

CWS/CRS Restructuring

SOME ISSUES DISCUSSED

by

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The intensifying competitive situation in British retailing is compelling Co-operators, once again, to take seriously the need to restructure the British Movement, starting at the national federal level. The current talks between CWS and CRS are but the latest in a saga of events extending over a twenty-five year period.

What is Meant by Restructuring?

What is meant by restructuring in the present context was stated by Lloyd Wilkinson in his address to the special conference held by the Tripartite Committee (CWS, CRS and Co-operative Union) on 2 October 1982. He said that the restructuring of the CWS and CRS was necessary in order to create a vertically integrated retail operation which would have a manufacturing and procurement role for the whole Movement and which would act in its best interests.

Dennis Landau, speaking for the CWS has made a number of statements: at the special conference, to Sectional Boards, and in an interview with Lily Howe, editor of the Co-operative News, In essence his message is this:

- (1) Restructuring is necessary to achieve a complete identity of interest between the two organisations in procurement and marketing. This, he believes, is virtually impossible while the two organisations remain separate entities. Movement-wide co-ordination will add 'muscle' to its central bargaining with suppliers, and all societies will benefit.
- (2) Certain retailing activities of CWS and those of CRS will be re-organised and integrated.
- (3) The combined retailing and associated skills of CRS and CWS can benefit all other societies by providing a base for the creation of practical and effective advisory services.
- (4) The Movement as a whole will benefit from better co-ordination in the generation and use of capital. The creation of a base for rendering financial assistance from the centre to meet the capital needs of the Movement in retail development, estimated at some £2000 million in the next ten years, will be of immense value.
- (5) The central 'rescue' role for failing societies will be reinforced by the combined financial resources of the CWS and CRS.

- (6) The problems of the Movement are too complex to be overcome by a single measure of reorganisation, but a stronger CWS-CRS partnership is one, vital, way of contributing to a solution.

These objectives with their stress on identity of interest and the added muscle it can give to the central bargaining strength with suppliers, undoubtedly played an important part in convincing retail societies to give their support, first, to the principle of restructuring and, secondly, for the Tripartite talks to continue on the form restructuring will take.

This was over fifteen months ago. No one underestimates the complexity of the issues on deciding the form that restructuring will take. Positive progress must be made to resolve any differences of substance that may have emerged.

Differing Approaches

It may be that the CWS and CRS have differing approaches on the form restructuring will take. After all, restructuring is a general term and can mean a number of things in the context of the present negotiations:—

- (a) it can mean the transfer of engagements of CRS to CWS and the subsequent integration of CRS activities into CWS, the harmonising of policies and the rationalising of management structure, etc;
- (b) it can also mean that following the transfer of engagements a Retail Operations Division may be created — its functions clearly defined and its activities integrated and harmonised; or
- (c) it can mean, following a transfer of engagements, the establishment of a new form of National Federal Retail Society, operating as a fully-owned subsidiary of the CWS, on the way the Co-operative Bank and Co-operative Insurance Society operate. A federal society, operating in this way, would have its board of directors and generate its own dynamic.

Other approaches may be made to restructuring, but the options listed above seem to be those most favoured.

Is Restructuring an Immediate Possibility?

Is a solution of the structural problem on the scale described above an immediate possibility? Perhaps not; the preparatory work involved in such an ambitious and radical transformation is still unfinished. And the Co-operative activist, whether a committee member, guild member or customer interested in consumer affairs, wants to know how this restructuring will benefit him or her. Their confidence has still to be obtained. The Union, the College, the Sectional Boards and other bodies have a duty to open up the discussion, to make it possible for the widest number of active and interested Co-operators to hear the case for re-

structuring, the issues to be decided and the benefits that will come in increased competitive power for the retail societies and the better service they will give their customers.

Some Issues to be Resolved

Back to the Tripartite Committee. Agreement must be reached now on a number of issues which have been matters of controversy between the CWS and the retail societies since the publication in 1965 of the CWS Joint Reorganisation Committee Report.

(a) Co-ordination of Procurement and Marketing

First, the co-ordination of the procurement and marketing roles. Much has been achieved in these spheres and the contribution of the CWS commendable. But a separateness between the CWS and the retail societies has never been fully bridged. Can the gap — in approach and activities — between CWS and CRS be reduced? Even if the restructuring talks in the short-run fail to achieve their purpose?

If I interpret correctly the view held by the CWS, CRS will be expected to "harmonise their procurement activities with those of CWS, to serve as the foundation for nationwide action to benefit every other retail society." Those remarks were made by Dennis Landau in his interview with Lily Howe (Co-operative News, 27 April 1983). This approach seems to suggest that CRS has to harmonise with the CWS. Does this mean that CWS will take a 'hard line' and stick to its present position?

In the past I have sympathised with the line CWS has often had to take in its attitude to the demands of certain retail societies. But if the CWS-CRS talks are to succeed, even at this stage only partially, then more co-operative and flexible approaches will have to be made, and this, in my view, means both organisations beginning to operate on a joint-partnership basis. This will require direct participation of CWS and CRS personnel in the performance of the procurement and marketing function. Closer consultation with buyers in other societies should be encouraged. In this way the harmonisation of policies and practices becomes a shared process, and, as the deadline for more integrated forms of restructuring approaches, decisions on organisation and management changes can be taken with greater surety.

Unless a joint-partnership arrangement is feasible, then what hope is there for more complex and ambitious restructuring?

(b) Other Issues

Secondly, what follows is an attempt to indicate approaches which can be made now on some of the other objectives of restructuring listed at the beginning of this article: some affect the Movement as a whole; others the CWS and CRS; and others each of these organisations separately.

(i) **CWS and CRS.** The ambulance role of CRS, 50 years old this year, has recently proved a drain on its financial resources. The nature of the joint-responsibility to be undertaken by CWS and CRS needs to be stated more fully both in the interests of the wider movement and the public.

(ii) **CWS.** A CWS Joint Reorganisation Committee Mark Two (CWS/CRS Restructuring) should be appointed to enquire into and report upon the form reorganisation in the CWS should take after – and, perhaps, leading up to – the restructuring of CWS and CRS.

(iii) **CWS-CRS-Retail Societies.** Under this heading are:

- Future development policy including investment in new stores, purchases of new businesses, the development of markets;
- Creation of a corporate strategy for the whole Movement;
- Reorganisation of the CWS/CRS retail structure at all levels – national, regional and local: devising of a corporate retail structure which supersedes the present agglomeration of loosely organised regions; preservation (within the national approach) of local identities; and encouragement of informed regional and local democratic participation;
- Moves towards regionalisation continuing as a complementary approach to eventual retail unification;
- Introduction of a management development programme to achieve, in the first instance, understanding by executives and top managers of their role in a changing Movement, and in a caring Movement.

Conclusion

What will these changes mean if introduced? Greater muscle undoubtedly; the application in a way never before attempted of a greater identity of interest between wholesale and retail in procurement and marketing; the making possible of more far-reaching forms of restructuring to be made in the future; and the eventual creation of a new federal society based on CWS and CRS, of one which will attain a competitive capacity and profitability lacking in the Movement at the present time.

Note of the Author

DR. LLOYD A. HARRISON at the time of his retirement in 1977 was Chief Executive Officer of the Greater Nottingham Co-operative Society and – until a few months before – had been Chairman of the CWS. His involvement of a lifetime in Co-operative work has involved study at

the Co-operative College, participation on various levels of the Co-operative Union, service generally to international Co-operation and particularly on the Central Committee of the ICA and advocacy and authorship on many of the great issues of Co-operative development.

In 1983 the University of Nottingham, where he is Vice-Chairman of the University Council awarded him the honorary degree of LL.D.