

Wake Up in Sleepy Hollow!

by David Hutton

For his exploration above, Professor Branton sets a scenario in his first three paragraphs: from the acknowledgement of the long and honourable history of Sleepy Hollow Society to the suggestion by a member of the management team that the present difficulties and prospect of the Society going to the wall should be met by a management buy-out. This scenario, and only this scenario, was quoted from Professor Branton's article to David Hutton, with an invitation to consider how the Society could maintain a Co-operative form but rescue itself from the descent and looming bankruptcy.

Top management in Sleepy Hollow Co-operative Society doesn't work in isolation, as it will quickly discover if it attempts a "buy out": the Co-operative Wholesale Society, and even the truncated Co-operative Union, will use what power they have to try to stop the Society breaking ranks. These bodies will not want to see the beginning of a privatisation trend which, if it develops, will bring to an end their hierarchy built up over more than a century. For this reason, the management group has to be very sure of success before embarking on an initiative which, if they cannot pull it off, will lead to disaster both for the Society and for their personal careers. The legal requirements for the conversion of a Co-operative society to a private company place a heavy responsibility on the initiators, and Sleepy Hollow management lack the resources which were available to the Abbey National Building Society Board, for instance, when it sought to "demutualise" that Society.

Facts Needed

The first stage is to ensure that the Society's accounts give a fair picture of the real position. The management of the Society is a trustee for the members' interests. It needs to ensure that the members' report relates the changes in turnover not just to price changes, but to the changes in retail consumers' expenditure - so that the members can judge the change in their Society's market share.

Secondly, the auditors should help to secure that a *current* valuation of fixed assets is included in the accounts alongside the *historic* cost valuation. This is particularly relevant if a change of status of the Society is being contemplated. Such a valuation of the assets will enable both the Board and the members alike to assess the net worth of their Society. It will also enable the profits of the Society to be measured as a return on capital in a meaningful way. Monetary inflation (which appears to be rising again) has caused the property

assets in the balance sheet to be greatly understated. An added advantage of disclosing the current value of property assets is that it will avoid an accusation that management was attempting the "buy out" only in order to capitalise on the Society's hidden reserves for its own benefit.

Thirdly, the accounts need to disclose the level of profits (or losses) independently of the contribution made by selling off assets at inflated prices, and include redundancy and other closure costs caused by the erosion of the Society's trading base as trading expenses and not "below the line" as extraordinary expenditure.

Allies for Good Management

Management should try to obtain allies to persuade the Board to allow it to manage the Society effectively. Management can influence ordinary members of the Society by encouraging more far-sighted Co-operators to take an active interest in policy. If there is a Member Relations Committee or a Co-operative Party Council, they could be persuaded to broaden their activities beyond teas for Guildswomen and passing resolutions on South American politics, worthy as these causes may be. Within these organisations there should be opportunities for considering trading issues; it is, after all, on trade that their future depends.

More controversially, the good offices of the National Federation of Progressive Co-operators might be brought to bear. The progressives are certainly not imbued with a backward looking Rochdale approach. What the Society needs is a cohort of new Board recruits who will play a proper role in strengthening lay leadership.

Failure of Communication

If management feels that it is dealing with a Board of dwarfs the question must be asked whether it is running the existing shops effectively. Perhaps that is the reason why management is not given its way on development. If management cannot motivate the Board it seems unlikely that it will be able to tackle the more difficult task of running its own business in an unfriendly environment without any help from the C.W.S. or the Co-operative Union or the ambience which they create. It is the experience of other Societies that inadequate managerial skills have quite as much responsibility for Co-operative disasters as obstinate and interfering Board members - but there is no advantage in seeking to apportion blame: they have to work together.

There are few Co-operative boards which will not follow the lead of a forceful manager.

Transfer of Engagements?

It is a hard world outside. If the quality of service in this good market area is a cause of increasing disenchantment, as is claimed, sources of capital outside the Society may be reluctant to finance a management takeover, particularly as the outcome of the transfer vote may be uncertain until it is finalised. A management buy-out does not necessarily command the loyalty of the rest of the workforce. The change may generate enhanced expectations of an increase in prosperity which will be difficult to fulfil, leading to more damaged morale. The members may be reluctant to donate their share of the reserves, built up by sacrifices in previous years.

Transfer of engagements to the C.W.S. or to C.R.S. may be an easier option for all concerned. Both these organisations are short of good management so that the local team, if its self confidence is justified, would be likely to find a home in one of them. Whether the Co-operative customers would be equally certain of better service in the new set up is a matter for conjecture.

Go It Alone?

For the Society members - be they employees or customers - it would probably be best if the Society were to retain its independence but mend its ways. There are few actions which the C.W.S. or the C.R.S. would take which could not equally well be taken by the Society itself, with the added advantage of more sensitive local control than is possible by directions from Manchester. One does not have to lose one's independence to gain some of the advantages of inter-society co-operation, as Central Midlands has shown. There is no doubt that looking over the precipice can concentrate the mind - and give a useful boost to morale. Wake up in Sleepy Hollow, and have another go!

The Author

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