

## Would It Help?

by Lindsay Ewing

When Dr. Marshall, prompted by Dr. Houlton's article on A Management Code of Practice in Journal 80, invited me to express some thoughts on this subject my response was not entirely without equivocation. Nonetheless, as Dr. Marshall put it, this is a very serious topic within the broader context of corporate governance of Co-operative societies. Against the background of the "code of best practice" recommended by the Corporate Governance Working Group, the topic deserves careful consideration.

### Recent NACO Attention

First of all, let me sketch in some of the background to this subject from the standpoint of the National Association of Co-operative Officials. The 1992 annual general meeting of NACO members held in May of that year considered the following motion proposed by the Co-operative Union Association:-

"Arising from the governance problems experienced in certain Co-operative societies during the last year, this annual general meeting expresses its support for a strengthened role for an independent and properly funded Co-operative Union in defending the overall interests of the Co-operative Movement. This meeting requests the General Council of NACO to promote discussions with the Central Executive of the Co-operative Union with a view to establishing a management code of practice that will protect the interests of the Co-operative Movement as a whole and NACO members."

This motion was remitted to the General Council, bearing in mind that the first sentence already constituted NACO policy and that, rather than promoting a management code of practice, NACO preferred to offer to the Central Executive of the Co-operative Union such assistance as NACO might properly give in any such difficulties, i.e. the unspecified (but guessable) governance difficulties referred to in the motion.

### An Earlier Code

That, I suppose, is the very broad background except to say that a recommended code of practice for Co-operative departmental managers was drawn up and published jointly by the predecessors to NACO (the Co-operative Secretaries Association, the National Co-operative Managers Association Ltd and the National Union of Co-operative Officials) in the

mid-sixties. The impetus for the development of this code of practice was generated by an acute concern among many managers regarding the basis on which their managerial efficiency was apparently assessed. It was felt that a manager should be judged on the basis of whether he/she was performing efficiently within the limits laid down by higher authority rather than whether he/she was performing efficiently in absolute terms. What emerged was a code of practice that attempted to specify the pre-requisites for effective performance, e.g. objectives to be clearly stated, duties and powers to be clearly defined and accepted, the manager's status to be clearly recognised and supported.

Readers may deduce from this that these pre-requisites were not uniformly observed by societies during the nineteen sixties. The obverse of this side of the code comprised a list of some 17 requirements for managers: e.g. the manager should adhere to the policy of the directors and chief officials, should work for the improvement of the welfare of the society as a whole, must be completely responsible for all operations of his/her department, should see that all instructions regarding policy are understood and complied with by all his/her staff, etc. This part of the code bordered upon being a widely generalised job description for a manager in charge of a department of a Co-operative society.

I speak of this code of practice in the past tense because it gained some (limited) standing in the 1960's but this was short lived.

### **A Renewed Effort?**

So, should a new code of management practice be devised; if so, on what basis, with what objective in mind; and, most importantly, would it contribute to the better governance of our Co-operative societies? Certainly, that would be an objective to which all Co-operators could relate.

Good governance of Co-operative societies must be in the interests of all Co-operative employees regardless of level or status, as well as members of societies and the communities their societies serve. Since NACO's overall objective is to promote and protect the interests of its members, it necessarily follows that NACO will support sensible and practical measures that will contribute to the better governance of societies.

Certainly, it would be relatively easy to establish a code based on legal and moral imperatives; but I suspect that, in practice, such an approach would result in a pious list of commandments established at national level and bearing, at best, a co-incidental relationship with any one society's culture.

## **Start with Corporate Values**

Should we not start with something else? Is it not a pre-requisite to determining the management behaviour an organisation expects, that the organisation should develop and articulate its own set of corporate values, ethics, mores, principles - call it what you will? Surely a code of management practice can only be developed *and implemented* effectively within the context of each society's corporate values?

Does each society have a clearly stated, carefully developed set of corporate values? I think that the vast majority do not. There is evidence that a few have taken the first steps down this road. One or two societies have produced mission statements which attempt to define their goals. These societies may, or may not, take the next step which is to identify a set of core values that accord with these goals and reflect the way in which the society will seek to pursue them; it will deal with its employees, its members, its non-member customers, its suppliers, the community and its institutions; and what management style it will adopt. Some societies are showing an interest in the "Investors in People" programme which can help in this process.

If a society does not have such a conscious and articulated set of rules, how then can it seriously consider the development, publication and implementation of a code of management practice?

## **A Common Set of Values?**

But, I hear you say, surely we do not want Co-operative societies all to have different sets of corporate values, ethics and management styles. Surely we want all societies to agree and adhere to one set that reflects Co-operative values.

The principles of Co-operation do not greatly help us. They relate, essentially, to the foundation of Co-operation. They say little about the specific goals of the Co-operative society or about the way a society, its board, management, employees and members should behave in the pursuit of these goals.

The code of best practice recommended by the Corporate Governance Working Group offers more help. Clearly, the Group has addressed specific concerns and specific failures. The recommended 'code of best practice' will undoubtedly be helpful to every society: but does it constitute a set of corporate values? Does it define the behaviours that a society should encourage in its managers? Does it give a clear statement about the management style that a society should adopt?

It would be feasible to develop a common set of values for Co-operative societies - that is manifestly true. However, I would venture to suggest that it is necessary to pose a second question: could that common set of values be applied and operated effectively and uniformly within a number of different businesses, separately controlled, and if so, to what extent?

Without having conducted any academic or rigorous research on the subject, it appears to me that the core values and management cultures of Co-operative societies vary enormously. This is hardly surprising. They are all independent businesses with sovereign rights to determine their own goals, business cultures and management styles. It is difficult to say what are the core values of most societies because either they have never been articulated or, if they have been, they have not been publicised. I suspect that, in the absence of defined policy on core values, the management style of any given society reflects the values and management style of the strongest personalities in the business. That is evidenced by the degree to which they change when a new-chief executive is appointed.

### **Further Exploration Needed**

To summarise, I believe strongly that it is pointless to consider a code of management practice for any organisation unless and until that organisation has defined a set of corporate values and extrapolated these into a set of management behaviours which the organisation will encourage and reward (and, conversely, those behaviours which it will discourage and punish). I remain sceptical about the practicality of developing these pre-requisites on a standardised basis that can be applied uniformly and effectively in all our different Co-operative societies and business - but I am willing to be convinced.

In conclusion, I wonder if I would welcome the uniformity that is posited by a single set of values, a uniform management culture and a standard code of management practice. Perhaps I have grown too fond of the rich variety presented by the diversity of Co-operative ventures. Perhaps I should embrace uniformity more readily. Perhaps some guidance could usefully be developed for Co-operative societies outlining the critical path involved in laying the groundwork for a code of management practice and providing a form of check-list of the points to be covered?

### **The Author**

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