

Co-op. Great Britain

CONTROL - THE CENTRAL ISSUE?

by

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The establishment of a National Society in whatever shape or form would inevitably raise the question of control. For many years this issue has concerned retail societies in their relations with all the existing central organisations, the CWS, the Co-operative Union and the CRS; particularly the first. Indeed it could be argued that in addition to the reasons that are generally given for the setting up of a National Society, there is the underlying objective of developing a structure which would secure greater control for Co-operative retailing of the functions presently performed by the CWS.

CWS/Retail Relations

In this paper I would like to examine some of the problems of CWS/retail Society relationships in terms of control and from

that to suggest that similar problems would arise in a National Society.(1)

1. There is the widespread view that the CWS is 'the servant of the Movement' and should only act in that capacity. This assumption raises a number of issues:

1.1 Though created by retail Societies the CWS has in some measure, within the general constraints of Co-operative ideology and practice, become an organisation in its own right. In this it is little different from any retail Society.(2)

(1) This is not necessarily to argue against a National Society but to suggest that retail societies in opting for such a Society would not obviate the problem of control. It may be that other gains from a National Society would in some measure compensate for the continuation of the control problem.

(2) In the space available it has not been possible to develop all the issues raised in this paper which is a shortened version of a wider study on the 'Dynamics of Co-operation' which has been under way for a number of years.

1.2 Given the heterogeneity of the retail Society market, with Societies differing in terms of size, requirements, attitudes and expectations, the CWS cannot respond to every demand that is made upon it; in consequence some Societies will inevitably be dissatisfied. Faced with many and often conflicting demands the CWS is led to develop policies and practices which it thinks will meet its concept(s) of the retail Societies as a market. (3)

The CWS can only survive if Societies accept its wide range of goods and services and they will only do that if its offerings are more attractive than available alternatives. It follows that Societies want to be free to make their own comparisons: if Society managers are to be evaluated by their Boards on the efficiency of their performance they will, in many cases, want to make key decisions and not rely upon the efficiency of CWS decision-making and operations.

If, on the other hand, Societies were to be more fully involved in CWS negotiations with outside bodies, the price they would have to pay could be the abandonment of individual negotiations with these bodies.

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(3) This is not to be taken as suggesting that the CWS has complete freedom to develop its market concept(s).

The relationship between the retail Societies and the CWS can be regarded basically as one of exchange and bargaining. The normal tensions associated with the bargaining relationship are increased, as, on the one hand, the CWS is by implication reducing the autonomy of Societies through seeking to bind them more closely to it, while on the other, they are seeking to control the CWS and retain their freedom. Societies recognise, almost intuitively, that the greater the extent to which the CWS meets their total needs, the greater is its total power in relation to them, and, the longer the duration of their commitment to it, the less freedom they have to disengage if the relationship is ineffective.

Other factors affecting the relationship include, first, the fact that the CWS in seeking to convince Societies of the value of closer links with itself has to present itself as a large and powerful organisation - a projection which may be counterproductive. Second, it has, wittingly or not, to give Societies exceptional guarantees of efficiency. In doing this it places itself in a high risk situation, for with its wide range of activities there is great risk of failure in any one particular activity and in consequence a probable inability to fulfil the high claims it makes, with the likelihood that Societies will be reluctant to commit themselves to the CWS.

It is clear that the CWS/retail Society relationship involves substantial questions of power and its control, and of conflict. This may seem paradoxical in a Co-operative Movement but it should be evident that in practice Co-operation involves both competition and co-operation. The issue is compounded because contacts between retail Societies and the CWS exist at different levels and between different departments, so that problems and conflicts become diffused. Also there is an almost inevitable development of scapegoating - the parties seek to make the others in the relationship the scapegoats for their problems.

A most important factor is that the relationship is crucially affected by the attitudes and expectations of those involved, and where these are disparate 'Identity Conflict' can occur.<sup>(4)</sup> The diversity of Societies makes the possibility of 'Identity Conflict' considerable.

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(4) The CWS has a view of its role, and the societies have their own images of the CWS. Where view and images are congruent difficulties are reduced, where they are incongruent there is added tension and 'identity conflict' occurs. Similarly societies have views of their roles and the CWS has its image(s) of societies, and in this case again the possibility of incongruence is substantial.

This is heightened when expectations are placed too high, as witness the JRC Report and when there are differing views as to the nature of the service to be provided by the CWS. As long as the notion of 'service to the Movement' is loosely defined two consequences follow: first, Societies tend to feel that the CWS ought to be responsive to their requests, and second, the CWS, being conscious of the concept of service, moves to fill gaps in the Movement's operations. Both of these can lead to a misuse of scarce resources.

1.3 In the consideration of the CWS as an organisation in its own right, managerial factors come into operation. The management of the CWS will tend to have a loyalty to it that transcends their commitment to the wider Co-operative Movement. This attitude can be seen as paralleled by the loyalty of retail Society managers to their own individual Society rather than to the wider Movement. Like all aspiring managers, CWS management needs to be able to identify with a successful, growing organisation, and operationally this means that the CWS must seek leadership in some area of activity; it has to develop an identity of its own. Arising out of these factors the Chief Executive of the CWS will be expected by his management to protect them, to support their ideas where appropriate and to offer them opportunities for growth and development, as would the Chief Executive of any retail Society.

It would seem that the so-called 'independent' behaviour of the CWS is largely inherent in the nature of the relations between any large central Co-operative trading organisation and retail Societies. In response to this retail Societies might well feel it imperative to call for more control, meaning more detailed control. This would generally provide no answer; no Board can effectively control the tactical and operational activities of management. If it attempts to do so it will produce a state of managerial paralysis. This is true of both retail Societies and CWS.

### Relations within CWS

2. The complex relationship of retail Societies and CWS is mediated through the Board and executive of the CWS.

One of the prime, if informal, responsibilities of any Board is that of considering the interests of all the various groups involved in the organisation and not simply those of any single group. This means that CWS Directors are not simply the representatives of retail Societies, protecting their interests, they are Directors of a many-sided organisation. They have responsibility for the direction and control of the CWS. Here lies a key problem and source of confusion, for so much depends upon the interpretation of the words 'direction' and 'control'. If there is a lack of understanding of and agreement over their meaning by any party there is likely to be tension between the Board and management.

There are two relationships which are of specific concern in the operation of the Board.

## 2.1 The Chairman and the Board. (5)

In the operation of any Board the role of the Chairman is crucial as he links the Board to top management. His duties (6) stem from the Board's prime responsibility for the collective direction of the organisation.

The duties of the Chairman of the CWS Board are complicated by the fact that he has to ensure the Board does not become over-preoccupied with its representative character and has to unify it in the recognition of its corporate responsibility.

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(5) In these discussions of relationships the personalities of the different actors are significant, but it can be argued that the nature of the relationships, the distribution of power and so on are the major underlying factors structuring the relationship.

(6) It has to be stressed that the Chairman as such has no executive status. If he is invested with or assumes the responsibilities of an executive character he is then combining the roles of Chairman and executive director and this duality of role has to be brought into the open.

## 2.2 The Board and the Chief Executive.

The joint aim of the Board and the Chief Executive is effectively to maintain and develop the total CWS operation. This requires the following distribution of labour: first, the Board is responsible for overall planning, direction and control of the CWS while bearing in mind its responsibility to the retail Societies. Second, the Chief Executive is responsible for the management of the total CWS operation bearing in mind his responsibility to the retail Societies through the Board. Both are concerned with the interests of retail Societies and the CWS, the Board tending to lean towards the retail Societies and the Chief Executive towards the CWS.

It is evident that there is need for a fine balance; if either party develops too great a concern for the interests it 'represents' the central common ground will be lost and a conflict situation will emerge. Given the development of such an imbalance, neither side will perform in such a way as to fulfil its dual responsibilities and both are liable to move into areas rightly the province of the other.

What factors may induce imbalance between the roles of the Board and the Chief Executive?

(i) Given the basic commitment of Board members to the survival of their own Societies, the criterion against which CWS policies and practices is likely to be

judged is "what effect does this CWS proposal have on the autonomy and efficiency of my Society?" This natural reaction contributes to the imbalance which inclines Board members to the retail element in their role.

(ii) The Societies represented by the Board members have their own transactions with the CWS and the quality of these will influence their approach as Board members. Trading experiences of a particularised and detailed nature are, in consequence, liable to colour the approach of Board members.

(iii) The present size of the Board militates against the development of an effective team approach to CWS matters with the consequence that the particularism embodied in the representative character of Directors is further strengthened. The combination of duality of role and size of Board can produce limited commitment and fragmented views.

In response to the built-in imbalance in the role of the Board members and/or because of internal organisational pressures the Chief Executive is liable to lean too heavily towards the CWS and away from his responsibilities to the retail Societies, and in consequence take a strong stance as defender of the CWS. His behaviour and that of the Board are interactive, and frequent interaction on the basis of imbalance will lead to a hardening of the imbalance and to increased tension.

The imbalance is further aggravated first, by the Chief Executive's responsibility for retailing and non-retailing matters and his need to balance their competing claims, an activity which may appear as a dilution of his concern for retail problems. Second, he is likely to think in terms of retail societies generally rather than in the particularistic terms of Board members. Third, Directors are liable to expect the CWS to operate as a reflection of the current trading pre-occupations of retail Societies and not as an initiator of new developments.

From the above analysis it can be seen how the 'representative' function of the Chief Executive contributes to the problem of his relationship with the Board. In representing the CWS point of view which is not simply a reflection of the views of retail societies, he has to achieve a fine balance.

Many of the problems outlined arise out of differing expectations and assumptions. In addition the sheer size and complexity of CWS activities makes it difficult for the individual CWS Director or society to influence the affairs of the CWS. This situation, typical of a very large retail Society, engenders frustration and/or apathy. The former can lead to calls for change and for greater control, the latter to drift and abdication.

Whatever functions the CWS performs, the key relationship is between the Board and the Chief Executive. The manner in which he operates will be conditioned by his personality, by the size and complexity of the operations, by the overall situation in which he manages and by the way in which he sees himself, the Board and the CWS. The Board in its assessment of his behaviour reacts to its perception of him and he reacts to the Board. Both contribute to the other's behaviour and are wittingly or otherwise engaged in a process of self-appraisal.

### The Central Question of Control

3. This outline of the complex relationships between retail Societies and the CWS and between the Board and the Chief Executive raises in acute form the central question of control. It is arguable that the establishment of a National Society would have to face many of the issues outlined above.

3.1 It can be argued that a National Society would take on a life of its own because it would face many of the issues of all large organisations. In making this assertion I am merely indicating the limitations of democratic control over large-scale organisations.

3.2 It may be hoped that the bringing together of some or all of the central organisations with the retail Societies would remove the present us/them, retail/wholesale splits. This is to overlook the

fact that the functions currently performed by the CWS would persist and would have to be organised into divisions within the National Society and would, in measure, perpetuate the differences. The National Society would be a pluralistic organisation and the real question is, what would be the effective power distribution within it? Here we need to distinguish between the formal authority of the Board and the power exercised by the different constituents of the Society.

3.3 The National Society would require not only divisions of retailing, wholesaling and manufacturing, but the first would need breaking down into Regions which, if democratic aspirations are to be maintained, would require to have some influence over national policy and some discretion at the level of implementation. These Regions could be seen, in many respects, to stand in a similar relationship to the management of the National Society as do Societies to the CWS.

3.4 The President of Congress has rightly argued that "the Chief Executive (of Co-op Great Britain) would ultimately be responsible to the Board for the whole of the Co-operative Movement's trading activity, whether it be production, procurement or retailing". From this would continue to flow many of the issues raised above on the relations between the Board and its Chief Executive.

3.5 If there is to be a way forward on this question of control it would seem to be through a redefinition and clarification of roles and meanings of key words such as 'authority'; 'direction'; 'control' and so on.