

The Importance of Being a Board

Co-operators are committed to the principle that the board should be responsible, on behalf of the members, for the direction and management of their Society and this rests on the conviction that directors will be found honest and competent enough for the rôle. This conviction is called into question, for example, when, as has happened rarely but recently, defalcations are alleged in that direction and management. Dr. Butler opens an exploration of the problems of finding directors of the quality to match their responsibility in present and future conditions - and is presenting his own views and not those of the Co-operative Union.

. . . Safe for Democracy?

by Dr. J.H. Butler

All Co-operators look forward to seeing the report of the International Co-operative Alliance Working Party on 'Basic Co-operative Values' to be published later this year. This brief article will look at one aspect of Co-operative activity that is crucial for the advancement of the Co-operative ideal, but yet has not received the attention it properly deserves, namely the Society board of directors. I hope this article will stimulate further debate within the movement and ultimately lead to practical moves to ensure that boards of directors are able to respond to the needs of their members in an increasingly competitive environment.

Historical Background

In the 19th century the prevailing conditions both economic and social meant that the optimum economic scale of Co-operative retailing was in harmony with local part-time leadership by dedicated amateurs. The Society was something to which the members belonged in more than a general sense; its well-being depended upon members playing their part, it was only by loyalty that the Co-operative could exist. The concept of voluntary service is also closely linked with that of local autonomy from which there emerges a picture of a group of local people coming together, in a democratic fashion making decisions affecting their local Society, 'with leaders and ordinary members being knitted together by the trust which can arise between people who know each other as a result of close personal contact.

Recent Developments

With the development of large regional and super-regional Societies, the apparent inability to alter the decisions of organisations that by their very nature are large in scale and complex in organisation inhibits that sense of belonging that characterised the Movement in its formative years. How can a member participate in framing policy when highly paid and qualified

officials are engaged full time in multi-million pound businesses? How can ordinary members grasp problems associated with cash flow, gross profits, return on capital, investment and development issues and complex industrial relations legislation? Many potential boardroom recruits have understandably been intimidated by these obstacles and thus the degree of direct involvement has fallen consistently since the Second World War. We are not attracting the most able in the community and Co-operative retailers are no longer pioneers of retail change. Change is being forced upon the Movement by competitors able and willing to offer retailing facilities appropriate to a more discerning and sophisticated public. Indeed, the *raison d'etre* for Co-operative retailing is a lot harder to establish today.

It should also be recognised that in any community the ablest people in life are always the most busy and Co-operatives are not held in such high regard as they used to be. From my experience with the Institute of Co-operative Directors, I have learned to think highly of them. There are many able people among them, but I know that the majority would welcome more assistance being given to help them in directing their particular Societies and I feel that more resources should be devoted towards improving their skills.

Urgent Action Required

The ability of elected representatives properly to perform their important duties and their capacity to influence important decisions is a matter that needs urgent attention, especially when we are all aware of recent and past failures of judgement that have resulted in hasty transfers of ailing Societies to either a neighbouring Society or to one of the nationally based Societies. The Co-operative movement needs Directors of the highest quality and before it is too late there is a need to look in detail at all aspects relating to the governance of Co-operative societies - a failure to do so could well result in the demise of our movement as we know it by the end of the decade.

To address the above important issues, I would suggest that four areas should receive the urgent attention of the retail Co-operative movement, these being -

- 1 The establishment of a Commission of Inquiry to look into all aspects relating to the operation of boards of directors.
- 2 The introduction of co-opted or additional directors to the boards of societies.
- 3 Establishing appropriate remuneration for Directors.
- 4 A training provision to be included in the Rule Book of each Society.

Commission of Inquiry

With the rapid decline in the number of retail societies, there is an urgent need to look at all aspects relating to the functions, authority and roles of the Board of Directors. A Commission, sanctioned by Congress, would include Society representatives and others not directly involved in the movement and drawn from the world of business, education and community affairs. The aim of the Commission would be to make recommendations that reflect the radical changes that have taken place within the economy and community and, in particular, within societies over recent years and ensure that societies are responsive to the needs of their members and able to articulate a Co-operative viewpoint with Boards of Directors of diverse backgrounds who can bring experienced and fresh viewpoints to Board discussions and decision-making.

Co-opted and Additional Directors

Although the Commission would be looking at all areas of activity, there would appear to be no reason why societies should not introduce the concept of independent Directors into boardrooms immediately.

Research in Europe and America indicates that a good Board is characterised by a membership of able, independent people with differing backgrounds, abilities and temperaments who are willing to express - and to listen respectfully - to varying viewpoints. Such a Board, with good leadership, will we hope engage in healthy and sometimes vigorous discussion on Society issues and problems. A wide variety of backgrounds and experience can in itself make a Board a rich and valuable resource for the society. It also makes an interesting experience for Board members themselves.

To add to that resource and experience, various possibilities can be considered. It is within the power of a board to co-opt experts either from within or outside the society, who will give the benefit of their advice on particular questions coming before the board but who will not become members. A further stage would be reached by a rule expressly providing that the board may appoint into membership additional directors, without or with the power to vote. And, of course, safeguards can be incorporated into the rules, to ensure, for example, that additional directors must remain in the minority or that a quorum of directors can be formed only when a majority of elected members are present.

There is, therefore, no reason why the movement should not look for people who will have a different background and outlook and who will provide a challenge to accepted thinking. It should also be recognised that in the private sector, 96% of the top 500 companies have non-executive Directors and the system works well and leads to better decision-making.

Remuneration

With the introduction of co-opted or additional Directors there would be a requirement to look closely at an appropriate method of remunerating Directors for the effort they put into governing a Co-operative business. We should accept that fees be paid to Directors as a token that their contribution is recognised and valued.

Training

The fourth area that needs more attention is in the field of director training. The Institute of Directors, in association with the College, is doing useful work in this area but a majority of directors have still not undertaken formal training in connection with their important roles and responsibilities. The function of each board of directors is to oversee the running of the organisation on behalf of the members and the necessary authority to do this is conferred upon the board collectively by the members through the rules. These important responsibilities should, therefore, require Directors actively to participate in appropriate training and again this fundamental requirement should be incorporated into a Society's rule book.

These four areas need urgent consideration because time is not on our side. If we wish to see the movement make progress then we must look seriously at Co-operative boards of directors. Indeed, some would say that the Co-operative society director is already an endangered species!

I hope fellow Co-operators will respond to this article in a positive fashion.

The Author

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