

Workshop on Business Ratios

A note on a current study in the North-West

ALEXANDER WILSON, M.A., D.PHIL.

(Dr. Alexander Wilson, Chairman of The Society for Co-operative Studies, is Director of Studies in Management and Industrial Relations in the Department of Extra-Mural Studies at the University of Manchester)

"Five years ago, I would not have known what was meant by cash flow . . . What would be the implications of basing current value of buildings on 15 times the gross annual value rather than 20 times? . . . 25 per cent is a more realistic basis for depreciation of vehicles than 20 per cent . . . Should we adopt a straight-line basis for depreciation rather than the nonsense of declining balance? . . . My predecessor's policy was to get all land, buildings, fixtures and fittings written off".

These are some of the comments which typically crop up in the Workshop for Chief Officials, which is being run under the direction of John Roper at Manchester University. They often illustrate the bewildering variety of management accounting practice to be found in the retail side of the Co-operative Movement. Each of the chief executives participating seems to have a fund of stories which might be highly amusing if the trading position of the Movement were less serious.

PURPOSE OF THE WORKSHOP

The intention behind this workshop-cum-forum is to enable senior officials in retail societies to investigate the possibility of establishing meaningful business and operating ratios for various sectors of co-operative trade, and to consider appropriate techniques for investment appraisal. The group is looking at the presentation of information, sources of capital, inter-firm comparisons, management control systems and case studies in investment appraisal presented by members. In the end we hope that all this will provide us with check lists for investment decisions, project planning and marketing decisions.

In recent years, inter-firm comparisons and inter-society comparisons have figured in courses for co-operative managers and directors run by Leeds and Manchester Universities. In order to set and advance standards of performance, there needs to be more attention paid to inter-society comparisons. Inevitably the available financial statistics fail to reflect all the factors which affect any particular society's performance. Grouping of societies, with similar size and special conditions, helps but this requires wide, detailed and even intimate knowledge. Definitions of stocks, cash, debts, fixed assets, and even sales appear to vary considerably and so reduce the value of the findings. Nevertheless exercises of this kind have proved interesting, especially to directors, who increasingly realise that criteria of sales, net profit and members' capital are no longer adequate.

FUTURE DEVELOPMENTS

The working group in Manchester is making an examination of the appropriate ratios and definitions for further work in this field inside the Co-operative Movement. Alongside this, John Roper is undertaking a research project, part of which involves the calculation of a selection of business ratios for a sample of 140 societies. As well as attempting to make overall inter-society comparisons, the group will look into the possibility of improving the basis of inter-shop comparisons. Here the experience of the Swedish, Finnish and West German Co-operative Movements and their shop data will be examined to see how far they suggest fruitful lines of further action.