

A Single National Federation?

Structural Change in the British Co-operative Movement: The Problems of Integration and National Federation

MR. LLOYD A. HARRISON

(Chief Executive Officer, Greater Nottingham
Co-operative Society and Chairman,
Co-operative Wholesale Society)

1 The Background

The structural integration of the British Co-operative Movement has been recognised since the 1930's as a major problem requiring solution. The problem of national federation has a longer history going back to the presidential address of J. C. Gray at the 1906 Co-operative Congress, when he advocated the formation of a national society. But it is only in the 1960's that the establishment of a single national federation became a major issue demanding action.

The main reason for the urgent consideration now being given to the solution of these related problems is the erosion of the Co-operative share of national retail trade, which has now reached a critical stage. Last year, in spite of big increases in sales, the Movement's share of the national retail trade, at 7.0 per cent, remained about the same. In 1957 the Movement had reached its highest share ever at 11.9 per cent. Since then there has been a gradual decline.

The following Table 1 sets out the picture in more detail, and in addition traces the trend since the late 1930's.

Table 1: Co-operative share of national
retail trade: 1938 - 1974

Year	Total %	Food %	Non-Food %
1938	10.5	-	-
1940	11.1	-	-
1945	11.5	-	-
1950	11.2	19.3	4.9
1957	11.9	19.7	4.9
1961	10.9	17.9	4.8
1966	9.1	15.1	4.3
1971	7.2	12.2	3.4
1974	7.0 (est)	10.9 (est)	3.1 (est)

Source: Co-operative Union Ltd.,
Economic and Research Department.

The organisational weaknesses contributing to this state of affairs include our loose structure as a Movement. The retail societies still operate as independent, autonomous units; the relationship between the retail societies and the C.W.S. on procurement and marketing still falls short of the recommendations made by the C.W.S. Joint Reorganisation Committee; and capital investment in new development is unplanned and falls short of the retail trade as a whole. The main consequence of this loose form of relationship is the failure to bring the organisational and trading structures of the retail Co-operative Movement into conformity with its present and future trading needs.

A perceptive observation on this point was made by Mr. Arthur Sugden, Chief Executive Officer, Co-operative Wholesale Society Limited, at the Llandudno Co-operative Congress in 1974 when he said:-

"If there had been any change in the sphere of retailing which had been comprehensive enough to be described as a revolution, it is not the size of the shop, nor its physical characteristics, nor even its location. It is the scale and nature of the organisation which controls the shop. This, I believe, is quite fundamental."

Retail Co-operative integration is proceeding but only slowly. For example, the reduction in the number of societies has slowed down in the last three years (21 in 1972, 13 in 1973, 9 in 1974). These reductions compare unfavourably with the first years of the Regional Plan (88 in 1968, 70 in 1969, 112 in 1970). Table 2 below gives details of the fall in the number of societies in the years from 1968 to 1974, when the Regional Plans, which aim at reducing the number of retail societies to 50, began influencing merger policy in the retail Movement.

Table 2: Fall in number of retail societies since 1968

<u>Year</u>	<u>No. of societies</u>	<u>Difference</u>
1968	539	- 88
1969	469	- 70
1970	357	- 112
1971	303	- 54
1972	282	- 21
1973	269	- 13
1974	260	- 9

Source: Co-operative Union Statistics.
C.R.S. Branches are counted as separate societies.

Retail integration has resulted in the formation of a small number of regional societies, but the small

societies still preponderate, and prevent the Movement marshalling its full competitive strength. Published Co-operative Union figures for 1974 illustrate this point. Of the 260 retail societies operating, 148 had a membership of less than 20,000 members, and 120 of these had a membership of less than 10,000. This latter group of societies represents just under 50 per cent of the total number of societies but only 7.5 per cent of the total membership.

The years since the Joint Reorganisation Committee Report of the C.W.S. was published (1965) have witnessed an extension of wholesale-retail relationships. The proportion of purchases by retail societies from the C.W.S. has increased, but not dramatically. More requires to be done, especially in procurement between the C.W.S. and the biggest societies, say the top 10, and those societies drawing their supplies from the Regional Distribution Centres. This group of societies, about 60 in number, takes up between 50-55* per cent of the Co-operative grocery supplies. Given the will, both in the C.W.S. and in the retail societies, to operate on the basis of the J.R.C. Report, the Movement's procurement role will improve and its competitive power will be strengthened. Improvement in procurement would also create a favourable climate of opinion in the Movement which is still, in certain sections, sceptical of the need of a single national federation.

Co-operative capital expenditure in retail development has failed to keep pace with retailers as a whole.

* This figure is an estimate based on 1973 Co-operative Union returns, which do not give a complete breakdown of departmental sales.

Between 1969 and 1973 growth in capital spending by all retailers was 77 per cent, or more than twice as great as that of Co-operative societies whose capital spending increased in the period by 36 per cent. As Mr. S. Ainsworth, the Union's Economic and Research Officer, has stated:-

"It is not uncoincidental that the Co-operative share of the retail market has fallen over the period at a rate almost identical to the decline in the percentage of Co-operative retail expenditure to all retailers' capital spending. It is coincidental that the percentage indicating the market share - 6.9 per cent in 1973 - is so close to the above percentage."

(Comparative Statistics, No. 18)

Structural change in the private sector has strengthened tremendously the competitive power of the multiples and department stores. Both kinds of organisation benefit from mergers and their ability to operate as national organisations, an advantage still denied the British Co-operative Movement. In large measure their success rests on:-

- (i) Mergers which have concentrated the ownership of capital into fewer firms and enhanced their ability to raise further capital.
- (ii) National organisation which has enabled them to market their products and therefore compete on a national basis.
- (iii) Developing long term planning strategies - the geographical areas in which they will enter, the new outlets, and new trades.

2 Recent Steps to Integration

The Co-operative Movement, then, is integrating structurally but too slowly and too unconvincingly. Economic and financial necessity rather than principle and conviction are said to be the main reasons. Yet, as has been stressed already in this paper, the case for structural integration rests primarily on the Movement's development record and needs, a reason heavily underlined at the Portsmouth Congress which received the Report of the Capital Resources Study Group. This Congress also went on to pass a resolution on integration which contained these words:-

"Congress approves the further initiatives of the Central Executive to restructure the Movement in England and Wales, and resolves to launch a new major campaign to speed up the national reorganisation of our Movement."

The Edinburgh Congress this year decided to form a Special Committee to consider, and report upon (a) the advisability of creating a national federation, and (b) if found desirable, the ways and means by which such a single national federation could be created. This decision follows upon more than ten years of searching discussion on national integration. The Scarborough Congress in 1964 approved the establishment of a single national federation by 12,183 votes for to 1,113 votes against. Only the opposition of the Scottish C.W.S. prevented this organisation being established. Four years later, in 1968, discussions between the Co-operative Union, C.W.S. and the S.C.W.S. proceeded on this subject and were reported to Congress. The Union Central Executive as a consequence was instructed by a vote of 11,257 votes for to 1,523 votes against to pursue the discussions with a continuing urgency. In 1970 an Integration Committee, comprising representatives of the three

national federations, recommended to the Central Executive that there should be a merger of the C.W.S. and the Co-operative Union. The proposal, which had been previously rejected by the S.C.W.S., was not accepted by the Central Executive, who recommended that certain services conducted by the Co-operative Union on behalf of retail societies should be transferred to the C.W.S. Congress accepted the recommendation by 9,786 votes for to 3,300 against.

Two years later the issue again came before Congress, and at the 1972 Congress the Central Executive reported the outcome of discussions which had taken place between representatives of the three national federations. The Report indicated that there was "clearly all round appreciation that if C.W.S. and S.C.W.S. could find a basis for merger, it was logical to merge also the Co-operative Union into one all purpose National Federation for the whole of Great Britain". The formal merger of the C.W.S. and the S.C.S. (previously S.C.W.S.) came in June 1973. This act, then, finally removed what was considered by Congress in 1972 to be the last remaining obstacle to the formation of a single national federation.

Congress in the following year (1974) however, only approved proposals for the formation of regional group societies in accordance with Regional Plan 2, and called for a speedy implementation of the Plan.

The Congress decision this year presented the Movement with a challenge. Would the Special Committee bring forward proposals which would finally resolve the problem of the establishment of a single national federation?

3 Problems before the Special Committee

The Special Committee will be confronted with a unique and complex problem. The proposed single national federation cannot be formed purely as the result of a merger of the Union with the C.W.S. The two organisations are disparate both in size and purpose, and for the new federation to be created in this way would be looked upon as a take-over by the C.W.S., would be suspect in many retail societies' boardrooms, and would possibly be rejected. In brief, then, we are now facing the need to form a national federation of a kind for which there is no precedent in the British Co-operative Movement.

The main purpose of such a national federation would be the development of the Movement's economic resources in order to achieve greater trading penetration by the retail societies on a profitable basis. We should not spread our scarce financial resources too thinly, but concentrate on those trades where the biggest potential for growth lies.

Our Movement's fragmented structure presents major problems, however, and we are required not only to develop a planned, corporate strategy for the Movement, but also to re-structure its organisation in ways which will assist to bring about the realisation of this strategy. In essence this must mean an end to the continued form of local autonomy retail societies have exercised for many years. This should certainly not result in a monolithic Co-operative Movement, but would nevertheless limit the freedom of the retail societies. They would, for example, be expected to play an active part in the formulation of policy and to commit themselves to its application when decided upon.

Amongst its functions the new national federation will incorporate areas of activity at present outside the scope of the Union and C.W.S. For example, there is a growing body of opinion in the Movement that a "Think Tank" should be formed. Such a unit would advise on corporate strategy with special reference in the earlier stages to the planning both of the Movement's physical and financial resources; probe into existing skills and resources; and expose problems and new ideas for wider discussion. A Monitoring Unit is another need. Such a unit would extend the system of monitoring retail societies' operations, publishing more comprehensive inter-society statistical comparisons, and establishing an efficiency-audit system. The creation of a Social Audit Unit would be another useful addition. This would advise on the social obligations of societies - environmental pollution, and consumer protection, for example.

The relationship between the national federation and the retail societies must be firmer and based on unity of purpose. Such an approach will require an extension and elaboration of the areas of activity engaged in. Therefore, the grouping of the functions into suitable divisions must be appropriate.

- (i) Procurement and marketing must be brought much closer to the J.R.C. concept, with full disclosure of buying terms.
- (ii) The planning role must include both physical planning and financial appraisal.
- (iii) Common services such as advice on lay-out and fittings, and the standardisation of accountancy practices, computer systems, operational research, organisation and methods, trade advisory services, staff training, management development, etc.

- (iv) Educational and social activities.
- (v) Regional Plan 2.
- (vi) Collaboration between retail societies.

Democratic relationships between the national federation and its member societies are crucial; there can be no vital, genuine democracy in the federation, nor in the Movement at large, unless these are established on a firm basis.

How is this to be attained? There must be a democratic structure with proper accountability. The national federation must be accountable for its actions to the member societies, and the member societies to their individual members. But also the member societies have obligations within the accepted corporate strategy, and will be subject to accountability checks exercised by the national federation. In the retail societies the problem is more complicated. Co-operative members do not (in the main) join a retail Co-operative society to participate in its affairs, but to trade in departments of their choice. Therefore, the need for member education assumes a new importance.

This approach to Co-operative democracy is a safeguard both against bureaucracy and against the tendency towards depersonalisation in the Movement. We are a large national organisation, with international associations. Most Co-operators are proud of our achievements, but do not necessarily like bigness. They consider that our Movement is more remote than it was, say, twenty years ago; with regionalisation the community spirit amongst retail co-operatives has disappeared; it is more difficult to get to the heart of the organisation. In spite of these fears and

dislikes bigness will continue, and it is our job to make our Movement as human as possible.

Within the national federation there must be centralisation - but also decentralisation and devolution - of authority.

The national federation must therefore (i) assign to itself the role of directing, monitoring, motivating, even restraining when necessary the retail societies and the divisions of the national federation. These organisations will enjoy quasi-independent status which should give them a certain freedom of action and (ii) preserve the functions that rightfully belong to these organisations and divisions. Without this the national federation will not achieve the kind of loyalty it requires.

In turn retail societies will, it is assumed, continue to regionalise, but the group form of membership operating in C.R.S., which gives its branch and regional advisory committees a certain autonomy, and representation with voting powers at Congress, should become recognised practice.

Finally, the national federation must accept responsibility for what happens and does not happen throughout the Movement. Its leaders in pursuing the tasks set may seem to be far removed from the actual scene of events. Professionals and lay representatives at national level must then be given the opportunity to meet and discuss the affairs of the Movement, and the national federation, with active Co-operators.

4 Time for Decision

This paper is only a tentative exploration of the problem our Movement faces when dealing with the problems of integration and national federation. Many issues have received no mention such as the future role of C.R.S., which has an important bearing on the national re-structuring of our Movement and the future progress of the Regional Plan; and the C.W.S. retail operation in Scotland is not without significance but this also has received no mention; neither has the so-called lack of retail orientation in the C.W.S. been discussed; nor the method of voting at Congress to determine the issue; nor employee relations in the national federation - and a host of subjects, none of which can be ignored by the Special Committee.

The period between now and the Margate Congress should be seen as one which will go down in Co-operative history as one of the most constructive in both democratic discussion and activity on these related problems; and the Margate Congress should be regarded as the Congress which finally resolved the issue of national federation. To quote the words of Hugh Gaitskell when he was addressing Congress on the Independent Commission Report: "Don't defer and defer and defer."