

Present Experience Reviewed

1. F.E. Creed

Frank Creed is Chief Executive Officer of Brighton Society and a director of the Co-operative Wholesale Society, the Co-operative Insurance Society, the Co-operative Bank and Co-operative Retail Services Ltd.

In considering the application of Co-operative values and principles to the management of a successful Society one has to ask the question: "what are the differences between a Co-operative Society and our capitalist competitors, and are those differences of sufficient relevance and attractiveness to the consumers whose interests we seek to promote?"

Many of the early initiatives taken by the Co-operative Movement achieved benefits for consumers but these are now accepted as a consumer's right. It could be said that the Movement's most successful competitors demonstrate that they serve the consumers interests equally as well as, if not better than, the Co-operative Movement. Co-operative values and principles, i.e. serving the best interests of consumers individually and collectively, are as valid as they ever were but the Movement has not been uniformly successful in following practices which demonstrate their practical relevance in today's market place.

The principle of democratic control of Co-operative Societies by the members is a good one but it is practised by a small minority of shareholders. The younger generation of consumers have little commitment to Co-operative idealism and are attracted to those retail organisations that appear to give them what they require in terms of product range, shopping facilities and an attractive price/quality proposition.

Service to the Community?

It is a fact that many Co-operative Societies maintain services which would not be contemplated by our largest and most successful competitors. The requirement for a profitable basis of operations is paramount but I suspect very few Societies have established as a prime objective the maximum return on capital in respect of every asset deployed in the business. Co-operative Societies tend to maintain a network of community shops whilst they are profitable because of the historic background of service to members. If a Society pursued the primary objective of maximising profits it is likely that

the reinvested proceeds from the sale of certain shop properties would realise a higher return than is achieved at present. This raises the question as to whether Societies should pursue, in a single minded way, the development of large costly stores to more effectively meet competition, and leave to the small, private convenience stores and symbol groups the role of serving the consumer in individual communities.

The practical response in the case of the Brighton Society is to pursue the development of large stores to meet the needs of the younger generation of car-borne consumers whilst maintaining a network of community shops where they can be expected to have a viable future. In the South of England this involves very high site and development costs and, in consequence, heavy borrowing. The cost of servicing this capital currently impacts heavily on the Revenue Account but we believe the investment in new stores and increased market share will be to the long term benefit of the Society and the Co-operative Movement. (Increased trade underpins own-label trade and jobs in Co-op factories.)

National Trading Policies and Standards

The most successful competitor organisations are the national, vertically integrated retailers which operate to high standards and achieve the economies of scale. They present to the consumer a uniformly high standard through all their retail outlets.

The Co-operative Movement is a loose association of independent Societies and two national organisations which are engaged in retailing. The reality is that each Society tends to be parochial, pursuing its own interests. Whilst this is perfectly understandable, it does underline the fact that there is no cohesive Co-operative sector pursuing a unified set of objectives aimed at maximising *national* Co-operative trade penetration and profitability.

There are a number of very successful independent Societies but national market share has declined progressively over a period of years and continues to decline.

If the trend is to be reversed, and there should be a collective will to achieve a consistent level of success on a national basis, policies on store development, retailing standards, and marketing, will have to be agreed and implemented. The alternative may be the continued erosion of Co-operative market share and an inadequate level of profit to finance store development on the scale required to match the most successful retail organisations.

2. J. Smethurst

James Smethurst is currently Chief Executive Officer of Invicta Society.

My first reaction to the invitation to reflect on “management in a Co-operative setting” was to shrink away from the tall order which it presented. However, having pondered over the request whilst it frowned upon me from my in-tray, I felt I must make at least a brief response.

Having been nurtured in the Co-operative Movement, I have found the teachings of Arnold Bonner a recurring theme throughout my working life. The honesty and integrity enshrined within the principles he expounded and which were laid down by his forebears in Rochdale are impressed in my mind and it seems unnatural to want to deviate from that teaching.

The Principles - Today?

Those Rochdale principles of almost a century and a half ago need to be looked at, of course, in the light of present day conditions. For example if one substitutes “pure and unadulterated food” for the “Eat Right Eat Well” campaign, or not being involved in credit trading in those days for the protections of the various consumer protection laws of today etc., those accepted and established Co-operative principles do not in my view conflict with modern day values in running the business.

Conflict arises to an extent with the neutrality principle concerning party politics and I must confess, in spite of my inclination to support the Co-operative Party, that it does present some difficulty when, from a pragmatic approach, our Movement is dependent for its trading success in maximising turnover and by implication needs to attract through its doors customers and members of all shades of opinion and from the whole spectrum of political activity. The biggest conflict arises in relation to capital and this aspect will be returned to later.

Objectives for Survival - and Success

Our minds were concentrated recently on reviewing our objectives for Invicta Society and, without allowing complacency to creep into our thinking, we take some small credit for the moves made towards presenting ourselves in a more professional manner of approach to business and of image.

Our first objective has to be to achieve a level of profitability which will sustain our future existence. If we are accused of ignoring the Regional Plan and subsequent declared policy aims of achieving 16 Societies - so be it, but our second objective of improving customer service would be defeated by

merger if experience in neighbouring areas where Co-operative deserts now exist, were to be allowed to be repeated here.

Thirdly we have positively determined to protect the jobs of our staff by preventing as far as we can the closure of our small shops. This is a practice which sets us apart from our competitors for it also provides that service to customers and members which would disappear with the removal of convenience stores. It also conflicts with our objective of profitability to an extent since we are judged on our results, and comparisons are inevitably drawn between the "Movement" and the Multiple operators.

Additionally, our objective to provide value for money has been reaffirmed. The withdrawal of the members' dividend and the days of allowing for that benefit in price have passed and this has reflected adversely on Societies. Competition has dictated that only the fittest will survive and it has determined to an extent pricing policies which it could be argued offer instant dividend included in competitive prices.

Finding the Capital Resources

Within a capitalist framework it is not surprising that purely capitalist ventures have flourished at the expense of Co-operative Societies and this is a worrying feature of our metabolism. I await with interest the deliberations of the working party currently considering the problem of capital, but it is certainly a hurdle which could not have been foreseen when those Pioneers established the Rochdale Society so long ago.