

Commentary



“There is indeed a tide in the affairs of men, and that tide is running strongly, right now, in favour of increased corporate accountability, transparency and sustainability.”

As I write, President Obama has just succeeded in getting far-reaching proposals through Congress for the reform of the Financial Services Sector in the US – in order to protect US citizens from another calamitous financial crash. The EU is urging its own members and the rest of the world to follow suit in terms of coming up with more appropriate regulation for capital markets. And here in the UK, the new Conservative/Lib Dem Coalition Government has just committed itself:

“To reinstate an Operating and Financial Review (OFR) to ensure that Directors’ social and environmental duties have to be covered in company reporting and investigate further ways of improving corporate accountability and transparency.”

When the last Labour Government dropped the Operating and Financial Review in November 2005, at the direct behest of the CBI, despite having successfully negotiated a gritty but robust consensus with the majority of UK companies, it seemed that we had reached a low point in defensive, special pleading on behalf of big business. Four and a half years on, you can pretty much guarantee that the new OFR will now sail through Parliament with the full support of the CBI – which itself is now under new management.

The Co-operative has of course been doing everything for the last decade that will be asked of companies in the new OFR – and a great deal more besides. It has an outstanding record in gathering and sharing data across an extraordinarily wide range of financial, social, environmental and governance issues – and this is powerfully reflected in this fourth fully consolidated Sustainability Report.

This is very much The Co-operative’s shop window. Behind it, you have to imagine a complex web of people, policies, processes and business practices – all intent on delivering both improved performance and greater responsiveness to its multiple stakeholders. Much of that is not visible – and much of it is certainly not glamorous!

While admirers of The Co-operative and readers of this Report will find much to celebrate in terms of specific achievements, they should therefore also welcome the distinct sound of grinding that accompanies these reports – numbers crunched, people held to account, committees dutifully convened, impacts diligently measured. As I said, not glamorous – but you don’t get to define what the ‘cutting edge’ looks like without getting the basics right, and going on getting the basics right year after year.

This is not necessarily a seamless process. The acquisition of Somerfield in February and the merger with Britannia in August have inevitably brought their own challenges in terms of ensuring consistency across the entire Group. It’s good that such a strong approach has been taken in terms of securing a proper ‘ethical convergence’ here, particularly in terms of the application of The Co-operative Bank’s ethical screening to the Britannia business, and the role of 100% Fairtrade category conversions across Somerfield. It won’t be until next year that we will be able to judge how effectively that has all been bedded in.

In all this, The Co-operative does have one outstanding advantage: It is licensed (and indeed obliged!) to ‘wear its values on its sleeves’. Most companies are still in such deep thrall to a particular model of shareholder-driven profit maximisation that they have to smuggle in the values proposition on the quiet. Everything they do has to be constrained within an often quite spurious ‘business case’. In other words, if it works for shareholders, that’s OK; if it doesn’t, too bad.

That particular tide may at last be on the turn. Behind the scenes, many business leaders are increasingly sceptical about the merits of always putting the short-term interests of shareholders before all other interests. More and more articles in places like the Harvard Business Review are robustly highlighting a more balanced corporate leadership that prioritises long-term value creation.

“There is a tide in the affairs of men,
Which, taken at the flood, leads on to fortune;
Omitted, all the voyage of their life
Is bound in shallows and in miseries.
On such a full sea are we now afloat,
And we must take the current when it serves,
Or lose our ventures.”

Julius Caesar (William Shakespeare)

Unfortunately, there are still relatively few senior business leaders ready to speak out personally on matters of this kind, with the majority still sounding ‘semi-detached’ when it comes to understanding what people feel about the state of the economy today. This gap between our business leaders and the rest of society could get worse, as there remains a lot of residual anger across society at the costs of the financial crash of 2008; it hasn’t yet sunk in just how comprehensively we’ve been mugged by dysfunctional, poorly regulated capital markets. Lord Turner of the FSA shocked many of his colleagues by describing large swathes of activity within the city as ‘socially useless’, but the truth of it is that we’ve simply been seduced in the past by the notion that if any financial transaction legally generates a profit, then it must be OK.

We know better now. But there are deeper lessons still to be learned, and The Co-operative has an important role to play in that process. Its heritage, constitution and structure all speak to a different way of ‘adding value’ (as summarised on page 97), with a much more explicit emphasis on the share of value that ends up with members, communities, employees and so on.

In that regard, it’s highly significant that the most recent Nobel Prize for Economics was awarded not to yet another neo-liberal Professor of Econometrics, but to Elinor Ostrom, whose pioneering work on communities and ‘shared commons’ has demonstrated a radically different way of thinking about wealth creation and distribution. In Ostrom’s view of the world, co-operation matters as much as competition, with many of the societal attributes that people value most highly (community cohesion, stability, relationships, a sense of belonging and purpose) generated not by ‘red in tooth and claw’ capitalism, but by shared endeavour and a more collective approach to creating and managing assets.

The Co-operative Movement in the UK (of which The Co-operative is by far the most visible and influential representation) has been seen as something of a sleeping giant. That is changing. There are now 4,820 co-operative businesses in the UK, with a combined membership of 11.3 million people. The Co-operative itself has more than five million members, all of whom are entitled to share in the profits of the business as a whole through its unique points-based reward system. On top of that, a dividend is set aside both for employees and for communities.

The Co-operative has now established its Co-operative Enterprise Hub to help accelerate the growth and development of new co-operatives – both here in the UK and abroad (see page 92). For instance, there are already 93 co-operative schools up and running here in the UK, and the network is growing fast – adding a new (and very welcome!) dimension to the idea of increased choice for both parents and communities. As many commentators are now pointing out, there is an understandable ‘flight to trust’ going on out there, not just in the field of financial services, but in all areas of direct importance to us as consumers *and* citizens.

Given both its reach and the value it brings to so many people and communities, it’s good that we are now starting to hear more of this crucially important social movement. Co-operation is not just a theory here in the UK, a nostalgic nod to those pioneers in Rochdale all those years ago, but an extraordinarily vibrant and successful driver of ‘value added’ in the lives of millions of people.

But as I read of all these positive developments and the increased market share for all its businesses, I’m bound to ask if The Co-operative itself hasn’t somehow been overtaken by the relentless, ruthless logic of economic growth for its own sake. Growth ‘Co-op style’ (of which there’s been a lot lately!) is obviously greatly preferable to bog-standard, undifferentiated growth on the part of companies that care a great deal less about corporate sustainability. But any genuinely radical sustainability analysis tells us that there will be limits even on ‘good growth’, and that we may encounter them much sooner than people imagine. Even The Co-operative has to beware of falling prey to cornucopian fantasies that could undo in the future so much of the good that is being done today.

In the meantime, we should celebrate The Co-operative’s success in riding today’s tide – having prepared for it over so many decades!

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