

Ways Forward 2 Co-operative Renewal- Manchester, 16 May 2014
Workshop 1. Renewing the purpose and membership of co-operatives

Contribution from Edgar Parnell

Thanks for giving me the opportunity of sharing some ideas with you today. What can I say in the next ten minutes that can help us to secure the future of a genuine consumer co-operative movement within Britain? My aim today is summarise the most critical issues now facing British consumer co-operation and to outline what action now needs to be taken.

First, we need to be clear as to the really big threats facing the Co-operative Group today - I believe that these are:

No. ONE - THE MOUNTAIN OF DEBT that needs to be re-financed by members and from other ethical sources, or by the sale of assets.

No. TWO - THE HIGH LEVELS OF INVESTMENT CURRENTLY PLANNED BY THE FOOD RETAILING GIANTS, this means that competing against them as a typical food retailer is a totally unrealistic strategy. Instead, we must provide a uniquely co-operative package and give members what they need most of all, which is an organization that lives and breathes honest trading and puts an end to all of the marketing ploys currently used to exploit them.

No. THREE - THE IMPACT OF THE DAMAGE TO THE REPUTATION OF CO-OPERATIVES caused by recent events that only radical repositioning can mend.

No. FOUR - THE EXISTING TOP HEAVY STRUCTURE AND COLOSSAL UNDERLYING COST BASE OF THE GROUP. To survive we must have really big cost savings and a major slimming down of the organization. Alongside pioneering initiatives that will give a new meaning to membership.

No. FIVE- THE FACT THAT THERE ARE SO MANY PEOPLE WITHIN THE ORGANIZATION THAT DON'T UNDERSTAND THE TRUE PURPOSE AND FUNCTION OF A CO-OPERATIVE.

Throughout the Group there is a CLASH OF CULTURES between:

- Those that believe members equate to customers, who are nothing more than a market to be exploited

- And those that believe that the function of a co-operative is to intervene in the marketplace in the best interest of its members

SO WHAT DO WE NEED TO DO - I will limit my remarks to the FIVE most critical issues

1. WE MUST START BY UNDERSTANDING THE REALITY OF ORGANIZATIONS

- Organizations are tools - we need to specifically design them to achieve our purpose and fully understand their function. As with all tools the more specifically designed the tool the more effective it will be.
- Effective organizations focus upon a very specific function
 - This is why the investor company is currently the dominant form of economic organization - because they focus upon a very specific function - making money for their owners.
 - Co-operatives are at their best when they focus upon their function - which is to intervene in a specific market place in the best interest of their members.

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The existing very poor system of governance at the Group is just one symptom of the underlying reason why the Group has so many problems, which is that it does not have a clear-cut purpose or function

The truth is that a conglomerate is not a suitable form of organization for a co-operative

The reality is that a conglomerate can only be controlled by using the financial controls and the management systems used by investor-controlled businesses

All of the international examples of successful large-scale co-operatives are focused upon a specific market or marketplace. If you have not yet read Professor Johnston Birchall's report prepared for Co-operatives UK - then I commend it to you.

The benefits of scale for co-operatives are best achieved by means of separate co-operatives, focusing upon a specific market-place, working together with other co-ops.

We need to use the proven model that works for co-operatives, which comprises primary level co-ops focused upon specific marketplaces and secondary level co-ops providing central services.

We also need to understand that without a very robust system of oversight, all organizations, sooner or later, transmute into entities that primarily advance the interests of those running them, or of those controlling the capital that they need to function.

Co-operatives are organizations that need to be based upon co-operation.

A co-operative without co-operation is like a ship without a rudder or sails or an engine.

2. THE PRIMACY OF THE COMMON PURPOSE

Co-operation requires the existence of a common purpose, to which all members need to be committed. Leaders of consumer co-operatives must be there to represent all members in their capacity as consumers.

There should be no problems in employees serving upon Boards but they must be on the Board because they are a member, not as a representative of another stakeholder group. Consumer co-ops worldwide have long understood the need to limit the number of employees within their governing bodies because of the dangers of conflicting interests. The representation of the employees interests are best handled by fair and honest negotiations with their trade unions. All co-operatives need to build long-term good relationships with all of their stakeholders. There are a lot of misconceptions about so-called 'multi-stakeholder co-operatives.

The function of a co-operative is not to be just a different form of ownership. There have been too many 'Clause 4 co-operatives' (The collective ownership and control of the means of production, distribution, and exchange).

Instead Co-operatives have to deliver:

- a better deal
- a better organization
- and a better future for their members

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3. THE FUNCTION OF A CO-OP IS MARKET INTERVENTION IN THE BEST INTEREST OF ITS MEMBERS

- We need to be sure which markets and marketplace should we be in?
- If we are going to be in the most competitive marketplace in the UK, over-invested food retailing, then we better have something really special to offer our members.
- There are a lot of markets out there crying out for intervention. Pension provision Care of the elderly, childcare, funerals, legal services, energy
- Co-operative leaders must be people that not only have all of the essential traits required of first class leaders, but they must also fully comprehend the dynamics of the marketplace that their co-operative seeks to work within

4. CO-OPERATIVE PRINCIPLES ARE NOT ENOUGH ON THEIR OWN.

A successful co-operative needs much more than this, including:

- The right form of organization.
- The essential policies and practices.
- Need the management systems to support them - for example the reward system must reward people for achieving the organizational purpose and the planning system must start from meeting the needs of members and fully involve the members in the process.
- Plus they must have people that are fully committed to working in the best interest of the members.

In other words a comprehensive Co-operative Enterprise Model.

5. DITCH THE MYTHS

Whatever I say someone will here will misunderstand me because there exist more myths about co-operatives than there are in all of Aesop's Fables.

If you wish to know more about any of the point I have raised - I have issued a card detailing my three websites, where you can find more information. (See below)

We must have a much clearer sense of purpose, a vision for our future and a real appetite for change. Also, we must learn to question ourselves and test our beliefs, so we can discover when we are wrong. Only then can we become the real pioneers of a new breed of consumer co-operatives.

www.Co-opPundit.org- Consumer co-operation in the UK

www.m-centerprise.org - The Co-operative Enterprise Model

www.the-co-operation-movement.org - Co-operation as a movement for social change