

# Society for Co-operative Studies

## Bulletin 16 July 1972

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## Society News and Notes

The Society held its 5th Annual General Meeting and Conference at the Co-operative College. This issue of the *Bulletin* contains a report of this meeting and of the discussion on the two papers presented,

### **Copies for Directors**

The National Officers at a meeting on 9th May reviewed the discussion on the future of the Society and will be returning to the various issues at their June meeting. In the meantime it has been agreed that societies in membership of the Society should be offered for one year enough copies of the *Bulletin* to permit a distribution to all members of their Boards of Directors, commencing with this issue. Societies who wish to take up this offer are asked to provide the names and addresses of the individual members so that the distribution can be made directly. A form is enclosed for this purpose.

### **AGM and Conference 1973**

Members will wish to note that the Conference in 1973 is to be held at the Co-operative College, Stanford Hall, on 27th/28th April 1973,

### **Subscriptions for 1972/73**

**Subscriptions for 1972/73 are now due. A further copy of the renewal application form is enclosed with this issue of the 'Bulletin' and members who have not yet returned the form to the Secretary are asked to do so as soon as possible.**

# Reports from the Regions

## **North**

### *Joint Convenors:*

DR. J. STEVENSON, PH.D., IUR.D., B.A.(HONS.),  
Principal, Monkwearmouth College of Further Education.

MR. G. W. BIRLESON,  
Member Relations Officer, North Eastern Co-operative Society.

The Branch met on 11th May 1972 when Mr. N. Leivers, Training Manager, North Eastern Co-operative Society Ltd., introduced the subject of "Staff Training in a Regional Society". Mr. Leivers covered very comprehensively the problems which had confronted the new Regional Society in terms of the many anomalies which had existed within the original 33 individual Societies in Staff Training activities or in many cases the complete lack thereof. He went on to explain in great detail the present structure within the Personnel Services Division for dealing effectively throughout all levels of the organisation with Staff Training.

A spirited discussion followed, and many useful points emerged.

## **North Western**

### *Joint Convenors:*

MR. FRANK BRUCKSHAW,

MR. ROY GARRATT (Acting),  
Librarian, Co-operative Union.

Unhappily, the April meeting of the branch had to be cancelled because of negligible attendance. This was disappointing for the speaker who had gone to considerable trouble in preparing his contribution to the current sessional theme-"The Co-operative Movement: The Prospects for Survival".

There is not likely now to be another meeting before September but in the meantime a circular letter will be sent to branch members to ascertain their wishes on the frequency of meetings and the suitability of the present venue and times of meetings.

## **Scotland**

### *Joint Convenors:*

DR. T. F. CARBERY, M.SC.(ECON.), D.P.A.,  
Senior Lecturer, Department of Commerce,  
University of Strathclyde.

MR. G. R. GAY, J.P.,  
President, St. Cuthbert's Co-operative Association.

There has been little recordable branch activity in Scotland since the last report.

However, Mr. F. Boggis of Strathclyde University, arising from his attendance at the National A.G.M., has suggested that the branch might initiate some research into "Manpower Planning in the Co-operative Movement", and this suggestion is being considered.

Many members have attended meetings of P.A.C.E. (Public and Co-operative Enterprise) on (a) Consumer Consultative Committees in the Nationalised Industries, and (b) Banking and Finance in the Public Sector.

## **Western**

### *Joint Convenors:*

MR. G. I. LEWIS,  
Extra-Mural Department,  
University College of Swansea.

MR. W. L. G. EVANS,  
Chief Executive Officer,  
Ynysybwl Industrial Co-operative Society Ltd.

The Branch held its last meeting in April when the material submitted in respect of the Essay Competition on the theme "The Co-operative Movement in the 21st Century" was discussed. All entries, having been adjudicated, were dispatched to members for detailed consideration at a later meeting. Other items concerned included a report of the Annual General Meeting of the Conference and the future of the Society locally.

## **Yorkshire and Humberside**

### *Joint Convenors:*

MR. T. E. STEPHENSON, B.A. (DUNELM)  
Department of Management Studies,  
University of Leeds.

MR. S. P. CLARKE, C.S.D.,  
Secretary and Chief Executive Officer,  
West Yorkshire Co-operative Society.

The mainstay of this Region continues to be the useful weekly meeting of senior Co-operative officials from several West Riding societies, held at Leeds University under the leadership of Mr. T. E. Stephenson. The clear success of this weekly meeting serves to ensure that it will be maintained for a long time to come.

In addition, the convenors are now carefully considering what possibilities there are for making use of grants being made available by the Society at national level.

# The Society for Co-operative Studies

## REPORT OF THE SIXTH ANNUAL GENERAL MEETING

### 7TH-8TH APRIL 1972

AT THE CO-OPERATIVE COLLEGE, STANFORD HALL

#### 1 Attendance of Members

The following were present: where the participant came from an organisation in membership of the Society, this is given after his name:

|                     |  |
|---------------------|--|
| MR. F. ABBOTTS      |  |
| MR. J. A. BEAUMONT  | Chesterfield & District Society              |
| MR. T. BENTLEY      | Greater Nottingham Society                   |
| MR. J. BLAIZE       | North Midlands Society                       |
| MR. F. D. BOGGIS    | University of Strathclyde                    |
| MR. D. BROWN        | Co-operative Union, Northern Section         |
| MR. F. BRUCKSHAW    |  |
| MRS. D. BUTTON      | Greater Nottingham Society                   |
| MR. S. P. CLARKE    | West Yorkshire Society                       |
| MR. G. N. COOKE     | North Midland Society                        |
| MR. W. A. EDWARDS   | Portsea Island Society                       |
| MR. W. H. FARROW    | North Midland Society                        |
| MR. W. G. GIBSON    | Co-operative Wholesale Society Ltd.          |
| MR. J. GREEN        | Colchester Society                           |
| MR. J. R. HAMMOND   | Co-operative Union                           |
| MR. E. C. HANCOCK   | Chesterfield & District Society              |
| MR. L. A. HARRISON  | Greater Nottingham Society                   |
| MR. R. HARRISON     |  |
| MR. A. HEWITT       |  |
| COUN. W. F. HIGGINS | Greater Nottingham Society                   |
| MR. D. HOPWOOD      |  |
| MR. J. G. JAMES     | Co-operative Union                           |
| MRS. D. JEUDA       | Union of Shop, Distributive & Allied Workers |
| MRS. E. KING        | Central & East Fife Society                  |
| MR. I. KIRKPATRICK  |  |
| MISS M. LARGE       | Birmingham Society Education Committee       |
| MR. W. E. LAWN      | Co-operative Union                           |
| MR. J. LEONARD      | Co-operative Productive Federation           |
| MR. R. W. MACKIE    | Central & East Fife Society                  |
| MR. R. L. MARSHALL  | Co-operative Union                           |
| MRS. M. MELLOR      |  |
| MR. M. MELLOR       |  |
| MR. R. J. MITCHELL  |  |
| MR. D. C. MORDAUNT  |  |
| MR. D. G. F. MUNSON | Colchester Society                           |
| MR. K. A. NOBLE     | Co-operative Wholesale Society               |
| MRS. N. NUZUM       | Greater Nottingham Society                   |
| MR. W. J. PHILPOTT  | I.L.E.A. College for the Distributive Trades |
| MR. G. V. J. PRATT  | North Eastern Section                        |

|                      |  |
|----------------------|--|
| MR. I. RAWLINSON     | Hyde Society                                 |
| MR. C. F. RINGROSE   | London Society Education Committee           |
| MR. H. ROBINSON      | Greater Nottingham Society                   |
| MR. B. J. ROSE       | Co-operative Union                           |
| MR. W. E. ROUNCE     | North Eastern Society Member Relations Comm. |
| PROFESSOR J. SIZER   |  |
| MR. J. W. SMITH      |  |
| MR. W. J. STEWART    | University of Strathclyde                    |
| MR. E. W. TAYLOR     | Harrogate & District Society                 |
| MR. T. WARDLE        | Greater Nottingham Society                   |
| MR. W. P. WATKINS    |  |
| MR. S. WILLIAMS      |  |
| DR. ALEXANDER WILSON | Greater Nottingham Society                   |
| MR. A. W. WOOD       | University of Manchester                     |
| MR. L. WILKINSON     | North Midland Society                        |
|                      | Co-operative Union                           |

## 2 Introduction by the Chairman

Mr. W. E. Lawn extended a welcome to all present and expressed satisfaction that the A.G.M. and Conference had attracted such a large number of participants. He also expressed thanks on behalf of all the members to the domestic and administrative staff of the College.

## 3 Apologies

Messages of apology and good wishes had been received from: Professor K. J. W. Alexander, Mr. Harry Bailey, Mr. L. C. Fox, Mr. John Gilbert, M.P., Mr. H. Kemp, Professor R. A. B. Leaper, Mr. D. McNab, Mr. T. E. Stephenson.

## 4 Report of the National Officers for 1971/72

This was introduced by the Chairman. Among the points made in review of the report were:

### (a) BULLETIN

Publication of Nos. 13, 14 and 15 was noted and the contribution of Mr. B. Howcroft to the bibliography in issue 15 was acknowledged.

### (b) RESEARCH

The Secretary and Treasurer reminded the Conference of the offer by the National Officers to make available a grant of £40 to each Region towards the cost of research projects; this offer was still open.

### (c) FINANCE

Some satisfaction was expressed at the financial position of the Society, but it was noted that this reflected the failure of the Society to expand its programme up to the limit of the resources that could reasonably be made available.

## 5 Future Development of the Society

A discussion on this was introduced by Mr. Marshall and some points made in it were:

- That the possibility of some regional organisation based on a university or group of universities should be tested, if possible.
- That there was a case for a series of Regional Working Parties dealing with current Co-operative problems including, for example:
  - i. Capital
  - ii. Human resources
  - iii. Objectives

It was suggested that the National Officers could usefully suggest a range of topics for consideration by such Working Parties.

- That a particular role of the Society was to help the Movement to think more reflectively. It also reached individuals who may not otherwise be actively involved in Co-operative organisations.
- That the National Officers should consider distributing a questionnaire to members of the Society seeking their views on its future development.
- That the Society should be more widely publicised particularly in educational journals.

## 6 Appointment of Officers for 1972/73

Thanks were expressed to the Officers for their services during 1971/72 and the following were recommended and approved for office during 1972/73:

- (a) All Presidents, still in office, to be re-elected, with the addition of Mr. C. C. Hilditch.
- (b) Mr. W. J. Philpott to be Chairman.
- (c) Mr. S. P. Clarke to join Mr. D. Hopwood as Vice-Chairmen.
- (d) Mr. R. L. Marshall to continue as Secretary and Treasurer.
- (e) Mr. Marshall and Mr. J. R. Hammond to continue as Editors of the *Bulletin*.

## 7 Conference Papers

### (a) "The Co-operative Movement: A Perspective for the 1970s"

A paper entitled "The Co-operative Movement: A Perspective for the 1970s", presented by Mr. J. Hughes, is published elsewhere in the *Bulletin*. In discussion of it, some of the general points were:

- (a) Agreement on the urgent need for an alliance between the C.W.S. and the large regional societies. This would facilitate a co-ordinated and strategic use of the Movement's capital and would make it possible for the Movement to achieve the economies of scale instead of the diseconomies of small scale.

- (b) The need for a programme of research and development linked to the key investment decisions.
  - (c) The need for a new system of accountability to be built into the Movement's structure of consumer democracy.
  - (d) Urgency of the Movement resolving the problem of social control within large scale organisations. The basic Co-operative principle was association or unity: the central problem confronting the British Movement was to find the right units in which it could function effectively.
  - (e) The problem of identifying the main agencies of change in the present situation. The decisions which needed to be made could not be implemented within the existing structure.
- (b) **"The Formation of a Regional Society"**

Mr. L. A. Harrison, Chief Executive Officer of the Greater Nottingham Co-operative Society, and Mr. R. Harrison, Financial Controller of the North Eastern Co-operative Society, introduced the paper on "The Formation of a Regional Society" by Mr. T. E. Stephenson of the University of Leeds, which had been published in *Bulletin* No. 14.

In the discussion some of the general points were:

- (a) The need for more guidance from the national federations on the personnel, financial, and administrative problems involved in mergers.
- (b) The importance of full consultation with trade unions during merger negotiations.
- (c) That regionalisation in itself was no panacea for the Movement's problems, but it provided a basis for further advance. Through regionalisation it was possible to achieve economies of scale, opportunities for growth, the ability to absorb losses, and the resources to appoint specialist officers.
- (d) That one of the problems confronting the executives of newly formed regional societies was the need to run a continuing economic operation and at the same time to plan ahead for the future.

# The Co-operative Movement: A Perspective for the 1970s

JOHN HUGHES  
(*Vice-Principal, Ruskin College*)

The traditional patterns of retail co-operative trading are now obsolete. Unfortunately they still encumber the Movement, draining away resources and initiative from what can hopefully be developed in the commercial operation and social role of British co-operation.

I think it was Lenin who suggested that for a revolution two things were necessary; that it should not any longer be possible to continue in the old way, and that people should not want to continue in the old way. One of the frustrating aspects of the co-operatives is that they have for long fulfilled the first condition—they cannot continue in the old way. But they have failed sufficiently at any rate to fulfil the second condition. The revolution has not happened. The decline has. And "the fall" has probably only been averted by the additional room for manoeuvre created by the boom in property values.

Five years ago in *Agenda* the present writer produced a long article\* which opened sadly (and all too accurately) by observing "the movement is, by now, largely immune to the word CRISIS". The article went on to unravel in detail the persistent deterioration occurring in co-operative trade. The trends there noticed have continued; critical weaknesses in operational structure and trading practice persist. Five years later it hardly seems worthwhile to go in equivalent detail over the same ground. The present article takes a more limited look at the recent evidence of trading weakness. It seeks primarily to look ahead at immediately discernible needs, and to suggest what response is called for in the 1970s. In so doing it will probably join the long line of would-be reformers.

## Proposals for Reform

Up till now there have been two kinds of reform proposals on offer. There were those who went forward directly to the demand for a single co-operative organisation, marshalled like an army, and able to achieve the full range of scale economies. This was clearly if crudely expressed in the minority report by Hardie to the 1958 Co-operative Independent Commission Report. Of course, the economics of the distributive trades are pointing remorselessly and unequivocally in that direction. The problem has been how to avoid the horrified recoil of the movement from such a prospect (thus, Hardie's structure looked remarkably like a Morrisonian nationalised industry, and its consumer democracy was whittled down to "advisory" committees). There has been also the problem of how to produce a meaningful set of proposals for progressing to such a structure.

It was the other kind of reformers who were listened to—at least by some co-operators some of the time. Their characteristic features have been the

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\*"Costs and Competition in Retailing", *Agenda*, March 1967.

inadequacy of their analysis and proposals, the obsolescence of the economic models they advocated-even before the further inadequacy and the formidable time-lags involved in actual structural response to the reform proposals. The most prestigious of these reform reports was the 1958 Independent Commission Report. It was also the most inadequate in its economic reasoning, arriving at "an ideal number of societies of 200 to 300" in evident defiance of its own discussion of the economies of large-scale operation. It also presented the movement with an unnecessary wrangle over the agency of change that could carry through its structural proposals. Its idea of a Retail Development Society reflected dismay at the management structure as it then was in the C.W.S. But that was a politically impracticable approach; and the C.W.S. could and did overhaul its management structure. The sad consequence of the 1958 Report was that for years the debate was confused as to the institutions needed and was quite inadequate in its economic objectives.

The next batch of influential reform proposals came in two parts, neither of which was-or has been since-fully linked with the other. There was the Joint Reorganisation Committee Report of 1965 which involved important proposals about the relationship needed between retail societies and the C.W.S. This Report contained extremely important ideas which have not been adequately pursued in practice. The C.W.S. shifted its organisation and management attitudes in line with the J.R.C. proposals, but the required integration of wholesale and retail trade moves all too slowly. In fact there are those who would argue that the prospects of such integration have been set back by the other major limb of reform-the push towards large regional societies.

### **Regional Plan**

The other part of recent reform ideas is associated with the Co-operative Union's "Regional Plan" of 1968 with its objective of some fifty regional societies in England, Wales and Ireland. This was followed belatedly in 1971 by "Regional Planning in Scotland" which might be described as a deathbed repentance (to quote: "Rapid acceleration of the adverse trend of Co-operative trading in Scotland" (p.4); "If the Movement is to survive at all this road must be followed without delay" (p.7)). It is to be doubted if the programme aimed at forming regional societies represented more than the first link in a much more comprehensive programme of structural change. But in any case, in 1970 there are still 257 retail societies in England, Wales, and Ireland, with 100 more in Scotland. We should at least recognise what a daunting task this kind of starting point to the 1970s represents to the would-be reformer. For it is not only a matter of the major overhaul of organisational structures and commercial functions still remaining to be tackled. It is an indication of the dead man's grip of co-operative tradition.

The force of this restraining grasp of traditionalism can be seen clearly in the very reform documents themselves-which are very far from breaking free from past ideology.

Thus, the Joint Reorganisation Committee Report of 1965 argued its proposals for new and strengthened relationships between societies and the C.W.S. as "enabling the movement to maintain its traditional dividend policy" (p.11). Thus

change was advocated in the guise of the restoration of traditionalism.

The same attempted reversion to tradition is found in the Co-operative Union's "Regional Plan" of 1968. In consequence, the strong hold of traditionalism is seen almost as clearly in the objectives of "regional society" reformers as in the resistance of their parochial society opponents. If the new formed regional society is little more than a projection of the old autonomous area based, all providing, all purveying, society then it is doomed, Yet isn't "the plan" as put forward little more than the old familiar society writ large:

"The Plan is a grouping of societies based, in the main, on the concept that in each group the focal point, or points, is a town or towns with a population of at least 100,000 and a substantial intake of dry goods trade. Each area has an urban concentration in a single town or group of towns, representing in each case a trade catchment area ... In each case, the regional society envisaged will be of optimum size having due regard to geography, transport and the flow of trade to secure substantial economies in the purchase and sale of food and dry goods" (Regional Plan, pages 5 to 6).

The formula is part dead tradition, part (alas) living illusions. The thinking is so confined to traditional autonomy that the reference to scale economies "in the purchase" of goods does not even explicitly link with the J.R.C. programme of integration of retail/wholesale functions. The notion of the area-based society, of limited scale, survives intact, So - *unstated, because the tradition is so powerful that it did not need to be expressed* - does the tradition of the general retailer (with the problems of "general" management). The total illusion is, of course, that this represents even the minimum (let alone the optimum) size to secure sufficient-competitively sufficient-scale economies.

### **Scale of Regional Societies**

Thus, if we take as the "average" regional society one with a sales volume a fiftieth of the sales recorded for all retail co-operatives, we would be considering annual sales in the region of £20 to £25 million. Even in aggregate, this is very small in relation to the scale of turnover of successful multiples (this point is further developed later). But, given the wide commodity spread of sales, it implies departmental figures that must be way below the size at which significant scale economies might accrue. Thus annual turnover in men's wear and in footwear would be less than £0.5 million, pharmacy only a little more, "drapery" about £1.5 million, and furnishing/hardware/electrical goods only around £2 million. The new developments in commodity range, which tend in the statistics to get lumped in "other departments" would only be around £1 million p.a. The total capital resources of such an "average" regional society might be no more than about £7 million.

Or look back at the performance of the ten largest retail societies over the last decade (the ones selected were the ten which had the largest number of members a decade ago; all had annual sales then over £10 million p.a.-the median value was £15 million\*). The picture that emerges is not cheering; the performance is

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\*Which represents the same volume of sales at current prices as the "average" regional society considered in the previous paragraph.

relatively better (in aggregate) than that of the other societies in the last decade, but to some extent this represents growth of the ten societies through amalgamations. Over the decade, the ten societies slightly raised their real turnover (i.e. after allowing for price changes), while the rest of the retail co-operative sector experienced a fall of over 20 per cent. Over the decade the surplus of the ten societies fell to about 60 per cent of its real value at the beginning of the 1960s; for all other retail societies the surplus fell to about 30 per cent of its real value a decade ago. Some of this difference in performance can be attributed to growth through amalgamations, some to greater commercial resilience. The ten societies accounted for about one-fifth of all retail society trade and one-sixth of the surpluses at the beginning of the 1960s; the same societies accounted for one-quarter of the trade and more than one-quarter of the surpluses in 1970. Even so, of the ten only two (London and Royal Arsenal) showed an increase in surplus in real terms over the decade; the other eight experienced a fall. Three of the ten experienced very severe falls in sales turnover in real terms.

Thus it would seem that the reform and reorganisation programmes put forward in the name of the movement in the late 1960s (and for Scotland as late as 1971) still do not represent an adequate view. The underlying economic analysis has been weak. The grip of traditional views has remained too strong, both in the exposition of reform proposals and in the slow and insufficient response of the movement to those proposals.

### **Performance in the 1960s: "Them and Us"**

It is not the purpose of this article to provide an extended analysis of the co-operative societies' trading performance, and how it compares with other retail enterprises. The writer's own earlier attempt\* at that is still a substantially correct statement of the position. It should, however, be the responsibility of some co-operative research agency to develop a more adequate monitoring of performance and of trends on an inter-firm and inter-society basis. Besides it appears less and less likely that accountancy practice has kept pace with more dynamic rates of change in retailing and with varying rates of inflation, so that the quality of analysis to be derived simply from studying the available statistics is uncertain.

Yet, some salient features of trading and commercial experience seem called for- if only because it is not immediately obvious that it has been provided in recent discussions within the co-operative movement.

First, the question of the scale of enterprise involved in modern retailing, and the growth/decline of multiple and co-operative enterprise. In the following table nothing more is attempted than to outline the sheer size and performance of five leading retailing groups. For purposes of comparison, at the foot of the table there are approximately comparable aggregate figures for all co-operative retail societies taken together. The first part of the table shows 1970 data to give an indication of current scale of operations; the second part attempts to show through

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\*"Costs and Competition in Retailing", *Agenda*, March 1967.

index numbers the approximate movement from 1960 to 1970 at "constant prices"-that is, after deflating the 1970 data by appropriate price indices for 1960-70.

FIVE MULTIPLE GROUPS: SIZE IN 1970: PERFORMANCE 1960-70

| Group                      | 1970 £ million |                |                                   | <i>"Constant Price" Indices<br/>for 1970 (1960=100)</i> |                |                                   |
|----------------------------|----------------|----------------|-----------------------------------|---|----------------|-----------------------------------|
|                            | <i>Sales</i>   | <i>Profits</i> | <i>Capital<br/>Em-<br/>ployed</i> | <i>Sales</i>  | <i>Profits</i> | <i>Capital<br/>Em-<br/>ployed</i> |
| G.U.S.                     | 425            | 60             | 234                               | N.S.*   | 155            | 145                               |
| Marks & Spencer            | 361            | 53             | 188                               | 195   | 185            | 205                               |
| Unigate                    | 310            | 16             | 111                               | 130-135*  | 140            | 135                               |
| Tesco                      | 238            | 16             | 36                                | N.S.*   | 1,200          | 1,100                             |
| Boots                      | 224            | 29             | 110                               | 175   | 190            | 170                               |
| All Co-op Retail Societies | 1,143          | 34↓            | 362                               | 82  | 37↓            | 64                                |

\*1960 sales not stated (N.S.) Unigate sales are known from 1961 onwards, hence an estimate can be made. Tesco increased its sales volume at constant prices by over 50 per cent merely between 1968 and 1970.

↓ Surplus *before* deducting share interest, to make for closer comparison with the profits figures of the multiples.

(NOTE -The "constant price" indices for 1970 (1960= 100) have been built up from current price data for 1960 and 1970 and from price indices. The price index used for the sales column is that for the main commodity group concerned; for the other two columns (profits and capital employed) the price index for fixed assets was used).

In considering the implications of this table, it should be remembered that each of the multiple groups considered represents a considerable degree of commodity group specialisation. If comparison is made with equivalent "departmental" sales the relevance of this becomes clear. Thus, Boots' turnover was over 8 times as great as that of all co-operative pharmacy and optical departments put together. Marks and Spencer's turnover was about 200 times as great as the "drapery" sales that were earlier assumed for an "average" regional co-operative. G.U.S.'s turnover was over 4 times as great as all "furnishing, hardware, and electrical" sales of all co-operatives, and over 200 times as great as our hypothetical "average" regional society.

The five giants showed varying rates of real growth. The median value for sales growth, 1960-70, in real terms is about three-quarters; this compares with a contraction of nearly 20 per cent for the co-operative sector's sales. The median value for capital employed rises almost as much for the multiples; for the co-operative sector there is a fall of over one-third. The growth of profits for the five giant multiples varies between 40 per cent and 1,100 per cent or so in the decade; for the co-operative sector the fall was nearly two-thirds. Of course, this is not the

whole of the multiple sector; but it does give a profile of the largest and most thrusting firms that the co-operative societies are in competition with. Note again that these multiples achieve scales of operation that dwarf the regional co-operative society and its departments hundreds of times over; note that they avoid the pitfalls of management involved in an indiscriminately wide range of products and types of outlet.

It is surely in the commercial world no accident that one looks in vain for any large private sector retailing firm that has anything like the trading pattern of the co-operative society—whether "area" (old style) or "regional" (new style). The co-operative trading system provides an area management authority and a wide straddle of commodity range, services, and types of outlet. The large-scale competitors operate on a national or large-regional basis and operate highly selectively in product range handled or types of outlet (e.g. variety chain, or department store chain). This can only suggest that the co-operative pattern represents a combination of productive factors which is far from "optimum"; if that is so, the heritage of acute commercial competitive weakness cannot be overcome merely by a shift in size of retail societies.

### **Co-operative Sales and Surplus**

Secondly, there are the specific features of recent co-operative trading performance which need to be identified. The acute weakening of co-operative trading in the 1960s is only partly demonstrated through the sales figures, though these (when corrected for price changes) are alarming enough. The trends in the surplus must be treated as an even more alarming signal even allowing for the deficiencies of accounting practice. To take this in stages:

#### **(a) SALES 1960-7**

In Britain as a whole, sales of foodstuffs rose (in real terms) by only about 10 per cent during the decade. Co-operative retail sales of food during the same period fell by approximately 20 per cent. So far as the other main departments of co-operative retail trade were concerned, the increase in real consumption for the country as a whole was about 15 per cent; the co-operative societies' performance was a fall in real turnover of about 15 per cent during the decade.

It is worth making the point that co-operative trading activity was and is concentrated on the sections of retailing which have low rates of increase year by year in real turnover; to use the technical parlance, the commodity staples concerned have very low-income elasticity of demand. Thus whereas the food sector of retailing only recorded about a 10 per cent real increase in the decade (and some of this was accounted for by the growth of total population), and the non-food commodities that co-operatives retail only showed a 15 per cent increase, outside of these categories the rest of consumer expenditure rose by about one-third in real terms. Included in the high growth sector are such things as car sales and the garage trade.

So, in a decade in which *overall* consumer real expenditure rose by about one-quarter, the real turnover of the co-operatives fell by between 15 and 20 per cent. The only department of co-operative trading where the indices

suggest that there was some modest increase in real turnover and only a limited loss of market share was in dairies. All the non-food departments (except the "other" category into which the growth of new activities may have been concentrated) showed declines in real turnover through the decade; a clear indication that the co-operatives were simply not organised to meet competition for the growing market.

(b) SALES 1967-70 BYREGION

The last three years for which co-operative statistics are available (1967-70) were examined to see if any change in trend was apparent. Overall there was a decline in real turnover for retail co-operatives of about 9 per cent (or an average decline of 3 per cent p.a.). These were years of slow growth in real personal income and consumption for the economy as a whole (though 1970 showed some renewal of real increases in consumption); this probably explains the higher rate of decline in co-operative sales. There was no suggestion from the statistics of any stabilisation of co-operative trading share as a result of response so far to re-organisation of structures and trading practices.

The regional pattern is revealing (using the Co-operative Union's traditional regional grouping of societies). In very approximate terms, the average *annual* rate of decline in real turnover comes out as follows:

| 1967-70 ANNUAL RATES OF CHANGE. REAL SALES |  |
|--|--|
| <i>Retail Co-operatives by Region</i>      |  |
| <i>Region</i>                              | <i>Rate of Change<br/>(Annual Av.)</i> |
| Northern                                   | -9%                                    |
| Scottish                                   | -5%                                    |
| North Eastern; Midland                     | -4%                                    |
| North Western; South Western               | -2%                                    |
| Southern; Irish                            | Stable                                 |

Thus, behind the national average figures for decline there are marked regional differences. Obviously real income and growth differences between the regions play some part; but obviously too there were alarming signs of competitive deterioration in many regions. Evidently, the regional society ("North Eastern") represented a last-minute salvage operation among Northern region societies; does the movement really imagine that it can continue-as happened there-to postpone reorganisation until the patient is in extremity?

(c) SURPLUS 1960-70

This paragraph is rendered necessarily superficial by the hazards and uncertainties of co-operative accounting practice. Still, until we have better figures of co-operative performance, we must use those that are officially published. If we take the surpluses of societies after share interest and adjust for inflation during the decade the conclusion is clear and alarming; in real terms retail co-operative surpluses in 1970 were only one-third of their level of a decade earlier. Although share capital was falling steadily it took an increasing part of surpluses in the course of the decade (partly an interest rate effect). The steepest falls in surplus were seen to coincide with the years in

which the national economy was stagnating or growing slowly (1960-63; 1965-69), at least so far as real consumption was concerned.

(d) SURPLUS 1967-70 BY REGION

The failure of the co-operative sector to overcome its commercial weakness during the decade is most apparent when the figures for the closing years are considered (1967-70). After adjusting for the change in price levels, it turns out that the real value of the surplus of retail societies fell by *one-third* in three years. Of course, total retail sales were also falling, so that the fall in the surplus per unit of sales was less marked; even so, as a proportion of retail sales the surplus fell by more than a quarter.

In those years, 1967-70, the Co-operative Union's regional data show that surplus as a proportion of retail sales fell by two-thirds in the Northern regional societies, by one-half in the Midlands, by one-third in Scotland, by one-fifth in the North Western region and by lesser proportions elsewhere. As we have previously seen, real sales volume was falling rapidly in a number of regions so that in real terms surpluses were falling more rapidly than this. Thus surpluses in the Northern Regional societies in 1970 were in real terms no more than one-quarter of their 1967 level, in the Midlands only about four-ninths of their 1967 level, and in Scotland five-ninths. The other regions suffered a recorded loss of real surplus of between one-quarter and one-fifth except for Southern Region where the fall was negligible.

Taken together, these summaries of what the Co-operative Union's statistics have to tell about both sales and surpluses in the 1960s, and more particularly in the 1967-70 period, fail to indicate any stabilisation or recovery of the co-operative trading position overall. Yet it must be emphasised again that the value of this analysis is limited because of the uncertainties of accounting practice (an improvement in accounting practice might well show up as a decline in recorded surplus), and the sheer inadequacy of the statistics that are collected and published annually. Thus for instance, no serious account of co-operative societies' capital formation can be given, and the absence of detailed labour force information renders very hazardous any attempt to explore inter-firm comparisons on productivity or other matters.

It is also of some moment that the Southern region co-operatives do appear to have shown more trading resilience in the late 1960s. The south east of the country constitutes an economic growth area even when other parts of the country are stagnating. Thus stable real turnover by co-operative societies in the Southern region probably meant a slow loss of market share. Still, it is worth noting that by 1970 over two-thirds of total trade by Southern region co-operatives was accounted for by seven large regional societies (which were among the twenty largest in the country). This is a region, also, where rising property values ease the problem of access to capital for financing development and make redeployment of resources more manageable. (More generally, the rising market value of the physical property held by co-operative societies must have been of great importance in easing the financial difficulties of recent years. Property development has come to the rescue at a time when trading performance could hardly provide the base for the financing of investment).

The available data must also leave considerable doubt as to the extent to which major societies have or have not set about internal reorganisation and planned investment to meet the needs of the 1970s. We know too little about the realities of depreciation provision, let alone the redeployment of capital resources. It may be that some societies by moves to regroup into regional societies, and by internal functional reform within the new boundaries, have gone part of the way required to check the widespread declines of sales and surplus that the 1960s revealed. It may be that the structural reorganisation that would have been inadequate taken on its own is being reinforced by rising property values. If this is providing some kind of breathing space, well and good. Besides, the 1972 Budget signals the first sustained and widespread increase in real incomes and trading turnover since the mid 1960s. But these elements of stabilisation - and even of opportunity-have to be used within a development strategy for co-operative trade.

### **Development Needs: The 1970s**

The logic of the argument so far is that a new combination both of medium-term objectives for the co-operative movement and of new means of attaining these objectives have to be put forward. This is not to abandon the goals of the C.W.S. Joint Reorganisation Committee Report of 1965 and the Regional Plan put forward by the Co-operative Union in 1968. These were necessary first steps; but they were not sufficient as a programme. It is now necessary to reach out well beyond these programmes, even while they have not yet been achieved (and partly because they have not yet been achieved). We have to reach out beyond the re-grouping that those programmes envisaged because much more than that is required to ensure an economically viable basis for co-operative development in the 1970s and beyond.

This means that we have to raise demands for change that go well beyond the confines of a backward-looking traditionalism-which is still living in a world of local autonomy. The programme of the C.W.S. Joint Reorganisation Committee began this process of breaking with traditional norms; the "Regional Plan" report was still much more enmeshed in area traditionalism. Of course, to recognise the break with traditionalism explicitly is to raise the question of the nature of co-operative democracy. On this, the attitude of the present writer is that what we have to try to do is not only to find a basis for the effective commercial operation of co-operative trade but also to relate to that new economic base a new "superstructure" of a participatory co-operative democracy. That new basis has to relate both to consumers and to employees. Consequently, the task of restructuring is a much more interesting piece of "social engineering" than if we were merely responding to the pressures of the market economy by emulating the narrow commercialism and the dictatorial command structures of our capitalist rivals.

But this has to be said. It would be surprising if co-operative democracy were not in decay and confusion after a generation of decline and fall in the economic role and viability of the traditional co-operative society. We do not need mechanical measures of participation (or rather of non-participation) to

tell us what is happening. The ageing process is visible. The atrophy of function palpable; above all, notice that new forms of consumer organisation and protection have developed outside the movement-not from within it. The atrophy is so marked that the movement has not even attempted to copy and apply the new experience of consumer organisation. Compare this with the 19th century role of co-operative democracy. Alongside the ideologically important role of challenging the material values of capitalism with a "new world" went the valuable function of beating the retail cheating and adulteration of products by organising a superior quality of supply through co-operative trading and consumer supervision.

It is-to put it mildly-very unlikely that a new and challenging role for consumer democracy can be built on decaying economic foundations. Thus if the movement denies itself radical solutions (inevitably changing the recognised landmarks of organisation and involvement) it is not thereby preserving consumer democracy. It would be worshipping form not substance. It would be whittling down the social role of consumer democracy as its resources withered; it would be turning co-operative democratic activity inwards into the propping up of local vested interests not outwards as a new expression of consumer aspirations. It is even more obvious that we cannot build on shaky commercial foundations, on diminished trade and eroded margins, a healthy development of "industrial democracy", of the extended and positive role of organised workers in creating a high wage/high productivity organisation.

### **Towards a Co-operative Alliance**

What then are the new departures that have become necessary for the 1970s? How could these provide a new basis for the flourishing of participatory democracy?

This time the reorganisation must not wait upon the response (or rather lack of response) from small backward societies (say, those with £5 million turnover or less) that have delayed structural change. The movement must organise their route of reorganisation; and this involves much more explicit intervention from the national agencies of the movement and from the trade unions to win over their consumers and their staffs for accelerated change. But this time change must be thought out for the leading societies, for the most advanced; the programme must crucially centre upon their forward movement. The programme for the laggards is secondary and derivative. Thus, to over simplify, there must be a programme for the leaders and a programme for the laggards. But the commitment of resources and effort must be above all where the movement already has strength and skills.

Nor should the new initiatives that are needed grind to a halt because some of the larger reorganised regional societies will not co-operate in establishing new relationships. It seems quite possible that the renewed traditionalism of local autonomy-writ large in the regional society-may lead in some cases to an effective denial of a wider co-operative responsibility. That should not be used as an excuse for inactivity.

What is proposed is a new kind of working ALLIANCE between the C.W.S.

and the most economically farsighted of the regional societies. The economic benefits that could flow from the measures proposed below should make for the reinforcement of such an alliance. It will have to demonstrate its relevance in commercial and operational practice, not through abstract debates and programming.

The new pattern should start now out of a new relationship between a number of major regional societies and the C.W.S. The first clear view of this was the crucially important contribution of the Joint Reorganisation Committee Report of 1965. It should start from those organisations that will commit themselves to part or all of a co-ordinated development strategy. At this stage, because of the uncertainties both of trading and of institutional response, it is uncertain which of the following combination of measures will prove most important in the next decade. What is *not* in doubt is that they must all be part of the forward-looking strategy required:

(i) INTEGRATION OF FUNCTIONS

The integration of buying, stockholding (which includes questions of stock range and warehousing and distribution patterns), and selling that was envisaged in the J.R.C. Report of 1965 should be pushed forward in a planned way by the participating societies and the C.W.S. The C.W.S. would have to ensure that it developed specialist staff and sub-departments specifically servicing this new contractual relationship. One adjunct to this would be to explore the scope for major regional sales campaigns (using mass media for advertising) in particular product areas. More would need to be done too to standardise outlets, equipment, and relevant accounting practice.

(ii) AMALGAMATION FROM STRENGTH

There should be encouragement of further amalgamations but wherever possible "from strength", i.e. as part of a planned response on the part of co-operative enterprise. This next wave of amalgamations should proceed on three fronts. There should be the process we have already seen of grouping smaller societies into regional ones. But there should now be much more careful servicing of this by the C.W.S. and other bodies; there should be more standardised surveys, personnel procedures, and direct assistance with operational planning. The second front would be for large societies based on a single conurbation to regroup into larger, more genuinely regional, societies. These might well contain three or more large urban bases on a relevant trading region. Perhaps turnover of the order of £80 to £100 million a year would be a rough guide. (This development would have to be seen in the context of other structural changes discussed below). Location of strategically sited important units of investment, such as superstores, large units in the dairy industry, warehouses, may help determine the relevant groupings. Thirdly, there should be more flexibility in societies coming together to pool particular departments or resources (making use of existing managerial expertise; picking up key economies in investment planning; etc.). This might enable key development projects to go forward on the right scale, without the absorption of management resources in a complete and complex amalgamation. If

this sounds like the old notion of "federalism" that is understandable-since the new "alliance" is meant as an exercise in federal organisation. But the new pattern should not carry the top-hamper of cumbersome committees of the old federals; possibly a simple contractual "franchise" could operate under the direct operational control of one society. Certainly, the time has come to break down the rigidity of co-operative boundaries, so that Society A may be responsible for certain agreed operations within the territory of Society B. This leads naturally to the next proposal.

#### (iii) CO-OPERATIVE MULTIPLES

On the basis of this alliance of major societies and the C.W.S. there should be major reorganisation of several departments of trade as co-operative multiples. The combination of major regional societies (and of course the C.R.S.) in a new trading alliance would create a viable basis for specialised co-operative chains (although these would not, of course, operate in the territory of non-participant societies). The limited moves in this direction in footwear and chemists' goods could be rapidly developed. There would be obvious further candidates in other departments such as clothing, electrical goods, furniture, garages, and service trades such as catering, holiday services, and so on. In so far as capital resources allow, there would be much to be said for selective acquisitions of existing smaller multiple groups as a basis for more rapid trading development. It should not be forgotten that the only basis on which large department store specialist firms have survived has been by going over to a multiple basis; consequently there should be a careful examination of the possibility of putting existing co-operative department stores into a specialised chain, able to reap economies of scale. (The alternative is almost certainly the abandonment of department store operation.)

#### (iv) SIMPLIFICATION

Proposals (ii) and (iii) above link together. Otherwise we would be asking too much in terms of the capacity of big regional societies to handle the diversified tasks of general management over a vast array of departments, units and commodities. The previous history of co-operative reform has been one of multiplying committees and managerial load; this time there has to be a deliberate shift towards simplification (narrower product range for the attention of particular managers; more standardization - e.g. in stock range and layouts-within that range; more specialised services at his disposal).

#### (v) SUPERSTORE DEVELOPMENT

There has to be a pooling of resources within the new alliance of C.W.S. and regional societies, in order to handle the new requirements of various kinds of superstore development. The sheer size required has gone beyond the capacity of any single regional society. Only in combination could there be the marshalling of skilled market analysis as to location (and in isolation, neighbouring regional societies would be likely to reach either wrong locational decisions or would adversely affect in an unplanned way the development of their neighbours). Only

in combination could the capital and risk be handled with confidence. The report "The Changing Pattern of Shopping" put out last year by the Co-operative Wholesale/Retail Liaison Committee is at the same time an able survey of the challenge presented by superstore development and an unhappy lament at the dangers and handicaps involved on the basis of the present structure of the co-operative movement. By contrast the new alliance proposed could operate on a scale, and with the specialist and capital resources, that the new developments require.

(vi) SPECIALISED TECHNICAL SERVICES

The alliance should establish specialised technical services to reinforce existing management's ability to handle the complex decision making. One obvious and outstanding requirement is to perfect the country's best property development team. Indeed, it might be worth a commercial take-over bid to capture some outstanding managerial talent in this field. The rapidly changing pattern of distribution, at the same time as we have a steep climb in urban property values (at least at the growth points of our urbanised economy), mean that property management is of the utmost importance. This is true of the release of existing resources of property that are inefficiently employed and of the problems and possibilities of new property development. It is just possibly true that because the co-operatives have in general not put their resources into town centre "high street" locations, they may with less upheaval be able to relocate to match the future locational requirements. (These are surely of two kinds: new kinds of "neighbourhood" convenience stores; new kinds of large store serving the motorised shopper. For the time being it might be better to see the co-operative movement as a property development concern with a special interest in retailing activities, than as a traditional retailer with an uncertain and peripheral interest in property. Other specialised services that are needed urgently spring to mind: market research, improved costing, industrial relations services, management systems, training in new systems (such as computerised data services). There is no reason why such specialised research and agency services could not also assist co-operative societies and organisations outside the alliance--although obviously this would have to be properly costed.

(vii) FORWARD PLANNING

The alliance would have to develop more co-ordinated forward planning. The best approach would be for each participant (i.e. the regional societies involved and the C.W.S.) to prepare each year a forward programme (perhaps initially for two-three years ahead in detail, and for a longer period in relation to certain projects). This could be a combination of investment programme, management by objective programmes in costs, marketing, etc., and a programme of manpower development needs. These programmes could be rolled forward each year and could increasingly form the basis for closer co-ordination of development (for instance they could help clarify the sequence of changes in function and responsibility as major new systems such as regional warehousing, or co-ordinated buying, or joint marketing, were developed).

(viii) POOLED RESOURCES AND PLANNED RESPONSE

Even a large regional society is vulnerable if its area is picked on for market exploitation by powerful multiple competitors. Consequently, the alliance would need to develop a system of pooled resources and planned response so that any violent incursion by aggressive multiples could be fought with adequate weapons backed by joint resources. The knowledge that the societies in the alliance were capable of such a response, and even more the actual experience on the part of multiples of an aggressive counter-strategy deployed by co-operatives, would be likely to influence the actual behaviour of multiples.

(ix) ACCOUNTANCY AND COSTING

Within the alliance there should be a rapid move towards modern systems of accountancy and costing on standardised lines. This would greatly improve the necessary process of analysing and monitoring actual performance. This is important in carrying through controlled experiments in new trading patterns, and in developing inter-firm comparisons that can be used to pinpoint both weaknesses and high standards of performance. The computer systems should also be developed in a co-ordinated way.

The nine points listed above attempt in a rudimentary way to explore the immediate possibilities of a new functional combination of C.W.S. activities with those of a number of large regional societies. It is clear that what would emerge from such an approach is not a monolithic national society, but a new departure in federal activity which could at last overcome the old barriers of local co-operative exclusiveness. Such a grouping would develop its own sense of priorities and would have to solve en route the new organisational and financial questions that would be posed. This is necessarily a dynamic approach, not one that seeks a formal constitutional blueprint.

### **Outside the Alliance**

But what of the rest of the co-operative movement? Those who do not join the alliance? Well, in the first place, the actual development of a new working form of large-scale co-operative society will be an attractive force (in a way in which paper discussions, or congress resolutions, are not). There would be two routes into the alliance; one would be a later rather than an earlier adhesion by a regional society. The requirements here would, of course, depend on the pace and direction at which integrated functions had been developed by the alliance. Certainly, the alliance ought to have a specialised team that could assist in altering organisational patterns, introducing new systems, etc. Indeed, it would not be too much to say that there would need to be sponsored by the alliance a training college designed to train the managers and experts that the new combination of co-operative functions would call for. So that over a planned sequence of stages, a laggard regional society could be brought in.

But what of societies that have been baulked in the formation of a suitable regional society, but do not want to stand outside the new alliance? The best means here might be to transfer into the C.R.S.; for obviously the C.R.S. groupings should be developing within the framework of the alliance (in some

cases being absorbed into larger regional societies). It would not be the best of all possible worlds-but it would be better than anything else. That is, it would be wrong for the alliance to refuse to bring into its ranks societies who were ready to accept the obligations involved; but it could not operate efficiently if large numbers of societies were free to join it as constituents. The C.R.S. could operate as a kind of rationalising holding company within the alliance. Probably, only societies with turnover in excess of £10 million or so ought to start off as constituent members of the alliance.

But, of course, there should be open campaigning both by co-operative agencies and by the main trade unions involved in order to accelerate the regrouping of societies into large units and in order to encourage these to work within a wider "alliance". The movement may well have to work to deadlines beyond which it would not be prepared to extend the joint support and availability of services to laggard societies. The positive need is for specialised services to help in the early stages of amalgamations. There should be planned secondment of staff (and trade union representatives) from societies that have not yet gone regional into established regional societies, to learn the nature of new routines and how to handle the problems of transition. The basic requirements - in operations, in redesigning development strategy, in creating a more adequate industrial relations system-should be increasingly understood from study of the successes-and failures-of past amalgamations.

### **Participatory Democracy**

There will have to be a much greater willingness to experiment (and to monitor experiments carefully) as to the new forms and characteristics of consumer and industrial democracy that would become possible under the proposed "alliance".

The traditional involvement of consumer members in the operation of retail societies has been too narrow and inward looking. One way to revive it is to connect it to more conscious planning, more accurate measure of performance, on the part of major societies. The whole process of accountability can and should be given new meaning. Thus, if co-operative management can succeed in developing over widening area systems of "management by objectives" it becomes possible to involve both consumers and workers in the working out of the main objectives (and their relation to a particular section or area) and in supervising and assessing their fulfilment.

It would be sensible to provide that where the representatives of consumer members in a society were concerned about the standards being achieved, they could call for an independent *efficiency audit* to be provided under the auspices of the movement.

It would also seem right for the societies forming the new co-operative alliance to guarantee particular levels of additional financial support for consumer services as the trading surpluses of the alliance grow.

The consumer activity of the co-operatives needs to be more outward looking. What basically seems to be required is that each regional society should establish an efficient consumer advice and protection service. These

could be linked to a centre capable of using expert services in an independent way on behalf of consumers, and capable of helping the organisation of both local and national campaigns. The co-operative movement in essence ought to be doing for millions of working-class households what organisations like "Which" manage to do for hundreds of thousands of mainly middle class households. But the co-operatives ought to be able to add to that a campaigning force; this could well provide a reinforcement to local government democracy in handling community issues.

One obvious point is that the central buying agencies of the "alliance" should develop very thorough testing centres for the product range they handle, and for testing any new products or models that are under consideration, and these testing services and the information flowing from them could be directly used by the consumer organisation in its informational and consumer advisory role.

### **Relation to Co-operative Housing**

Regional societies could also do more to assist directly co-operative housing organisations in their area and could thereby bring new forces to bear in the fight for adequate housing for working people. It would be difficult to exaggerate the importance that the housing question-and problems of housing costs and finance-will have in the coming decade. The co-operatives have some flexibility as property owners, and in organising building services they can command widespread consumer interest and goodwill in any initiative they take. They can help combine modest beginnings in the support of co-operative housing with much wider campaigning for democratic control of much more of the existing housing stock. The acute urban overcrowding problem, steeply rising property values and rents, the totally new "economic rent" approach to municipal housing, high rates of grant for basic improvements in amenities, all make housing not only a major social issue but also a major opportunity to show that co-operative activity can be a creative force. Support for and servicing of co-operative housing associations and the closer connection of these with the consumer co-operative movement offer a major opportunity. Here too, as in the wide field of consumer protection, it is the task of co-operative democracy to be outward looking and not to turn in on the narrow view of its function,

It is obvious too, that a structure involving large regional societies working in increasingly close collaboration would require a new pattern of industrial relations. The regional society should be able to develop (on the basis of effective internal costing and development planning, and through the creation of specialist staff) a properly co-ordinated system of pay structures and productivity bargaining over labour utilisation that meets the needs of that society. The process can be helped forward if there is at national level the creation of expert industrial relations services, and jointly with the trade unions a monitoring of regional society agreements which enables the most successful practices to be rapidly extended to other societies. At the moment there are very few societies that have yet developed a full and coherent industrial relations system based on specialised personnel functions and effective unionisation (i.e. shop

steward systems; a network of agreed procedures and substantive bargains). We ought, beyond that, to start experimenting with supervisory boards made up of consumer and worker representatives that can play a role in the formulation and carrying through of development plans for different kinds of co-operative enterprise (co-operative multiples as well as the regional society).

The co-operative challenge to the big capitalist enterprise should be twofold. An equivalent deployment of economic strength. A superior deployment of democratic participation and of social objectives. A century or more ago co-operation was a necessary response to adulterated products; today it ought to be at least part of the response to an increasingly polluted world. A century ago it put co-operation forward in place of the ruthless hustling of the up and coming "entrepreneur"; today it ought to be at least part of the democratic challenge to the giant bureaucratic corporation. Can British co-operation break the confining shell of its old traditions and fulfil a modern role? The 1960s left the question in doubt. The 1970s are going to answer it one way or the other.

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# Another Perspective for the 1970s

S. P. CLARKE

*(Mr. Clarke, a Vice-Chairman of the Society, is Secretary and Chief Executive Officer of the West Yorkshire Co-operative Society).*

Mr. John Hughes, Vice-Principal of Ruskin College, addressed the Annual Conference of the Society for Co-operative Studies and his paper was also published in *Management and Marketing*. It forms another notable contribution to the succession of studies of the worsened position of the Movement, relating to its former share of the market, and expresses endorsement of the general objectives of the 1965 J.R.C. Report and the 1968 Regional Plan. It presses, however, for urgent attention to a new proposal to use alliances in varying forms between the C.W.S. and the regional societies, and the planned development of 'co-operative multiples' to engage in specialist chains for several departments of our normal range of trades. Mr. Hughes specifies that 'what would emerge from such an approach is not a monolithic national society but a new departure in federal activity which could at last overcome the old barriers of local co-operative exclusiveness'. He also urges the need for establishing these co-operative multiples on the grounds that 'otherwise we would be asking too much in terms of the capacity of big regional societies to handle the diversified tasks of general management over a vast array of departments, units and commodities'.

Other important ideas relate to the operation of co-operative democracy in big regional societies, the development of consumer involvement and machinery for consumer advice and protection, and for industrial relations involving shop steward systems and supervisory boards of consumer and worker representatives. It is an important article and should be read in full. Nevertheless there are questions to be asked, and his view of the way forward has to be subject to challenge.

## **An Alternative View**

The following comments are not intended as an appraisal of Mr. Hughes' paper but are an expression of protest against the repetition of the proposition that all that ails the Movement can be put right by constitutional changes and the creation of giant-sized societies.

It is not fashionable today to be out of sympathy with radical, sweeping, all-embracing reorganisation of the retail movement and a disturbingly unanimous chorus of high-powered advice has deluged the Movement from eminent people collectively as commissions and committees, and individually from university life, business consultants, journalists and others within the Movement. The burden of the message is 'Size is Salvation', 'Discipline or Doom', 'The National Society is inevitable'. Constant repetition from press and platform produces a hypnotised acceptance of this as truth. The implication is that all problems can be met by constitutional changes. It has proved a wonderful alibi and distracted attention from the prior task of making Societies 'better' as well as, and even before, making them 'bigger'. But is it true? Is it a good guide for policy?

Certainly it is true of village size societies, but there is no evidence as yet that there is any real advantage in size which goes beyond the natural dry goods market area approved as the basis of earlier merger plans. To move from the 50/60 Society plan to 10 Societies, or to 1 Society, is to move into realms of disadvantages which may well outweigh the advantages.

John Hughes himself makes a point of the problem of management capacity for large regional societies-and having first created the problem, then advises hiving off activities into multiple chains to avoid over demanding on management. The management chart of a large regional society is certainly a thing to wonder at.

### **Does Size Win?**

According to financial journalists, commercial history demonstrates that size derived from mergers seldom delivers the benefits promised - 9 times out of 10 it fails. The records show that giant sized businesses are not the leaders of their industry in making good returns on capital employed, or in finding and promoting new commodities or services.

In our main business of food, most practising officials know from experience that the really formidable competition comes from businesses in the £10/£30 million class, not from the giants who carry national names. That is significant. Apparently, success does not depend on being nation-wide. As usual it comes from hard work and application and being on top where you trade.

There is also evidence within the Movement that national control (as in the Bakery Division) does not achieve the level of retail support that local production did-when it is too big there is something missing. Would a National or Supra Regional Society be different?

There is similar evidence that national organisation of warehousing is less successful economically than federal warehousing and again the factors of local support and working relations are significantly better in the smaller scale organisation.

### **If Not Size-What Else?**

There is balance sheet proof that many societies who are in as full control of their business future as any commercial enterprise ever is, in the sense that they have strong financial and trading positions, are quite small in size, even as low as £2 million sales per annum. 1971/2 Balance Sheets are showing that many societies of medium size have reached a stage of self improvement which is renewing morale and optimism. It has involved deep internal changes over recent years.

- The millstone of high cash dividends has been cast off.
- The running sore of thousands of 'loss centre branches' has been dealt with by closures.
- The adoption of dividend stamps has stimulated trade and marketing and enabled retention of profit to be substantially increased.

- Property has been recognised and treated as an asset for both cash resources and for revenue.
- Management of Investments has become accepted as part of proper management.

Note that none of these measures were dependent upon any factor other than the will to do them.

The strange thing is that some of the studies and surveys which 'proved' the need for merger of every society concerned, illustrated the weaknesses but put the blame on lack of size, not lack of good policy. Self help was not prescribed. It is also to be noted that 'blackboard answers' to other people's problems can be a fascinating mental exercise and that those closest to the problem of retail recovery have not been enthusiastic about the drastic even revolutionary solutions, which have been advanced.

### **What Then is the Alternative to Hyper Sized Societies?**

It can be argued sincerely that it is more probable that a Movement of some social consequence and with economic influence would exist in public awareness as the outcome of 2/300 Societies intensively marketing their own well knit communities, than it is likely that the volume and prosperity of the whole co-operative retail trade *can only be secured* by a highly centralised movement operating through 10/20 giant societies each of them sprawling loosely over its area of the map.

It should be accepted that there is a quite wide band of size within which societies can operate efficiently especially if they make full use of both local and wider facilities, say for warehousing and marketing schemes. They are not isolated from such advantages.

Finally, it is more important to improve the internal efficiency of societies of adequate size than to pronounce judgement that they are too small for independence, have no future, and should merge. In other words, the doctrine of 'Get Big' in many cases is not needed and should be replaced by 'Be Better'.

Mr. Hughes, in accord with other experts, it is true, evidently believes in largeness as the main answer to co-operative retailing problems. Would he agree that the large-scale American universities are greatly superior to the smaller sized British universities? As an involved party on the retail side I feel bound to deny the wisdom or the need to pin all our hopes and efforts on the verdict that a turnover of £100 million will ensure success, and that a turnover of £10 million will be associated with failure and no future.

No one would deny the disadvantages and danger of overweight for any individual. I believe oversize in any organisation is just as certainly a danger and one to be acknowledged and allowed for when making plans for the future of the Movement. Let us remember that any good thing taken to excess becomes a bad thing.

# International Notes

W. P. WATIKINS, J.P., B.A.

*(Mr. W. P. Watkins, a President of the Society for Co-operative Studies, is a former Director of the International Co-operative Alliance)*

INTEGRATION IN SWEDISH CO-OPERATION. That important aspect of Co-operative integration, denoted by collaboration between retail consumers' co-operatives and their wholesale federations, has been systematically studied and pursued in Sweden for the last 15 years. The methods adopted and their results are described by John Sallborg, a director of Kooperativa Förbundet, in an article recently published in 'Co-op', the monthly management review of the Swiss Consumers' Co-operative Movement. The notes which follow were taken from this article.

The three most important areas of collaboration are: department stores and shops, investment and capital procurement and staffing and organisational problems. Some of the most striking concrete results have been in the sphere of goods supply. During the last decade collaboration has evolved in the direction of a division of functions, the Wholesale Society K.F. assuming the main responsibility for purchasing and the retail societies concentrating their attention on selling and its associated business problems. Compared with the days when every retail society was solely responsible for the goods assortment offered to its members, this radical division of functions has made a great contribution to the Consumers' Co-operative Movement's continued success. But Swedish Co-operators are also keenly aware that this division can lead to rigidity, especially when the functions are performed by two separate organisations.

## Co-ordinating Influences

The necessary co-ordinating and conciliating influences are exercised in the first place by K.F.'s Council of 30 managers, the majority representing the big regional societies. This body keeps the main lines of inter-working constantly under review and determines such questions as the rates of trading margin for the coming year. Then there are the Sectional Councils, which are consultative bodies, specialised according to the class of commodity, linking the buying department of K.F. with the department stores, which, as is well-known, have been developed largely as a national chain. They comprise four department store managers and four representatives of K.F., two from the buying department and two from its retailing sector. Besides financial questions, these councils discuss the profitability or unprofitability of various kinds of business and exchange experience on the sales front. Here again, trouble is taken to ensure that these councils do not become too set in their working methods, but are constantly kept aware of the need for changes and adjustments in the societies' trading relations with the Central Wholesale. Besides these constitutional devices, informal relations and contacts between the purchasing side and the selling side are encouraged and close attention paid to the working of internal information arrangements and the need for re-training.

In the sphere of information the use of computers is of growing importance as an aid to the construction of more closely integrated working systems and the more effective exploitation of opportunities. This leads inevitably to the extension of K.F.'s functions as a central buying organisation, for only such an organisation is capable of utilising to the full and in the best interests of the societies the fund of information which the computers assemble and evaluate. In ten years the cost of a single computer operation has fallen to one thousandth of the initial figure. Computers are also used in the search for the most promising lines of development, such as the sale of soft furnishings, at present expanding very rapidly. Mechanisation and automation of goods supply to shops and department stores are facilitated by the more accurate computer calculations of quantities needing to be ordered.

#### INTEGRATION ON THE INTERNATIONAL PLANE

The extension of the European Common Market by the acceptance of four additional member countries and the likelihood of mutual arrangements for freer trade between E.E.C. and E.F.T.A. foreshadow wider opportunities for Co-operative integration on the international plane. The consolidation of the two I.C.A. Auxiliary Committees for wholesale and retail trade respectively, together with the trade research bureau originally established by the Scandinavian Wholesale Society NAF, to form a new instrument for commercial and technical collaboration, Intercoop, with headquarters in Hamburg, placed the whole International Co-operative Movement in a position to take advantage of these opportunities.

Intercoop's membership embraces thirty central Co-operative organisations for wholesaling, production, export and import trade in twenty countries. Its West European membership alone represents approximately 5,600 consumers' co-operatives with 53,000 shops and an aggregate retail turnover equal to 11,000 million U.S. dollars in 1970. Its activities are classed under three heads: the promotion of joint purchasing on world markets and collaboration in production; the exchange of experience in trading activities; the exchange of experience in research, product development and other technical and commercial problems.

#### **Main Commercial Functions**

The main pillars of Intercoop's commercial functions are the bulk purchase and joint purchase for its European members of foodstuffs normally imported from other continents e.g. canned and dried fruit, coffee beans. Members, such as the C.W.S. and N.A.F., place their buying offices in America and Australia at Intercoop's disposal. Wider possibilities of joint purchasing are continually being explored. In trade with commodities other than food, notably textiles, men's and women's clothing, footwear, sports and camping equipment, Intercoop's turnover already exceeds \$40 million annually. Further possibilities for expansion remain to be exploited in the exchange of products manufactured by the member organisations. The annual output of their factories, which produce not only foodstuffs, but also textiles, furniture and certain capital goods, is valued at £2,000 million. At their last annual meeting, held at Bucharest in October 1971, the members adopted the principle of giving preference to the products

of other members when these were offered under conditions competitive with those of private manufacturers.

From its two parent committees Intercoop has inherited the custom of setting up international working parties for the exchange of technical information and know-how relating to specific branches of production. Such exchanges are still being carried on between Co-operative productive works in the confectionery and milling sectors and between foodstuffs laboratories.

The integration of retailing with wholesaling and production gives Intercoop important advantages, not only for the exchange of experience of contemporary distributive organisation, but also for the study of innovations in merchandising and the appropriate training of store personnel. Intercoop is thus becoming a comprehensive repository of knowledge and ideas, a common fund which is constantly increased by its members' contributions and is always available to be drawn upon for the solution of both old and new problems.