

What's missing in Myners

Ways forward conference

16 May 2014

What Myners gets right

- The group's current governance structure failed
- It is almost designed to filter out people with recent experience in other walks of life
 - The three-tier structure in particular tends to filter out people that could add value in this way
- The board failed to challenge management effectively

What's right in his prescription

- There isn't a single "right" solution
- However two-tier models have been effective in very large co-ops around the world.
 - For large co-ops they do have the benefit of focusing the different levels of governance better
 - Allow people with the right expertise to take responsibility in the boardroom
 - Genuinely give members a way to shape the culture, values and overall direction of the business

What he's missed in his analysis

- He misses a number of things
 - Co-ops are about doing it ourselves, not having things done to us!
 - This is not just about legal ownership, it goes deeper than that.
 - Our history is about ordinary people without much capital coming together to pool their limited funds and their buying power to build a better kind of business
 - It's about empowerment.

What Myners missed

- He missed the need for that sense of solidarity
 - The “magic ingredient” that makes co-ops special
- He missed the need for a sense of members being genuinely empowered
 - Not provided by being allowed to vote for a slate
- He was unremittingly rude and dismissive
 - Not calculated to win people over
- As a director he undermined confidence in the brand when it was already weak

What Myners missed

- Governance doesn't stop with the board
 - It's about managing the risks in the interface between management and the board
 - Or between owners and those who work for them
 - Peter Marks has got off rather lightly in Myners's analysis yet was arguably at the root of the Group's decline

What Myners missed

- There needs to be a clear statement that management in Co-ops is different from in PLCs
 - The “agency theory” model that accepts management will try to be self-serving and that they need ever-increasing incentives to “align their interests” might work in a business with the single objective of shareholder value
 - jury’s out on whether it works in PLCs actually
 - Increasingly a technocrat/managerialist cadre of “quasi-owners” receive a growing slice of value-added

- While Myners correctly says that management should be made up of people who share the same deep commitment to co-operation, he fails to set out what that means in practice
- It means (at the very least):
 - Not “gaming the system” to increase your bonus or your prestige
 - Not having a “private agenda” that’s not shared with the board
 - Not manipulating the board or members

Myners missed the history

- Many of us who've been involved for a long time have experienced really terrible governance
 - CEOs openly disparaging the role of members
 - Crony boards
 - Marginalised membership functions
 - An unspoken demutualisation agenda (only happened in M&F)

Myners missed the history

- We lived through the gradual reclaiming of societies by their members
 - Some good examples
 - OS&G/Midcounties
 - Some bad ones
 - CRS and now the Group
- Peter Marks came from the “unreconstructed” wing of the Movement
 - Sought to roll back the values-based agenda

Myners missed the value

- The 2001 Co-operative Commission recognised the “virtuous circle” that exists when social goals, commercial success and member/customer appeal reinforce each other
 - The Bank built its success for 20 years on its ethical policy
 - The Group’s move in the same direction was actually a strong policy, not always well delivered
 - Myners often quotes examples of the interest of

So where now?

- The awful truth is that much of the members' effective power has already been ceded through excessive borrowing
- We need to restructure, repay debt, and build for the future
- We need to support the Board's 4-point motion
- Then we need to define the process after that, to ensure the right new structure is put in place

Where now?

- Ultimately co-operatives must be genuinely controlled by their members, who are after all the owners
- Myners is right that there needs to be trust between member-owners and management
 - But this works both ways
 - Trusting the NMC is a good example

We shouldn't accept

- Sham votes – this isn't the Soviet Union!
 - So why accept votes where there's no choice
 - The same system existed in Britannia and didn't result in good governance
- The board becoming a self-perpetuating group
 - The proposed NMC input into the nomination committee is too weak

Looking ahead

- It might seem strange to be saying that at this really tough time the movement can have a great future
- It won't happen fast. We have to rebuild from a lower base economically. We also have to rebuild the trust that we've so tragically lost. If we do that well we will gain it back in spades because the public wants alternatives to the
- But we can lay the foundations for a great future for our movement which is of course