able to grow. You have to allow people to make mistakes and grow.

Finally, you need to stand for something. At Whole Foods, we knew that everything we sold in the store had a certain quality standard. At Tumalo, we are implementing all those practices. The hope is that when you come into our store and buy our products, it stands for something. One thing I am trying to learn from Whole Foods is to also focus on being fairly priced. Whole Foods has had challenges from customers and the press thinking they were too expensive. We want to make sure Tumalo addresses that right from the beginning.

## Connect with our Experts



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Abbee Phillips leads the Retail and Consumer practice for JM Search, where she recruits C-level executives for retail, consumer, and ecommerce businesses. She is also an integral part of the firm's entry into the legal cannabis industry. For more than two decades, Abbee has worked with highly marketed clients to execute senior-level executive searches in merchandising, marketing, operations, and finance. She has placed executives with leading brands and retailers that include Ralph Lauren, Coach, Alberto Culver, Home Depot, and AutoZone.



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MaryJeanne brings over 22 years of executive search experience, working broadly across Omni-Channel Retail, Digital, Consumer Products, Luxury Home & Apparel, Fast Fashion, Home Decor, Leisure, Health & Wellness and Consumer Goods Manufacturing. She has led senior level engagements including C-Suite, Executive and Director level/General Management positions. She has partnered with private equity firms and their portfolio companies and has extensive experience recruited within the functional disciplines of Marketing, Merchandising, Finance, I/T, Human Resources, Supply Chain/Logistics, Operations, and Sales.

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