

## Why – and Where Now?

Discussion of relations between the Co-operative Wholesale Society Ltd. and Co-operative Retail Services Ltd. have long been on the agenda of the consumer Movement – and in the pages of the Journal, most recently in a Special Feature in No. 64 which outlined *Three Options*.

On 10th August 1990 the two organisations issued this joint statement:–

"The CWS and CRS announced today that their discussions on a planned merger of the two societies have been ended.

The Boards of Directors of both societies have decided that a successful conclusion of the current discussions is not possible due to differences of approach concerning representation of the respective interests of the individual and corporate members of a merged society.

Talks have ended amicably and efforts will now be concentrated on strengthening the working relationships between the two major Co-operatives both of whom have significantly improved their trading and financial positions during the last three years."

Three contributors who had shared in earlier discussions in the Journal summarise below their views on the reasons for the ending of the negotiations and on what should be done in its aftermath.

### 1. John Anderson

*John Anderson entered the Movement through the Co-operative College's scheme for the recruitment and training of graduates: he is now Chief Executive Officer of North Tayside Society and a member of the Central Executive of the Co-operative Union.*

"Being a realist, some say a pessimist, I believe that in the next five years nothing will change and our market share will continue to shrink as the number one problem in all mergers in this case will prove insurmountable".

That is how I finished my article in the Journal of Co-operative Studies dated January 1989.

The subsequent ending of the C.W.S/C.R.S. talks and the continuing decline in our market share, albeit at a much slower pace, gives me no pleasure.

## **The Main Problem**

The unstated number one problem in mergers was hinted at earlier in the article – “personalities”.

No matter how C.W.S./C.R.S. dress up this sad tale of woe, basically the talks failed for 2 reasons:–

1. deals involving the major personalities could not be concluded;
2. the project was over ambitious in the first place.

I am not talking about money, but positions, honours and prestige are all prime factors in any merger – Co-operative or otherwise.

The second major factor in the breakdown was the setting of an almost impossible target, the merger of C.W.S./C.R.S. as a whole. That objective would be difficult to achieve. The main shareholders in the C.W.S. are the strong independent Regional Societies who are well aware of the underlying asset strength of the C.W.S. and are not going to give over control in any way to the C.R.S., still regarded by many as being in the clutches of former directors of bankrupt Societies, a notion continually re-inforced by “left wing” motions at conferences from some of the C.R.S. Regions.

## **The Solution?**

Being a logical thinker, I believe the solution is quite simple. The C.W.S. should transfer its retail interests to C.R.S. at an agreed price. The money could be paid back over a number of years at a reasonable rate of interest. This unifying of the retail interest would make C.R.S. a very powerful retailer with enough muscle to compete with the best of our competitors.

I would go further and suggest the unbundling of the C.W.S. should continue with the Co-operative Bank, C.I.S. and Co-op Travel set free, at a price, from the C.W.S. to hopefully thrive as 100% separate businesses.

The money raised from all this unbundling could be used, not only to boost dividends to C.W.S. shareholders, but to soften the blow of the inevitable re-deployment of employees. The newly strengthened C.R.S. should compensate for any loss of jobs within the C.W.S. by creating even more jobs by building new superstores, etc. If increased dividends were paid out of this unbundling exercise by the C.W.S., then this money could be used to create jobs in other independent Societies.

The fact that one Society with 40% of the retail Co-operative trade was a single entity should end much of the marketing confusion. Leo's, Co-op Superstores, Co-op Concepts, Homeworld, etc., might all have had logical reasons when born, but trading under a single name with a defined marketing strategy can only benefit the new enlarged C.R.S.

The C.W.S. itself would benefit from this restructuring, as it would be forced to concentrate on other core activities.

### **A Challenge to Leadership**

For all this to happen we need leadership. Will the new "Philip Thomas" stand up?

The troops are willing to die for Co-operation. You need only attend Congress, Co-op Party Conference, Co-op education meetings to witness the frustration of Co-operators desperate for a revival in our fortunes, but unsure of how this is to be achieved.

Perhaps someone or some group will come forward with ideas the Movement can unite behind, and the C.W.S./C.R.S. merger debate will become "irrelevant". Being a realist, some say a pessimist, I believe that in the next five years nothing will change and our market share will decline.

## **2. Dr. Peter Clarke**

*Dr. Clarke is secretary of the Parliamentary Co-operative Group and editor of the newspaper Co-operators' Platform.*

On the surface the advantages of a merger were clear. The combined society would create a powerful and solidly financed commercial entity bringing together complementary trading operations. CWS could have concentrated on wholesaling, manufacturing, and farming whilst CRS could have become the retail arm.

The retail benefits would have been most noticeable in London where there would have been no longer "CWS" Co-op shops and "CRS" Co-op shops, but Co-op shops with a single trading identity. At national level this would have meant a truly national retail society operating in all parts of the United Kingdom.

The talks began in January 1988 when "firm merger proposals" were produced in talks between the two chief executives. These talks were said to

have resolved the issue of the choice of the chief executive for the combined society. During the rest of 1988 both Boards seemed keen on the idea, but in May 1989 Jim Mason, the retiring CWS Chairman said he was disappointed at the lack of progress. A year later CWS Chairman Len Fyfe told the CWS annual meeting that an "acceptable formula" had proved "elusive". The CRS Annual Meeting supported the principle but wanted assurances on member participation and democracy.

### **The Unresolved Issues**

The talks are said to have foundered on "differences of approach concerning representation of the respective interests of the individual and corporate members of a merged society."

A number of issues were unresolved. How were directors to be elected? By one single national ballot, combining votes from individual members and corporate members? Or were individual members to have a separate election for a guaranteed number of seats on the board? If "sections" were created on the board, how would the directors in such sections live up to their collective responsibilities?

Now the merger is off, stronger "working relationships" will be developed between the two societies. Little work has been done on this issue. Dare we hope that a single retail identity in London is not ruled out. Another area for joint working is in merchandising.

Meanwhile, insiders say, that whilst the merger has been put off for the time being, it may be back on the agenda "perhaps in three years or so".

## **3. Gladys Bunn**

*Gladys Bunn has had long experience of service in the consumer movement – for example, as President of her local society, Brighton, on her Sectional Board, as a member of the Central Executive of the Co-operative Union, Chair of its Education Executive and President of the Co-operative Congress.*

Accompanying the statement in the Co-op News of August 14 1990 announcing the ending of talks between the CRS and CWS aimed at bringing the two organisations together, was a timetable showing a catalogue of hopes and doubts which arose during the three-year period of discussions.

Three years? What about the tripartite discussions of 1981-1986. These were also accompanied by a catalogue of hopes and doubts.

A whole decade spent (wasted) in democratic discussions whilst, all around, the multiples' competitive groupings reorganised and restructured to do battle in the market place and where their formidable challenge met only a moderate skirmish or two from the Co-operative Movement.

A spectacular decade during which energies of resource and capital were required to re-establish a viable Co-operative presence – not only in the metropolitan area of London, Belfast and Scotland but also in numerous other important geographical trading locations throughout the U.K.

We must leave historians to assess the effect and the cost to the movement of these diversities.

There is sadness in reflecting upon lost opportunities and upon the conundrum of what goes wrong when we try to turn idealism into reality. Sadness is not enough however. We must try to work out a rationale.

### **The Reasons?**

Assemblies en masse at Congress or at CWS or CRS annual meetings manifest an understanding of the overall benefit accruing from a more integrated Movement, yet when democratically elected individuals from these assemblies become directors of the CWS and CRS national boards solidarity seems to go out of the window.

There must be a reason. Granted there is **always** agreement in principle to the formation of a unified organisation; there is **nearly** always agreement to the form of management structure; but the formula **always** breaks down when discussions reach the sensitive area of representation – why? Is it pride? Is it loss of identity? Is it lack of reward? Is it about power? Is it one of these – or all – or none? What is the reason?

Maybe there is still a lack of commercial understanding by the lay members and maybe that is the price of democracy. I don't know! Does anyone?

I despair at the same illogical outcome following this latest three-year round of talks.

### **Looking to the Future?**

As the U.K. approaches full participation in the European market, the consequent social and commercial impact will require the Co-operative movement to have a cohesive central organisation.

Clearly, the defined stated immediate objectives of the CRS and CWS are to be admired: the one to become the finest Co-operative society in the world and the other to make its manufacturing and wholesaling interests the cornerstone of the movement. Realisation of these objectives within an integrated organisation would surely produce a basis of solid reliability upon which to fashion a national society which would figure amongst the most successful in the world. It makes a nonsense to stand aside from such an aspiration with its obvious commercial advantage and example to social responsibility.

However, this alluring prospect still leaves a couple of blurred areas.

1. The role and constitutions of the two organisations and their effect upon each other. There may be the need to call upon the good offices of the Chief Registrar of Friendly Societies to rule on this issue and promulgate a formula.
2. To define the scope of the retailing and wholesaling operations of the two organisations with a view to a measure of inter-relationship.

There must be others like me who have devoted a lifetime to Co-operative service who yearn to see our faith in the movement sustained – faith that it will endure effectively – and who implore the current and future policy makers to set their sights above personal aspirations and individual sovereignty.

The latest talks on bringing the CRS and CWS together may have ended. Let us hope a new perspective will arise – soon.

### **Postscript**

Since the above contributions were prepared, it has been reported that the Chief Registrar of Friendly Societies, who determines the continuing registration of CRS, has asked the society to reconsider aspects of the relation of CWS to CRS, including the rules which provide for half the board of CRS to be appointed by the CWS and for the CWS at CRS General meetings to have a vote equal to the entitlement for the entire individual membership.