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TONY ECCLES

UNDER NEW MANAGEMENT

The story of Britain's largest worker cooperative – its successes and failures

Under New Management

Tony Eccles is Professor of Business Administration at London Business School. He comes from the shop-floor on Merseyside. Originally an engineering fitter, he won a scholarship from night school to Liverpool University where he obtained a first-class degree in mechanical engineering. Following a spell as a ship's engineer, he became a management trainee at Unilever, with whom he spent ten years in production management posts. He joined the faculty of Manchester Business School in 1968 and later became a Senior Lecturer in Business Environment, as well as undertaking consultancy projects – mainly on employee relations, and presenting a number of television programmes for both the BBC and independent television. Since 1977 he has directed London Business School's Centre for Management Development and also advises organizations as diverse as the Cooperative Development Agency and GEC. In October 1974 he was Labour Parliamentary candidate for Runcorn.

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To my mother, Louise,
whose kindness and integrity have
made her many life-long friends

Introduction

This is the story of Britain's largest worker cooperative – KME; its birth, life, success and ultimate failure. It was a strange phenomenon; a product of its time. You wouldn't expect a major challenge to traditional ways of organizing capital and labour to emerge from a bleak trading estate outside Liverpool, and it seems hard now to remember the fluxing days in 1974 when the Heath Government departed and Tony Benn was actually Secretary of State for Industry.

It is a chastening story about the performance of politicians, the ideologies and behaviour of civil servants, the constraints on shop stewards, the abilities of workers, the aims of trade unions, and the roles of managers – all of them caught up in a strange and compelling saga which assumed an importance out of all proportion to its economic influence, bound up in struggles over the Labour Government's industrial strategy, over issues of worker participation (remember the Bullock Report?) and whether workers ought even to try to manage their own affairs.

The book is not a heroic tale of working-class politicization of the style beloved by radicals who inflate every worker initiative into the birth of the revolution. It incorporates a sobering strand of caution about the prospects for developing socialism in British workplaces. Yet, nor is it a salutary reminder that the iron rule of free market capitalism will always triumph. It is not a story of the constitutional complications between ministers and civil servants – well not much anyway. It is a book about some ordinary – and a few extraordinary – people acting as they thought best in a difficult situation; forced into behaviour which surprised even themselves.

The story of KME is a piece of contemporary social

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history; of wider interest in the context of industrial Britain in the 1980s. Writing it posed a dilemma. Academics frequently feel the need to pepper their works with vast arrays of reference to the works of others, thus setting the scene for rigorous analysis of concepts, hypotheses and issues. This is occasionally done to lend weight to some pretty meagre data. KME's history produces the near opposite problem, for the story is so rich in fact and incident that it is difficult to find space for analysis without making the book hopelessly overlong. Even now it is only half its original draft length. Hence, surveys of the wider worker-control movement and of the participation literature are not included and nor is an elaborate discussion of hypotheses and theories. These are being written elsewhere.*

Consequently, the book's principal aim is to be useful to shop stewards and managers, wherever they are, as they grapple with the problem of developing more effective ways of working in the last fraction of the twentieth century, for I believe that we will continue to suffer if we do not find a more sophisticated accommodation between the interests of capital and the interests of labour.

Worker cooperatives may provide such a bridge. Despite Britain's pioneering role in the cooperative movement, only the consumer retailing cooperatives have remained of any note. The nineteenth-century worker cooperatives have all but faded from view. The formation rate of worker cooperatives has been low and more energy has gone into founding consumer cooperatives and other cooperative organizations such as banks, building societies and insurance companies. Their motives are divergent, for there is a world of difference between consumer cooperatives, where consumers bond together to secure their supplies, and worker cooperatives where workers are trying to secure their livelihoods.

* See 'Control in the democratized enterprise' in *The Control of Work*, eds. Purcell and Smith (Macmillan, 1979).

The result is that, outside a few surviving cooperatives from the nineteenth century, the sector has primarily comprised the endowed cooperatives, such as Scott Bader and the John Lewis Partnership, where the controlling shareholder has handed over ownership in some form to the employees. There are also worker cooperatives in the timber industry in the USA, a major centre of cooperative activity in the Basque region of Spain round Mondragon, some worker cooperatives in France and Italy and, of course, the extensive network of state-encouraged worker cooperatives in Yugoslavia. Over three hundred million people are in cooperatives of some kind. Apart from a number of tiny British ventures, until Tony Benn began to back worker cooperatives, that part of the cooperative movement was stagnant in Britain.

The picture in 1981 is different, for cooperatives like KME have been path-breakers. The idea of worker cooperatives is now viewed more sympathetically, indeed to the point where some see it as the only road ahead for matching the aspirations of workers to the needs of society for efficiently produced goods and services. Whatever route is chosen for improving relationships and performance at work, worker cooperatives display all the dilemmas of power, accountability, democracy, leadership, efficiency, legitimacy and goals – often in a stark form – which we need to face in some measure, no matter what kind of organization is under debate.

I became involved in KME almost by accident. Living in Liverpool and working at Manchester Business School, I had been engaged in research on Liverpool docks in the late 1960s, where I had first learned of the difficulties of doing action research in contentious situations – particularly where the various parties develop an interest in your not writing up the events and where they fear that your real purpose is to test their feet for clay in public.

I had first met one of the pair who were to become key leaders at KME at a public meeting arranged by a mutual friend at a school in Kirkby, outside Liverpool. Jack

Spriggs and I were speaking about the ill-fated 1971 Industrial Relations Act – which both of us criticized as largely unworkable. We had not met again.

Late in 1974 I was undertaking a consultancy project at Kraft Foods in Kirkby. As the assignment ended, I was leaving the Kraft factory one evening in December when a steward, Ray Spriggs, said that his brother Jack was returning from a London meeting with Tony Benn and would I like to meet Jack and his partner Dick Jenkins for a drink.

Jack and Dick told me that they wanted me to analyse some papers concerning the plans to turn a nearby factory into a worker cooperative. At that stage I knew nothing about the proposed Government-funded worker cooperative, though my worker participation research made me basically in favour of workers being given more control and more responsibility for their work lives.

I read Jack and Dick's papers over Christmas 1974 and became quietly enraged. Not so much because KME's eight hundred workers were up the creek with an inadequate paddle, but because of the derogatory style of the Government's analysis of their business.

Jack Spriggs and Dick Jenkins received my report on 5 January 1975 and I began to explore their future plans, little realizing that I would spend a lot of time over the next five years doing my best to help the cooperative to succeed. Apart from Labour politicians Tony Benn, Eric Heffer and local MP Robert Kilroy-Silk, they seemed to have no friends and certainly none with business experience. I began to advise the two leaders and also took them to Manchester Business School to obtain help from executives in other companies. Initially it was another form of unpaid consultancy. Only later did I conceive the idea of writing up the story, not wanting another project to slip through my fingers as the docks work had done.

My research and management advice had to be done on their terms because of their suspicion of outsiders of all political persuasions, and so the methodology emerged

as my being a participant observer at meetings within the cooperative and in negotiations with Government. As in most novel, fast-moving situations, the cascading events are not designed to fit into a researcher's framework and the only way to work is to grab the thing by the tail and hang on as best you can.

The observations were virtually all recorded as notes taken in meetings, including meetings with Government ministers. Not only did this enable people to relax, feeling that they could always claim that I had mis-recorded words, but I am sure that I could never have taken a tape-recorder into meetings with officials and ministers. Indeed, if I had applied to them to carry out the work as research, it would have been refused. As it was, they couldn't have excluded me as a part of KME's delegation ('Are you, Minister, refusing to meet the chosen representatives of the workforce?') and they couldn't easily prevent me from taking notes – particularly since the civil servants were recording the meetings too. This intermittently caused concern amongst Government lawyers, but no attempt was ever made to exclude me from the KME delegations. It's a useful research rule: attach yourself to a project in a way which makes you an integral element of the system.

I have all but written myself out of the story, partly to avoid intruding on the events and partly to avoid self-justification. Occasionally an unidentified comment can be traced back to me or I surface in the course of conversation. Sometimes I am identified because the interjection could otherwise be puzzlingly attributed to someone else of quite different views, or else it would appear that one of the principal actors was talking to himself.

Thanks are due to the forbearance of all the people mentioned in the book, who, knowing that I was writing it, were all prepared to talk to me, both at the time and in the writing of the story. My particular thanks are due to the people of KME led by Jack Spriggs and Dick Jenkins.

I would like to thank Raymond Ashton, Mike Bett, Giles Gordon, Jack Robertson, Rosemary Smith, Stephen Wellings and Mimi Wheldon for making valuable comments on the draft of the book; they enabled me to refine it substantially.

There are many academic and journalistic sources which lie behind my interpretations and which remain anonymous to avoid turning the story into an academic tract, but I would like to mention the valuable help which came from Paul Chaplin, Tom Clarke, Roger Cowe, Mike Jalland and Harvie Ramsay.

Thanks are also due to the Foundation for Management Education, which gave me a grant to cover my travel costs from Scotland during 1976; and to Mike Unger and the *Liverpool Daily Post* for access to their library.

Many thanks also to Isabel Carrick, Katherine Boutineau, Brenda Collins, Sue Harris, Janice Martin, Nicola Parker and Gail Newmark for typing up the endless drafts and edits.

Finally, I would like to express my gratitude to my wife Jackie, whose forbearance and support were major factors in my investing the enormous amount of time which went into the research and the writing of this book.

The people and organizations involved

The factory, and its owners

1960–1968	Fisher & Ludlow (subsidiary of British Motor Corporation Ltd)
1968–1971	Fisher Bendix (subsidiary of Parkinson Cowan Ltd)
1971–1972	Fisher Bendix (subsidiary of Thorn Electrical Industries Ltd)
1972–1974	Clohurst Ltd, later IPD (Industrial) Ltd (subsidiaries of International Property Development Ltd)

July 1974–January 1975	In receivership
January 1975 onwards	KME (Kirkby Manufacturing and Engineering Co. Ltd) – a State-funded workers' cooperative

KME

Jack Spriggs	convenor of shop stewards for Amalgamated Union of Engineering Workers (AUEW) and also worker director of KME Ltd
Dick Jenkins	convenor of shop stewards for Transport & General Workers' Union (TGWU) and also worker director of KME Ltd
Bob Lewis	ex-production director of IPD (I); later general manager of KME Ltd
John Bandell	ex-office manager of IPD (I); later financial controller of KME Ltd

Labour politicians

Rt Hon. Harold Wilson	MP for Huyton (including Kirkby until February 1974) and Prime Minister February 1974 to March 1976
Rt Hon. Tony Benn	Secretary of State for Industry, February 1974 to June 1975
Eric Heffer	Minister of State, Industry Department, February 1974 to April 1975
Rt Hon. Eric Varley	Secretary of State for Industry, June 1975 to May 1979
Rt Hon. Alan Williams	Minister of State, Industry Department, March 1976 to May 1979

Bob Cryer	Under-Secretary of State for Industry, April 1976 to November 1978
Robert Kilroy-Silk	MP for Ormskirk (including Kirkby) from February 1974

Civil servants & officials

Sir Antony Part	Permanent Secretary, Industry Department, until retiring in June 1976. Later director of Metal Box Ltd
Sir Peter Carey	Secretary (Industry) and then Permanent Secretary, Industry Department from June 1976
John Lippitt	Under-Secretary, Regional Industrial Finance Division. Later Deputy Secretary, Industry Department and, since March 1980, group export director, GEC Ltd
Ken Binning	Under-Secretary, Regional Industrial Finance Division, Industry Department
Brian Hilton	Assistant Secretary, Regional Industrial Finance Division, Industry Department
John Andrewes	Deputy Director, Industrial Development Unit, Industry Department

Other individuals & institutions

Jack Marsden	Senior Consultant, P. A. Management Consultants
Derek Hartland	Consultant, P. A. Management Consultants
Professor Douglas Hague	Manchester Business School