

Study Projects

Notes for discussion

At the Annual General Meeting in April the discussion emphasised that it was important that the Society should concentrate its efforts in the immediate future on one or two lines of development. After reviewing the various suggestions made, the National Officers selected two topics that might be promoted in the regions for study and discussion. These are: "The Future of Co-operative Democracy", particularly in regional societies, and "The National Structure of the Movement", particularly the relations between the trading and non-trading federations. Dr. Alexander Wilson and Mr. W. P. Watkins were invited to prepare notes to provide a framework for discussion and these notes are given on pages 10 to 18.

Regional groups are invited to send in reports of their discussion and views to the Secretary and Treasurer of the Society, at Stanford Hall, Loughborough, by the end of January 1969 so that these can be considered as a basis for a report to be published in the Bulletin.

A. The Future of Co-operative Democracy

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The great pride of the Co-operative Movement has not been, as so many co-operators have tragically held until recently, the dividend on purchases, but the democratic framework of government for its constituent societies. Nowadays, however, co-operative democracy is no longer revered as the glorious principle of co-operation. Many staunch co-operators regard it almost as a sacred cow which has lingered on almost lifeless since the early part of the century, and which may stand in the way of speedy decisions now necessary for the revitalisation of the movement. In many areas it has been shown to be synonymous with local oligarchy, member apathy, parochial attitudes and/or amateur interference in management affairs. In general there has been extreme difficulty in reconciling local democracy with business efficiency.

The survival of the co-operative movement as a significant social and economic force in the last quarter of the 20th century will demand drastic improvement in its business efficiency. This patently requires re-organisation of the whole productive and distributive structure of the movement on national or at least regional lines. If this re-organisation is to make trading sense it cannot be encumbered with anything similar to the present conception of co-operative democracy.

Democracy implies compromise, and in a democratically governed business, it implies compromise by the managers. This may be often frustrating, but it is not suicidal so long as the objectives of the organisation are clearly defined.

Co-operative democracy, therefore, has to find a way of ensuring that the business objectives of societies are clearly laid down. As far as its professional managers are concerned, these business objectives and policies have got to make it possible for them to survive effectively in the market place. For those co-operators who have a rooted dislike of the market place, the answer must be for them to keep out of co-operative business decisions until they have effectively changed the social environment.

Some dangers

There are two dangers which must be faced:

- (a) that the democratic machinery of the movement will continue to be operated in such a way as to excessively handicap the professional managers on whose energies and abilities the movement depends for trading prosperity, and
- (b) that in the present state of semi-democratic autonomy, the most viable part of the movement will, willy-nilly, be forced to take over complete control of the movement. In the absence of structural change in the co-operative movement, the CWS (and SCWS) will take over in the next ten years, possibly in the next five. This would not be a bad thing for co-operative trade, but it would hardly be democratic.

There is also a lesser danger, which is that even after structural re-organisation into regional societies, these societies will refuse to co-ordinate their policies within a national framework. In many fields of enterprise this would reduce the potential benefits from a revitalised wholesale-retail partnership.

A proposal

The following proposal is designed to introduce a meaningful measure of democratic rights and responsibilities for individuals and societies at the national level, without destroying the degree of democratic participation in, and supervision of, co-operative activities at the more local level which is still feasible. There has been great merit in the ability of co-operative societies to offer ordinary

men and women the opportunity of active participation in running their own business. This feature has distinguished the Co-ops from other trading organisations. There is no good reason why it should not continue to do so, even if the machinery of control undergoes substantial alteration. Either the co-operators will have to control their professional management teams within a national framework within the next ten years, or the professionals will control the movement—from force of trading and capital pressures.

Note

In deciding whether the proposed new structure for the Co-operative Movement makes sense or not, one has got to be fairly clear on what are one's objectives, and what sort of strategy one is prepared to adopt to try to realise these objectives. It is only fair to state as boldly as possible what my own objectives and strategy are.

OBJECTIVES

- (a) Conversion of movement into a Consumers' Friend Organisation—for consumers of all classes—with great countervailing power in the field of distribution.
- (b) Provision of a great chain of co-operative stores capable of maintaining the best competitive standards in attractiveness, convenience, quality of service and merchandise.
- (c) Effective consultation for consumers in the operations of co-operative trading.

STRATEGY:

- (a) Re-organisation of the movement's trading operations along lines dictated by the logic of emerging trends in distribution. This implies a determination to regroup trading arrangements on whatever appears the optimum scale of operation—even where this cuts across traditional patterns or involves drastic re-allocation of control and resources. Greater flexibility in short-term trading tactics is essential.
- (b) Modernisation of the shops and image of the movement. Modern regional warehousing would be linked with large modern retail units (say about 8 to 10 grocery warehouses linked with 500 to 600 large retail stores). Aggressive promotion of the new image.
- (c) Determination to think big wherever the need is clearly indicated—as in fashion goods, footwear, department store organisation and structure. Also in terms of co-operative democracy. Here the debate has got stuck for years in the same groove at a parochial level. The general practice has been to achieve local oligarchy, parochial outlooks and member apathy at the expense of confused management of the business side of the movement. This has reflected the basic distrust amongst co-operators of size and power in organisations - even co-operative organisations.
- (d) Some flexibility in democratic control arrangements. Perhaps the upholders of traditional co-operative democracy will be right not to be won over to any re-organisation, however timely, unless they are satisfied that the resulting framework of government is not going to be some massive autocratic, or oligarchic and self-perpetuating arrangement. While top priority must be given to restoring the trading viability of the movement, one of our major concerns should be to avoid destroying the democratic element in the co-operative movement, but rather to make it a living reality. That is what it has never been at national level, and often what it has not been for some time at local level. Tomorrow's co-operative movement will look quite different to today's. Its members may also be quite different, and feel differently about the appropriate form of representation in policy making and control of the movement. We should be wary of crippling the rejuvenated movement with admirable theoretical strait-jackets. Leave a little room for evolution.

B. The National Structure of the Movement

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*(Mr. W. P. Watkins, a President of the Society for Co-operative Studies,
is a former Director of the International Co-operative Alliance)*

1 The Principle

The International Co-operative Alliance Commission on Co-operative Principles calls attention, in Part II, Section 2 of its report, to the evolution towards larger operational units and "the enhanced role already played—and promising to be greater in the future—by unions and federations of co-operatives, as well as other secondary, even tertiary, organisations." The report proceeds:

"The secondary organisations which are created by the co-operation of co-operative societies are themselves undoubtedly co-operative organisations, with the same obligation as the primary societies of conforming to the essential co-operative rules".

The Commission is here stating, not merely what should be, but also what does in fact normally happen in co-operative movements all over the world, whether their secondary organisations assume the legal forms of co-operatives, companies or civil associations.

2 The Institutions

Secondary organisations, variously called unions or federations or confederations, may be formed to provide for their affiliated societies (a) economic services, e.g. wholesaling, manufacture, banking, insurance, or (b) non-economic services, e.g. legal and technical advice, publicity and propaganda, education, representation before public authorities.

In certain national consumers' co-operative movements, e.g. Great Britain, Austria, France, Finland, the two kinds of service are entrusted to separate federal bodies. In others, e.g. Sweden, Switzerland, the Netherlands, a single national federation provides both economic and non-economic services.

Where a co-operative movement has a national non-economic apex union or federation it is customary for the economic federations also to affiliate to it (besides the primary co-operatives) and for the constitution to provide for them to be specially represented on its governing organs.

3 The Machinery

In all unions and federations supreme authority is vested by their constitutions in general assemblies or congresses of representatives of member societies, while elected administrative councils and/or executive committees are responsible for implementing congress decisions and the oversight of the work of the permanent officials. In many national federations, regional organisation, also on the federal pattern, was found necessary as an intermediate structure linking the central

administration to the primary societies. However, with the development of road transport and telephonic communication this piece of machinery tends to fall into disuse.

The French Federation still retains a deliberative body intermediate between the Congress and the Central Administrative Council. This is the National Committee, meeting twice a year, with the function of supervising the execution of Congress resolutions by the central administration and the specialised national organisations (Wholesale Society, Bank, etc.). The National Committee is convened for a supplementary session in the year the biennial Congress does not meet and also when extraordinary circumstances demand it.

4 The Problems

In the constitutions of these federations the following important groups of problems need to be resolved:

- (a) *The distribution of voting power and congress representation among the affiliated societies*: shall there be equal or differential voting power? If the latter, on what basis? If the basis is not to be the societies' own individual membership, what other basis may be acceptable and still be democratic? Further, should any ceiling be set to the voting-power of the largest affiliates?

The views of the ICA Commission on Co-operative Principles may be gathered from the continuation of the passage of its Report already cited under 1.

- (b) *The authority the federation, as representative of the whole movement, may exercise over its affiliates*: can independent self-governing legal entities be anything more than morally bound by resolutions of federal congresses? Can or ought the management of a primary society to surrender any of its responsibilities to a federation? Should a federation be invested, in the interests of the whole movement, with powers of intervention, e.g. to avert or repair the effects of mismanagement? Should a federation have constitutional rights of consultation, e.g. in cases of large fixed investments, the appointment of chief executives, etc.?

The importance of this group of questions arises from the imperative need for consolidation and the concentration of various vital co-operative functions in face of the competition of contemporary large-scale distributive enterprise and the trend towards oligopoly and monopoly. The cardinal question is: how can democratic authority be established so as to reinforce the unity of the Movement?

This question is not new in Great Britain. The National Co-operative Authority was set up in the 1930's but did not provide a permanent solution. The Final Report of the National Federation Negotiating Committee should also be studied in this connection. In 1967 two of the larger Consumers' Co-operative Movements on the continent, the French and the Federal

German agreed to re-organisations which gave to the national federation or confederation unprecedented powers of direction over their affiliated societies. These are illustrated below by extracts from their new rules.

FRANCE

Authority and powers of the National Federation in relation to its affiliated societies

- Art. 1. The National Federation is the expression of the unity of the Consumers' Co-operative Movement of which it is the central organisation.
- Art. 2. (Objects) cl. 4. To define and execute the general policy of the Movement by promoting the penetration and extension of co-operative action in various fields affecting the economic and moral interests of consumers.
cl. 7. To combine and organise the affiliated consumers' co-operatives and their unions in defence of their common interests.
- Art. 4. (Methods) cl. 3. To organise the administrative, commercial, financial, legal, fiscal and technical supervision of consumers' co-operative societies and unions of affiliated societies.
cl. 5. To be responsible for the planning and expansion of consumers' co-operation in every sphere.
- Art. 8. (Conditions of membership) cl. 1. Societies agree to observe the rules laid down in the statutes and to apply the rules and resolutions adopted by national congresses.
cl. 3. To submit their situation periodically for examination by the audit department.
- Art. 25. (General Commissioner for Control and the Audit Department). A General Control Commissioner is responsible for the financial control and the audit of the societies and the specialised national organisations. He is appointed for 6 years by the Central Administrative Council to whom he is answerable for the fulfilment of his functions. He reports on his activities to the National Committee.
He has the right to be heard, if he thinks it necessary, by the administrative board, the audit commission and the general meeting of a society or union of societies. He may at any time request the competent audit commission to convene a general meeting. He may attend meetings of the administrative boards of the specialised national organisations.

Internal Regulations

The following articles regulate the development of co-operative societies and the application of the plans:

- Art. 6. The Central Administrative Council of the National Federation is authorised to entrust to a co-operative society designated 'regional' the development of co-operation in a specified region.

- Art. 7. The Central Administrative Council of the National Federation is empowered to decide, with a view to the execution of the national plans, on the formation of societies of a regional or national character in the geographical areas of its affiliated societies.
- Art. 9. Every proposed amalgamation between regional societies shall be submitted to the Central Administrative Council of the National Federation.
- Art. 11. All disputes concerning the application of the rules under the present regulations shall be submitted to the bureau of the National Committee which shall decide equitably.

Federal German Republic

A number of consumers' co-operatives have amended their rules recently so as to enable the Central Organisations to intervene effectively, whether by way of consultation or authorisation or veto, in the internal decisions of these societies. Thus the section dealing with the powers and functions of the representative assembly exercising the powers of the general meeting contains the following clause:

"Before the discussion of proposals for the amendment of the rules, the appointment and dismissal of members of the Management Board, as well as amalgamation and dissolution, the co-operative must obtain a declaration from the Confederation of Consumers' Co-operatives. The discussion of amalgamation and dissolution also requires a declaration of its attitude on the part of the Auditing Union. This declaration is to be communicated to the Representative Assembly before the resolution is put to the vote".

A further clause declares:

"The Confederation of Consumers' Societies is empowered to submit proposals for the dismissal of members of the Management Board and proposals for the appointment or dismissal of members of the Supervisory Council".

The Confederation's authority is also required for the election of members of the Management Board. The present clause reads:

"On the proposal of the Supervisory Council the Representative Assembly elects the members of the Management Board. Nomination and election are not valid unless a written declaration has been submitted by the Confederation stating that the person nominated has the requisite personal and technical qualifications for the post".

- (c) *The democratic resolution of the situation where fundamental differences of opinion over policy arise between the federations responsible respectively for economic and non-economic services, e.g. if a Congress decision is unacceptable to either or both of the wholesale societies. Is amalgamation a possible?—the only?—remedy for this situation? What are the advantages of the single-federation system? Are there also disadvantages? Do recent decisions of (a) the French (b) the Federal German Consumers' Co-operative Congresses suggest any solution for the British problem of unity of organisation and action on the national level?*

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The Final Report of the National Federation Negotiating Committee is obviously relevant to these questions also. The French and German Movements, however, have found solutions which are not based on outright merger between the national economic and non-economic central organisations. Both retain the national non-economic union as the overall co-ordinating body, with the trading and financial organisations as special functional federations.

In **France** the Wholesale Society has two representatives, the Bank and the Insurance Society have one representative each, on the Central Administrative Council of the National Federation. Their board members attend meetings of the National Committee but may not vote.

In **Federal Germany** the consumers' Co-operative Movement is being completely integrated. The apex union is the Confederation (Bund) registered as a company in which the shareholders are (1) the consumers' societies; (2) the Wholesale Society and its subsidiaries; (3) other undertakings serving co-operative or communal purposes or mainly controlled by registered co-operatives, e.g. the Bank and Insurance Societies, which are joint enterprises of the co-operatives and trade unions. The foundation capital amounts to DM 175,000 of which the Wholesale Society holds DM 15,000.

The Confederation's objects are defined as the promotion of its members and their enterprises; the planning and co-ordination of business enterprises in distribution and production including finance, personnel management and training; collaboration in measures of policy and leadership in the members' over-riding interests and their co-ordination. The Confederation's governing organs are the Congress, the Advisory Council of 19 to 23 representatives of shareholders and the Management Board of 5 to 9 members. The Board may have 5 full-time members, two of the part-time members must be directors of the Wholesale Society.

The Articles of Association (§ 10) specify 12 distinct duties to be fulfilled by the member societies. The following are of special importance: to carry out the Articles of Association and the directives of the Confederation; to execute the resolutions of the Congress and the Confederation's governing organs; to provide the Confederation with all necessary information and give its officers access to their books; to permit the Confederation's representatives to attend their meetings; to consult the Confederation on such matters as amendments of rule, establishment of subsidiaries, change-over from dividend to discount system; to conform to the directives and decisions for the planning and co-ordination of business enterprises. While the Confederation's directives may be issued only in general terms, a co-operative may not depart from them without seeking the decision of the Confederation's Advisory Council.

The text of the rules of the societies granting the Confederation the right to intervene in their affairs has been given under 4 (b).