LARGE IS BEAUTIFUL?

REPORT OF 1983 S.C.S. CONFERENCE

by

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The theme of the Society's 1983 annual Conference, 23-24 September, was the importance of size in Co-operative enterprise. On the one hand the retail movement has stressed the importance of increasing its scale of operation to obviate the decline in its share of the national retail trade. On the other hand, the "new wave" Co-operatives (particularly industrial, service and housing), the main Co-operative growth area in the past ten years, have often made a merit of their small scale of operation. It was anticipated that the conference would consider both these approaches and assess their relevance and significance to the problems faced by Co-operatives in the 1980s.

First Session: Retail Co-operatives

The conference's first session looked at the experience of management in Co-operative retailing by means of a symposium of speakers, viz. John Dawson, Professor of Distributive Studies at the University of Stirling, George Money, Chief Executive Offiver of the West Yorkshire Co-operative Society and David Skinner, Controller of the Retail Division of the Co-operative Wholesale Society.

Management Strategy

In his address, John Dawson looked at the way in which retail management considered the various strategic issues they faced. He suggested that there were eight general themes they needed to consider:

(i) Sales techniques (innovation and change, variation);

(ii) Store operations (maintenance, labour, training, stock control);

(iii) Location (city centre, suburb or green-field etc);

(iv) Social factors (social change, consumerism, etc);

(v) Channel relationships (suppliers, wholesalers, consumers);

(vi) External constraints (eg. government policies, planning);

(vii) Information (market research);

(viii) Organisation of the firm (organisational philosophy, decision making pattern).

In contrast with the above, the product, although of some importance, was not of the same significance. Big could be beautiful but it was complex. If big retailing organisations got their assessment of the above factors right then they could do well but there was no guarantee that their assessment would be correct. There were strongly contrasting examples of large retailers doing well and doing badly.

Diversity and size

David Skinner looked at the problems of diversity and size arguing that the problems of retail Co-ops were those of diversity rather than size. Some nine British retailers had annual turnover of £2 billion or more and staffs in the 30-40,000 range. Retail Co-ops had an aggregate trade of £4 billion but a) a lot of trade was done outside shops (e.g. milk) and b) it was done by 140 separate societies. Even the largest twenty societies were not really large compared with the nine largest private retailers. Ten had an annual trade of less than £100 million, comparable with the largest Marks & Spencer stores. CRS, the largest Co-operative retail operation had less than £1 billion.

So, David Skinner argued, Co-ops were not really in large scale retailing, a fact even more marked in non-foods than in foods. To achieve a large scale it would be necessary to have one national society. This was both unobtainable and undesirable. What was needed were broader-based Co-operative organisations which had less to do with scale than with making the best use of resources.

The characteristic features of Co-ops were their unique diversity and complexity. Demands on the typical Co-op management (regardless of its size of operation) were unparallelled in retailing elsewhere in terms of the range of services provided. Rather than concentrate on size as the main issue, there was a need to take the opportunity to simplify organisation (splitting off many specialist areas), shop structure and merchandise procurement (including better relationships with the CWS).

Management succession and training

George Money's theme was management succession and training. He opened by stating his agreement with Drucker's view that the only difference between one business and another was the quality of its management. Management, he argued, was a business's most expensive asset, one that depreciated quickly and the one that was most easily lost. Retail Co-operatives were distinguished from other retailers by democracy and diversification, the latter being potentially a strength but in fact a weakness. But despite the Co-operative distinctiveness, retail Co-ops were still in the business of selling goods to people. Their managers' should be marketing orientated and, providing they did it well, should be allowed to manage without interference.

The Example of West Yorkshire

In the West Yorkshire Society they had two major personnel policies:

(i) each manager was charged with succession and with training in his own department; and

(ii) recruitment for management positions was, as far as possible, done from within.

Faced with an ageing management team in the food department, the Society had some time ago adopted a five year plan to ensure the management succession. Younger trainees from outside had been recruited to supplement the internal trainees. Management succession was now assured and future managers could be identified with ease. The non-foods departments were less well endowed and outsiders were still having to be recruited.

Appraisal and Training

This process was now backed up by a biennial appraisal of all managers and by a coherent training programme. The appraisal system had initially been resisted by staff but was now welcomed, related as it was to extensive in-house training as well as day-release training which involved 8-10% of all staff.

Management planning, summarised George Money, was crucial to the success of any business. Planning 5/10/15 years ahead was important not only for investment in capital but in manpower as well.

Second Session: 'New Wave" Co-operatives

But while retail Co-ops. wrestle with the problems of a declining share of trade, a "new wave" of Co-operatives has developed in Britain in the last ten years. These are quite separate from the retail movement and generally feel alienated from the way it has developed. Many stress the benefit of operating on a very small scale. The conference's second major session included an address by John Berry of the Greater London Enterprise Board who spoke about the experience of industrial and service Co-ops.

An Alternative Approach to Size

John Berry began by reporting that there were approximately 700 worker Co-ops. Their average age was just under five years, the average workforce was seven and average annual turnover £125,000 but varying between £3,000 and £1,500,000. In short, most were not only small but tiny.

Three Phases

In terms of development, they fell roughly into three phases:

(i) the older Co-operative Productive Federation Co-ops., mainly 1880-1920, which were in secular decline;

(ii) the Scott-Bader model and the 'Tony Benn Co-ops.', mainly 1950-1970, which had varying fortunes;

(iii) the "new-wave", mainly since 1970, falling into three major categories:

a) Wholefoods, radical publishing and printing etc;

b) Building Co-ops. (mainly concerned with short-life housing);

c) Local authority funded and job creation Co-ops. (although there is evidence that Co-ops. are more effective in improving job quality than quantity).
This third category, generally using ICOM model rules, was currently averaging one new registration a day.

The Process of Decision-Making

The influences on the ways decisions were made in workers' Co-ops. were manifold. The method of initiation, for example, had an effect. Where a Co-op. had been formed by like-minded people based on a particular product (wholefood, books) or skill (painting), then collective decision-making was common. Where a Co-op. had been formed by people primarily looking for work or business opportunity, other approaches (mainly delegated decision-making) were common.

The type of product or service also affected decision making. Shops, for example, worked well as collectives. Complicated technological industries did not. Size also had an obvious effect. The smallest tended towards a decision-making system that was too informal. With growth, there tended to be a progression through general meeting management to delegate meetings to formal management structures.

The location and timing of decision making gave workers' Co-ops. some difficulty. Some small Co-ops. make decisions collectively on the spot when the need arises, other larger ones have managers making day to day decisions. Some Co-ops go so far as to refuse to have "managers" but the function was nevertheless a necessary one.

The Difficulties of Operation

The multiplicity of roles in workers' Co-ops. - being simultaneously owners, managers and workers - made them a particularly difficult form of Co-operative to operate. Recent experience suggested that a lot of people get obsessed by rules and the mechanics of operation. Many of the "new wave" were plagued by outside advisers. Although many were motivated by idealism and/or the desire to provide the best product or service, this and the drive to be an extremely good employer depended on business success and a fair degree of profitability.

Nevertheless, despite the difficulties, development continued and the future should lie in further growth, both in the number of Co-operatives and in their average size.