

Research Presentation by John Carlisle

Summary: WHY DID THE BEST AND MOST SUCCESSFUL UK BUSINESS MODEL - THE CO-OPERATIVE UNION - FADE AFTER WORLD WAR TWO?

Preface

Running in parallel from the early 1900's to the 1950's were two great businesses, one in the USA (Ford) and one in the UK (The Co-operative Union). Both featured great organisational and management skills and continuous innovation. The founders also had great vision and yet could not be more different in their approaches.

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The Co-op

In the meantime, running parallel with Ford, there arose from Scotland to England, not a person or an industry, but a *movement*, the Co-operative Union, registered in 1889, six years before Ford built his first car. This was to change business, not least because it was a consumer co-operative, which meant that the consumers who were paid up members were eligible for dividends. This ruled out external shareholders.

It would also challenge the paradigm that said that private companies, especially those with external and internal shareholders, were the best at producing and delivering goods. The UK Joint

Stock Company is the most common form, i.e. a business entity is owned by shareholders, in which the liability of shareholders is limited to the amount of money they invested. Shareholders are normally paid dividends.

in 1937 the Co-operative Movement/business had a turnover of £300 million a year, which would be an equivalent of £25.8 billion today, compared with the current Co-operative Group retail and wholesale turnover today of £11.3 billion. This would have put it third today behind Tesco and just behind Sainsbury's, instead of 7th.

Today, John Lewis Partnership (JLP) with 11,000 employees earned just £400,000 less than the Co-op Group with 5 million employees. This amounts to JLP employees bringing in £154,000 each p.a. compared with the Group's £22,355 each – 7 times as much. Meanwhile, Mondragon's retailer, Eroski, also a co-operative earned about £150,000/employee. Where is the co-operative advantage?

What happened? It was not the initial post-war leadership.

Research shows that, for over 100 years, The Co-op enjoyed probably the most honourable and effective leadership of any private sector in the world. For example, while overseeing the country's war efforts they were also preparing the organisation for a new future.

It was mainly local management who would not permit the necessary re-alignment the top management wanted. “Democracy” and selfishness trumped efficiency. And government policy.

The remainder of the research report will focus on possibilities for change in today’s individualistic culture and the advent of online shopping, zero hours contracts and AI. This will need to be a joint effort in P5, harnessing the wisdom and nous of Steve and Chris especially.

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