

Central Co-operative Organisation: Next Steps?

THE ROLE OF CENTRAL SERVICES

by

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One well marked characteristic of business organisations in the post war world is that, for better or worse, the size of the units of organisation has tended to increase. The retail Co-operative Movement has been no exception to this trend. The number of retail societies has fallen, and their average size has grown. Moreover, the trend appears likely to continue.

The Specialist in Management

It is a commonplace of management literature that, as the size of the administrative unit increases, the problems of management grow with it. There are problems which arise whilst growth is taking place whether by natural expansion or through mergers. At the end of a period of growth, as the business enters a phase of greater stability, the problems continue but change their character. Its operation settles down to a routine. The administrative structure finds its proper groove. This is, perhaps, a time of considerable danger. The management may allow the groove to become a rut. Changes continue to take place in the market and in the activities of competitors and, if these do not evoke an adequate response, the business slips into difficulties.

We are often told, however, that one of the advantages of the large business lies in the fact that it can afford to employ specialists to help operational managers to deal with such problems. This is perfectly true but it is well that we should remember that the size of the business itself helps to create a need for many of these specialists. In other words, they are needed to counter the problems created by size. Moreover, by their very presence, the specialists create further problems within the management structure. Some of these will be considered below.

In the case of some forms of management specialism a business may be presented with a choice. It can employ its own specialist as a full time member of its staff provided that there is a sufficient volume of work to warrant it. Alternatively, where this condition is not satisfied, the business may hire the services of an outside specialist for a fee as and when they are required. Sometimes this may be done even though the volume of work would justify a staff appointment. This may be the case where a continuing influx of new ideas is important. The availability of these alternatives varies considerably with the type of specialism required, through the range of specialist services available for hire has increased considerably in recent years, not always with happy results.

The position is complicated by the fact that the market for specialist management services is extremely imperfect. The quality of the product which is being hired is often difficult to ascertain before the contract of employment has been made. Management consultancy provides a notorious example. Some protection, often unfortunately extremely limited, may be provided by membership of the appropriate professional association where this exists. This is usually claimed to offer an assurance that the persons concerned will discharge their duties responsibly and effectively. Yet, even where full membership requires

academic training coupled with practical experience, a satisfactory selection may be something of a lottery. This even applies to well established specialisms such as the law of auditing. It becomes far more hazardous with such newer forms as public relations.

This difficulty, of course, arises whether the specialist is hired as a permanent member of the staff of the business or is employed for a particular assignment on a fee paying basis. Possibly, however, the consequences of a mistake may be corrected more quickly in the latter case than in the former. There is a further point which may be important. A specialist coming into a business from outside to advise on a particular problem must usually spend some time in getting the feel of the situation. If he cuts corners in this matter, the quality of his advice may suffer disastrously. The resident specialist need not suffer from this handicap.

Where a society is sufficiently large to give employment to a specialist (or specialist department), it will normally prefer to do this. This will ensure prompt and continuing attention to the area of activity concerned as, for example, in the case of the personnel function. Even in this case, however, from time to time problems are likely to arise which are outwith the experience of the staff specialist. It is clearly an advantage to have a source of outside experience available to be called in for consultation.

Central Services Unit

The creation of a central management services unit within the framework of the Co-operative Movement provides what appears to be an ideal solution. It can provide services which might well be uneconomic for many societies to organise for themselves. It would bring the benefits of an independent and uncommitted judgment from outside the

society. Yet it is internal to the Co-operative Movement as a whole and can use the experience gained in one area of the movement for the benefit of others. This is quite important in view of the criticism which has been made that good ideas developed in one society are often diffused with painful slowness to the managements of other societies. It has to be recognised, of course, that the spread of ideas depends on the receptivity of the managers to whom they are directed, but if the means of communication is lacking they have no chance of acceptance. In private business the spread of new ideas may be inhibited by the desire to deprive competitors of the advantages enjoyed by the firm originally developing them. Since Co-operative Societies do not compete between themselves, this question does not arise.

When specialist services are available, two contrasting difficulties may arise. At one extreme, for a variety of reasons, managers are reluctant to use them. At the other, a few managers may develop an over-dependence on them. Instead of facing up to difficulties, at the first sign of trouble they call in the specialist and, in effect, abdicate the management of the department in his favour. If, however, the management services unit makes an economic charge to the society for its services, this should act as a curb on such an abuse. It has a further healthy influence on the unit itself. If societies have to pay for its services, they will expect to get value for money. This acts as a valuable "quality control" check.

Refusal to use specialist services usually springs from prejudice or from the manager's lack of confidence in himself. Prejudice usually takes the form of the assertion that the advice tendered is "too theoretical" and takes no account of the practical considerations which confront the manager. Unfortunately, in some cases this accusation has substance. Many specialists have

never operated outside their own departments. They are then liable to seek to apply "ideal" solutions which take too little account of the obduracy of human nature. In order to avoid this situation, the senior people in the management services unit should themselves have had operational experience at higher management level. They are then less likely to be labelled "impractical theorists" by those whom they are called on to advise.

In the case of the manager lacking self confidence, it is necessary to inquire why this should be so. He may, of course be a product of the Peter Principle, having risen to the level of his incompetence. In this case the remedy is painful but very necessary. Again, he may have been promoted with inadequate preparation - a matter which can be remedied with an appropriate programme of management development. The fault may not lie with him at all but with the expert who is trying to advise him. Specialists develop their own jargon which is very useful and necessary when communicating with other specialists. When dealing with the uninitiated, however, they are apt to forget that expressions which are commonplace to them are so much gibberish to the listener. An experienced manager will insist that the specialist shall make the matter plain, but one less sure of himself may shrink from exposing his ignorance.

Location of the Unit

Given the need for a management services unit, what form should it take? For some years past there has been a considerable discussion about the establishment of a Co-operative Development Agency comparable with the former Industrial Reorganisation Corporation which operated in the private sector. In September the Prime Minister said that legislation to create such an Agency would be introduced as soon as Parliamentary time became available. In the September 1977 issue of this Bulletin Bert Oram

contributed an interesting article on the subject of such an Agency. In dealing with its functions, he suggested that one of these should be the provision of consultancy services "to existing and prospective Co-operators".

The present writer would not favour the location of the management services unit within the Agency. In the first place, Oram gives to the Co-operative Development Agency a very wide field of activity including worker co-operatives in industry. This kind of remit seems to be highly desirable but raises formidable problems which are likely to stretch the resources of the Agency to the full. But Co-operative distribution already exists and, despite its setbacks in the post war period, remains an important and expanding element in the economy. It seems that at this stage, therefore, the management services unit should be quite separate from the Agency. This is reinforced by the cynical reflection that "availability of Parliamentary time" can be a euphemism for a very long period of waiting. The Co-operative press has not failed to remark on the omission of any reference to it in the Queen's Speech. The need for the unit is urgent.

There might, however, be a case for building on the common central services section described by Mr. R. Byrom of the CWS in the same issue of the Bulletin. This facility would, however, appear to be providing "packages" of guidance for what might be described as a do-it-yourself effort. This is admirable when the management concerned knows clearly what its problem is. Very often when things have gone wrong, managers identify the wrong problem and try to solve it. None the less, the CWS facility would provide a nucleus for a more ambitious consultancy effort.

Powers of the Unit

One of the problems created by the emergence of specialist departments with no direct operational responsibilities is the nature of the powers which they can exercise in relation to those whom they assist. Are their powers restricted to advice and exhortation or can they issue orders when their advice appears likely to be disregarded? The orthodox answer is that they are there to give advice and, if this is disregarded persistently, they must bring pressure to bear "through channels" where this is possible. The operational manager is responsible for what happens in his department and must therefore be free to exercise his own judgment.

When the specialist function is internal to the business this approach to the relationship is more easily stated than implemented in practice. When the service is performed by some agency outside the organisation, as it would be in the scheme here proposed, the position is more straightforward. The Gaitskell Report, in dealing with the provision of specialist services appeared to visualise a different kind of operation from that described here. They wanted a unit with powers to come into a society and make recommendations. They recognised that this was a recipe for conflict but seemed to feel that the end justified the means.

This approach is felt to be a serious mistake. The unit should come in at the instigation of the management of the society. It would have to sell its services on the basis of results. If it proved itself to be competent then managements would have little hesitation in turning to it in case of need.

Types of Service needed

This brings us to the types of service required. Clearly it is desirable to cover all the major areas of business activity but limitation of resources, particularly those of skilled staff, may require that the build-up should be gradual. The following list does not claim to be definitive, neither are the headings given necessarily in the order of importance.

1. Accountancy

A considerable variety of matters might be brought under this heading. The one which ~~is~~ of outstanding importance at the present time, and one which is likely to remain so into the foreseeable future, is that of finding suitable techniques for reducing the distortions produced by inflation. The accountancy profession has debated the matter from Sandilands, through Morpeth to the present Hyde guidelines, generating considerable heat in the process. Finality will not be reached easily, if ever. The fact that Co-operative societies may fall outside any requirements which may be imposed on the company sector is irrelevant. Co-operative managers have to ensure, in common with their opposite numbers in private industry, that their decisions are not impaired by the use of data based on misleading historical cost conventions. Quite apart from this, however, there are continuing developments in accounting techniques and standards of practice, the application of which to Co-operative societies should be kept under review.

2. Marketing

Since the lifeblood of the distributive Co-operative movement is the marketing of goods and services to the consumer, it is essential that it should be at least as efficient as its rivals in this sphere. The Gaitskell

Report in 1958 commented ruefully on the fact that although the Co-operative societies pioneered self-service in the post war years, they allowed their competitors to exploit it far more quickly and fully than they did. The marketing service would provide guidance on selling techniques and research into new developments. It would concern itself with such matters as sales promotion techniques, shop layout, stock assortment and stock control, and advertising and publicity. Again, it should undertake the vitally important task of market research.

3. Personnel

This is a function which obviously must be represented in some way at society level and, with the growth in size of societies, an increasing number are in a position to appoint a full-time Personnel Manager with his own department. But work in this field has become increasingly demanding. The expectations of staff have grown with the rise in the standard of living. A spate of legislation has created a wide range of new rights for employees and responsibilities for the employer. These are constantly being interpreted by a variety of judicial and quasi-judicial bodies. The movement for worker participation in management is likely to create added complications. Thus the Personnel Manager at society level is likely to be in need of support and advice from a specialist service centre which can keep up to date with such developments.

4. Organisation and Methods

This would be concerned with the application of a variety of management techniques, new and old. It would cover work study, operation research, office organisation and planning, budgetary control, computer applications, corporate planning, etc. Management techniques tend to proliferate and, as new ones appear, they require to be

assessed with a critical eye. Sometimes they prove to be nothing more than old ideas dressed up with new names. In other cases, they are little more than gimmicks with a pseudo-scientific gloss. Even those which have substance are prone to pass through a period of high fashion during which they are put forward as the solution for all ills. Thus, one important task of this section would be to sift the wheat from the chaff, and to demonstrate the uses and limitations of such nostrums.

5. Finance

This section would be concerned less with the financial problems arising from current operations and more with those associated with major capital developments. These should form part of the long range corporate development plan of the society. The specialist staff should be able to scrutinise the plan and make detailed recommendations about it to the management of the society. They also should be in a position to give advice on the most appropriate types and sources of finance for the project though the unit would not itself be a source of capital. If the Co-operative Development Agency is created with financial resources of its own, then in some cases resort may be had to it. In such circumstances, aid could be given with the presentation of the society's case to the Agency. This would, incidentally, reduce the burden of work on the Agency itself.

Many of these services already exist within the movement in one place or another. In most cases, however, they need to be strengthened. Moreover, there is a strong argument for bringing them together within a single unit so that managers are left in no doubt as to where they can look for assistance. Further, since there is considerable interdependence between many of these services, the fact that they are all in one place will stimulate co-operation between them.