

## CWS/Co-operative Group

The history of the CWS and Co-operative Retail Services has been well documented. There have been a number of excellent books written, for example by Percy Redfern, GDH Cole, Arnold Bonnar, and Johnston Birchall, there are many more. Three academics were commissioned to write a new history of the CWS and its successor, the Co-operative Group to coincide with the 150th anniversary of the establishment of the CWS. This was published by Oxford University Press in 2013, with the title; Building Co-operation and authored by John F. Wilson, Anthony Webster and Rachael Vorberg-Rugh. This book ended at the point where the Co-operative Group went into the crisis which resulted in the loss of half of its assets.

The importance of recording co-operative history cannot be over estimated. Without the history, the Co-operative Group today is virtually just like any other supermarket chain. There appears to be no advantages which The Co-operative can claim over any other retailer.

The Co-operative structure has now been lost. The CWS used to have a federal role for the Movement. Its members were co-operative societies. Individuals could be members through its retail shops and the Co-operative Retail Services and of course other co-operative societies. The CWS was a central player in the Co-operative Movement which was characterised by solidarity with all of the parts of the Movement, each of which played a part in fulfilling co-operative values, principles and purpose. The overarching purpose of the Movement was to build a co-operative commonwealth which would eliminate the exploitation of both workers and consumers. The vision was to cultivate a society where the well-being of all people would be aspired to through a caring and co-operative culture. The fierce competitive nature of capitalism driven by small cliques of wealthy individuals for private gain would be gradually replaced by the Co-operative Commonwealth.

Of course there were many conflicting opinions about how this could be achieved, but through the Co-operative Congress and all the opportunities for debate and decision making, agreement was usually reached. The success of the CWS up to and including the second world war and into the 1950's should be acknowledged.

There came a time in the 1960's when co-operative retail began to be overshadowed by the private sector. This led to a faltering of confidence by the Movement and an attempt to look like other retailers, in some cases even dropping the name Co-op and Co-operative in the business branding. CWS departments often worked in competition with each other, destroying the strongest advantage of co-operation. This problem was never really resolved and it weakened the organisation. There was no doubt of the need to reverse this decline. There have been two independent co-operative commissions which both gave recommendations for the Movement (1958 and 2001).

As the retail movement went into decline, the Industrial Common Ownership Movement was in its ascendancy, workers co-op's were on the increase.

In the middle of the 1990's, the CWS and retail infrastructure began to look fragile. This emboldened people from the private sector to attempt an aggressive takeover which was fought off.

It was clear that things had to change.

From the turn of the new century, a number of huge decisions were made which changed the Co-operative Retail Movement. Each step in turn was seen by many co-operators as progress towards a co-operative renaissance. It is now becoming clear that each step carried with it the seeds of destruction.

The Co-operative Movement was cumbersome and inefficient in the second part of the 20<sup>th</sup> Century. Many 'empires' had been established within one business and managers and executives were focussed on their own sub organisations rather than the business as a whole. There was a lack of cohesion. This led to competition within the business and a degree of secrecy and sometimes hostility between departments, in other words, the opposite of co-operation. This problem has never been resolved. Right up to the loss of Travel, Banking, Pharmacy, Farms etc. there was a stubborn refusal to actively cross market.

There was CWS retail and Co-operative Retail Services in addition to the independent co-op societies, which was complicated and unnecessary. At the turn of the century in May 2000, a merger between the CWS and CRS was announced. The resulting organisation was named 'The Co-operative Group (CWS) Ltd.'

Until the end of the 20<sup>th</sup> Century, the Co-operative Movement was the CWS, as a federal organisation (which was a manufacturer, producer, wholesaler and buyer) and the Co-operative Retail Societies, together with the organisations which support the Movement, e.g. The Co-operative Union, the Co-operative Party, etc.

As the 21<sup>st</sup> Century unfolded, mergers with the Co-operative Group reduced the number of independent societies. This made the Co-operative Group, the major part of the Co-operative Movement. But there has been a developing co-operative sector outside of the historic consumer movement with newer co-operatives providing products and services. These new co-operatives have received support and inspiration from the re-named Co-operative Union, now Co-operatives UK, the co-operative development bodies, and other federal organisations like Radical Routes.

It was at the time of this Merger in 2000 that I became actively involved with the Co-operative Movement and I had a lot to learn. The Society which I belonged to was Sheffield Co-operative Society, historically - Brightside and Carbrook. As a co-operative society it had degenerated over a period of time and the membership had become disconnected. The new Co-operative Group was very different. Its literature explained the difference between a co-op business and a capitalist business. Membership was open and voluntary and new members were welcomed and encouraged to play a part in the Society. I joined the Co-operative Group and took pride in shopping in co-op shops.

The Co-operative Group was showing a healthy trading surplus for the first 12 years of the new century and this was distributed to the Movement and the membership. The organisation led in a number of worthwhile fields including ;

- Fairtrade
- Climate Change
- Ecology
- Tar Sands (unsustainable oil extraction in Canada).
- Co-operative education
- Social Justice
- Poverty alleviation
- Animal Welfare
- Membership activities

And of course the members received a share of the profits according to how much they spent.

Active co-operative members were reasonably content with this because the surplus was being distributed in accordance with co-operative principles and purposes. Furthermore, the organisation was constituted as a representative democracy, which is the best way to organise a co-operative of the size of the Group. Elected members represented the Co-operative at General meetings of the Society and the Executive knew that they were accountable to the co-operative. As a result of this, the Co-operative Group maintained healthy and mutually beneficial relationships with the Co-operative Movement both national and international.

There was member representation at local level through the Area Committees, and a route through which members could progress issues which they thought important to the wider co-operative movement and its values.

For these reasons, most of the elected members felt that the Co-operative Group was playing a role in the Co-operative Movement and that it was worth actively supporting. But within the organisation there was resistance to the very basic principles of co-operation. Perhaps this should not have been surprising as the

business was run not on an agenda of co-operation but by employees who neither understood nor had any interest in co-operation. For them it was a career with no difference to a career with any other employer. Their default position was to resist any input from elected members. For this reason;

- Cross marketing of the co-operative family of businesses was blocked.
- There was an absolute refusal to convey the co-operative difference to members and customers at the trading places.
- Staff were not employed to work for a co-operative and were not made aware of the co-operative difference because the higher management were not interested (it was not their job, they were working for a supermarket chain).
- Because store staff did not know that they were working for a different kind of organisation, this awareness was not conveyed to the members and other customers.
- Elected members requests for notice boards in store were blocked at all levels from higher management to store staff.

The result of all of this was that the status of the organisation as a co-operative was weakened. How can a membership value and nurture their organisation when they do not know anything about it?

The Co-operative Group as a co-operative survived due to the commitment of co-operative enthusiasts. But this all came to an end with the disastrous demise of the Co-operative Group in 2013 due to financial mismanagement.

During this time it was not so easy to see the rift which was growing between the Executive and the Society, specifically, Peter Marks as CEO and the elected Board. The position of the elected Board was to represent the interests of the Co-operative and its members. The CEO was a maverick who did not like co-operation or the Co-operative Movement and who, I think, had hubris, an obsessive desire to control larger and larger empires. The elected Board was not able to keep him in check, and this difficulty was exacerbated by the fact that most of the executive team were very similar to the CEO. Disaster was inevitable, the organisation was compromised by self interest. The executive and management took no notice of the elected members, or co-operative influences in the wider Movement. A showcase of 'co-operative spin' can never be enough to build an authentic co-operative.

The business became unviable, and Peter Marks retired. This marked a new phase in the history of the organisation.

### **Post Co-operative Group Collapse**

A new CEO was appointed who took over as The Co-operative Group lost it's

credibility as a business and was at the point of bankruptcy. At this point it was likely that the business would be lost due to massive debts. In the event, the co-operative values and principles were sacrificed for the sake of keeping the business going. With no surplus to return to the members and the wider co-operative movement, the only significant expenditure was central administrative costs which included obscene salaries to executives and senior management e.g. £2.5 million salary for the CEO and 6 figure pay-offs for displaced executives.

Two reports were commissioned at considerable expense, one by Lord Myners and one by Sir Christopher Kelly. The former made recommendations for a new structure and constitution, the latter produced an analysis of the Co-operatives collapse. The result of this was the Co-operative ceasing to be a co-operative measured against the Values and Principles of the Movement (although the Co-operative Group establishment would argue otherwise).

Under the new system the Board Directors are all appointed by the Independent professional Chair. He made clear that he would not allow anyone carrying 'co-operative baggage' to become a Director. Instead he appointed a discredited 'New Labour' politician, and two people from the 'Charity Sector'. In addition to this, the Independent *appointed* Directors were, an ex senior civil servant and people from the private sector. The control of the organisation was invested in the Chair and the CEO who's backgrounds were respectively, Asda/Walmart/privatisation of the Royal Mail and Morrisons, certainly no 'co-operative baggage' there.

### **The Co-operative Values of collective self-help and solidarity amongst co-operatives**

'At the 2015 AGM, the Chair made clear that the Co-operative is resolutely opposed to what we know as the Co-operative Movement and the Co-operative ethos. Every move along the way will be a struggle for the National Members Council to reach what at best might be compromises. The NMC does not have the power to hold the executive to account and it is not designed to be a vehicle through which members concerns can be raised. There was a reason why the Chair ignored repeatedly, by both written and verbal means, what he had been told about the relationship between the Co-op Party and the Society. He wants to spin that the Society is giving a 'political donation'.

A donation is a charitable concept. One body freely giving to another (to a worthy cause). Capitalist big business have done this since the 19th century. It's called philanthropy, token money given out of an excess profit. It is something which the mainstream status-quo is comfortable with.

And it's always given at the discretion of the Board.

The concept of charitable giving and donations has nothing to do with the Co-operative Movement and never has been. Co-operatives believe in collective self-help

and solidarity amongst co-operatives. The Co-operative Group pays a subscription to the Party and expects in return the Party to play a supporting role in the Movement to which the Co-operative Group belongs. Something that the CG (as a co-operative) much needs. But the Chair and executives do not see the CG as a Co-operative. That is why they pretend that there is no difference between a subscription and a donation.

If the Co-operative Group is, like all the other supermarket chains, being run in order to pay out obscene sums of money to wealthy executives, why should customers have any loyalty to the business?

Is there any longer a purpose for the Co-operative Group?

What parts of the Co-operative Movement will be next to be sidelined as 'charitable causes?' Perhaps Co-operatives UK, The Co-operative College and Heritage Trust, The I.C.A.

Steve Thompson

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## See also

[A Centenary story of the Co-operative Union 1869 – 1969](#) Desmond Flanagan

[British Co-operation](#) Arnold Bonner

[Building Co-operation – A business history of the Co-operative Group 1863 – 2013](#) John F. Wilson, Anthony Webster & Rachael Vorberg-Rugh

[Co-op – the peoples business](#) Johnston Birchall

[The Story of the CWS](#) Percy Redfearn

[A Century of Co-operation](#) G.D.H Cole