Co-operative Independent Commission - Revisited

FACING BOTH WAYS AT ONCE

by

T.E. STEPHENSON

Rereading the Independent Commission Report one is struck both by the extent to which in parts it has become outdated and by the scope of its contemporary relevance.

It is dated in the sense that it did not see the way in which retailing was to change over the following twenty-five years; it is relevant because it raised implicitly or explicitly many of the issues and problems which still confront the Movement today. It is easy with hindsight to point to its failure to foresee long-term technical developments; it is to be applauded for its percipience on more fundamental issues.

The Report has to be put into context, for it is this context which throws light on the successes and failures of the Movement twenty-five years on. Both before its conception and after the Report was produced there were those who felt it was inadvisable for the Movement to analyse itself in public, and those who saw the Report as 'the worst thing that has happened in years'. These attitudes reflect both the strand of latent isolationism in the Movement and the overt assertion of its difference from the rest of the world.

Co-operative Attitudes

Both of these attitudes carried and continue to carry significant implications for the Movement. They have delayed full acceptance of the fact that the Movement operates in a market economy and that in many major aspects Co-operative management is not and cannot be different from the management of private enterprise. Indeed on the broader canvas the question can be and is asked, 'What is the difference between a Co-operative retail society and a private retailer?' and 'Why should a customer shop at the Co-operative?' and 'Why should customers become members?'.

Now it may be argued that the Co-operative society ought not to operate according to the pressures of market forces; that it is self-evident that a Co-operative is a social organisation democratically controlled. It is from these beliefs that decisions were taken on the payment of dividend to members, which resulted in the Movement failing to build the resources which would have allowed societies to invest in new developments at the same rate as their modern competitors. Also from these beliefs springs the notion that Co-operatives should be and must be immune from the ultimate failure of going out of business. There developed the 'safety net' outlook which believed and still believes that if a society is in difficulty it should and will be saved by the CWS, the CRS or the neighbouring society. The result has been that funds have been invested in saving ineffective societies, when the investment of those funds in more profitable activities would produce a measure of excellence which would allow the Movement to compete with its effective competitors.

Whether we like it or not excellence is a prerequisite of survival and success. Underlying these views there is a Co-operative unwillingness to recognise the basic economic problem of scarce resources; funds for investment do not and cannot fall like manna from heaven or the CWS, CIS or the Bank. Of course the existence of funds does not guarantee success, they must be invested and managed efficiently and effectively. There are sufficient instances both in and out of Co-operative enterprises of ineffective capital investment resulting from inadequate board and management decisions.

Inner Tension

Having lightly sketched in one or two features of the context in which the Report of the Independent Commission has to be placed, it is necessary to turn to the Report itself. It is impossible in the space of a short review to deal with all the issues raised by the Report so I will concentrate on one or two which appear to be of supreme importance, not only to the Movement, but in the wider community.

The Report underlines the tension generated by the fact that a Co-operative Society is a socio-economic organisation embodying two distinct ideologies: one substantially socio-political in its content and the other managerial and economic. The former ideology, touched upon in the earlier paragraphs of this review, is held mainly by the small minority of active Co-operators, and the latter generally by management; although both groups recognise, and in a limited way accept, the legitimacy of the other, indeed in some instances uncritically embracing it.

The Report discusses both the 'economic principles of Co-operation' and 'Co-operative management'. In the first instance it emphasises the distinctive obligation of a Co-operative society to its members, as consumers or producers, and not, as with a capitalist enterprise, to the owners of capital. 'Upon this fundamental principle, most of the essential features of Co-operation rest'. Members ultimately control their society on the basis of one member, one vote and it is this 'which is the first characteristic distinguishing a Co-operative trading organisation from an ordinary capitalist enterprise.'

Democracy and Management

The Report goes on to say that Co-operative democracy has inevitably changed over the last 100 years; in the first case, there has been a decline in the degree of member participation and second, the function of management has become infinitely more technical and complex.

Generally the decline in member participation has continued; the percentage of members attending business meetings and voting has continued to fall and the unwillingness of members to stand for election is highlighted in the uncontested elections, the repeated re-election of directors and the unfilled board and committee places.

At the same time as the practice of democracy has subsided, (though the ideology embracing the moral and social beliefs has retained much of its force), the position of management has shifted still further. 'Managerial' values contain a complex of notions including orientation towards the economic aspects of the business, a concern with efficiency and an acceptance of the view that in some sense management is 'professional' and involves certain skills which are not possessed by laymen. In this, management is supported by the Report; 'No layman today, however able and assiduous, can have a proper grasp of the more and more complex techniques ... the gifted amateur is everywhere more and more at a discount. The layman gives way to the specialist, and management in retailing as elsewhere, becomes an expert and scientific profession.' This view of management, widely propagated in the community, and supported by management education, by governments and managers themselves has been generally and perhaps too readily accepted.

Now it is not to be argued that the decline in member participation is the direct result of the rise of 'professional management; the decline is due to a whole series of political, social, structural and economic variables.

Boards and the Making of Policy?

The Report makes its contribution to the changing relationship of democracy and management, first, by its advocacy of boards of directors which concentrate on the making of policy. This assumes that management will provide the necessary policies for discussion - an assumption of limited application, for while management has become more technically aware it has not necessarily become more capable and willing to think in terms of strategy, policy and planning.

There is also the fact that policy decisions are only as good as the information and assumptions upon which they are based. If these are faulty, the policies will be faulty. The information and assumptions come from management and it is their quality that is crucially important. In raising these points about the policy making board, I am not suggesting that the old style boards which dealt with detailed management and/or acted as vigilantes, are required. All I am saying is, that the Report sought to shape the style and operation of the relationship of the elected board and management and in doing so moved the balance in the relationship towards management.

Democracy and Size

Second, the Report in its proposals for reducing the number of societies to between 200 and 300 was forced to consider whether such a development would be incompatible with the social principles of Co-operation. It concluded that the principle of the sovereign local unit would be fully preserved, even though the societies would be on average large. 'The reality of democratic control need in no way be lost, as indeed is clear from the experience of existing societies which are already of this size. It is true that the figures of member-participation appear to decline as size increases ... (but) too much stress should not be laid on the single factor of size.' However in its comments on a national Co-operative society it did say, 'we would have the greatest doubts as to whether "democracy" would retain much meaning or reality within a national society.'

One may conjecture as to what its view would have been on the future of democracy in twenty-five regional societies, in the light of its belief that the principle of local autonomy is an essential element of the wider principle of Co-operative democracy: 'we regard it as most desirable to preserve local organisations with local roots and local loyalties.'

The Report of the Independent Commission wrestled with the problem of economic efficiency within a democratic organisation and of democracy in an economic organisation. The shift of emphasis is all-important, and the Report, despite its concern, may be seen as a stepping-stone on the road to the second view. It struggled with a series of problems which the Movement today has not resolved, and indeed some would argue that since the Report the Movement has compounded some of the problems by seeking solutions which the authors of the Report would have found difficult to justify.

Note of the Author

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