

## **Consumer Co-operatives and the Producer Culture**

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It was a great pleasure to read the contributions to Journal 74 on the subject of Co-operatives and the labour culture. Having known Rose as a tutor and having met the other two my pleasure was heightened by the different positions they adopted on this interesting point.

There were two points which were not raised which I feel are central to the debate. The first concerns the changing needs of any organisation for support and the second, perhaps the more important, the future benefits of the impact of labour culture on Co-operatives. For the purposes of this letter Co-operatives are defined as consumer Co-operatives but I feel sure some of the comments made here could also be directed at other forms of Co-operation.

Before turning to these points there are related considerations that might be noted. Rose makes mention of "divi-hunting", a fact of inter-war life in retail Co-operatives. At the same time Loveridge claims that the movement had produced "enough good managers and leaders to produce some very successful Co-operatives". This, the "Golden Age" theory of Co-operative management, is open to question for the reason that Rose gives. If these managers were as good as claimed, why did they indulge in the "divi-hunting" that caused so many problems for post-war retail Co-operatives?

The starting point for any consideration of the impact of labour culture on any organisation has to be the nature of that culture per se. While the definition offered in the survey published by the ICA, "anti-technocratic, anti-intellectual and is reluctant to face problems, coupled with the art of explaining them away", is part of the story it is by no means the whole story. It is indeed a rather flattering view of labour culture. There are other less pleasant parts of the culture that cannot be excluded in a fair discussion of the problem. Such traits would include anti-feminism, racism, paternalism and a dollop of petty corruption. To deny this is only to indulge in the head in the sand approach implied by the quote above.

## **Producer rather than Labour Culture?**

While these traits have no doubt had their affect on the Co-operative movement they are not central to the problem at hand. As such they are not pursued further but noted in passing.

Rose chooses to rename labour culture "working class" culture and in the same vein it will be interpreted, in this article, as producer culture for it is undoubtedly this which has damaged the Co-operative movement over the last fifty years. Here is the nub of the matter; labour culture did not disadvantage the movement at all times, rather it was an essential part of its development but over time an organisation's needs do alter and what has been helpful in the past may become a barrier to future development.

While the aspects of producer culture referred to above are still present in some Co-operators today, hence the continuing lifeboat function of both the CWS and CRS, there are other aspects or traits of that culture which are even more anti-Co-operative. Producer culture is characterised by a dislike of individual action, a preference for collective operations, a disdain for the concept of the consumer, and a constant yearning for times gone by. The latter is marked in the Co-operative movement by the lament for the return of "divi." Added to this must be a healthy dose of risk aversion.

## **The Attitudes Cultivated**

These attitudes embedded themselves in the Co-operative movement via a preference for committees, a distrust of anyone seen or felt to be different (hence, as Loveridge reports, only "half a dozen" graduates among half a million employees in 1939) and a reputation for bad service and inefficiency. Who can forget Harold Wilson's comment in 1964 comparing Co-operatives with Marks and Spencer. Externally there was an alliance, with a political party in direct contradiction of the movement's own Rochdale Principles. What this led to was a negation of what the Co-operative movement stood for. The concept of self-help was relegated to nowhere, in subservience to the demand for state intervention, something no self-respecting Co-operator should countenance. The fact that this denial of the basic *raison d'être* for the Co-operative movement was allowed to go unchallenged for the entire twentieth century merely reflects the paucity of thought in the movement, or the extent to which the producer culture had become the norm.

Up until 1954 it was not a matter of importance that the producer culture held sway in the Co-operative movement, it did so almost everywhere else. After the end of rationing in that year and the subsequent abolition of Resale Price Maintenance in 1964 this lovely quiet anti-competitive world had vanished. It is interesting to note in passing that the abolition of RPM came about in some measure because of the activities of a Co-operative MP one John Stonehouse.

## **Some Consequences**

Since then the number of retail societies has been reduced by almost 95% almost always as a result of impending bankruptcy and never willingly, (with the noble exception of Kirkintilloch.) In the private sector firms also went bust in the new competitive world but the tragedy for the Co-operatives was that no society was allowed to go bust. This allowed the producer culture to continue: it didn't matter if you didn't give service to the customers, the worst that could happen was that you would be run as a part of CWS or CRS. In this way the Co-operative movement has continued to decline from a position where in 1945 it enjoyed close on 12.5% of retail trade in the UK to the position today where its share of the same trade is insignificant.

There are good historical precedents for the dominance of producer culture. Throughout the nineteenth century the Co-operative movement was being told almost daily how the producer was superior to the consumer in all things. The main exponent of this view was Vansittart Neale general secretary of the Co-operative Union. Although these proponents of producer Co-operatives lost the battle for the "soul" of the Co-operative movement their views provided a basis albeit a false one for the producer culture. It was with the arrival of the Webbs and the rise of the syndicalist movement that the drift to a producer-led movement occurred. As retail societies appointed more managers, almost all drawn from the ranks of the staff, and as those managers could make profit easily, which they did, so they saw no need to interfere with the process of culture shift in favour of the workers and away from the consumer member.

## **Aggravating Factors**

Two factors made this situation worse. First the alliance of the Co-operative Party with the Labour Party, and second the rise of the large society since the second world war. As retailing became more difficult and the ability of directors to understand, let alone control societies, more debatable it has been much less difficult for managers to pursue their own agenda. In most cases this agenda was the quiet life and the problems of a producer-led union-dominated society were not worth the bother of sorting out. The ultimate in this process was reached when chief executives declined to speak of members and introduced the word customers. There was no difference between members and customers, despite the fact that members were supposed to own the society. Legally they did but in practice this has not been the case for many years.

The alliance with the Labour Party and its trade union paymasters only served to make this absurd position more secure. Co-operators now looked to the state for all their needs. The basis of Co-operation, the ideal of self-help, was

neglected, as it has been in the labour movement, due to its preference for collective action, with the trade unions and the local authorities in the vanguard.

### **In the Future?**

It is for these reasons that the Co-operative movement in the UK has been damaged by labour culture. More important however is the question of the future. Does this alliance augur well or ill for the Co-operative movement in this country?

Being a supporter of a political party should bring benefits to the movement, but being a supporter of a party that is unlikely to come to power in its present form is not the best advertisement for the movement. After losing the last four elections it is time the relationship of the movement and the Labour party was reviewed. The primary question should be: in what way does Co-operative support for the Labour Party benefit the shareholder/members? It is not a question of whether or not the alliance benefits the officials of both sides which it does; or benefits the activists, which again it does, at least in terms of ego or sponsorship for political office. The question, at least in terms of the owners of the movement, is: what does it do for them?

It might shock the faint hearted amongst us but if the question is asked who in the 1980s most reflected the views of Co-operative pioneers of the last century then the answer has to be Margaret Thatcher. She believed in self-help; she did all she could to help the "labouring classes" and she enabled working people to build up savings they had never had before. In all this she was doing exactly what Co-operators were doing through the nineteenth century, and indeed when it comes to her blind spot, the care for the poor, she adopted exactly the same concern as did nineteenth century Co-operators, or at least those charged with the fixing of prices in the stores. If anyone is in any doubt on this matter let them consult the works of people like Margaret Llewelyn Davies who in her capacity as president of the Women's Guild pointed out that the movement excluded the poor from its shops, an early form of economic apartheid.

Indeed if, in the future, the movement were to adopt the business principles of the 1980s, cutting out surplus staff, getting rid of managers who are merely time servers and paying for quality at all levels, then the owner member might begin to see some benefit in being a member. It is time that the movement was given back to its owners and it is time that the Registry of Friendly Societies started to exercise some control on the role of the members.

Under the pressure of market forces the impact of labour or producer culture

on the consumer movement has begun to die, not quickly enough but at least the process is underway. The second part of the operation designed to cleanse the movement of this unfortunate linkage is to give the movement back to its members and in this the government must take the lead. When that is done, and it will be, then the formal alliance of the movement with a political party will be reassessed. At present the alliance remains of questionable value to the owners of the movement and an unquestionable breach of Co-operative Principles.

One final thought: would it not be wise to set up a commission of enquiry under the Co-operative Union to consider what recommendations should be made to the Registry for inclusion in new Co-operative legislation forcing societies to be returned to their members rather than wait for the government to take action? The writer has plenty of suggestions.

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## **Trade Statistics 1991 - A Further Reflection and Projection**

**From Lily Howe**

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The five responses, "Reflections - and Projections" to the Co-operative Union Review of Statistics in the Journal's June supplement properly placed the Co-operative results in the context of the wider retail trade, recognising that Co-operative results cannot - or should not - be examined in isolation.

A few thoughts are prompted by the response from Tony Cook whose Greater Peterborough rate of net profit, considerably higher than the Co-operative norm, is well remembered as one of the brighter results of 10 or so years ago.

Mr Cook underlines the point that other food retailers are managing to make more progress than the Co-ops - referring to a warning comment from a welcome recent 'Co-operative News' leader - and he goes on to say "It is a pity this theme was not picked up 15 to 20 years ago because it has been evident in that period of time". This latter comment from Mr Cook has caused more than one pair of raised eyebrows. Perhaps therefore the record should be set straight before his statement is accepted by default and woven into Co-operative folklore!

### **The Early Warnings**

The fact is that the theme *was* picked up 20 years ago; more than that, it was consistently and continuously reiterated in the Co-operative forum over the years. Time and time again, for instance, 'Co-operative News' leaders on trading trends regularly placed the Co-operative results, including the food trade figures, in the context of those of our competitors, both for market share and for profitability. The comments were written; the warnings were there.

Here are just two examples from many spanning a decade. In 1973 a 'News' leader was warning that in 1972 the Co-op grocery percentage increase was "still a long way behind the percentage shown by the multiples". Over the years the comments continued. Ten years on in 1983 a leader was pointing to the Sainsbury results overtaking the Co-op in packaged groceries.

The paper's news columns regularly reported the Department of Trade and Industry figures for "all retailers", multiples, independents and Co-ops in food and non-food, with the Co-operative Union research officers, who were invited to comment, responding forthrightly on the trends with no fudging of issues. 'Co-operative Marketing and Management' added its quota of comment as did the 'Co-operative Review', the journal of the Co-operative Union. At the chief officials' conferences and NACO conferences the warnings were also sounded.

At the same time, this major theme consistently underlined the need for *profitable* market share, a point which still needs to be made today, for without acceptable profit how can we support social purpose? Alongside all the warnings came the comments on targeted marketing, the marketing response to changing consumer trends and social aspirations, new and relevant trading sites, management expertise and so on and so on. How did Mr Cook manage not to notice?

Those of us who were involved hoped that, like water dripping on a stone, the continuous theme would have its effect. Let me mention a few communicators by name. Twenty years ago Ted Stephenson was writing and speaking on the

theme. Co-operative Union research officers, Syd Ainsworth and Garth Pratt, were active in drawing attention to the declining situation, Syd Ainsworth pointing to the Co-op's falling share of the market 20 years ago, Garth Pratt later addressing two private sessions of Congress.

### **The Missing Solutions**

So, contrary to Mr Cook's expressed regret, the theme was long ago picked up and vigorously pursued. What was missing was not the theme but movement-wide solutions. Some societies found their market niches. Others chose not to heed the warnings that were given.

Here could I be allowed just a few words on a solution now floated by Mr Cook in the Journal supplement: a separate Co-op embracing all superstores. Hopefully this will not be a kite that flies into the realm of Co-operative discussion for experience indicates that it would flutter to the ground. We surely now have collected enough self-knowledge to recognise that plans for the Co-op at this master plan level do not come to fruition.

Remember Joint Development Agencies for the formation of out-of-town shopping projects . . . Remember National Chains . . . Remember the Single National Federation . . . Remember Co-op Great Britain . . . Remember the 1982 Tripartite approach to a CWS/CRS merger, agreed in principle but finally not approved after protracted discussions on the mechanics over almost a decade. We can learn from the past, even if it is in a negative way.

### **Build on Our Strengths**

This brings me to 1994. Could we not now, confronting both our problems and our potential, use the Rochdale celebrations as a benchmark for planning realistically for the future rather than taking the easy option by indulging in nostalgia, sighing for what might have been or floating beguiling pipe dreams of schemes that will not be fulfilled. What about looking to an extension of developments we have proved we *can* do: neighbourhood stores rooted in local communities, as just one instance.

Read Ted Stephenson's contribution to the Journal supplement with his down-to-earth assessment of the effective way to a market niche. The Pioneers were practical men. Practical, realistic, achievable solutions are what are needed now. They were called for years ago. Let us not pretend that all was silence.

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