

Hornsby's Thesis by Professor T.F. Carbery

In 1989 Malcolm T. Hornsby, the well-known Co-operative College tutor, was awarded the degree of M Phil by the University of York. This award was in recognition of the research reported in his thesis titled "Co-operation in Crisis: challenge and response in the Co-operative retail movement in England from the later 19th century to the mid-20th".

Emeritus Professor Tom Carbery, formerly of the University of Strathclyde in Glasgow, has himself undertaken research into Co-operatives, served on the Educational Executive of the Co-operative Union, is an assessor at the College and, of course, is Joint Editor of this Journal. It is his belief that the thesis is a most important piece of academic work and he regards it as sad that it has not been brought to the attention of a wider audience. In the ensuing article he reports on it.

For many years now Business Schools and Departments of Management have been teaching that the normal life-pattern of many - not all, but many - organisations, corporations and companies can be seen as being in four phases, albeit not of equal duration. These four phases are given different titles by different teachers, but the flow pattern is well-nigh constant.

The Four Ages of Companies -

The first phase is that of *conception, birth and early development*. Within this phase there is a heavy casualty rate, with the result that those companies and organisations disappear from the social scene and, consequently, never reach the second phase. For most of the survivors, the second phase is that of *progress and continuing development*. All the curves - sales, turnover, profit, size of labour force, net capital deployed - are 'upward'. The best of them climb steeply, the least successful climb sluggishly but, since they are successful, they do at least climb. The third phase is that of *consolidation*. The organisations may not plateau, but the progress, if any, is less dramatic than hitherto. This third phase is not infrequently attributable to lack of initiative, weariness, an ageing management and/or the erosion of the enterprise factor. As often as not whatever is amiss is not identified or, if it is, is not tackled satisfactorily, with the result that the business or company goes into the fourth phase - that of *decline* where, as with phase two, the slope of the curve varies with the severity of the problem.

- And of Co-operatives?

For the undiscerning, it would be all too easy to dismiss this excellent thesis

as merely exposing or proving that the Co-operative retail societies by and large fitted the pattern indicated above. Such a view would be most unfair.

It is true that the history of Co-operative retail distribution, as revealed by Mr. Hornsby, does indicate that they, individually and collectively, have tended to experience all four phases. but there is a lot more to this intriguing piece of research than that, not least as the Co-operatives are, of course, unique. Then again, Mr. Hornsby brings to his subject perception and understanding. Indeed, he brings more - he brings an honest evaluation and candour, while avoiding wounding phraseology.

It has been my privilege over the years to be an examiner, either internal or external, for many pieces of academic research on the Co-operatives: I would have been proud to be associated with this work - though, as ever and in the nature of the beast, I would have tempered my enthusiasm with some mild criticism. Thus, as I see it, Malcolm Hornsby does himself and his work an injustice by not structuring his conclusions better than he does.

The Essence of the Thesis

At the risk of misinterpretation, I would say the essence of this fascinating work is that, in the post-war period, British Co-operatives were ostensibly at their best and yet, as with other organisations, had within themselves the seeds of their decline - if not demise. They had 12 million members and 11½% share of all retail trade (other commentators put it at 12% or 12H%). As seen by others or as seen by themselves, many of these retail Co-operatives were doing not just well but extremely well. In their pronouncements, their leaders were prone to refer to the high dividends which were being distributed to members; to the substantial share of retail trade; to the increasing range of Co-operative production; to the high membership figures and to moderately impressive sales per member.

Yet there was here an element of self-deception. As Malcolm Hornsby brings out, warnings about the dangers of high dividends and high investment in wholesale societies and low investment in the societies themselves were made again and again by Co-operative College tutors, Co-operative Union researchers and even by some C.W.S. directors.

Such warnings went, in the main, unheeded. Those who served on the Boards of Management of the Societies chose instead to maintain the high dividends and to go on financing disproportionately the trading federations. Why did they do it?

Policy of High Dividends

The financing of high dividends not infrequently necessitated the selling of valuable assets and the erosion of reserves, as well as draining the Societies

of investment funding. The policy, mistaken though it was, was generally based on the sincere, compassionate belief that the members "needed" the income flow which the dividend represented. This argument was easy to justify both at the time and in retrospect, when one looks at the Depression of the inter-war years: it was and is less easy to justify in respect of the reasonably affluent years of the late 'forties and 'fifties.

This concern for the members and their financial well-being was not the only reason for the high dividend policy. There was a secondary consideration - that if the Board provided a high dividend for the members, they in turn would be more likely to re-elect the Board members.

Investment into Wholesale Societies

The policy of pouring investment income into the wholesale societies and the other trading federations was, on the face of it, provoked by equally understandable reasoning. Mr. Hornsby is at his best on this matter. He invites his readers' attention to the fact that, in the 1860s and 1870s, the multiple retailers were beginning to understand that they needed to control the procurement of stocks if they were to transcend local market limitations. This was true of all trade, but was particularly true in food retailing.

Later, he observes -

"The over-riding aim was that of becoming a universal provider, controlling as much as possible of the process of production of as wide a range of goods as possible, so that the Co-operative consumer could equip and provender her family wholly from Co-operative sources, if she so decided";

and later -

"The desire to build the wholesale societies as big and as powerful as possible lay deep in the psyche of Co-operative activists. It was nurtured by the idea of consumer sovereignty, which saw production by Co-operative federal bodies as morally superior to production by capitalist organisations".

But here, too, there was a plurality of reasoning. Psyche apart, Co-operators wanted to control production, because they believed this would at one and the same time ensure the quality of products *and* provide a bulwark against "the ravages of capitalism". There was, too, a subsidiary factor here, but a factor which was, in one sense, more fundamental than subsidiary. It was that such investment in the federations was seen as necessary; necessary as milestones on the way to the much vaunted Co-operative Commonwealth and, if such action demanded sacrifice, that was no more than was to be expected. The

transformation of society, the eventual domination of distribution, could not be expected to come to pass without sacrifices.

The Dream and the Reality

What struck this reader at this part of the work was the extent to which those who controlled the retail societies and those who controlled the federations - and in almost all instances the latter group was drawn from the former - were dreamers. Their dream was a concept of empire. "Wider still and wider" applied to them with regard to Co-operative trading and manufacturing as much as it did to the geographic aspirations of those who sang Elgar's music with such lusty voices. Both were destined to see their empires diminished rather than expanded. The Co-operatives paid dearly for such mistaken, misplaced expenditure and investment.

However good or bad the quality of the goods provided by the federations - and they were not all as good as Co-operators chose to believe - the real crunch point for the entire Co-operative Movement was the extent to which consumers voted with £ notes at the polling booths of the counters of Co-op shops.

The overall consequences of the mistaken policies were a quite dreadful under-investment in the retail outlets which, as Malcolm Hornsby reports, "... were frequently allowed to become shabby and old-fashioned". That was bad: there was worse; as Mr. Hornsby points out, the disadvantages of the unattractive premises were compounded "... all too often by a disobliging counter staff and a limited, dull range of goods".

The Fundamental Problem

Yet, these aspects were but the outer manifestations of a deeper, much more fundamental problem. Says Hornsby, "The underlying problem ... was (that) of adapting organisational forms designed in one period for survival in another". He goes on, "Using Rostow's terminology, Co-operatives were created by and for working-class communities ... They were (by then) living precariously ... in a period of high mass consumption in which, sadly, their values of thrift, economy, democratic participation and local loyalty came to be seen as more and more anachronistic". The Co-operatives invested the fruits of their success in their own version of socialism and, like failed socialists elsewhere, put too much emphasis on production, whereas the society in which they were operating in the second half of the 20th century is a society dominated and permeated by the standards and ideas of consumer ascendancy and the values of capitalism.

Then again, the retail societies were ill-equipped to deal with the remarkable growth in services - but that is another matter.

Malcolm Hornsby's thesis deserves to be 'rewritten' by him and published as a book. Until that day comes, one trusts this article will be an inadequate yet useful alternative.