

Central Co-operative Organisation: Next Steps?

PRIORITY TO RETAIL DEVELOPMENT

by

GEORGE GAY

(Vice-chairman of the Co-operative Union, Member
of the C.W.S. Board and President
St. Cuthbert's Association)

Following the result of the referendum on the issue of whether the Movement was, in principle, in favour of a Single National Federation, it is inevitable that the question be asked - "Where do we go from here?" As we all know, the result showed that the movement is split more or less down the middle on the matter. Whatever views one may hold, I think it must be accepted that given this division of opinion we have to pause and take stock.

I cannot help feeling that in the cut and thrust and excitement of the debate on the S.N.F. issue, there has been a tendency to lose sight of what the debate was primarily about - what central services our movement needs in contemporary conditions, and how they should be provided.

Much has been written about the experiences of other countries in this connection, but at the end of the day, I am afraid that any objective assessment would bear out that appeals to other experience are of little value in arriving at any valid conclusions. If the highly centralised set up in some Continental countries has been a factor in their success, how can one reconcile this with the virtual collapse of the Dutch Movement with its equally

centralised set up; or the dual, but successful Finnish set up?

It seems to me that the sensible conclusion to be drawn from these experiences is that put forward by Mr. Roger Kerinec, when speaking at our 1977 Congress he said, "there is not a universal solution which could apply to all movements, in all countries, and for ever". He went on to say that account must be taken of the history, background, economic, social and even political environment of the Co-operative Movement in a particular country. Mr. Max Wood, dealing with the same matter, added another factor, which he considered of vital importance, namely the legal environment in a country. As he put it, - "no two countries are alike in these respects".

I have always tended to take the view that constitutional change, while it undoubtedly excites many people - witness the many changes in our federal organisations over the last 20 years or so - can in terms of results, be somewhat over-rated. I have taken the view that unless, and until, regionalisation develops much further than is the case at present, further constitutional change of itself can achieve little or nothing. The Movement's future will be decided by our retail performance. This in turn, will, in my opinion, be mainly influenced by such things as the calibre of retail management, and the amount of capital we are prepared to invest in retail development.

Restructuring of Existing Federations?

Now that the referendum has shown how equivocal the attitude of the movement is, overall, to the proposed new set up, most Co-operators will ask whether some restructuring of activities could possibly be achieved within the existing federal bodies. For example, would the Co-operative Union's effectiveness be increased if more

resources were provided by retail societies and the C.W.S.. The Union of course, like the C.W.S., suffers from the ambivalence of retail societies towards it. On the one hand it is argued that it should give a more positive lead, but very often when it does, as with proposals for regionalisation, many societies want to fall back on local autonomy. On a fairly wide range of issues the C.W.S., as do other federal trading organisations, faces much the same reaction and problems.

It is my view, that consciously or unconsciously, the main reason influencing the societies which were not prepared to support a Single Federation, was fear of C.W.S. dominance. I came across this view on many occasions, and no amount of claiming retail orientation as a feature, by the adherents of a S.N.F., could convince those who took this viewpoint. The same attitude was fairly common in Scotland in the days of the S.C.W.S. and so I was surprised neither at how widely it was held nor how often it was expressed. Very much a part of this concern, rightly or wrongly, is the fear that the trading side of our Movement would completely dominate thinking, to the almost complete exclusion of our social aims.

The historical reason for having two federations was, of course, that they served different needs of retail societies. In many ways this is still the case, and even in those Movements with a single national federation it is usual for one or more operating divisions to perform the functions presently undertaken by the Co-operative Union. Some functions, such as labour questions - wages and salaries, working conditions, etc. - have even been covered in some countries which have one federation, by setting up separate legal autonomous bodies. Perhaps the situation is not quite so black or white as is sometimes presented.

It is now settled that the Special Committee considering the S.N.F., intend to bring forward a final report indicating that, following the referendum result, they believe no useful purpose continues to be served by their remaining in being. Beyond that I do not know what their report will say. In these circumstances, it might be considered presumptuous for anyone to be making suggestions as to what now might be done. After all, next year's Congress might adopt a motion, or motions, dealing with the general matter. However, on the assumption that Congress accepts the final report, it is, I think, reasonable to look at the present position, and consider what might be done to strengthen and improve our present central services.

A first step should obviously be a clarification of the present functions and objectives of our two national organisations. This might help towards clarifying some of the areas concerned: for example, what serious overlaps, if any, do exist, and whether the problems created can be eased or overcome. Is there a case for re-distributing any of the tasks presently undertaken by one or other of our national bodies? Should the C.W.S. be more positive in its attitude to the Central Executive, instructing its members there more often on important issues? However, when one considers the position of Cabinet Ministers on the N.E.C. of the Labour Party, the difficulties can be appreciated, as like Board Members they have their own "constituents" to consider also. Again, is there any merit in examining possibilities for joint departments?

I accept that none of these suggestions are new. Quite a number have from time to time been aired, but they could be looked at, and there are, of course, other areas where possibilities exist for strengthening procedures. As I have said before, no one is going to

suggest that our present national organisations and all the functions they presently undertake are so good that they could not possibly be improved.

Services from the Union?

Perhaps in a situation where all societies are in law, separate autonomous legal entities, we have always expected too much from our national organisations, especially when societies in some instances will only take advice or accept recommendations where it suits them. Let us look at the Co-operative Union, and the main departments it operates, and consider how effective or otherwise are the services it provides.

The Secretarial and Legal department advises individual societies on legal and constitutional matters. Over the years a great deal of its work has concerned the drafting and revision of individual societies' rules. The implementation of the Regional Plan, and everything connected with it, is undertaken by the Secretarial department. The Superannuation section also comes under this department, and as everyone knows has been extremely busy recently. Given some of the difficulties that have arisen concerning superannuation, it is perhaps worth mentioning that some of us believe, that in a Single National Federation situation, those difficulties could have been compounded.

The Labour department is perhaps the one that, because of its particular function, is most often in touch with societies. With the increase in legislation in recent years, it is not surprising that the department has had to undertake more and more work on behalf of individual societies. As one who is reasonably close to it, I feel that we expect too much from this department given its limited personnel, and greater resources will be needed if, as seems certain, society demands continue to grow.

The Economic and Research department as its name implies, collects, processes and publishes data for the guidance of societies. Its work has also increased very substantially in recent years, with the monitoring of information on a shorter time scale than Balance Sheet periods. This enables adverse trends to be spotlighted earlier, and so results in earlier representation to societies. As most of us know, this in itself does not necessarily lead to the action by a society along the lines recommended, but in liasion with interested parties, especially the C.W.S., can result in the desired steps being taken.

The Taxation department has had considerable success over the years in advising societies of their tax liabilities, and enabling them to take full advantage of the various taxation allowances.

The Information department, as its name indicates, publishes material of various kinds, and also acts as spokesman of the Movement to the Press and other media, when the need arises. The department in addition, operates a national co-operative historical library and a reception centre for overseas visitors.

The work of the Education Department and College is familiar to all active co-operators. Through them provision is made for courses, examinations and awards for professional, co-operative and social studies. In addition, provision is made for youth work, and help and advice on local educational development for staff and members. The College provides both long and short term courses covering the needs of co-operative professional service, (in the developing countries as well as at home) and also serving co-operative democracy and adult education. At the moment, the Collge has around 100 or so places for residential students.

The Finance department looks after the Union's revenue, and provides a service to all the other departments concerning income and expenditure. It also gives advice to societies on financial questions where this may be requested.

Although in many respects semi-autonomous the Co-op Party is strictly speaking a department of the Co-operative Union, and therefore is ultimately responsible to the Central Executive and to the Co-operative Union Congress. The Parliamentary Office does sterling work for the movement in representing it to government and government departments, and also works closely with the Co-operative Party, and its members in Parliament.

These then briefly are the departments and the functions which broadly are undertaken by the Co-operative Union on behalf of societies. Put down in this way, it is brought home, to me at least, that apart from training and research, where some overlapping of function with C.W.S. departments may possibly exist, the amount of overlapping or duplication is relatively small, and whatever our central service set up the basic services would be needed.

I should of course make reference to the Union's Sectional structure which in Britain has always been a particular feature of the Union's set up. While I believe that a very considerable part of the Union's strength comes from its Sectional structure, I would never suggest that the present Sections are immutable, and changes in the size, and numbers of societies might in some instances lead to changes in the Sectional pattern.

So far as the democratic control of the Union is concerned through its various Committees, with a part elected, part appointed membership, once again I take the view, that this should be looked at from time to time, and improvements made, if this is felt necessary.

Some Co-operators might well feel that we have too many, or too large committees, but given the need in a democratic organisation for reasonable or adequate representation of various Co-operative interests balances must be struck.

Services from the C.W.S.?

The C.W.S. is one of the largest businesses in the U.K. with sales in its own right of around £1,200 million as at January 1977. It is of course the central organisation set up by retail societies to meet their trading needs. It has now become a many-sided body, as trader, importer, manufacturer and provider of many services, either through subsidiaries or on its own, from banking to funeral undertaking. It is now producing well over £300 millions of own brand goods through its own factories.

As I said earlier the C.W.S. like the Co-operative Union, suffers from the ambivalence of retail societies towards it. Nowhere is this better, or perhaps worse, illustrated than in the general concept of central buying and particularly that aspect of buying associated with 'invoicing through'. The Independent Commission in Chapter 12 of their report dealt extensively with the whole question of buying from the Wholesales and with 'invoicing through'. Reading through the Independent Commission Report on its chapters dealing with Wholesale - retail relationships one cannot help but be reminded how in many ways so little appears to have changed.

The Commission suggested that an open discount system be adopted, and that prices generally should reflect both volume and the service required in connection with an order. They also suggested that such secrecy as exists concerning 'invoicing through' terms should be swept away as in their opinion it acted as a source of irritation and caused bad relations. Now there definitely are two sides

to this question. The Wholesale says it would be prepared to disclose terms, provided societies, especially the larger ones, would be prepared to commit themselves to buying from the Wholesale, and not use the information disclosed to try to get better terms by either dealing direct, or through another source. So there is a chicken and an egg situation here, and I am afraid no easy answer. Let me also point out that this problem is not confined to the U.K., but exists in every consumer Co-operative movement, particularly where very large retail societies function.

One of the strands in the case for a Single National Federation was, in my opinion, concerned very much with this matter. Some of the advocates for an S.N.F. argued that it would give societies greater control of the central organisation. What I felt they meant was complete disclosure of trading terms - perhaps preferential treatment of one kind or another - with the largest societies having by far the greater say. Perhaps there is something to be said for this view-point, but whether all societies would agree is another matter. I believe, that short of a National Society, which perhaps unfortunately is not a practical possibility at the moment, the relationship between the C.W.S. and its largest retail societies will always present considerable problems and difficulties.

Here we are presented with the further problem that as regionalisation takes place and societies grow larger, it can create more tensions between wholesale and retail, unless some of the matters I have discussed are resolved. I have always contended that, in itself, the merger of the Union and the C.W.S. would resolve or basically change very little, and unless we can tackle this fundamental matter of complete retail autonomy tinkering about with national constitutions, in my opinion, makes little difference. In fairness to some of those who advocated a S.N.F. I believe they saw it as the first step towards a National Society,

and therefore, intellectually at least, justified on those grounds. The real issue, if serious thought is to be given to a National Society, arises as to how it should be controlled, and although scarcely spoken about, unless in private, whether its base should be C.W.S. or C.R.S..

Now that part-time service is accepted as the basic set up for the C.W.S. Board, the executive officers of that organisation exercise tremendous power, authority and responsibility and rightly or wrongly, many retail officials would not be happy to see an extension of that authority to the retail field. At the present time the remaining full-time C.W.S. directors fulfil a very useful role by representing the C.W.S. Board on a considerable number of bodies: for example, on the boards of C.R.S. and C.I.S., on Co-operative Union Committees and so on. True there are also part-time members on these bodies, but chairmanship and other time-consuming positions tend to be filled at present by full-time members. Since in a relatively short space of time the C.W.S. Board will be completely part-time, I can see problems arising here, unless individuals can spend a great deal of time away from their normal full-time employment.

Ideally, the C.W.S. Board, in my opinion, should be considerably smaller, and spend more time on policy matters, but given the need for reasonable representation of the various sections and interests, it is difficult to devise a set up that might work better. Here again we run up against the democracy and efficiency argument. Given the sheer size and diversity of the C.W.S. and the constraints under which it has to operate, it does in my opinion, a very good job for the Movement, and in certain circumstances, as I well know, is the Movement's sheet anchor.

Because of its size the present C.W.S. Board is more in the nature of a Supervisory Council than a Board and indeed there can be no boards of a similar size anywhere in the U.K., either in the public or private sectors. Here we might perhaps consider the pattern adopted by a number of continental federations, of a two-tier structure of Supervisory Council, and a smaller Board. However, as I have said earlier once a structure is set up and operating, it is never easy to change. It is perhaps of interest that the Independent Commission suggested that consideration be given to a two-tier structure, and that while the policy making Board or Supervisory Council be part-time, a full-time President be appointed.

It would, I suppose, be very difficult now to resurrect some of the recommendations of the Commission, but it is to my mind amazing how relevant some of them still seem. It is also of interest, that the French Consumer Movement, for example, appear to have adopted so many of the Commission's general recommendations, although I am sure they arrived at their decisions on re-organisation through their own experience. To my mind, apart from clearly structural changes, the two main recommendations of the Commission were to set up a Co-operative Development Agency, and to bring into being chains of specialist shops to improve our dry goods trade.

As one of those who signed a minority report which pushed for a Development Agency, and which, of course, was not accepted by Congress, I feel a chance was missed, and we all know that apart from Shoefayre the 'specialist chain' idea was never seriously followed up. Shoefayre has, I think, shown what could have been done, had the Movement endorsed the idea in a really big way. Much has of course happened since the Commission's Report, and as one of their main recommendations was that every decade at least, an investigation be undertaken into our

structures and trading patterns, we might dust their report down, and perhaps try to bring it up to date.

I still believe that our major problems are concerned with retailing, and that juggling with national constitutions will not provide the solution. Given the scale of the competition we now have to meet, from certain of the large hypermarket operators, we either meet them on something like their own terms in selected areas, or increasingly our share of the nation's trade will decline. The Regional Plan is the best answer we have and if we could get down to the 25 or so, societies, for the U.K., our prospects would be transformed. There are, it is true, a number of areas where the proposed base society, is perhaps no longer strong enough to carry the load, as it were, but here either C.R.S. or in Scotland the C.W.S. Retail Group might have to shoulder the situation. There most certainly is no other ready-made answer in sight, and time is not on our side. I can understand the disappointment of those who argued that a S.N.F. was the answer to many of our problems, and I believe they deceived themselves as to the general support for the idea. Given the divisions at all levels of our Movement right from the start, I think the proposition never had a great chance of carrying. I know that as with similar situations all sorts of reasons will be given for the non-acceptance by such a large section of the Movement, and the referendum etc., will be blamed.

I feel that the motion put forward by the Central Executive could not have been more positive, or more fair, or clear. Let me quote, "This Congress accepts the broad concept of a Single National Federation, as set out in the Second Interim Report of the Special Committee and asks that final detailed proposals be submitted to Congress 1978". I think any are kidding themselves who believe that any basically different result was likely whatever

the procedures adopted - so many societies were either sceptical or hostile to the general principle. My feeling therefore is, that, for the moment we should strengthen our present central organisations and their functions where this clearly is sensible and necessary, but above all should direct our efforts towards implementing the national plan for co-operative retailing.