

Society for Co-operative Studies

REPORT OF THE ANNUAL GENERAL MEETING

11TH-12TH APRIL, 1969

AT ST. ANSELM HALL, THE UNIVERSITY OF MANCHESTER

1 Attendance of Members

The following were present: where the participant represented an organisation in membership of the Society, this is given after his name:

MR. J. ATKINSON	MRS. B. F. MEEKING
MR. A. BEAUMONT	(<i>London Society</i>)
(<i>Chesterfield Society</i>)	
DR. T. F. CARBERY	MR. K. A. NOBLE
(<i>University of Strathclyde</i>)	(<i>Co-operative Wholesale Society</i>)
MRS. E. CHRISTMAS	MR. A. RHODES
(<i>Birmingham Society</i>)	(<i>Co-operative Union: North-East Section</i>)
MR. S. P. CLARKE	MR. J. ROPER
(<i>Bradford & District Society</i>)	MR. B. ROSE
MR. D. FLANAGAN	MR. P. ROSENFELD
MR. S. GARNET	(<i>U.S.D.A.W.</i>)
MR. M. A. J. GIBSON	MR. D. SMYTH
MR. J. R. HAMMOND	MR. T. E. STEPHENSON
MR. J. H. HARRISON	(<i>University of Leeds</i>)
MR. P. HARTY	MR. E. W. TAYLOR
(<i>Newcastle Society</i>)	(<i>Harrogate Society</i>)
MISS D. JUKES	MR. J. TROTTER
(<i>U.S.D.A.W.</i>)	(<i>National Co-operative Managers' Association</i>)
MR. H. KEMP	MR. J. R. WALKER
(<i>Co-operative Party</i>)	MRS. N. E. WILLIS
MR. M. KIRKMAN	DR. A. WILSON
MR. W. E. LAWN	MISS N. R. WYLIE
MISS M. LARGE	(<i>Luton Society</i>)
(<i>Birmingham Society</i>)	
MR. R. T. LOWE	
MR. R. L. MARSHALL	
(<i>Co-operative Union</i>)	

Mr. D. G. Hopwood and Mr. D. W. Birch, both of the Manchester College of Commerce, and Mr. J. Whitfield of the University of Keele, also attended at the invitation of the Society.

2 Introduction by the Chairman

Mr. Stephenson briefly reviewed the background against which we were holding the second AGM. This was an opportunity to review the basic purposes and tasks of the Society, to look critically at the achievement so far and to draw guidelines for future development. He felt that a firm foundation for the Society's work had now been established and cited from the report of the National Officers four aspects which merited special concentration during the coming year: membership, finance, the *Bulletin*, and regional activity. In each of these fields there was scope for consolidation and expansion.

3 Apologies

Apologies for absence were presented on behalf of Mr. W. P. Watkins, a President of the Society, Mr. H. G. Clode, Development Officer of the Co-operative Union, Mr. F. Bruckshaw, Editor of *Co-operative Management and Marketing*, Mr. R. A. B. Leaper of the University of Swansea, Mr. P. F. Gane, Personnel Officer of Swindon Co-operative Society, Mr. S. Oliver, Training Officer of Brightside & Carbrook Co-operative Society, Mr. L. A. Harrison, Managing Secretary of Greater Nottingham Co-operative Society, and Mr. and Mrs. W. F. Higgins. Written greetings and good wishes had been received from each of these members.

4 Report of the National Officers for 1968-69

This has been printed in *Bulletin No. 6* of the Society and was now reviewed by the AGM.

(a) MEMBERSHIP

It was agreed that the present position represented a fairly good achievement although it was noted that there had been a slight reduction in overall membership during the year; and that further reinforcements from the "academic" area would give a better balance.

(b) THE BULLETIN

The intention to publish in the *Bulletin* an annual bibliography of books and articles of more than passing significance for Co-operation was noted with interest. The assistance of Mr. D. Flanagan, Librarian of the Co-operative Union, was particularly appreciated in this connection.

(c) STUDY PROJECTS

Dr. A. Wilson and Mr. W. P. Watkins had prepared the discussion material which had been published in *Bulletin No. 5*. The original intention was that, arising from this material, reports would be forthcoming from each region which would form the basis for a substantial compilation and positive recommendations. However, this hope had not yet been realised: whilst there had been some regional discussions, these had been sporadic and only brief reports had been submitted so far.

Reference was made to the Co-operative Union's Working Party on Democracy in Regional Societies and the initiative by the Scottish Co-operative Wholesale Society in setting up a special working party to investigate member relations in Scotland.

(d) RESEARCH

Mr. R. L. Marshall outlined the proposal to establish a national research fund under the direction of the Education Executive of the Co-operative Union. This would be linked to the fiftieth anniversary celebrations of the College, the appeal letter to Co-operative societies and other institutions would be distributed shortly and the Executive had invited the Society's Officers to act as advisers in defining and organising the research.

Beyond this, the question was raised as to whether research papers associated with the Society could be made more widely available—for example, by listing them or publishing them in full in the *Bulletin*? There was general agreement that there would be value in disseminating research papers and news of research work much more widely and that the *Bulletin* could make an important contribution to this.

(e) RELATIONS WITH OTHER ORGANISATIONS

The position regarding relations with PACE was noted and it was agreed that liaison between the two organisations should be close and cordial.

Mr. Harrison and Mr. Marshall also reported on the implications of the development of the Distributive Industry Training Board.

(f) FINANCE

The cash and bank account for the year ending 31st December, 1968 was reviewed and satisfaction expressed with it. It was noted that the Society had now adopted the calendar year as its accounting period.

The Treasurer drew attention to the fact that the Society depended almost entirely for its income on subscriptions; any substantial loss of membership would, therefore, make a drastic impact upon the Society's financial stability. A question was raised on sales of the *Bulletin* and whether the Society's journal could be sold to libraries and Universities. The Treasurer reported that some effort in this direction had already been made and that these efforts would continue.

5 Future Development of the Society

Some of the points listed by the National Officers for the attention of the AGM had already been covered. Attention was now concentrated on the following:

(a) REGIONAL ORGANISATION

It was agreed that closer links should be developed between the National Officers and the regions. Where a region was not represented among the National Officers it was suggested and agreed that such a region should be invited to nominate a representative to serve with the National Officers for one year.

The future position of the Secretaryship in the Northern region was reviewed. It was anticipated that the Co-operative Union would shortly be making a dual appointment to cover the duties of both Sectional Secretary and Sectional Education Officer and that the new officer would be invited to act as Regional Secretary for the Society.

(b) SERVICE TO RESEARCH

The National Officers sought authority from the AGM to make small grants for specific research projects: this authority was given and a ceiling of £200 in all set for such expenditure in 1969-70.

6 Appointment of National Officers for 1969-70

Thanks were expressed to all the Officers who had served in 1968-69 and, for the following year, the following recommendations were carried:

- (a) That all the Presidents should be re-elected.
- (b) That Dr. T. F. Carbery, University of Strathclyde, should be Chairman.
- (c) That Mr. W. E. Lawn and Mr. J. Roper, University of Manchester, should be Vice-Chairmen.
- (d) That Mr. T. E. Stephenson should be invited to attend meetings of the National Officers in 1969-70 so that his experience was still available to the Society.
- (e) That Mr. R. L. Marshall should be Secretary and Treasurer.

7 Reports of Research

After the AGM, two sessions were devoted to reports of research and summaries of these are given below along with notes of the discussions.

FIRST REPORT ON RESEARCH

“Capital Investments in Large Retail Co-operative Societies”

D. G. HOPWOOD, BSC.(ECON)., Dip.ECON.POL.SC.

D. W. BIRCH, B.SC.(ECON)., A.C.I.S.

Manchester College of Commerce

1 Objectives

Senior executives of the societies in the sample were asked to rank rate of dividend, sales, and profits in order of priority. Their answers seemed to depend upon their current dividend rate. Societies with a high rate of dividend put the maintenance of dividend as a chief objective, while those with a low dividend rate considered sales to be a main priority. The maximisation of sales was the most popular objective followed by dividends while only one chief official considered the maximisation of profit to be his main goal. A significant minority of senior executives were hazy as to their key objective. A number of the officials ranking sales before dividends thought that their Boards would disagree with this order of priority. The sample's investment behaviour did not entirely match up with the declared priorities of the majority of their chief officials. The maximisation of sales implies an exhaustive and continuous search for investment opportunities which will increase the total revenue. This was not found to be the case. Indeed typical society behaviour in this respect has been well described by Professor Pollard of Sheffield University as “passive reaction to outside stimuli”. The greatest stimulus comes from without rather than from within the societies.

2 Economic Evaluation

In their measurement of likely turnover estimates most retail co-operatives aimed to maintain rather than increase their market share. The evaluation of the project was almost based on the expected results in a “normal” year (considered to be once the project was established—about one to three years from its inception).

A number of societies admitted that considerable sums had been spent in the 1950s and early 1960s without any economic evaluation, and even today, not all major schemes are evaluated on paper. For example, where department store redevelopments proceeded in stages with the drapery and fashion departments being modernised one year, and footwear the next year and so on, it was rare for any comprehensive evaluation of the entire scheme to be undertaken.

Forty-six societies used the co-operative variant of the accounting rate of return as their main method of investment appraisal. This method ignores the fact that money has a time value. It also assumes that once a project has been established the earnings stream will be constant over time. In three other societies the accounting rate of return was used. In all the societies, the calculations were pre-tax. Payback and DCF techniques were not utilised at all in the societies in the sample.

An illustration of how a co-operative society could apply a discounting technique to its investment evaluation was given. It was suggested that a co-operative raising part of its funds externally should opt for a cut-off rate of between 8 per cent to 10 per cent before tax, or 5 per cent to 6 per cent approximately after tax. The argument that a co-operative should not use its funds in a way which is less profitable than private enterprise was examined. It was felt that if their objective was to maximise member's service then societies should set out to maximise sales, and an investment which promised to recover its direct costs (including its dividend commitment) and the cost of the funds used to finance it should be undertaken. To follow the practice recommended for private firms would mean that a number of investment opportunities which satisfy these conditions would be rejected by co-operative societies.

3 Risk

A chief executive's relationship with his Board (freedom from detailed control) usually depends upon a record of successful management in the past. This normally means that he has controlled his society during a period of relative dividend stability coupled with a steady sales growth. Naturally both he and his senior management are interested in maintaining this state of affairs and, therefore, have a vested interest in avoiding 'risky' projects. Failure to achieve this record of successful management has led to a renewed interest in day to day management by the Boards of four societies in the sample.

Whilst no objective evidence was found, the author's conversations with chief officials left the impression that societies have engaged in far more projects involving the conversion of existing projects rather than the development of new sites. The turnover estimates are more reliable and the risk consequently lower. Evidence suggests that the societies in the sample have developed comparatively smaller sized supermarkets than those of their chief competitors in the same areas. This fact again bears out the contention that co-operatives are concerned to avoid projects with a significant degree of risk.

4 Capital Expenditure Discussions at Board Level

The typical society Board in the sample was composed largely of "laymen" whose background is such as to suggest that their financial and technical knowledge is likely to be limited. Whether there is any real discussion on capital expenditure proposals at Board level will depend largely on the attitude of the chief executive officer. There was a wide variation in the sample in the amount and quality of the information made available to the Board from the fullest documentation of the financial and technical variables at issue (usually in a form which would not be easily understood by a layman) to the merest verbal outline of the proposal. The majority of the chief officials interviewed said that they tried to put over the main factors affecting a proposal as clearly as possible and welcomed the opinions of Board members particularly on "local" conditions. But there were a few executives who thought that this educational role was a waste of time.

By and large an established and successful chief executive will have no difficulty in obtaining his Board's approval particularly for major capital expenditures.

There was general agreement that the Boards were more likely to query small rather than large items. This was partly due to the frequency of Board meetings (weekly Board meetings were common), and the continuance of the much criticised sub-committee system in nearly a third of the sample.

DISCUSSION

Following the presentation of the paper a number of points were raised in discussion:

- (a) It was noted that the objectives pursued by societies fell, broadly speaking, into three categories: (i) a high dividend rate; (ii) a high rate of sales increase; and (iii) to maximise member satisfaction. Were there any inherent contradictions among these objectives?
- (b) It was urged that "reaction to outside stimuli" was a first condition of survival for societies. The weakness of the Movement lay in the fact that its reaction tended to be too slow: and responded to past or immediate pressures rather than those of the calculable future. The Society could make a significant contribution to Co-operative strategy by identifying long-term trends and looking ahead to conditions in five or ten years' time.
- (c) Several alternative methods of evaluating projects were reviewed, viz: (i) accounting rate of return; (ii) payback; and (iii) discounted cash flow. The relative merits of these were discussed.
- (d) The problems of control by lay Boards of Directors were examined and relationships between Boards and professional management were reviewed. It was generally agreed that the practice of standing sub-committees of Directors was outmoded and that Boards should concentrate on major policy issues rather than the details of day to day management.

In conclusion, it was felt that Messrs. Hopwood and Birch had presented a most stimulating paper and it was noted that a fuller report on their findings would shortly be published in *Co-operative Management and Marketing*. The general questions were briefly noted: how could research of this kind be stimulated and organised and how could its results be communicated most effectively to the Movement?

“Some Considerations on Democratic Participation in Retail Co-operative Government”

J. WHITFIELD, B.A.
University of Keele

The place of sociological investigation in co-operative studies was briefly indicated. The contribution and interest of the Co-operative Movement to sociology was discussed, with reference to three areas of sociological concern: institutional constraints, the ‘embourgeoisement’ hypothesis, and ideology.

The nature and function of active participation in the governmental processes of retail co-operative societies was outlined as a preliminary to discussion of some research findings. Empirical work in two Staffordshire retail societies was described, including some problems of research, and in particular the difficulties of operationalising theoretically derived concepts. Findings in the following fields were given: the financial relationship of the member to the retail society, the social relationship in the trading exchange, members’ knowledge of their retail society and its relationship to participation, the social composition of membership, the characteristics of actively participating members, the origins of, and attitudes towards membership, and the contribution of auxiliary organisations to the governmental processes of retail societies.

The research findings were discussed in terms of their implications for four principal topics. Desirable areas of further research suggested.

- 1 The limitations to participation. It was briefly suggested that there were maximum limits to participation by members, resulting from both external and internal constraints to retail society organisation.
- 2 The function of co-operative ideology as a determinant of participation was discussed. The distinction between co-operative philosophy and the relevant belief structures of members could be described as a consequence of institutional constraints.
- 3 The change in active co-operative participation as a consequence of large scale changes in the attitudes of social classes and status groups. The continuation of participation longer than might be expected, and the cumulative effect of several factors.
- 4 Some possible consequences for the philosophy and principles of co-operation, if they were accurately to reflect and guide co-operative actions.

An abstract of the details of the principal research findings was circulated separately.

DISCUSSION

Following the presentation of the paper a number of points were raised in discussion:

- (a) It was pointed out that far too little information is available about "active Co-operator". What kind of members composed the active minority and what were the reasons which motivated them to participate? What, in fact, was the contemporary appeal of the Co-operative Movement and had the Movement an ideology relevant to the present day?
- (b) It was generally agreed that gradual movement from Co-operative inactivity to activity was characteristic only of a very small minority. What level or proportion of member-participation was desirable? Was 1 per cent of the total society membership too modest a figure to aim at?
- (c) The machinery for local democracy and the environmental pressures operating against member-participation were reviewed. It was asserted that Co-operative democracy should be based upon the local store and that there should be a pool of potential Directors within each Society.

Mr. Whitfield was warmly thanked for his valuable contribution. It was agreed that a vast field was still open for future research and that his paper would stimulate considerable thought within the Society and beyond.

Lines of Action : 1969-70

Plans by the National Officers

At their meeting in May the National Officers reviewed the Report of the A.G.M. and Conference and considered what lines of action should be followed or recommended in the next year. Particular items were:

- 1 Each Region not represented at present among the National Officers has been invited to nominate a representative to attend meetings for the present year and so strengthen links with the centre. These invitations have gone to the Northern, Midland, South-Western and Western Regions.

2 Service to Research

The A.G.M. approved an expenditure into 1969/70 up to £200 in small grants for specific research projects, and the National Officers agreed that intimation be made in this *Bulletin* of this provision: that the limit for each grant should be £30; that they are, of course, intended to assist projects which have a Co-operative relevance; and that the kind of expenditure for which they were intended was travel expenses, substantial postage costs, special material, etc. Will anyone interested in seeking a grant please send supporting information about it to the Secretary/Treasurer as quickly as possible.

3 Membership

A concerted effort nationally and Regionally is being made to strengthen the membership by extensive approaches both within the Co-operative Movement and in universities and colleges—among both organisations and individuals. The division of responsibility is that the national approach will be general and comprehensive: but each Region will be asked to select for particular attention a number of organisations and individuals likely to give a good response.

Full details are now being worked out and, of course, will be communicated to the Regions.