



Another perspective for the 1970s

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Another Perspective for the 1970s

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Mr John Hughes, Vice-Principal of Ruskin College, addressed the Annual Conference of the Society for Co-operative Studies and his paper was also published in *Management and Marketing*. It forms another notable contribution to the succession of studies of the worsened position of the movement, relating to its former share of the market, and expresses endorsement of the general objectives of the 1965 Joint Reorganisation Committee (JRC) *Report* and the 1968 *Regional Plan*. It presses, however, for urgent attention to a new proposal to use alliances in varying forms between the Co-operative Wholesale Society (CWS) and the regional societies, and the planned development of “co-operative multiples” to engage in specialist chains for several departments of our normal range of trades. Mr Hughes specifies that “what would emerge from such an approach is not a monolithic national society but a new departure in federal activity which could at last overcome the old barriers of local co-operative exclusiveness”. He also urges the need for establishing these co-operative multiples on the grounds that “otherwise we would be asking too much in terms of the capacity of big regional societies to handle the diversified tasks of general management over a vast array of departments, units and commodities”.

Other important ideas relate to the operation of co-operative democracy in big regional societies, the development of consumer involvement and machinery for consumer advice and protection, and for industrial relations involving shop steward systems and supervisory boards of consumer and worker representatives.

It is an important article and should be read in full. Nevertheless there are questions to be asked and his view of the way forward has to be subject to challenge.

An Alternative View

The following comments are not intended as an appraisal of Mr Hughes' paper but are an expression of protest against the repetition of the proposition that all that ails the movement can be put right by constitutional changes and the creation of giant sized societies.

It is not fashionable today to be out of sympathy with radical, sweeping, all-embracing reorganisation of the retail movement and a disturbingly unanimous chorus of high powered advice has deluged the movement from eminent people collectively as commissions and committees, and individually from university life, business consultants, journalists and others within the movement. The burden of the message is “Size is Salvation”, “Discipline or Doom”, “The National Society is inevitable”. Constant repetition from press and platform produces a hypnotised acceptance of this as truth. The implication is that all problems can be met by constitutional changes. It has proved a wonderful alibi and distracted attention from the prior task of making societies “better” as well as, and even before, making them “bigger”. But is it true? Is it a good guide for policy?

Certainly it is true of village size societies, but there is no evidence as yet that there is any real advantage in size which goes beyond the natural dry goods market area approved as the basis of earlier merger plans. To move from the 50/60 society plan, to 10 societies, or to 1 society, is to move into realms of disadvantages which may well outweigh the advantages.

John Hughes himself makes a point of the problem of management capacity for large regional societies — and having first created the problem, then advises hiving off activities into multiple chains to avoid over demanding on management. The management chart of a large regional society is certainly a thing to wonder at.

Does Size Win?

According to financial journalists, commercial history demonstrates that size derived from mergers seldom delivers the benefits promised — 9 times out of 10 it fails. The records show that giant sized businesses are not the leaders of their industry in making good returns on capital employed, or in finding and promoting new commodities or services.

In our main business of food, most practising officials know from experience that the really formidable competition comes from businesses in the £10/£30 million class, not from the giants who carry national names. That is significant. Apparently success does not depend on being nation-wide. As usual it comes from hard work and application and being on top where you trade.

There is also evidence within the movement that national control (as in the Bakery Division) does not achieve the level of retail support that local production did — when it is too big there is something missing. Would a National or Supra Regional Society be different?

There is similar evidence that national organisation of warehousing is less successful economically than federal warehousing and again the factors of local support and working relations are significantly better in the smaller scale organisation.

If Not Size — What Else?

There is balance sheet proof that many societies who are in as full control of their business future as any commercial enterprise ever is, in the sense that they have strong financial and trading positions, are quite small in size, even as low as million sales per annum. 1971/1972 balance sheets are showing that many societies of medium size have reached a stage of self improvement which is renewing morale and optimism. It has involved deep internal changes over recent years.

- The millstone of high cash dividends has been cast off.
- The running sore of thousands of “loss centre branches” has been dealt with by closures.
- The adoption of dividend stamps has stimulated trade and marketing and enabled retention of profit to be substantially increased.
- Property has been recognised and treated as an asset for both cash resources and for revenue.
- Management of investments has become accepted as part of proper management.

Note that none of these measures were dependent upon any factor other than the will to do them.

The strange thing is that some of the studies and surveys which ‘proved’ the need for merger of every society concerned, illustrated the weaknesses but put the blame on lack of size, not lack of good policy. Self-help was not prescribed. It is also to be noted that ‘blackboard answers’ to other people’s problems can be a fascinating mental exercise and that those closest to the problem of retail recovery have not been enthusiastic about the drastic even revolutionary solutions, which have been advanced.

What Then is the Alternative to Hyper Sized Societies?

It can be argued sincerely that it is more probable that a movement of some social consequence and with economic influence would exist in public awareness as the outcome of 200-300

societies intensively marketing their own well-knit communities, than it is likely that the volume and prosperity of the whole co-operative retail trade can only be secured by a highly centralised movement operating through 10 to 20 giant societies each of them sprawling loosely over its area of the map.

It should be accepted that there is a quite wide band of size within which societies can operate efficiently especially if they make full use of both local and wider facilities, say for warehousing and marketing schemes. They are not isolated from such advantages.

Finally, it is more important to improve the internal efficiency of societies of adequate size than to pronounce judgement that they are too small for independence, have no future, and should merge. In other words, the doctrine of "Get Big" in many cases is not needed and should be replaced by "Be Better".

Mr Hughes, in accord with other experts, it is true, evidently believes in largeness as the main answer to co-operative retailing problems. Would he agree that the large scale American universities are greatly superior to the smaller sized British universities? As an involved party on the retail side I feel bound to deny the wisdom or the need to pin all our hopes and efforts on the verdict that a turnover of £100 million will ensure success, and that a turnover of £10 million will be associated with failure and no future.

No one would deny the disadvantages and danger of overweight for any individual. I believe oversize in any organisation is just as certainly a danger and one to be acknowledged and allowed for when making plans for the future of the movement. Let us remember that any good thing taken to excess becomes a bad thing.

The Author

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