

# Guidelines on Co-operative Business Success—and Research

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Dr. Wilson has contributed as a framework for discussion at the Annual Conference, these guide lines for Co-operative business success—and their implications for supporting research.

- I Without fairly clear objectives, no business can flourish.

What have been the economic objectives in Co-operative societies?

Prior to 1925-30, expansion and dividend maximisation.

Prior to 1965, dividend maintenance.

Since 1965, survival by any means.

Prior to 1960, the social and political objectives of Co-operative societies did not conflict seriously with their economic objectives. Since then the business objectives and the social/political objectives have not been on speaking terms. And there has emerged a wide rift. In most cases the social/political alliance has had to accept the dictates of the business men of the movement—but usually over the dead bodies of their societies.

Remedial action on the business side of the movement has come in patches, usually from positions of weakness, and without consistent and integrated planning. All ambitious schemes of reorganisation have been suspect at local level, and have become outdated by the time support has been won for them.

So it is now with Regionalisation. It is going ahead too slowly and the weaknesses of co-operative democracy seem likely to be spelled large within regional societies. The main objective laid down for chief officials and management teams at present is simply "Reconciliation of all interests—at all costs". Since John Jacques, Duncan McNab and Philip Thomas, there has been a hankering after superman worship. This certainly has its merits, but even supermen in democratic, or supposedly democratic, organisations need some clear objectives.

I submit that today there is no Co-operative Movement—only a patchwork of self-regarding retail societies and federals. I submit that it is the exception rather than the rule for any of them to have deliberately agreed on their objectives—whether social, political or economic.

- 2 My proposed guidelines therefore start with an injunction that Co-operators set themselves two major objectives for the 1970s:
  - (a) The integration of the retail and federal societies into a National Move-

ment in which Co-operative business policy would be laid down at national level, and with the decentralisation of the business units of this movement into appropriate geographical and other groupings corresponding to their operational problems and requirements; and

- (b) The aim of providing Co-operative retailing and other services on as efficient a business level as the best competitors in these fields, and of a nature which will readily attract all consumers into becoming Co-operative customers.

3 The next set of guidelines follow from identifying the weaknesses of the past fifteen years, deciding which of these can be remedied, and how.

- (a) *Co-op. trading areas have been too limited*

No society has been large enough to obtain maximum benefit from large scale buying, warehousing and selling operations. Few societies have been large enough to match the operations of even the medium scale private multiples.

: Large regions are required for optimum scale operations.

- (b) *Co-operators have insisted on pursuing too wide a trading interest.*

Each retail society tries to cover almost the whole range of consumer requirements, from grocery to footwear, from milk to off-licences, from hairdressing to funeral parlours.

In almost all societies this has resulted in too small turnover in too few units to afford first class departmental managers. This has placed impossible demands on general managers.

: Different operations need to be planned and run on the scale appropriate to efficiency.

- (c) *All societies have been burdened with a legacy of too many small outlets.*

These serve a social rather than an economic function. Their turnover, at any level of profit margin, is too low to afford modern wages to first-class branch managers.

: Close down small and uneconomic stores. Concentrate trade in large supermarkets and Domus-type combination stores. The movement would be more viable in 6,000 medium/large stores than in 25,000 mixed allsorts.

- (d) *Tendency to restrictive-mindedness among managers.*

Most societies have some obligation to, but are hampered by, ageing potentially redundant managers who are either complacent or lack confidence in the future. This is reflected in restrictionist attitudes to changes in working methods, selling methods, opening hours, and amalgamations. Support for progressive policies at national level in U.S.D.A.W. has often been vitiated at local level.

: There is simply no happy solution to this. But the longer radical reorganisation is postponed, the less happy any solution can be. Clearly it is not worth pursuing any major scheme of reorganisation without the backing of U.S.D.A.W. and N.U.C.O. at national level, but this should not extend to a power of veto by the unions at local level.

(e) *There has been for too long too much insistence on a high ratio of dividend/surplus, coupled with too high a ratio of surplus/turnover.*

This has resulted in a lack of pricing flexibility, lack of incentive to volume sales, reliance on the sales appeal of the divi gimmick in preference to modern merchandising methods, and to inadequate reinvestment of profits in trading operations.

: Stop crucifying turnover and investment. Give 2.5 per cent dividend stamps on a national basis.

(f) *There has been too much power in the hands of too many amateur managers.*

Insistence on the principles of local Co-operative democracy has entrenched too many backward-looking members and managers on boards of directors. Often they overstep the proper responsibilities of directors, and usurp the functions of departmental and top managers. They meet far too often, exacting an extravagant toll of time and energy from senior managers. Their eagerness to assume managerial functions encourages mediocre officials to abdicate responsibility.

: Place responsibility for managerial decisions on officials, and stop Boards of Directors from managing societies. Lay an embargo on clap-trap about lay member participation being the meaning and the soul of the Co-operative Movement. The soul of Co-operation has always been concerned with securing a fair deal for the consumer. The activities of directors, educators, politicians and myriads of workers in auxiliary bodies are ancillary to this. It is splendid that many are motivated deeply and sincerely, but there is no need to make a fetish of it. Many enjoy participation and activity for their own personal satisfaction. That is fine, but it is neither a licence to control, nor a sacred principle. Rather it is a sacred cow. Relegate ideas of the Co-operative Commonwealth to history books, and concentrate efforts on enabling consumers to get a better than ever deal in Co-operative stores.

Perhaps these are enough guidelines to be following for the next five or ten years. The sum total of these weaknesses is simply that there has been too much inbreeding throughout the Co-operative Movement. There has been too much contemplation with the glories of the past. Too much attention to politics, and too little to the consumer. There has been a failure to keep pace with the breaking down of social class feeling, and too little attention to business trends and future trading patterns. Their cumulative effects on

the trading assets, merchandising, capital position and public image of the movement has been near catastrophic.

- 4 One thing which we can all probably agree on is that the main guidelines for Co-operative trading success in the 1970s are not significantly different from the guidelines for Co-operative trading success, which were seriously thought about but not acted upon, in the 1960s. What is different now is that the logic of events has been changing the situation so rapidly in recent years that it is nowadays difficult for Co-operators to persist in illusions of greatness, stability, loyalty and working class solidarity. Many have at last opened their eyes to the facts of life, that supermarketing is here to stay, that Tesco is a fierce competitor, that the dividend has lost its appeal unless coupled with attractive shops and attractive prices.

For myself, the guidelines were written by Col. Hardie in his minority submission, which remained ignored at the end of the Independent Commission report. In 1960, I thought he was overoptimistic in asking for just two large Co-operative organisations. More politically acceptable would be 20-25 regional or conurbation societies, each with a turnover of £30-£100million, and capable of operating a viable chain of supermarkets. For dry goods there would be one or two federal organisations running chains of department and combination stores, along the lines of the Domus experiment in Sweden.

Now in 1970, I can see that Col. Hardie and J. C. Gray were wiser than the rest of us. Politically it would have been no harder to engineer a national organisation than to promote the district and regional amalgamations, which have been fought tooth and nail by almost every society which was not to be the dominant partner, and which did not see bankruptcy staring it imminently in the face. The force of Col. Hardie's logic is now fairly clear to all. Without trading success, there is neither survival nor reason for existence of the Co-operative Movement. Without a national highly-integrated movement there can be no trading success for Co-operators in the face of clear-headed, rapidly expanding multiple chains, siting, investing and operating on a national basis. The Co-ops. still command an enormous slice of consumer spending power, but the margin between survival and rapid decline has become alarmingly narrow.

The main choice nowadays is whether the Co-operative Movement is going to will the fundamental reorganisation which is called for, while it still has some strength. Or whether it will be left for the C.W.S. and S.C.W.S. to take over complete control of a decimated movement, whose trading position has been completely eroded, and whose remaining societies are of interest mainly for the development value of the properties which they have been under utilising for a decade or more.

In recent years, after the revolutionary changes of the early and mid-60s, when the supermarkets blazed their trail and became the most important retail units, and every town agreed on its own proud, expensive plan for a shopping precinct or centre, retailing has been going through a relatively

stagnant period. But it is a period in which the largest groupings have been working out their strategies for the next phase. In the next retail boom we shall begin to see how considerable has become the power of Tesco and the other half-dozen groups which are determined to carve up the retail market between themselves. The Co-ops., I guess, will be caught with their pants down. Right in the middle of a needlessly protracted period of regional indigestion.

The emerging regional societies, with their twenty mile radii and £20 million of annual sales, will find that their internal problems have grown apace, but that they are still not large enough to reap the benefits of large scale operations—in terms of specialised management, rational investment, buying power and merchandising ability. Their major stores are still not the focal buying points in the large towns, and their supermarkets are still managed by ageing branch managers who pine for the days of counter service, and on whose superannuation payments societies have so long depended for stability in their capital position.

The result of the next shock in consumer competition, if the Co-ops. still refuse to pull together and integrate furiously with each other in regional societies and with the C.W.S. and S.C.W.S. in national buying and regional warehousing arrangements, will be that the C.W.S. and the S.C.-W.S. will swallow the movement. This would not be such a bad thing if only the C.W.S. had as much retailing expertise at its disposal now as it will have in ten years time, and if only it was not going to have to swallow all the weakest businesses first. The C.W.S./S.C.W.S. will of course have to do all this to safeguard their own future, though to some extent the digesting problems will slow down the Co-operative dinosaur. At the beginning its brain will be too small to cope with the demands from all its outlying limbs and members. In the end it will have developed an enormous brain which will perceive that retailing operations are no longer essential to its survival. If it still remains dedicated to the consumer, it may decide to go into the real estate market in a big way, sell all the surviving properties and businesses, and buy controlling shares in several of the most successful private retailing companies. It would then be in perhaps a stronger position than ever before to lay down business policies and objectives consistent with the Consumer Interest.