

# Co-operative Membership and the Stakeholder Economy

## Lessons from the Failed Lanica Bid

**Peter Couchman**

[The UK consumer co-operative sector has recently been rocked by an aggressive takeover bid from a company called Lanica, which attempted to buy the Co-operative Wholesale Society. Andrew Regan, the entrepreneur behind the bid, had previously negotiated the purchase of CWS's manufacturing businesses, and thought he could persuade members to sell their shares and allow him to convert the Society into a shareholding company. CWS is vulnerable because, while it has had disappointing financial results recently and its profitability is low, it owns some highly successful businesses such as the Co-operative Bank and Co-operative Insurance Company. In the market's terms it was ripe for breaking up and selling off in more or less profitable pieces. The CWS Chief Executive earned high praise at Congress for his spirited defence of the Society, which included the use of private detectives to expose Lanica's dealings with two CWS managers who allegedly had been involved in passing on confidential information. Faced with scandal and possible criminal prosecutions, Lanica's backers withdrew their support, and so the bid was not taken further. There are important lessons for the UK consumer co-operative sector, for mutuals such as building societies and mutual insurance companies, and for similar member-owned businesses in other parts of the world.]

A question of graver and universal interest is the possibility of another attack ... I do not think that nearly enough attention is being given to this aspect of the matter.

... It seems to me that they have lost a vast advantage in the failure of their first surprise. Possibly they see it in the same light.

... At any rate, whether we expect another invasion or not, our views of the ... future must be greatly modified by these events ... It may be that in the larger design ... this invasion ... is not without its ultimate benefits; ... it had robbed us of that serene confidence in the future which is the most fruitful source of decadence ... and it has done much to promote the conception of the commonwealth ...

HG Wells, War of the Worlds, final chapter

The lessons from the failed Lanica bid are so varied that it is not

possible to do justice to them in so short a space. They fall into three main areas and it is the third of these that I will look at more closely. The first is the tactics used by CWS to defend itself in such an admirable way, albeit in a way which would not be open to a smaller society. The second is that the failed bid highlighted the continuing need to improve our business performance, a need which the Society for Co-operative Studies has frequently highlighted in its work.

The third area is that of membership, our need for members, their role as stakeholders and their impact on their Society. There will no doubt be many who will seek to see the bid as confirmation of their belief that members are a weakness in co-operative structures and that the short term measures needed to protect ourselves during the bid should be extended long term.

Let us look more closely at this idea of pulling up the drawbridge. Whilst it is true that many seeking to join were doing so for the wrong reasons, can we be sure that all our enemies are outside the castle walls? Realism suggests that the silent majority of Co-op members pose an equal, if not greater, threat. Inactive, ageing, disenfranchised and often disillusioned, it is they not the outsiders who would be the main target for a predator to convince of the benefits of a bid. Given the choice of defending our values or taking the money and running, many would (to quote the Hitchhiker's Guide to the Galaxy) decide that they, for one, could do with the exercise.

Our failure in membership has been the fact that we have not ensured that our membership base reflects our customer base. To give an example in just one, let us look at age profile. My own Society recently conducted a survey of members giving us what many societies don't have, namely a basic idea about who our members actually are. The survey revealed that two-thirds of our members were over 65 years of age. However, the recruitment programme, which aims to recruit 5,000 members a year for five years, recruits people of whom only one-third are retired. If we take those two facts and look forward five years, a frightening scenario emerges if we pull up the drawbridge now. By continuing to recruit, not only will our membership list double, but less than 50 per cent will be over 65 and in time it will match our customer base. Without recruitment our

membership will fall and over 75 per cent of our members will be past retirement age. The simple message is that if you pull up the drawbridge, you will starve to death in the castle.

It is not enough to have these members. We must make them genuine co-operative stakeholders. Stakeholding is such a wonderful phrase. Stakeholders are so easy to get. You can, in the space of a few minutes, fill up a flipchart with groups who are your stakeholders or, alternatively, you can pay someone to tell you who they are and maybe even talk to them for you. I believe that the concept of stakeholding does have great potential for our movement, but only if we are willing to accept that a co-operative stakeholder needs to have a fundamentally different relationship with their Co-op to that of another organisation.

It is not enough for Co-op members to have a stake in their Co-op. They must be able and willing to grasp that stake. Stake grasping means accepting the responsibilities of membership and being excited by the possibilities offered. We cannot hope that the majority of members will have this relationship, but it is up to us to ensure that a significant minority does.

For some reason, the co-operative myth has grown up that the path from customer to co-operative activist is one which can accidentally be wandered along with little help or encouragement. Our failure to realise that active members have to be developed is at the core of our failure to attract enough activists in our movement. At Oxford, Swindon & Gloucester Co-op, everything (and I would stress everything) we do for members is connected to encouraging their development as activists. From our recruitment procedures, to our member's calendar to our training seminars, the message is consistent. That message is that it is your co-op - you own it, control it and benefit from it. There is nothing more rewarding than the moment when a member, exposed to this message repeatedly, suddenly realises what this means. From that moment they are able to grasp their stake. No amount of customer loyalty, promotion or free bun fights can replace that moment, which is the very essence of co-operative education.

In the 1930s the great co-operative education secretary Joe Reeves observed that less than five per cent of societies' education funds were being spent on co-operative education. Sixty years on the picture is the same. The lesson of Lanica is clear - every

pound a member relations committee squanders on activities not connected with giving our members a genuine understanding of co-operation is as damaging to our movement as if they had made it out as a cheque to Andrew Regan. Every Board which fails to have a clearly defined and achievable strategic plan for member development has, by default, a plan for its own destruction.

This lesson is understood in the City of London. Their equivalent to member relations is shareholder relations. This industry grew up in the 80s when companies realised that by the time a bid was made it was too late to inform their shareholders about why they should be loyal to a company which they knew little about. The building of this relationship had to be built over time and long before the appearance of predators. Have we done enough to do the same?

In this stakeholder relationship, it is not enough for members to be aware of their society's direction. They must be active participants in the journey. Our future must be planned on values and visions. No change of rule or change of law will be enough to protect us if we fail to have these and to make them relevant to our members. The growing awareness of co-operative values since the International Co-operative Alliance produced the Statement on the Co-operative Identity is one of the most positive developments in recent times. Yet how many members have been asked to make the statement relevant to their own society? Without this underpinning, then the values of the carpet bagger can easily step in to take its place

The draft UK Co-operatives Bill is one source for this vision. Its focusing of co-operative identity creates a real opportunity for us to reach out with a strong and vibrant message if we have the courage to do so. My own Board of Directors have done this recently when it had the courage not to hide behind the events of this year but to seek our membership's approval that the Society should become a common ownership co-operative as soon as practicable after the Bill is passed and to act in this way until then. This bold move said to our members that we have a responsibility to pass on to future generations the assets, built up by previous generations of co-operators. It sought their agreement with this and they received it overwhelmingly.

Sun Tzu in *The Art of War* (one of the finest books ever

written for co-operative activists) said that if you know your enemy's strengths and weaknesses then you will win many battles, but if you know your own strengths and weaknesses then you will be invincible.

Membership has the ability to be a strength or a weakness for us. If we can create co-operators who are willing to create a co-operative future then those stakeholders will make us invincible to the Lanicas of this world.

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