

CORPORATE PLANNING IN CONSUMER CO-OPERATIVES

A summary of the papers and discussions at the
ICA Research Officers' Group Meeting hosted by
NKL and held in Oslo, Norway, between:

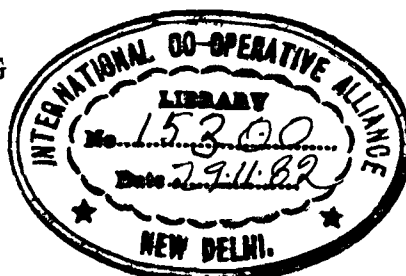
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Foreward

The working Party on Cooperative Research, Planning and Development Group (formerly the Research Officers Group), a specialised body of the International Cooperative Alliance, had been in existence since 1959. It meets once a year and discusses problems of interest, mainly to the consumer cooperative movement. The pooling of knowledge and experience of consumer cooperative movements in different countries and the interchange of experience within this group can make a contribution to planning at the national cooperative level.

At its last meeting in Oslo, Norway in September 1980, the Group examined the subject of "Corporate Planning in Consumer Cooperatives". This is a subject of continuing interest not only to the sector dealing with retail trade but also to other sectors of cooperative business. In view of its wider relevance, the summary of papers presented and the ensuing discussion at the Oslo meeting are now available for more general distribution. I hope this booklet will generate interest and discussion and will be of help to those concerned with decision making and the promotion and development of different kinds of cooperative societies.

The publication will be of use in cooperative educational institutes.

Norges Kooperative Landsforening hosted the Oslo meeting of the Working Party of Research Planning and Development and the International Cooperative Alliance thanks Norges Kooperative Landsforening and recognises with appreciation the support of Mr. Frank Halvorsen and Mr. A. Sorli of NKL in bringing out this publication. For the preparation of this brochure, I have to thank my colleague, Dr. S. Dandapani. The ICA's appreciation is also due to Mr. K. P. Kornholz, of Konsum Ostereich for his positive leadership of the Working Party.

R. P. B. Davies
Deputy Director

London, 10 July 1981

International Cooperative Alliance

P R E F A C E

The Planning Committee of the ICA's Research Officers Group (ROG) met in Vienna on 28/29 February 1980 and after taking into consideration the suggestions from its members, decided that the subject for discussion at the 22nd Meeting of the ROG should be "Corporate Planning in Consumer Co-operatives"

Planning and its role in the successful operation of the Consumer Co-operatives especially in the face of tough competition, mounting inflation, continuing recession and a score of other factors contributed to the urgency and importance of the subject.

The Planning Committee realised the vastness of the subject on the one hand, and the limitations imposed by the time and other factors on the other. The Committee felt that Corporate Planning and its role in regard to the effectivity of the consumer co-operatives should be discussed with a view to concretising the steps needed to modify the direction. The Committee limited the discussion to a few of the most important aspects of planning contributing to the effectiveness of the consumer co-operatives. They are:

- (a) Pre-conditions and starting points
in corporate planning;
- (b) Planning instruments
- (c) Corporate planning, control and feed-back
- (d) Practical application with special reference to:
 - (i) Sales policy, siting structure, sales-mix etc.;
 - (ii) Finance policy;
 - (iii) Small shops relevant to corporate planning

Details of the papers and speeches presented at the meeting are:

- (a) Corporate planning: A Profile by K P Kornholz (Austria)

- (b) Corporate Policy and Planning in Consumer Co-operatives by Dr Paul Meyer (Switzerland)
- (c) Planning instruments and planning power by Ms Elisa Leino (Finland)
- (d) Corporate planning in the KF by Roland Norman and Mr Rydmark (Sweden)
- (e) Distribution systems and planning by Erkki M Salonen (Finland)
- (f) Corporate planning in the French Co-operative Movement by Dominique Michaut (France)
- (g) Co-operatives small shops: an appraisal by G V J Pratt (UK)
- (h) The decision makers of a co-operative bank by Prof Vesa Laakonen (Finland)

In addition to the above, speeches were also presented on the subject of planning by the following:

- (a) Raimo Heikilla (Finland)
- (b) G Larsson (Sweden)
- (c) Dr P Salinari (Italy)
- (d) H Perdich (Austria)
- (e) Dr A Gyenes (Hungary)
- (f) Mr Ohya (Japan)
- (g) Prof K Boczar (Poland)
- (h) Dr I Thodorovic (Yugoslavia)

To facilitate the discussion, the following documentation was provided:

- (a) Research Officers' Group 1959 - 1979
(A summary of past meetings and discussions)
- (b) Reports on research activity in 1979 from certain member organizations affiliated to the ICA Research Officers' Group
- (c) Statistical data of a few of the Consumer Co-operative Movements (1972.-1979)
- (d) Background Information on Planning

After the meeting, a document incorporating copious Minutes covering discussions and decisions was issued to all participants

This is a modest attempt to summarize the papers and the discussions to the extent they are directly relevant to the subject of corporate planning in consumer co-operatives. Incidentally, this is also an attempt to reiterate the importance of social goals in relation to business goals and their inter-relationship with a view to serving the objectives of the Co-operative Movement.

The authors are aware of the severe limitations of this booklet both in content and form; but, if this can stimulate consumer and other co-operative movements all over the world to initiate action on planning at different levels such as local, regional, national and international which could optimize the use of the available resources to ensure a higher productivity and thus serving the economic and social aims of the co-operatives, the effort put in has achieved its aim.

Ms Elizabeth Robertson typed the manuscript in a record time. Our appreciation is a minimum due to her.

1.0 INTRODUCTION

1.01 External changes demand an internal change

Changes in environment, demand patterns, market structure and competitors moves, call for changes in an enterprise. This can only be achieved through continuous research and planning. This is applicable to Cooperatives as much as to private enterprises.

1.02 Research and Planning

The object of research is to provide information for decision making and planning. The research themes and needs for research are to a large extent determined by the requirements of planning. There is thus an inter-connection between research and planning. This is more clearly seen in the work of the corporate planning department. The continuous flow of data required for planning is produced through various sources. Illustrative examples are as follows:

Corporate image studies: Through suitable interview methods.

Buying habit studies: To discover consumers' buying habits and changes in them through interviews and questionnaires.

Quality, price and assortment studies: To discover consumers' opinion of quality, prices and assortments in cooperative shops.

Price level studies: To measure price level difference in some of the important product groups, from the consumers points of view through a suitable sampling technique.

Market share studies: Separate studies to assess the market shares for important product groups.

<u>Shop inventory studies:</u>	To determine, product by product, the Coops' market share distributed between own produced products and other branded goods, speed of turn-over etc.
<u>Study of sales to institutional buyers:</u>	to understand the nature and quantum of institutional buyers.
<u>Studies into the structure and development of consumption:</u>	To undertake forecasts of consumption for different product groups for short and long periods.
<u>Shop location studies:</u>	To ascertain the area's buying potential, convenience of the location for the customers etc.

1.03 Planning and Consumer Interests

Research and planning contribute to development. Timely planning points to the management and the staff to what the future has in store for the business and helps them to prepare themselves adequately to face the problem.

2.0 CORPORATE PLANNING: A PROFILE¹

2.01 Planning - Its Aims & Objects

As Charles Lindblom would put it, planning may be the science of muddling through, but, basically two different objectives are pursued by planning:

- (a) Corporate planning may be understood as a procedure of fixing targets and measurements for a certain period to streamline the future aspirations to a specific direction. Planning in this sense sets targets and measures in all parts of the cooperative business: in sales policy, investment or in the financial policy. This is usually known as strategic planning or perspective planning.
- (b) The different working processes are clearly structured into periods and units taking into account the possible capacities and means. For instance, when the staff of a department in a supermarket are assigned a fixed monthly or yearly sales targets, it may be called "operative planning".

2.02 With regard to the purpose it may be distinguished between structure plans, plans for implementation and project planning. Structure planning is mainly directed to the organisational build-up, the management set-up or the shop network. An implementation plan could serve the financial plan, the sales plan or the efficiency plan. Planning can also relate to a single project like a supermarket or a warehouse.

2.03 Planning - A Management Instrument

According to purpose and relevance, planning may be distinguished between decisions relating to the structural development and processes of realisation. In this regard, planning can be supported by a systematic analysis of expectations or possibilities, by valuation or it could purely

¹ A summary of paper presented by K P KORNHOLZ, AUSTRIA

be based upon calculations like, for example, by working out an economical analysis in connection with a new investment project. In this case, corporate decisions are already based upon the results of such an analysis.

Structural decisions have a large impact on the capital invested or other long range commitments of cooperative organisations, like the members' shares or the expansion of plant capacities, a change from "service" to "self-service" or the introduction of new types of sale.

It will also be necessary to determine corporate risk and the optimal return on the capital invested, always comparing several available alternatives. If it is intended to establish a new shop or to introduce a new product, market research and investigations on the predictable future will be useful and necessary. Moreover it will be essential to calculate the development costs and the investments, the costs of staff, advertising and other running costs, so to get the total costs of a project and to compare them with the profit in the short-middle-and long run.

Planning should provide the fundamentals for structural decisions, leading to the optimal use of the limited means available. While doing so it should assist the management in setting goals and measurements, and in implementing the plans. From this view, planning will serve as an instrument for transformation or realisation of corporate targets.

In most cases this process is carried out by the middle management. For example: budgets of costs and profits are given to all departments of a hypermarket and it will now be the task of the responsible head of this department to set adequate steps to reach these goals. The top management is interested in knowing the reasons for any differences between the aims and achievements so that the planning may be suitably modified.

On lower levels of the enterprise, planning will often be directed towards practical implementation in short terms, where volumes or sales

targets are clearly fixed in weekly, monthly or yearly budgets whereas financial plans are often restricted to upper limits depending on decisions of the Board.

In Austria, for example, each of the regional managers are authorised to decide on investment volumes laid down by the Board once a year.

Corporate planning as an overall activity stimulates a process of internal intergration. To achieve this purpose, a reliable investment plan well integrated into a reliable sales concept and a financial plan, with a reasonable plan for costs and profits, is necessary. All these plans are well coordinated within the frame of the corporate plan.

Planning demands meticulous attention to interdependencies within the enterprise. Many of the failures in the past, could have been avoided if these relationships between purchasing and selling, investment and financing, costs and profits were taken into account in good time.

This function of integration makes planning an important and basic element of management responsibility.

What does it mean in practice?

- . Planning means to adjust management activities to the financial and personnel capacities and possibilities.
- . Planning means to unify and to streamline management functions in order to reach the corporate purpose.
- . Planning should assure cooperation between the various management spheres and levels.

Planning is a management tool, and characterizes the rational attitude of management. Improvisation, in contrast to planning, is based on intuitive ad-hoc decisions, sometimes practised with a degree of success. Such decisions, however, do not fall within the ambit of planning.

This process of integration contributes to the reduction in isolated decisions. The more a responsible individual knows the management concept the better he identifies his own interpretation of the corporate target, contributing enormously to better communication and cooperation between the top and lower levels of management.

2.04 Planning principles

An important principle of corporate planning is conformity, standardization and suitability of the different planning activities, coordinating the size and intensity of planning with the economical requirements.

Too much planning may be time and cost consuming and reduce the flexibility in business. On the other hand insufficient planning causes a confusion. In both cases the effectiveness of planning is considerably reduced.

The more comprehensive the plans, the more important will be the timing of the different planning steps. All the different figures and data of the different single plans must be available at the appropriate moment.

This is possible only when the entire procedure is formalised and applied at all times. This application demands for fixing the framework, the different partial-plans as well as the planning periods and intervals in due time, and this is especially relevant for large cooperative societies.

To ensure that the planning process leads to optimization of returns, the planned goals and costs of planning have to be considered carefully and balanced.

Since there are many unpredictable elements of the market, such as the behaviour of our competitors, seasonal changes, the development of the price-index and the rate of inflation, legal measurements etc. there should be considerable flexibility built into the planning process.

These aspects demand for a swift and current adjustment of planning figures and - if necessary - to change already existing planning concepts. It is also essential to develop alternative plans for choosing. This means flexibility in methods and techniques without interruption to continuity.

Moreover, the planning tasks must correlate to the planning horizon. This is not only applied to structure plans or individual sitting of projects but also for fixing short- or long-term activities.

The question of what is understood by short-, middle- or long range planning might differ from organisation to organisation: but in general, a plan for one year or less is known as a short term plan, whereas five or less years is termed long-range and strategic planning.

Short term plans, such as monthly budgets, are generally based on accounting figures and internal statistics, and they determine the next month's development of financing, costs or turnover etc. If the planning horizon is too long, say 5 years, it will be useful to divide it into yearly plans and further into monthly plans.

It is difficult to predict the customer's behaviour precisely. Hence the rate of inflation or actions and reactions of the competitors help in arriving at necessary adjustment of the figures contributing to the flexibility of the plan.

Yet another important precondition to avoid planning mistakes is to ensure competence and experience of the planner, with comprehensive information on the subject - a matter often overlooked.

Sometimes the Board decides to establish a planning department without having a clear view on the financial and personnel requirements of such an organisation. This affects planning quite seriously.

It happens that planning figures are misinterpreted, because they are only referred to nominal values, ignoring the real development of the enterprise. For instance, when someone speaks about a 10% sales increase in a supermarket when the rate of inflation is 8%, it is not realized that a 2% sale increase does not contribute to growth nor does it match the efforts of the competitors. One must analyse the market conditions, the development of purchasing power and the competitors share of the market of a given area so as to be in a position to interpret the result.

The sales increase should also be related to the amount of investment for new sales outlets.

2.05 Corporate planning and marketing

Fundamentals of corporate planning have to be reviewed against the build-up of planning from the viewpoint of marketing.

Corporate planning with a view to realizing the corporate purpose, must be determined by the cooperative statutes and the existing capacities. This purpose of consumer cooperatives refers:

- . to their business activities;
- . to their specific orientation towards certain groups of customers;
- . to their specific abilities of quality, technology etc.
- . to their market areas, different regions and sites.

The corporate purpose is the central starting point of corporate policy which comprises all the management functions, not delegated, such as:

- . forming of business policy by coordination of the sales policies, staff policy, investment and financing policy, the dividend policy and many others,
and out of this
- . the fixing of targets, guidelines and rules and how these targets can and should be reached.

Corporate policy aims at the economical transformation of the corporate purpose into the long-term requirements of the market, the environment and the society.

One of the most important conditions for this transformation is the comprehensive knowledge and the current analysis of:

- . the own internal existing business capacities;
- . the analysis of existing weak-points and reserves, and
- . the economic minimum goals necessary for a survival in the long run.

The second important condition is the analysis and the prognosis of market and environmental factors in order to find out the planning latitudes of the enterprise.

All factors such as the socio-economic attitudes of the population, the technical progress, the competitors and the resources of capital, the assortment and service abilities and their future limits of saturation are all to be examined carefully.

A comprehensive use of internal and external data is necessary. All the available statistics and reports published by the authorities and market research institutes have to be evaluated to get a reliable conception of future purchasing, production and selling.

Internal data and information systems play a valuable part, and the quality and quantity of these will depend on the ability and the level of the accounting system, as also on the correct interpretation of all the figures and economic indicators.

The findings of the business analysis and the prognosis of the environmental factors, now make it possible to plan, ie; to fix the different parts and steps of the corporate plan. These goals will be directed towards:

- . liquidity and financial independence with respect to the relation between the own capital and borrowed capital;
- . moreover they will be directed to certain profits and profitabilities of the own and borrowed capital invested in order to provide business stability in the long run;
- . the evolving of a criteria of economic success;
- . a forecast of turnover and sales increase for improving the market shares;
- . towards improving productivity and efficiency, for diminishing the risk and for granting the future cooperative potential;
- . and an estimate of the overall growth.

Setting clear targets demands for setting priorities which must be given by the top-management after a careful balance of the different partial goals. This must be clearly expressed in exact terms and figures and not with a lot of optimistic words, in order to provide a guideline for the planner.

I suppose, this quantification seems to be of special relevance as the different plans must currently be controlled and compared with the practical results, either by the planners themselves, or better, by an auditor or a controller. This is a very important function within the planning process.

The task of control should be to check continuously the strategic concepts and budgets:

- . on their actuality
- . their completeness
- . and their realistic practical concern

and, to stress the management's attention to modifications and corrections of the plans. This refers to the formerly planned success, the planning assumptions, the planned efficiency and the calculated risk.

Planning is good, but the courage to face the truth is better, because the feedback process of planning ultimately leads directly to a learning process for all the planners concerned.

The clearer the planning system and the more exact the different goals are formulated, the easier will it be to find out the weak points and to avoid mistakes or failures in the system of corporate planning and budgeting.

2.06 Summary

- . Modern management can not be carried out without planning, either in times of growing markets and steadily increasing branches or units or in times of economic recessions and during periods of keen competition.
- . Planning does not eliminate any problems of management; in long range planning they are brought out and made visible.
- . Corporate planning demands for decisions which must be anticipated and which are later controlled by running the business.
- . In cooperative business, corporate planning is often only partly developed, incompletely carried out or often misunderstood.
- . Only partial elements of a corporate plan, like a sales plan, a financial plan, a plan on the shop network are seen; a global consideration of the development within the enterprise is missing.
- . The keen market competition and the financial and economical development of cooperative enterprises clearly demonstrates the importance of planning with all its interdependencies within the business. It contributes to a rational handling, it is also an expression of modern responsible leadership.

3.0 Policy and Planning: A CASE STUDY (SWITZERLAND)¹

3.01. The Problem

Unlike the private capitalistic enterprise, the legal and organisational structure of a co-operative requires special procedures for creating corporate policy and translating it into practical corporate planning.

3.02. Corporate philosophy and corporate policy as the basis of strategic planning

All strategic planning must be oriented to a corporate declaration of intention. It is the task of the top management to create a corporate policy and put it into effect. In a co-operative several bodies are involved: for example the co-operative council or delegates' congress, being the co-operators' "parliament".

The Swiss Coop Group has defined its principal, long-term, general corporate intentions in its corporate philosophy which was drawn up in 1978. The Group's economic, social and financial principles are concretised in form through "Principles of corporate policy".

The corporate policy has been sub-divided into ten part policies which are intended to serve as working instructions for the main fields of activity within the Group:

- the management and organisational structure policy defines the management concept (management by objectives, teamwork, participatory style of management) and lists the principles on which the management structure is based, i.e. the organisation and the procedure. The management and organisational structure policy also contains management guidelines, a standard organisation chart for the regional societies and specimen descriptions of

¹ Summary of paper presented by Dr. P. Meyer, Vice-director and Head of Corporate Planning, Coop Switzerland, Basle, at the Research Officers' Group Meeting, 16-18 September 1980 in Oslo (Norway)

functions (job descriptions) for the most important management positions, as well as guidelines for further structural reform such as mergers etc.

- the diversification policy containing the principles of the activities in traditional and new markets;
- the public relations and consumer policy defines the principles for keeping in touch with the public, with emphasis on public relations, economic and consumer policy and the policy of the owned newspapers;
- the investment and financial policy lays down the criteria for investments by Coop and lists the principles of financial management - with regard to the legal form of a co-operative;
- the store type policy lays down the types of sales outlets in which Coop will market its goods, the most important characteristics of each store type and principles on which they are to be constructed and operated;
- the merchandise policy defines the trading aims of goods management with emphasis on the organisation of assortments and pricing;
- the sales policy lists the principles of the marketing activities;
- the goods distribution policy comprises the principles of an efficient flow of goods between production, wholesale, regional distribution centre (regional Coop society) and sales outlet;
- in the production policy Coop defines its corporate aims as producer;
- the personnel policy summarises the principles of personnel management, training and relationships between contracting partners.

Strategic (i.e. long-term) planning is based on the corporate philosophy and corporate policy. It comprises the strategies which determine the

basic course of the Group, chiefly with regard to

- markets (where?)
- performance potential (with what?)
- market performance (what?)

There is a clear delimitation between strategic = long-term planning and operational and current = medium and short-term planning.

3.03 Planning tools: the Coop Group planning system

Corporate planning expects the Co-operatives and their unions to have a starting point in assessing the developments in the environment and the organisation. They examine the past (analyse) and make a forecast about the future.

A description of the organisation's weaknesses and strengths, a comparison of the dangers and opportunities facing the organisation, compliments the analysis and forecast of the environmental developments.

For the Coop Group the analyses and forecasts of environmental developments relate to developments to be expected during the planning period within

- the economy and society (eg energy and raw materials, employment and productivity, political situation, population and sociological trends);
- the branches in which the Coop Group is active or would like to increase its activities (retail trade, services).

Quantitative forecasts relate to

- the gross national product;
- private consumption;
- the market volume in the retail trade (food, nonfood) and in the service sector.

Analysis of the past, a description of weaknesses and strengths and forecasts form the basis for creating a corporate philosophy and principles of corporate policy as well as strategies. The question is: what do we want to achieve in 5-10 years (long-term) and in 1-2 years (objectives)?

Medium-term planning in the Coop Group comprises a period of 5 years, i.e. 1981/85. Long-term planning comprises the decade of 1981/90.

The COOP SCHWEIZ'S overall plan (1981/85/90) is based on the following economic scenario:

- There will probably be a real increase in the gross national product of about 1.5% per annum because of stagnating population. Inflation will be at the rate of about 5% until 1985, then about 3.5% from 1986-90. There will be a nominal increase in GNP from 1981-85 of between 5.2% and 6.5% per annum and from 1986-90 of 5%.
- Private consumption will probably increase in real terms by 1.5% to 2% per annum from 1981-85, nominally by 6% to 6.5% and by about 6% per annum from 1986-90.
- Retail market volume will decrease in real terms until 1985 and then increase from 1986 onwards by about 0.2% per annum. There will be a real decrease in retail market volume food to start with because of the marked trend towards eating out. Nominally market volume of food will increase by about 6% per annum - chiefly owing to expected price increases in the agricultural sector (equal earnings for farmers, inflation in importing countries). Growth in market volume of nonfood is likely to be much stronger in real terms than market volume of food (percentage increase in age group with greater buying power, 25-44 year-olds). It is estimated that nominal annual growth rates will be 4.2% to 4.6% during 1981-85 and 5.5% from 1986 onwards (incl. fuels).
- The service sector will continue to grow in Switzerland too. Nominal growth rates of 5% to 10% per annum for the expanding markets in the gastronomy, tourist and insurance sectors is anticipated.

3.04 Deriving strategies and objectives from corporate policy
(= strategic and operational planning)

(a) Strategies

Strategies determine routes to achieving the principal corporate objectives. They convert corporate policy into medium and long-term programmes of action and provide directions for management. Performance objectives and budgets are derived from them.

In the Coop Group, strategies for 5 and 10 years are formulated from the part policies; they relate mainly to the retail trade which provides almost 90% of the Coop Group's net profits. Development strategies are derived from a medium-term market share objective. The market share objective (market share of the Swiss retail trade, market shares for food and nonfood) is compared with the existing situation. This gives the "strategic gap" representing the increase in sales area to be aimed at in the period 1981/85.

(b) Management by objectives in a co-operative enterprise

During recent years the concept of "management by objectives" has been successful in European firms. The Coop Group in Switzerland has been using this management tool since 1970.

Performance objectives lay down qualitative and quantitative aims. Performance objectives, in contrast to strategies, are generally short-term, ie they cover 1-2 years. They are derived, on the one hand from the strategies, and on the other from the main tasks of each of the sectors of the Group and from topical assignments.

For Coop management by objectives represents a management method which is based on participatory management and team-work.

This concept proceeds on the assumption that the more managers and their staffs identify themselves with corporate objectives the more likely that the objectives will be achieved. This is done by means of objective-setting discussions between managers and their staffs.

Performance objectives are a system which links up with strategies and converts them into qualitative and quantitative standards of performance for a business year. The objectives must be broken down into targets for each enterprise and for each division, sector, department, group and individual within the enterprise.

The financial complement to objectives is the budget. Objectives and budgets together constitute the management and technical point of view of the cooperative enterprise.

In a co-operative union like the Swiss Coop Group, the objective-setting process between the central organisation and the regional societies is particularly characterised by persuasion techniques and objective-setting discussions. The central organisation and the entire group are dependant on the willingness of the regional societies to co-operate. The ability of central management to motivate and convince is the key to success.

Twice a year the management of Coop Switzerland invites the managers of the regional societies to objective-setting conferences at which the overall objectives are discussed and individual objectives negotiated. The regional societies submit their objectives in writing to the central organisation; they contain the most important performance objectives for a business year.

(c) Objective control

In practice, effective and appropriate control as a part of the successful application of the concept "management by objectives". In co-operative enterprises objective control is handled in the same way as in other enterprises. In the central organisation controls are carried out in some cases every month and in others every four months. Discussion between managers and their staffs is as important in objective control as it is in setting objectives. In these discussions the aim of the manager is not so much to control as to discuss why there are deviations from objectives and what steps should be taken to correct them.

Objective control is more operational and short-term. In strategic planning the term "strategic controlling" is increasingly employed: performance objectives must be controlled to see whether they guarantee implementation of the long-term plan. With the increase in society-oriented reporting (social balances, net product account, etc.) so-called goal accounting is gaining in importance for external information as well.

3.05 Practical problems

When policy is translated into planning, various problems crop up and these will now be dealt with in more detail:

- creating a basis for planning
- sensitising management to the necessity of strategic planning
- planning as an innovative process
- the time factor
- implementation of planning
- plan revision and success control

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(a) Creating a basis for planning:
corporate philosophy and corporate policy

The new corporate philosophy and the related principles of corporate policy took two years to draw up, from 1976-78. A frank and self-critical description of the state of the Coop Group provided the basis for them.

The new corporate philosophy and principles was processed in the department of corporate planning via an internal planning team, the board of management of Coop Switzerland and the planning committee (in which the regional societies were represented) to the board of directors.

The part policies also originate in this way. Those affected by them and who have to apply them take part in their creation; for this reason the views of the managers of the regional Coop societies are sought for. Such a broad-based procedure requires time. But the time is well invested; it ensures broad support for the principles, and so guarantees that the documents will be translated into practice.

(b) Sensitising management to the necessity of strategic planning

Most managers in line jobs are pragmatic and oriented to day-to-day operations by temperament, training and inclination. The fact that well-known economists have been mistaken in their forecasts does not increase many line managers' fondness for planning. The Coop Group is well acquainted with this problem. But alone the 5 or more years required today to implement individual sales outlet projects, because of stricter official regulations, makes long-term corporate planning essential. There is wide recognition of this among managers today which provides an excellent basis for planning work.

(c) Planning as an innovative process

Long-term planning requires a different way of thinking from short-term, operational planning. Strategic thinking must detach itself from day-to-day business, from annual targets. Strategic thinking must be able to anticipate market and competitive developments in the next 5 to 10 years. Strategic thinking must include future social, political and cultural developments.

(d) The time factor

The construction of a strategic planning system requires time, particularly when such a system works with econometric and/or computer-aided models, which is essential when there are large quantities of data. The more concrete the planning the more time-consuming it generally is. For an organisation of the size of the Coop Group one must allow 3 to 5 years for implementing strategic planning.

(e) Implementation: from visions of the future to everyday planning

It is easy to map out changes of course and bold visions of the future. Rehearsing visions of the future is a part of entrepreneurial thinking. But for everyday planning ambitious plans are not enough - though they are very important, indeed essential, for giving fresh impetus to planning.

When the general strategies have been created "everyday planning" begins, in which the implementation of the agreed strategies demands persevering hard work. The workaday routine of corporate planning requires a willingness to put up with a certain amount of frustration: the bodies to which plans are submitted do not always find them as original as those who thought of them. Part of the willingness to tolerate

frustration lies in its ability to include line managers in the planning process in such a way that they finally have the impression that they have done most of the planning themselves.

(f) Plan revision and success control

The best plan is no good if it is not regularly and systematically controlled as to whether it can or has been achieved.

Institutionalised, formalised and regular plan revision is just as important. In the Coop Group planning system plans are revised when medium and long-term objectives from the Group plan 1981/85/90 are translated into the annual overall objectives for the business year ahead.

Success control takes the form of an annual report by the board of management of Coop Switzerland to the board of directors on the level of achievement of objectives. In it the Group's objectives - derived from the strategic plan - are compared with actual results. Adjustments for deviations from targets are made during the current business year.

3.06 Summary and conclusion

Principles of strategic corporate planning are applicable to consumer co-operative societies. Corporate philosophy and corporate policy form the basis for strategic planning. Coop's corporate policy comprises the management and structure, diversification, public relations and consumers, investments and finance, store types, merchandise management, sales, distribution of goods, production and personnel.

Planning periods are 1-2 years (short-term), 2-5 years (medium-term) and 5-10 years (long-term).

Strategies are derived from corporate policy. In the Coop Group pride of place is given to increasing productivity on the basis of existing sales area and to creating a reasonable amount of new sales area. In addition, the Coop Group intends to diversify into new markets which offer the necessary growth and profit potential.

The concept "management by objectives" which is based on a participatory style of management and teamwork, is suitable for translating the (medium-term) strategies into short-term quantified performance objectives to be achieved within a certain period and budgets. Institutionalised objective control guarantees the necessary feedback within the planning system.

To create a strategic plan to implement corporate policy all levels of management must be convinced of its necessity. This requires a new way of thinking and recognition of the innovative processes sparked off by planning. Horizons must be opened up and widened.

Strategic planning requires time, particularly in large and complex organisations.

Strategic planning requires not only a vision of the future but also persevering detail work.

Plan revision and success control must be institutionalised, preferably as "strategic controlling".

4.0 Planning Instruments and the Planning Process:

A CASE STUDY OF THE E MOVEMENT IN FINLAND¹

4.01 Background

The development of systematic corporate planning in the E Movement began in the early 1970's. The reasons for this late start are:

- multiplicity of business operations;
- large number of individual units and their interdependence;
- weakening profitability and declining market shares;
- rapid changes in the environment and hardening competition.

Five year and annual budgets were drawn up in the E Movement but did not prove adequate for the management. A new planning system was developed in project form by OTK in collaboration with outside consultants. The first round of planning covering the whole movement was carried out in 1974. Planning is now the responsibility of the managements of the different cooperatives and units. Responsibility for overall planning for the E Movement rests in OTK's management.

4.02 Planning Objectives

The objectives of corporate planning have been:

- to create an overall picture of the E Movement;
- help it to adjust in advance to changes in the environment;
- unify the different planning systems;
- guarantee the joint and unified handling of development questions;
- give a homogeneous language to the organization;
- promote the optimal utilization of the physical and spiritual resources of the E Movement.

¹ Paper presented by Ms Elisa Leino, OTK, Finland

4.03 Corporate Planning System and the Planning Process in the
E Movement

An effort has been made to include within the sphere of corporate planning the whole of the E organization:

- OTK
- Subsidiary companies
- Co-operative societies

The planning system in all of them is basically the same. The framework of the planning system is an operations sector based division. Details are as follows:-

OVERALL E MOVEMENT PLANNING CARRIED OUT THROUGH UNITS AND BUSINESS AREAS

UNITS/GROUPS ARE:

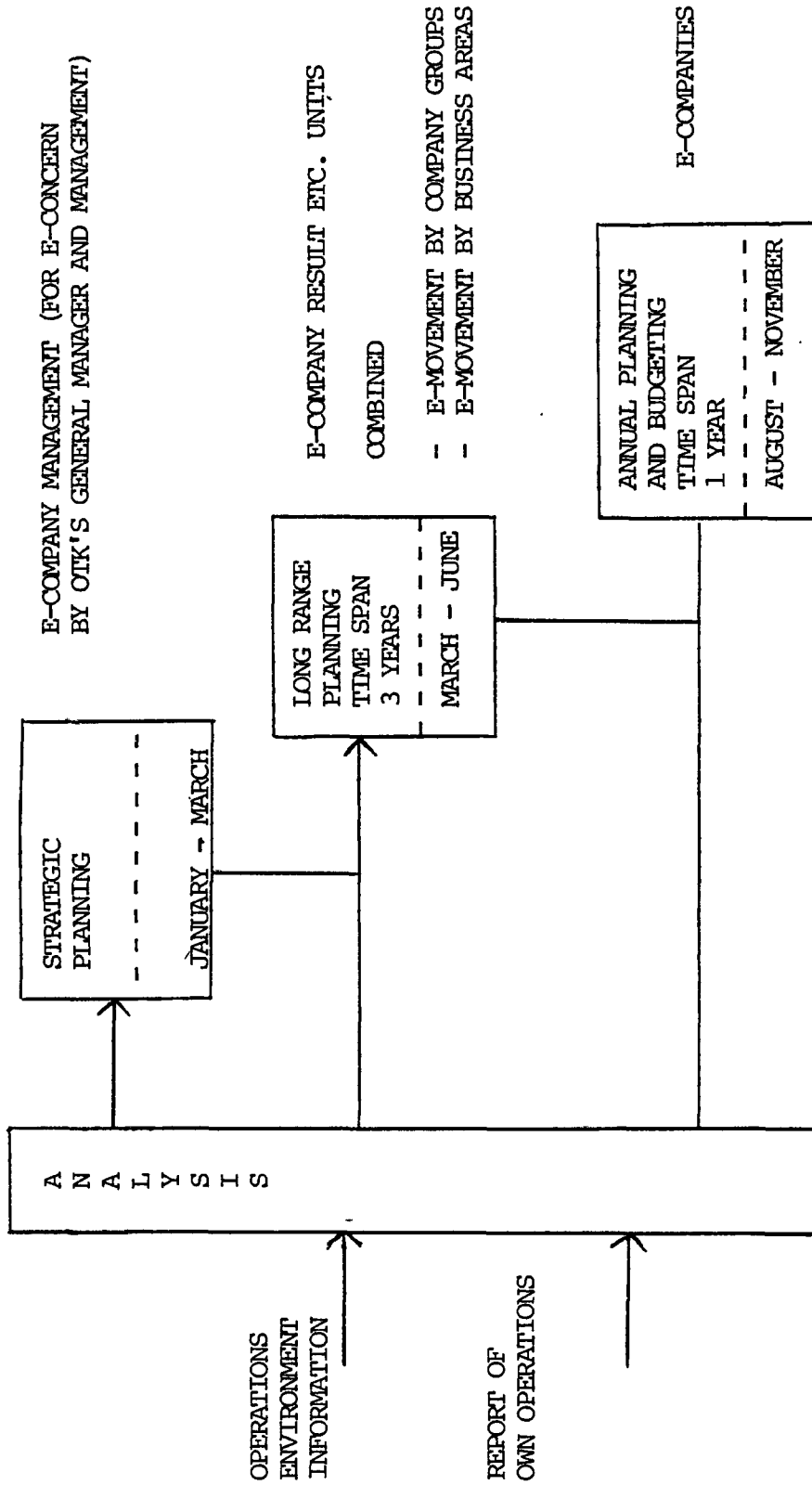
- 1 O T K
- 2 SUBSIDIARY COMPANIES) O T K - GROUP
- 3 CO-OPERATIVE SOCIETIES)
- 4 CENTRAL UNION KK

SECTORS ARE:

- 1 CONSUMER GOODS TRADE
 - WHOLESALE
 - RETAIL
- 2 BUILDING AND INDUSTRIAL SUPPLIES TRADE (HARDWARE)
- 3 SERVICE STATIONS
- 4 HOTELS AND RESTAURANTS
- 5 AGRICULTURAL TRADE
- 6 FOOD INDUSTRY

CHART 1

THE E-MOVEMENT'S CORPORATE PLANNING SYSTEM



-- E-MOVEMENT BY COMPANY GROUPS
-- E-MOVEMENT BY BUSINESS AREAS

- 7 NON-FOOD INDUSTRY
- 8 OTHER BUSINESS OPERATIONS
- 9 DISTRIBUTION AND STORAGE
- 10 ADMINISTRATION

The parts of corporate planning are (see chart 1)

- analysis
- strategic planning (see Chart 2)
- long range development planning (nowadays 3 years)
- annual planning

Corporate planning is carried out in the E Movement in overall, long range and systematic procedures which cover planning, direction and control.

The content and interconnections of planning can be seen from the diagram (see Chart 3).

Monitoring occurs through annual budget monitoring. The Process Chart (see Chart 4) indicates the flow.

Planning instruments

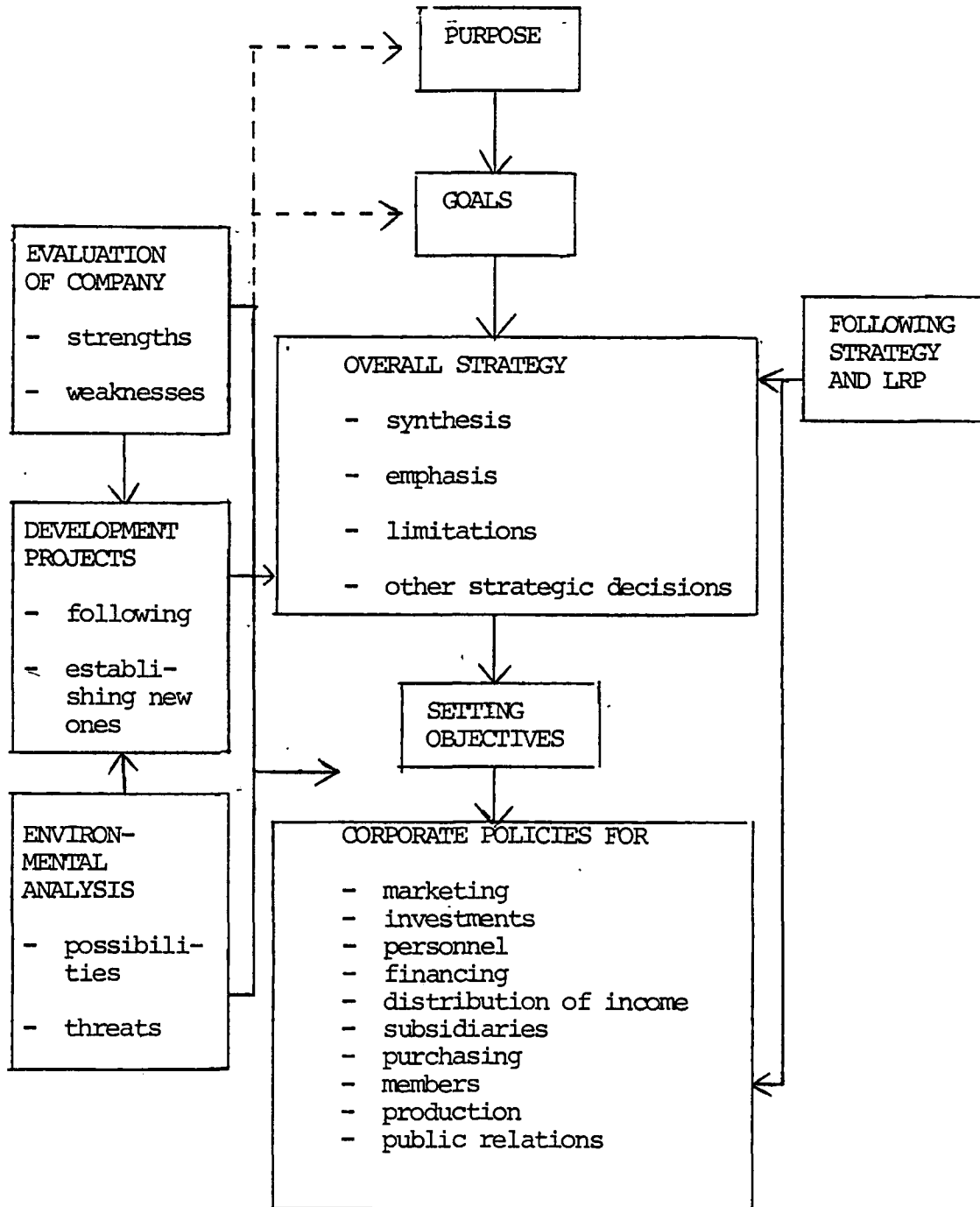
In addition to the planning system and process, various kinds of "instruments" and "thought patterns" are used as aids to homogenize thinking and planning.

Analysis is an essential part of planning. The object being to create an overall picture of the organization being planned in relation to its environment and its development, in other words:

- define and analyse those factors to be taken into consideration when planning
- draw conclusions and provide ideas on the need for operation development in relation to those internal attainment of the objectives set.

The components of Strategic Planning are as follows:-

COMPONENTS OF STRATEGIC PLANNING



The process of analysis is, in principle, the same at all levels of planning; when starting annual planning, however, it is mainly checks that are made (see charts 5 & 6).

Operations analysis seeks to form an overall picture of the development of the operation and establish those factors that promote/hinder the achievement of its objectives.

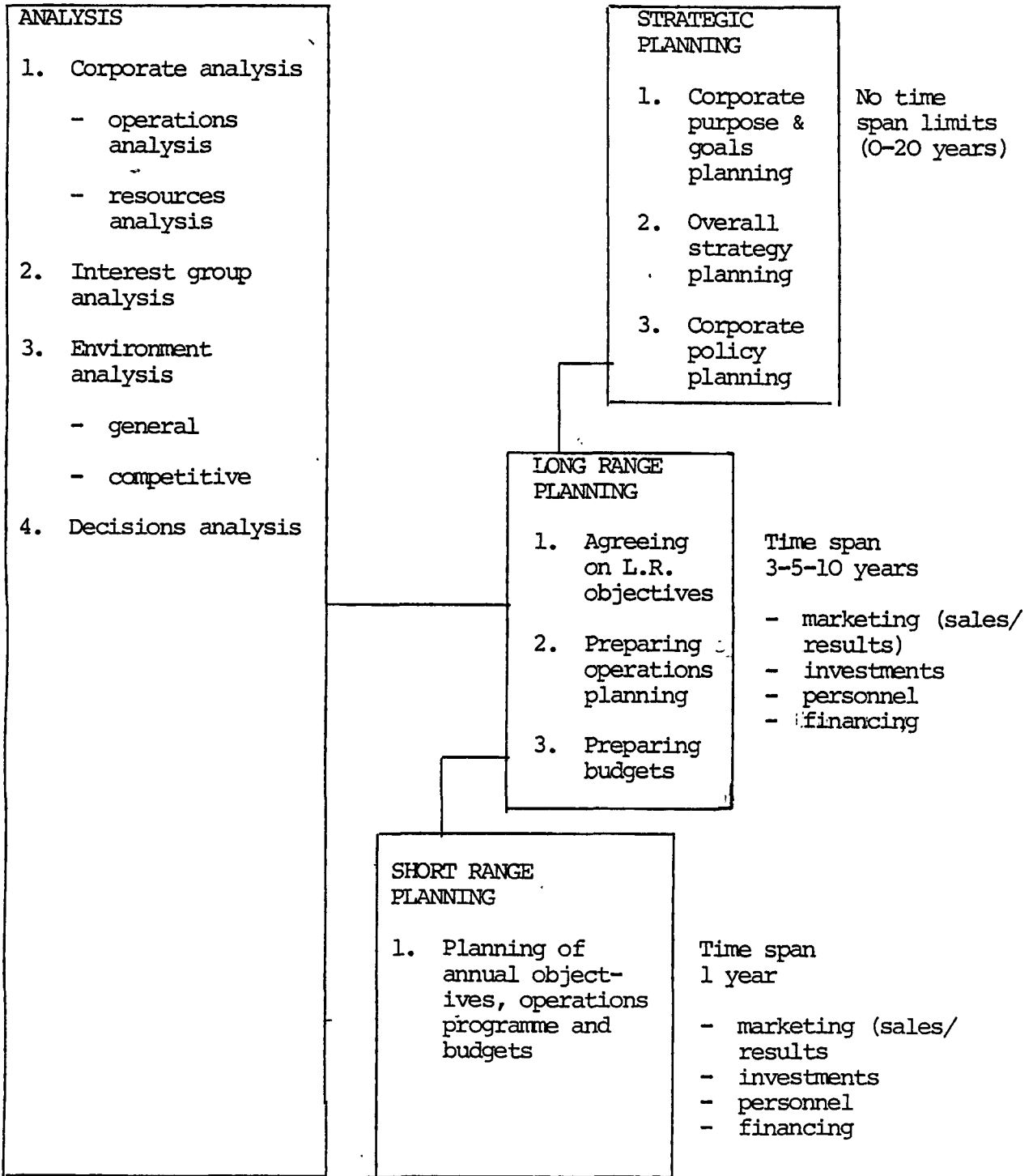
Resource analysis seeks to establish the sufficiency and quality of resources, degree of utilization and development and changes occurring within them. Illustrative heads under which such analysis is undertaken are as follows:-

RESOURCE ANALYSIS

Subgroup/unit	Sector	Company/-group
---------------	--------	----------------

RESOURCE	INFORMATION ON STATE; USE AND DEVELOPMENT OF RESOU
1. PERSONNEL	
2. ASSETS	
3. RAW MATERIALS ETC.	
4. SYSTEMS	
5. FINANCING	
6. ORGANISATION	
7. LEADERSHIP	
8. KNOWLEDGE	
9. OTHER RESOURCES	

THE CONTENT AND INTERCONNECTIONS OF THE PARTS OF CORPORATE PLANNING



Interest group analysis ascertains which are the most important interest groups within the organization being planned, their expectations, relationships to each other and priorities in the planning base.

Environment analysis forms an overall picture of the direction of change in the external operational environment and establishes the change factors and their content that promote/hinder the achievement of the operation's objectives.

On the basis of analysis the Corporate Planning Department is able to provide management with a whole series of external data (general environmental development, development forecasts for different branches, measures taken by competitors). Each unit supplements this information with external data concerning its own specific field of operation.

Objectives at the decision making stage are:

- emphasize the interrelationships of the strength/weakness, threat/possibility factors discovered through analysis.
- draw the relevant conclusions
- provide ideas on the need for operation development
- decide on possible measures to be taken (eg. development projects).

Management will set the common planning assumptions for the whole organization.

Analysis can be made in the different parts of an enterprise, each in its own way. While doing so, a standardized form and procedure may help to secure results capable of easy reading by the management. In particular when developing product/market strategy, the idea is to stimulate the organization by drawing up examples of approach methods which can be used as aids at the working stage. These are, for example, (see APPENDIX NO

- possibility/threat analysis
- power base analysis

MONITORING PROCESS CHART

PROFIT CONTROL
WITHIN E-MOVEMENT

E-MOVEMENT - BY UNIT GROUPS - BY SECTORS	
LRP 3 YRS.	SRP 1 YR.
FOLLOW-UP	
BUDGET COMPARISON QUARTERLY	COMPARISON WITH PREVIOUS YEAR QUARTERLY

OTK-GROUP - BY UNITS - BY SECTOR	
--	--

OTK - BY OPERATING UNITS	
LRP 3 YRS.	SRP 1 YR.
FOLLOW-UP BUDGET COMPARISON MONTHLY	COMPARISON WITH PREVIOUS YEAR MONTHLY
SUBSIDIARIES - BY COMPANIES	
LRP 3 YRS.	SRP 1 YR.
FOLLOW-UP BUDGET COMPARISON QUARTERLY	COMPARISON WITH PREVIOUS YEAR MONTHLY

CO-OP SOCIETIES - BY UNITS - BY SECTORS	
LRP 3 YRS.	SRP LYR.
FOLLOW-UP BUDGET COMPARISON QUARTERLY	COMPARISON WITH PREVIOUS YEAR MONTHLY

- strategic business areas
- business idea
- "Ansoff's window"
- portfolio management
- product/product group/operations field
development stage analysis
- business territory analysis

Strategic planning contains certain basic elements:

- planning assumptions
- operation idea and goals
- emphasis in operation
- product/market strategy
- resource strategy
- outlets network planning (min. 5 years)
- certain numerical objectives (sales, market position, results, labour and capital productivity, investments, financial ratios).

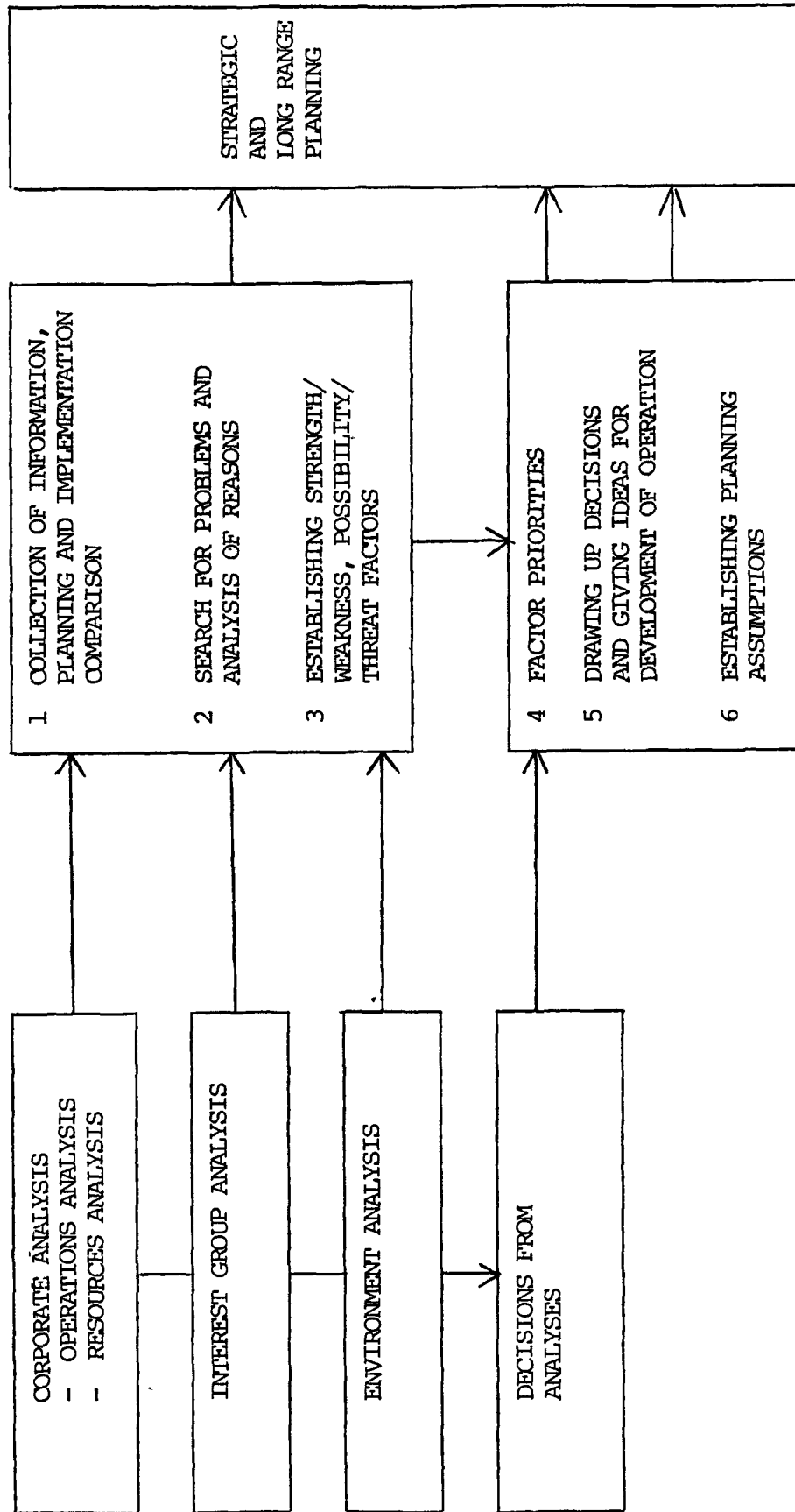
Long range development plans and budgets on the other hand are developed on uniform forms. These are today (see Appendix No

- development measures form
- income statement form
- investments form
- financing form (independent companies)

Every effort is being made to reduce the number of lines on these forms. The annual planning forms are similarly uniform and basically the same as for Long range Planning but considerably more detailed.

To facilitate drawing up summaries at E Movement level, EDP models are used making their production easy. A model that makes it possible to draw alternative plans or to examine the effect of changes in various factors at E Movement level is also available. But this model has not come up to expectations and therefore its use has been discontinued.

1. THE PROCESS OF ANALYSIS



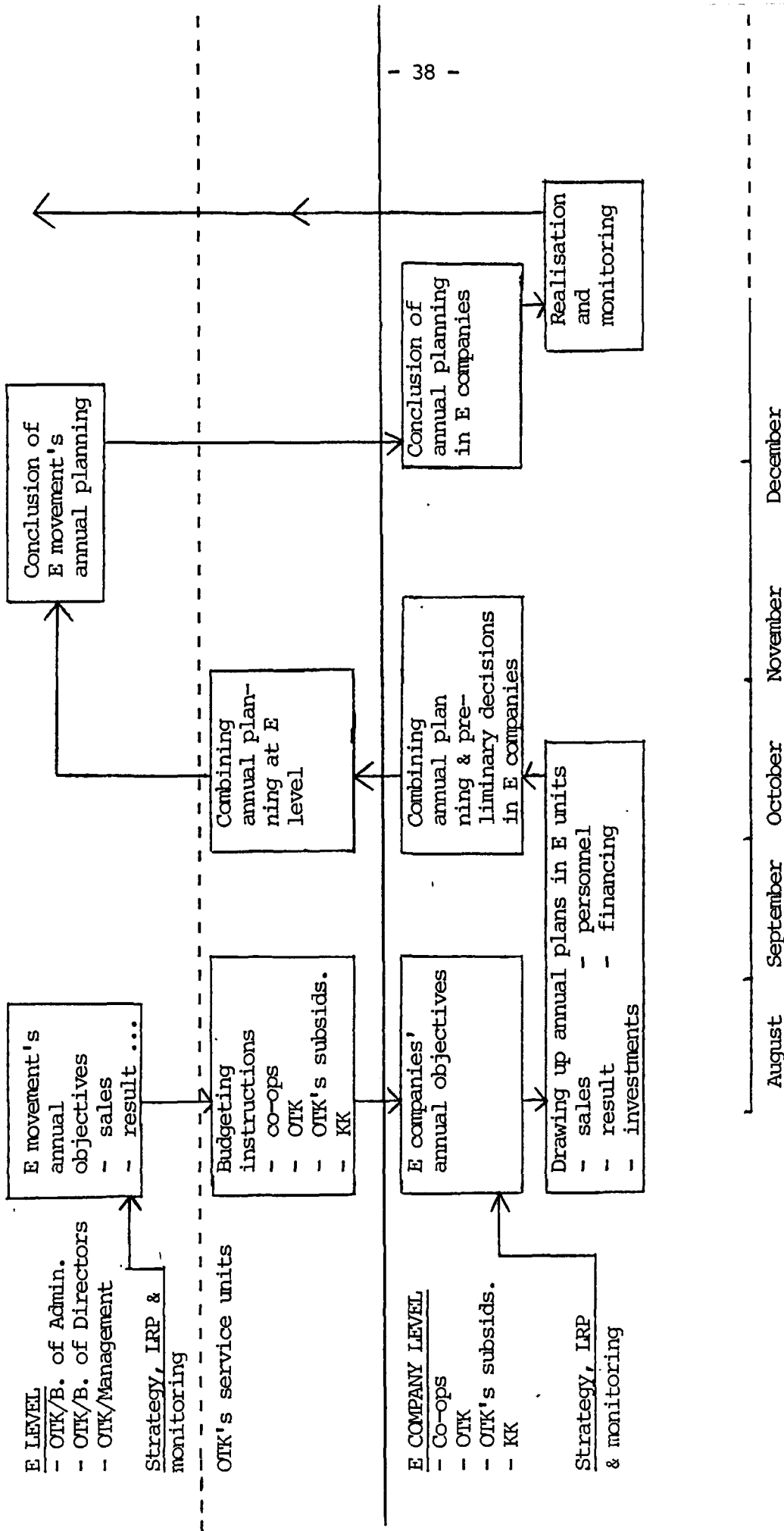
There is a clear need to develop a new model, particularly to help in the allocation of resources.

As regards the development of common planning instruments in the E Movement, apart from the basic frame of the whole process, changes have been made to allow flexibility to each planning unit. Only specific parts of planning (mainly budgets) require that they are the same for all.

In principle, the E Movement is still using the planning manual drawn up in 1975 with the aid of which the organization has gradually been taught to think and plan in a uniform way and thus there is little need for actual guidance today. The problem has mainly been the development of such procedures that promote innovation within the organization. The main reason for changes - even annually - in procedures is to prevent the growth of bureaucracy and find new ways of thinking and angles of seeing things.

At the present moment the need for developing planning instruments is very clear..

HOW ANNUAL PLANNING PROCEEDS IN THE E MOVEMENT



5.0 Small shops and their impact on Planning - A CASE STUDY (UK) ¹

5.01 Background

Of the 190 retail cooperative societies in the UK, 12 are large societies and account for two thirds of the total sale. Historically speaking, British Consumer Cooperative Movement is a movement of small shops. This is weakening the structure. The small shops meet the demand of the elderly, the infirm and the less well to do section of the community i.e. people without cars and people with limited means. People with money are young and they usually have a car. Groups of wholesalers are linked with convenient shops run by East African Asians. These shops are open for long hours and sometimes on weekends and holidays. The cooperatives with their regulations and cost cannot compete with these private shops.

5.02 Small shops and costs

The small shops are generally housed in old buildings - cost of which has been written off from the books. To educate the managers of the small shops in regard to the rental value, a costing exercise has to be undertaken. The small shops need at least 2 persons. The personnel costs of small shops compare with the personnel costs of large shops. When cost of advertising, the cost of dividend stamps and the overheads are added, there will be no economic justification for small shops.

5.03 Break-even sales

The break-even point for these small shops is £3,000 per week (turnover minus VAT) or £156,000 per shop per year. The small shop managers have to strive hard and increase their sale to keep up for inflation and maintain a market share. Since 1/7 of the total sale is contributed by small shops at present, a fall in turnover will

¹ Summary of a talk given by G. V. J. Pratt, UK (The study was halfway through in UK at the time of the conference)

be a drag on the movement. In view of the limited clientele, there are severe limitations to any sale increase in small shops.

5.04 Closing of small shops and cooperative image

Closing of small shops especially in rural areas, even though economically justified, may create a bad image among the members and others. When a decision to close a shop is arrived at, pressure groups operate against it. On the other hand, abrupt closing causes more troubles. To evolve a proposal to close a small shop by the member beneficiaries may be more easily acceptable; but, this will be time and effort consuming.

5.05 Alternative services

Before closing a shop, several alternatives are often considered. They are:

- i) Introduction of a mobile service at fixed hours.
- ii) Opening of the small shop through part-time staff for limited hours/days.
- iii) Staff are encouraged to take over the management of the shop and continue the service to the community.

In urban areas, where alternative facilities exist adequately, not much difficulty is experienced in closing small uneconomic shops.

5.06 Small shops and planning

Opening or closing of small shops is considered carefully taking into consideration the needs of the members and the commercial viability of the unit. This calls for elaborate planning at the local as also national levels.

6.0 DECENTRALISED PLANNING: SWEDISH APPROACH¹

6.01 PLANNING AIMS

KF'S AIM WAS TO ACHIEVE:

- Target-oriented activity
- Involvement in the planning process
- Creative thinking
- Flexibility and readiness of action
- Accent on the view of the movement as a whole
- Efficient utilisation of resources

¹ Paper presented by Roland Norman and Rydmark of KF Sweden

THE STEPS OF A STRATEGIC PLAN ARE:

1. ANALYSIS OF THE PRESENT SITUATION

1.1 The planning unit (factory, coop society, department or division in KF)

- general policy to date
- important events in planning unit history
- products and markets
- personnel resources
- capital resources
- profitability and efficiency
- strong and weak points

1.2 Environment

- competitors - strong and weak points
- relations to customers, public opinion, authorities, suppliers

2. ANALYSIS OF THE FUTURE

2.1 Possible changes in the environment

- technological aspects
- political aspects or changes in general values

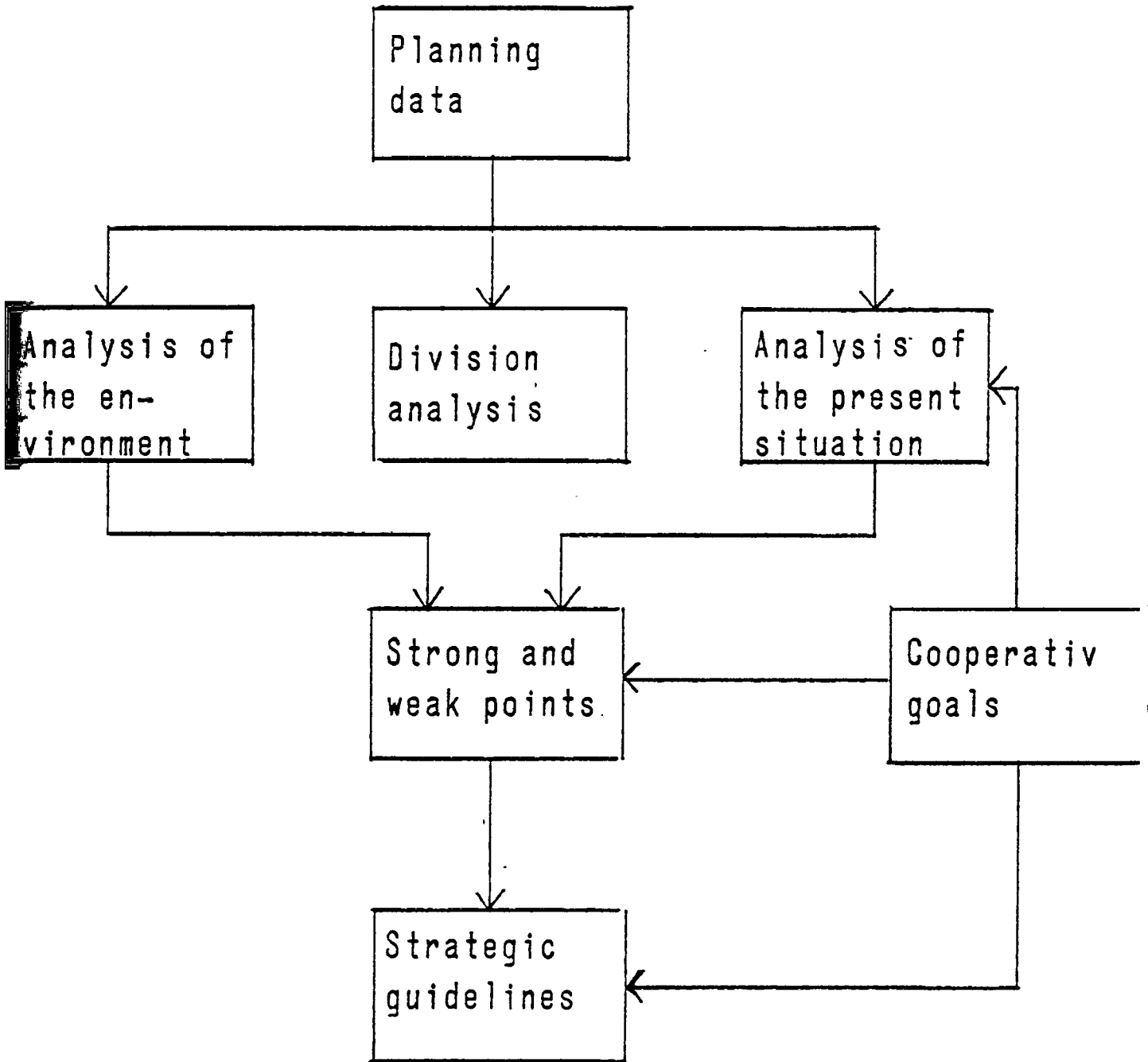
2.2 Definition of targets

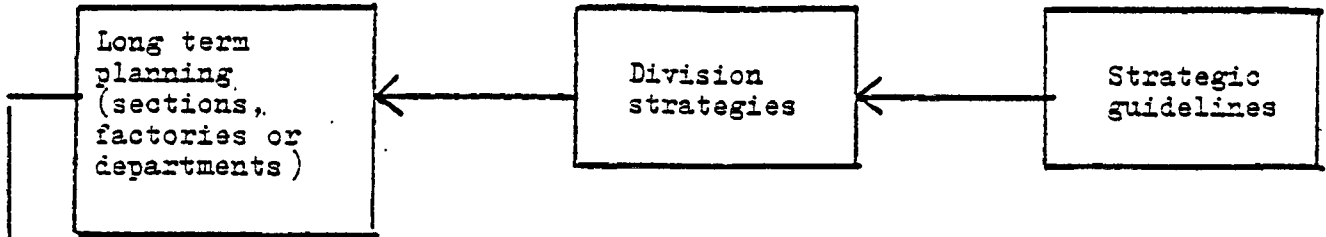
- future general policy
- operational targets

2.3 Plan of action - main alternative

- personnel
- research and development
- market
- production
- investments
- results (profits)

2.4 Alternative plans

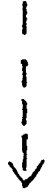




	Finan- cing	Personnel and trai- ning	Admin. rationa- lisation	Market- ing	The struc- ture of societies and shops
Food Division	---	---	---	---	---
Non-Food Division	---	---	---	---	---
Industr. Division	---	---	---	---	---
Inform. and Edu- cat. Div.	---	---	---	---	---
Coop. Societies	---	---	---	---	---
	↓	↓	↓	↓	↓

KF's
term
plan

--- -- --> LONG TERM DIVISIONAL PLANS



FUNCTION-ORIENTED LONG TERM PLANS

03 ACTION PROGRAMME OF KF

CONSUMER COOPERATIVE PROGRAMME OF ACTION

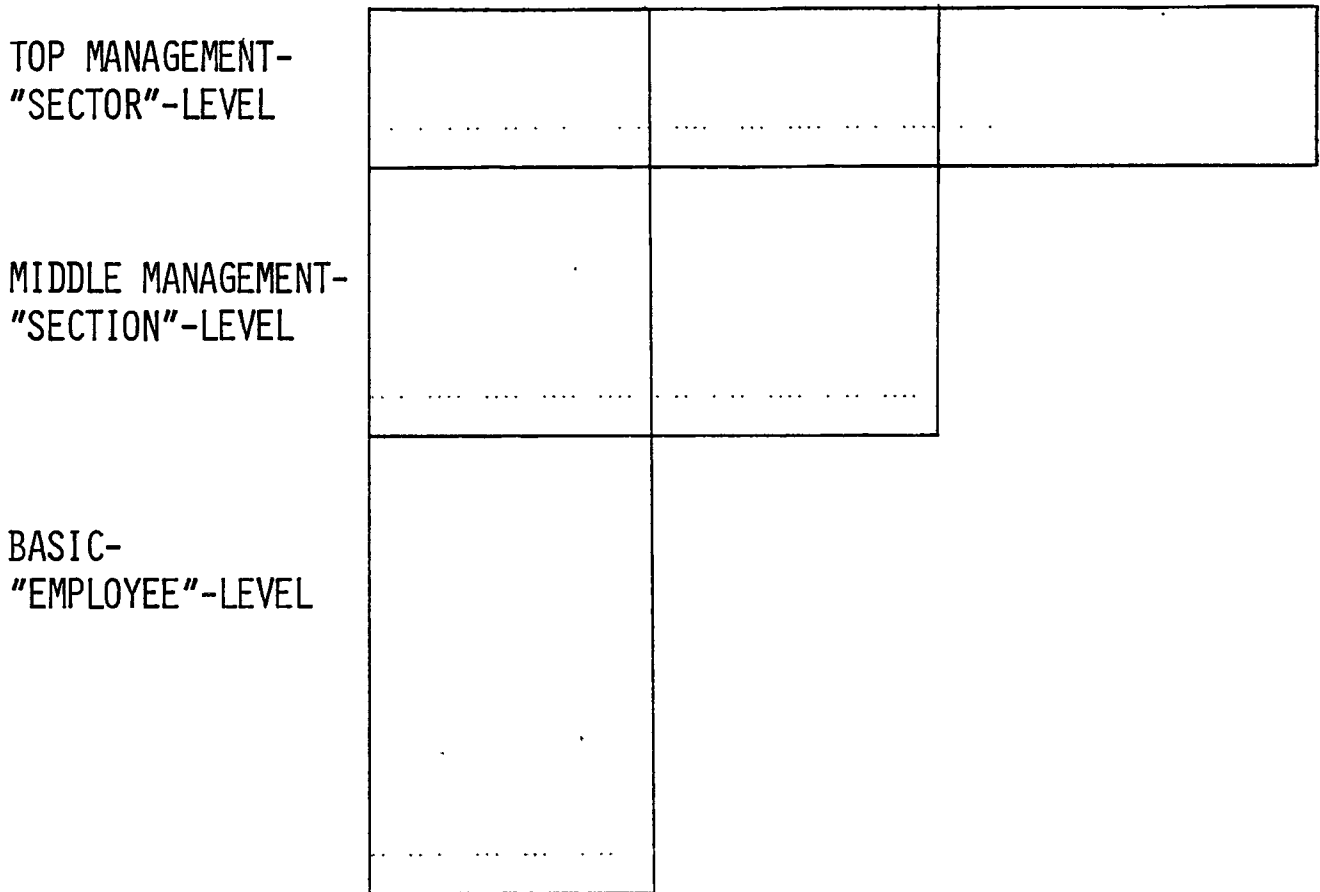
Guidelines concerning

- Retailing
- Merchandise acquisition and assortment
- Production
- Environmental protection
- Culture
- Consumer information and consumer policy
- International cooperation
- Staff training
- Economy
- Democracy

ENVIRONMENTAL DEVELOPMENT

- Consumer policy and distribution policy
- Competitive situation
- Consumer behaviour and attitudes
- Living conditions
- Consumption development
- Economic policy and general business conditions

6.04 AN APPROACH TO DECENTRALISATION



7.0 STRUCTURE OF PLANNING: FRENCH EXPERIENCE¹

7.01 The French Structure

The structure of the French COOP organization (national and regional societies) does not include specific planning departments. Planning is understood as a task:

- a) to share between all services;
- b) to organize and undertake responsibility by the general managers.

When the general managers are not assigned a formal management function, the planning procedures keep vague. Creation of a planning department is not the right answer because one must connect planning and decision making.

7.02 Planning is the task of the General Manager

If planning is the main task of a general manager, he would need time and authority for this. This calls for a decentralized management with large and formal delegations of authority.

Planning is, like control, a management procedure. But procedures are efficient when convenient structures exist.

7.03 Short, Medium and Long Range Planning

Short-term plans are settled by financial services through a budgetary procedure. The short-term financial forecasts (annual sales, costs, margins, investments) are centralized by FNCC (National Cooperative Consumers Federation).

Medium-range plans (2 to 5 years) are established by regional societies and by SGCC. Main points of those plans are centralized

¹ Summary of a paper presented by Dominique MICHAUT, Head of SGCC Sales Front Department.

by national organization top managers who discuss them with regional society managers.

Long-range Plans. There are occasional reports and frequent thoughts on long-range activity, but there is no real plan for periods above 5 years.

7.04 Planning is linked to structure and action

As Peter F. DRUCKER would put it, planning has no force if it is not connected with urgent action. The French Consumer Cooperative Movement thinks that long-term begins with the short term.

From this point of view, short-term planning should essentially have conjunctural actions as purposes, medium-range planning, "structural quantitative", long-range planning, "structural qualitative".

<i>Planning</i>	<i>Conjunctural</i>	<i>Structural</i>	<i>Quantitative</i>	<i>Qualitative</i>
<i>Short-term</i>	X		X	
<i>Medium-term</i>		X	X	
<i>Long-term</i>		X		X

7.05 Structural quantitative

"Structural quantitative" is connected with medium-term and "structural qualitative" with "long-term" because:

- a) the qualitative makes the quantitative and the long term includes the medium-term,
- b) The more, term is far away, the less, calculate forecasts are possible.

7.06 "Structural qualitative"

It is the field of management fundamental (foundation settling down) actions. Those actions have been well known for several years in business society. They are three:

- i) A general written policy describing:
 - a) the enterprise activity from a marketing point of view.
 - b) staff management essential principles.
 - c) financial management essential principles.

- ii) A target structure (administrative chart) drawn with short-term actions getting closer to this target.

- iii) A review of the list and main characteristics of the most important procedures within short-term actions.

7.07 Planning and Delegation

Creating, negotiating and publishing each item of long-range planning is an important activity. Therefore this work must be carried out by the general manager. To achieve this task, he needs technical skill, time and authority. Long-range planning cannot be efficient without large and formal delegations of authority.

A BRIEF SURVEY OVER THE CONSUMER CO-OPERATIVE
MOVEMENT IN NORWAY

Introduction:

The Norwegian Co-operative Union and wholesale society was established 74 years ago. The consumer co-operative movement in Norway, however, is much older.

Similar to what happened in many other parts of Europe at the beginning of the 19th century, several attempts were made to establish unions based on co-operative principles.

The consumer co-operatives got their first boom period in Norway in the 1860s. The World Exhibition held in London in 1862 had its influence on co-operation in Norway. Several Norwegians visited the Exhibition and got acquainted with the work of the Rochdale pioneers.

Many consumer co-operatives came into being in the following years and in 1870 even a national union was established.

Due to the financial crises in the 1880s, however, many of the co-operatives went into bankruptcy and the national union was dissolved.

Nevertheless, some primary societies continued their business after the crises and in the 1890s further attempts were made to establish a national union of co-operatives. Due to lack of interest among the majority of the primary societies, progress could not be made.

Finally, in 1906 the NKL was established. NKL will celebrate its 75th anniversary in the year 1981.

Right from the start there was a certain amount of scepticism among the consumer co-operatives to the newly established central organization. Not even all societies represented at the foundation meeting joined, NKL straightaway.

The Board of Directors in the NKL therefore decided to put in more efforts on information about the co-operative ideas. A special department was organized to ensure effective communication.

NKL started the wholesale business in 1907, the year after its foundation.

The two main objectives of the organization are:

- the wholesale business and
- information and propagation of co-operative principles

At the beginning the information and propagation activities were dominant, but, later on the wholesale trade has played a major role in NKL's activity.

Background:

Norway has a long coast line and is narrow in shape. It is about 430 km long and from the border to the sea at its narrow end it is only 6.3 km.

The total area is 324,000 km² of which approximately 95,000 km² is situated north of the polar circle.

The population is about 4 million i.e. 12 persons per km² on an average.

Except for three or four areas people live in the various valleys and in a scattered way. Due to long distances and

sometimes rough weather, communication and transport can be difficult, which of course can influence the development of the retail trade as well.

At the beginning of this century, at the time when NKL was established, Norway was among the poorest countries in Europe. Approximately 70% of the population lived in the rural communities and only 30% in urban areas.

Industrialization was at its beginning and majority of the population was employed in primary industries, agriculture, hunting, forestry and fishing.

Employed persons by industries:

	1900	1978
Agriculture, hunting, forestry and fishing	41.6 %	8.7 %
Mining and quarrying, construction, manufacturing, electricity etc.	27.1 %	31.7 %
Wholesale and retail trade, restaurants and hotels	6.3 %	17.0 %
Transport, storage and communication	7.3 %	9.2 %
Financing, insurance, real estate and business service	0.2 %	5.3 %
Community, social and personal services	17.5 %	28.1 %
	<hr/>	<hr/>
	100.0 %	100.0 %

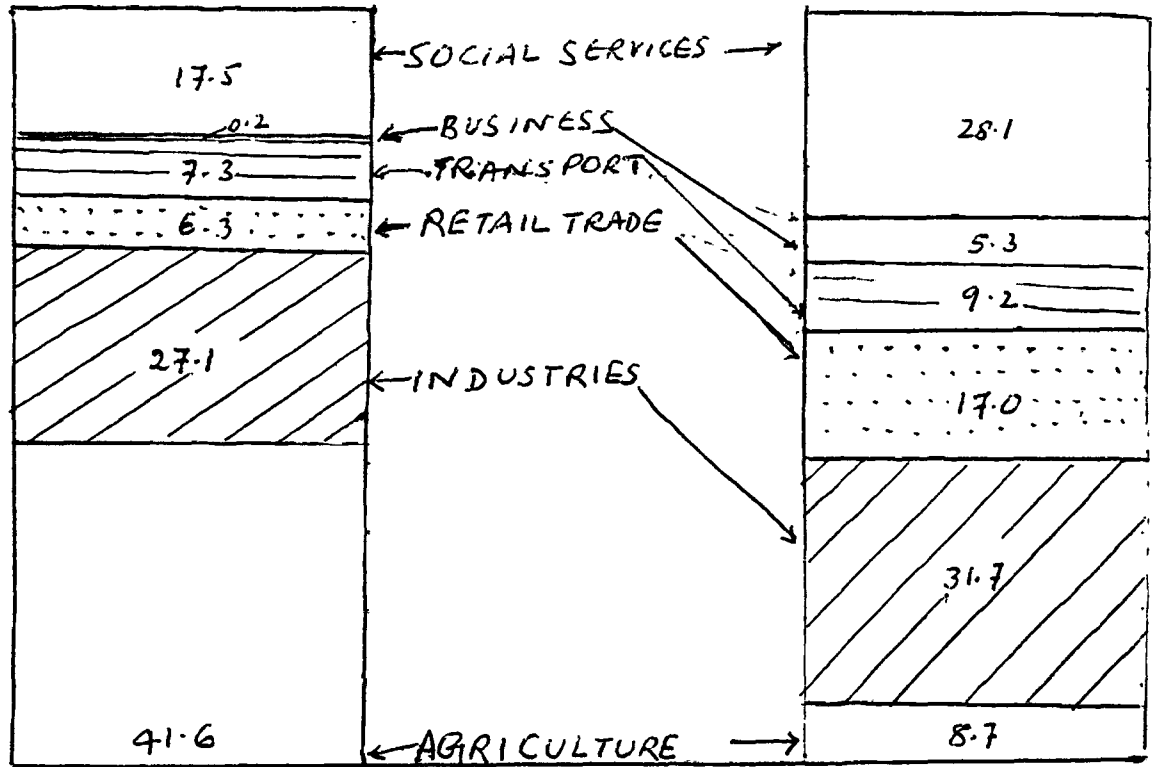
(SEE SKETCH ON OPPOSITE PAGE)



OCCUPATIONAL DISTRIBUTION - PERCENT

15300
29.11.82 1900

1978



Generally speaking, the consumer co-operative movement got its strongest support from people employed in agriculture and fishing.

Even today with a quite different structure of settlement and employment, the consumer co-operative movement has its strong position in rural areas. In many districts there is close co-operation between consumer co-operatives and the producer co-operative organizations in agriculture and fishing.

While at the beginning of the century Norway was among the poorest countries in Europe, its national income per capita today is among the highest.

What is typical of the consumer co-operatives in Norway:

First of all the co-operatives in Norway are operating in a small market viz 4 million people. Hence, the co-operative movement in Norway is small compared to other organizations in many European countries. However, a reasonable part of the retail and wholesale trade in Norway is shared by the co-operatives.

For statistical purpose the country is divided into four trade zones. The co-operative market share in the trade zones is as follows:

Eastern	6.5 %
Western	13.3 %
Middle	20.5 %
Northern	<u>15.3 %</u>
Total	10.5 %

The trade with wine and spirits is taken care of by a state liquor monopoly in Norway. Retail trade of wine and spirits in 1977 amounted to 2.9 billion kroner. Furthermore, the co-operatives are not engaged in the trade of cars either. If the turnover of wine, spirits and cars are deducted, the co-operative market share comes to 14.6 %.

In the food sector the market share is about 25-30 %. The co-operative market share is highest in the central trade zone, and lowest in the eastern zone.

Traditionally co-operatives have a stronghold in the rural districts. In the eastern trade field a greater part of the population lives in towns and densely populated areas. The co-operative share of the market is lower.

Our market share in the biggest cities are:

- 4 % in Oslo
- 4 % in Bergen
- 11 % in Trondheim

The primary societies' turnover has developed in this way

Year	Turnover in mill kr	1974 prices	Increase %	Individual members	Per cent of population
1910	5.2	54.2		16.000	
1920	112.1	346.0	638	88.346	
1930	110.0	632.2	182	110.076	3.9
1940	217.4	992.7	157	189.403	
1950	614.7	1,989.3	200	272.618	
1960	1,338.5	2,782.7	140	308.733	
1970	2,955.1	3,956.0	142	406.034	
1979	7,830.4	5,196.0	131	523.550	12.8

Last year the turnover in the primary societies amounted to 7.8 billion kroner.

From the figures we can learn that the increase in turnover calculated in fixed prices has been approximately 140% pr decade from 1950. Before 1940 the increase in turnover was even higher, especially in the first decade after the establishment of NKL.

The above figures are in respect of societies affiliated to NKL only. The growth in turnover in the first decade is due to the fact that a large number of societies became members of NKL, during that period.

The highest number of members in NKL was in 1956, 1,118. At the end of 1979, 659 primary societies were affiliated to NKL.

In 1960 NK L's Congress gave its support to a proposal of amalgamating small societies in neighbouring districts in order to strengthen the co-operative movement.

The reduction of members in NKL from 1956 up to now is mainly a result of this decision. Some uneconomic small societies were dissolved.

Approximately two thirds of the societies have only one shop. Such small societies are operating in small markets and their membership is also small.

Co-operative societies according to number of shops - 1979.

1	shop	448	societies
2	"	104	"
3	"	41	"
4	"	26	"
5	"	12	"
6 - 10	"	28	"
11 - 15	"	9	"
16 - 20	"	8	"
21 - 50	"	10	"
More than 50		1	"

Co-operative societies according to individual members - 1979

Less than 100 members	73		
100 - 199 "	171	481	72 %
200 - 299 "	113		
300 - 499 "	124		
500 - 699 "	49		
700 - 999 "	31		
1,000 - 2,999 "	69		
3,000 - 4,999 "	15		
5,000 - over "	<u>19</u>		
	664		

72 % of the societies had less than 500 members in 1979, and only 19 societies had more than 5,000 members

Societies distributed according to turnover (1,000 kr) 1979

Less than	1 mill	22 societies	}	355	53.4%
	1-2 "	100 "			
	2-3 "	106 "			
	3-4 "	74 "			
	4-5 "	53 "			
	5-10 "	144 "			
	10-15 "	48 "			
	15-20 "	29 "			
	10-over	<u>88</u> "			
		664			

22 societies had less than 1 million kr in turnover. These societies can hardly cover their expenses, therefore many of them are subsidized by NKL.

More than a half have a turnover less than 5 million kr, and 88 only have more than 20 millions in sale.

The distribution of the size of the consumer co-operatives especially the shops according to turnover in 1979 is as follows:

0-1 mill in turnover	228 shops	13.1 %
1-2 " "	531 "	30.6 %
2-3 " "	304 "	17.5 %
3-4 " "	175 "	10.1 %
4-5 " "	124 "	7.1 %
5-10 " "	231 "	13.3 %
10-over "	<u>144</u> "	<u>8.3 %</u>
	1737 shops	100.0 %

The modal value in this distribution is 1-2 millions.

Almost 80 per cent of the shops had a turnover less than 5 millions.

The main expenses in our retail shops next to the purchase of commodities is wages, salaries etc..

An analysis of the expenditure shows the following distributions:

Wages and salaries etc	56.1 %
Interest on loans	14.4 %
Rent, electrical energy and fuel	4.7 %
Outgoing freight and forwarding costs	1.6 %
Other operating expenditure	12.1 %
Miscellaneous	3.2 %
Depreciation	6.8 %
Taxes	<u>1.1 %</u>
TOTAL	100.0 %

Last year wage and salaries showed a decreasing part of the expenses. At the same time interest on loans has been increasing.

The increase in staff cost has been low in 79 due to the wage freeze announced by the government in 1978. On the other hand, the members deposits increased considerably during the same period, which led to higher interest expenses.

The wages and salaries have increased both absolutely and relatively over a long period of time. There are a number of reasons for the difference in surplus in the societies. But it seems that societies of medium size turnover, from 5 - 15 millions kr, are apparently the most efficient ones.

Distribution of co-operative societies according to net surplus in per cent of turnover

Surplus in per cent of turnover	Number of societies	
0.1 - 0.5 %	53	
0.6 - 1.0 %	41	31.9 %
1.1 - 1.5 %	51	
1.6 - 2.0 %	67	
2.1 - 3.0 %	139	20.9 %
3.1 - 4.0 %	80	
4.1 - over	<u>91</u>	
	522	
Societies with a deficit	<u>142</u>	<u>21.4 %</u>
	664	100.0 %

This table shows that the "mode class" has a surplus of 2-3 per cent of the turnover.

More than 20 per cent of the societies had deficit.

One of the purposes with co-operative societies was to distribute the surplus to the members according to purchase.

From time to time this is discussed as to whether we should continue to pay dividend on purchase or not. Some people argue that the dividend on purchase does not draw new members any longer. The higher discount, for instance as cash discount given in private shops is often quoted.

Consumer co-operatives in Norway are still paying dividend on purchase to members.

In Norway the rule is that if a co-operative society

guarantees a dividend on purchase to its members beforehand, the society is exempted from the payment of VAT for that amount. VAT in Norway is 20 per cent. This means that a society that guarantees dividends saves 20 per cent of what is paid out. This is, of course a favourable arrangement for co-operatives. But on the other hand, if a society does not have sufficient surplus for the dividend a particular year, having committed in the payment of dividend, money must be found from the reserves instead. There are examples on this practice resulting in eroding the assets of the societies.

The majority of societies pay 1 or 2 per cent dividend. Some societies which sell fertilizers to the farmers sometimes pay 6 or 7 per cent. The handling costs for these goods are small, thus the net profit is rather good.

People in rural areas often with agricultural occupations established consumer co-operatives in order to evade exploitation of private traders. Thus, in most cases the societies were promoted as a consequence to meet a local need without any regional or central planning. As the central organization (NKL) has expanded and increased in strength it has coordinated the development of the co-operative. It has tried to form a nationwide policy in this matter.

The most important decision was made at NKL's Congress in 1960 where it was decided to work for an amalgamation of small neighbouring societies into bigger and more operative societies.

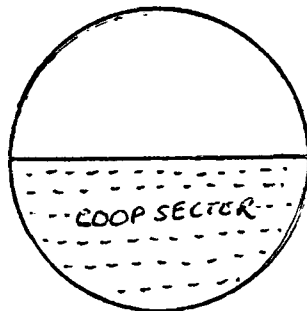
In order to meet the competition from private trade, it was obvious that an increased investment in shops, department stores etc, would become necessary and that the societies' economic status had to be strengthened for this purpose.

As the internal migrations have lead to an increase in population in cities, suburbs, and industrial areas, it has been necessary to strengthen the consumer co-operative in the same districts.

In short, the plan has been to amalgamate societies in a given area such as the same village or town, and to build department stores in the villages and food stores in the districts. The NKL experience is that people are inclined to purchase non-food at central places with better bargains than can be expected in shops in sparsely populated areas. An increasing number of private cars have made it easier for people to do their shopping in central places.

As a part of this plan NKL stimulated the societies to build department stores in cities and central villages, and today there are 58 department stores which are approximately one half of all department stores in Norway.

DEPARTMENTAL STORES IN NORWAY



Details of the Retail Outlets in the
Co-operative Sector in Norway

	<u>Number</u>
Department stores (over 1400 m ² sales area)	58
Supermarkets (800 - 1400 m ² sales area)	69
Food stores	1432
Food, fish, milk, fruit shops	11
Wearing apparel and textile goods	36
Hardware, electrical appliances, furniture	79
Others	<u>52</u>
	1737

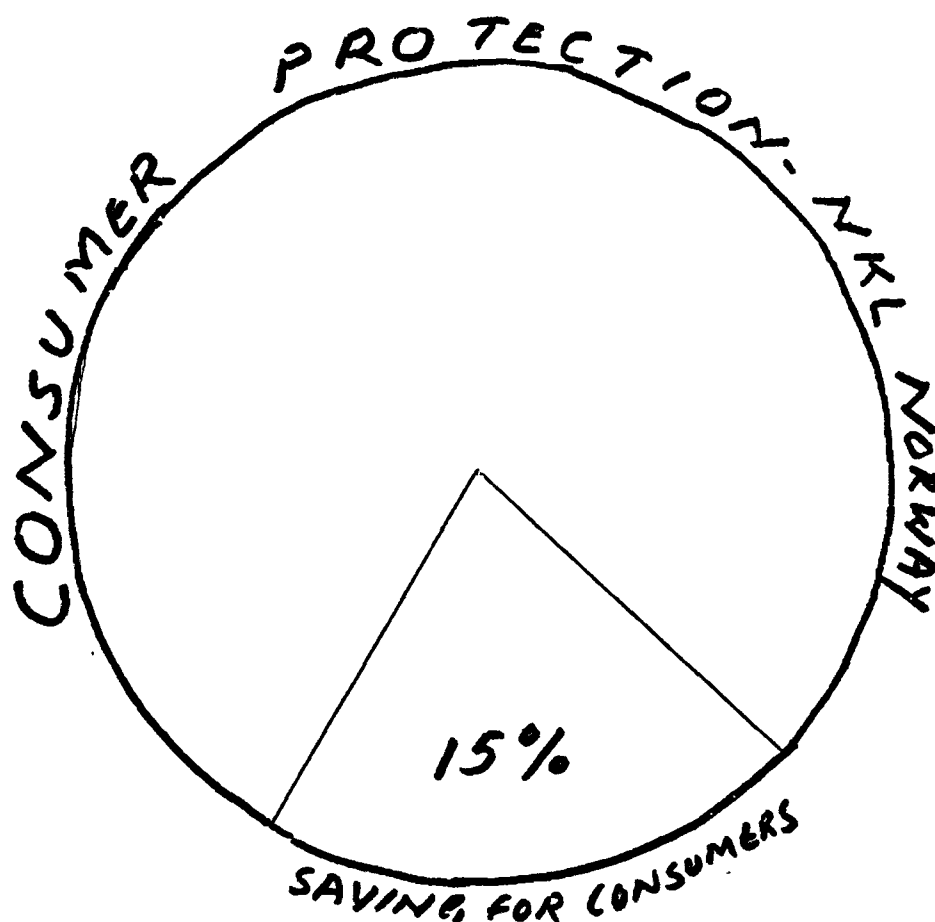
Beside the expansion in department stores, NKL has tried to make the shops more attractive.

The last mentioned is also a part of NKL's market policy. Efforts have also been made to standardise the marketing practices of co-operatives. NKL has introduced a common symbol, an orange S in a square. In some districts the co-operatives advertise in newspapers, also as a part of the marketing policy.

Free Products (non-branded goods)

Generally speaking, the prices in co-operatives are the same as the competitors. But there are many differences and local societies are free to decide their own price policy.

NKL was the first in Norway to introduce "free products" at the beginning of this year, and with a great success. All these products are packed in blue and white coloured packing with product names and information about the content. There is no trade mark, toothpaste is simply called toothpaste. There is no advertising of the products after the introduction either. The price is 15 - 35 per cent lower than the normal level.



The introduction was referred to on TV and afterwards it was called the break-through for TV advertisement in Norway.

So far NKL has introduced 17 "blue/white" products.

Assistance to small shops

A problem faced by most countries in Europe is the survival of the shops in sparsely populated areas.

In 1976 the Norwegian government introduced a support to shops in sparsely populated areas.

Smaller grocery shops which fulfill the conditions for the granting of support may obtain investment subsidies or financial support to keep them going.

Before the government support came into use, in 1974 the Board of Directors in NKL decided to grant 1 million kr per year for the next 5 years to a fund for investment loans and financial support to small co-operative shops in isolated or sparsely populated communities.

After the governmental support was launched, it was decided that our support should only be granted after the state support has been considered.

The NKL support for operating a business may only be granted to shops having a grocery sales of more than 1.2 million kr and still making a deficit.

Maximum amount granted is 30,000 kr per shop. A society running more than one shop may be granted up to 30,000 kr per shop.

The investment loan is free of interest and instalment for the first five years. The maximum loan granted per shop is 100,000 kr.

In 1979 a rationalization programme for small shops called "S-naerkjøp" (S-neighbourhood shop) was introduced.

One of the main points in this programme was the reduction in the number of articles (variants). The number of grocery articles in these shops was limited to 1000. This approach brought a degree of efficiency in regard to inventory of the small shops.

About 400 shops were identified as potential "S-naerkjøp" shops and about 120 have so far adopted the concept.

These innovations are meant to maintain the small shops in rural areas and continue their service to members.

The only alternative would be to close the shop.

Manufacturing Industries in the Co-operative
Sector in Norway

NKL has today:

2 coffee-roastering plants

1 margarine factory

13 bakeries

1 flour mill

1 canned fish factory

1 factory producing jam, marmelade and juice etc

1 spice factory

1 shoe factory

Up to the last year NKL also had a factory producing ready-made garments, but this has closed down due to the competition from abroad.

In addition two of the North factories are situated in Norway, a chocolate factory in Oslo and a soap factory in Stavanger.

The North factories are joint nordic production of detergent and chocolate products.

Total turnover excluding VAT was 482 million kr in 1979, of which 7.2 million was exported (mainly canned fish). NKL has reduced its own production in recent years. NKL has made agreements with other producers about private brand production. The most important deal in this respect has been the agreement with the farmers' co-operatives concerning production of meat products.

In 1979 the turnover in NKL passed 3 billion NOK. It was an

increase of 6.6 per cent compared to the result in 1978.

In the first half of this year the turnover has increased 13.8 per cent and the wholesale price index shows an increase of approximately 10 per cent. These figures indicate an increase in volume compared with 1979. Part of the increase is due to the fact that wholesale trade was low in the first half of 1979.

In 1979 the increase of the expenses was moderate due to the wage and price freeze launched by the government in 1978.

Even though the turnover showed a small increase in 1979 the result became satisfactory as the expenditure also increased moderately.

From April this year there has been a general rise in wages and for NKL it would be approximately 15 per cent higher than last year.

The rate of inflation will of course be much higher in 1980 compared with 1979. According to the last prognostics the consumer price index will increase 10-11 per cent this year.

Being a wholesale organization, the main task for NKL is to stock and distribute goods to the co-operatives.

In order to make itself more efficient in this respect NKL has built four regional warehouses in the 1970s. Today there is a new warehouse under construction in Oslo with an area of 30,000 m², which will be NKL's biggest warehouse.

The warehouse in Stavanger will be extended by 8,000 m²

and in Skien (300 km south west of Oslo). A new warehouse, mainly for storage of food and other commodities for daily use, is currently under construction.

These investments are budgetted to 190 million NOK.

It is further decided that NKL should build a new textile centre outside Oslo and should serve as a central warehouse for textiles, garments, shoes, etc. for all the co-operatives in Norway.

The shoe production has stopped this year and the factory for ready made garments was closed a couple of years ago.

The most successful factories are: the flour mill in Stavanger, the margarine factory in Oslo and the Røra factory producing jam, marmelade, juice etc.. This year the flour mill is celebrating its 50th anniversary and covers 17 per cent of the Norwegian market for flour.

In the production of flour for human consumption the mill is the second biggest in Norway and the only one which distributes flour all over the country.

Our margarine factory covers 100 per cent of the margarine sales in the co-operative shops.

The only section where there has been some expansion is in the bakery market. Today there are 13 bakeries spread over the country. The bakeries are operating in close co-operation with the flour mill.

The "buying-loyalty" from the societies has increased and in 1979 the societies purchased 47.4 per cent of total purchase of commodities in NKL. However, if commodities which the NKL is marketing is considered, the share is 59.2 %.

In order to rationalize the ordering system, NKL is now introducing portable computer terminals in the societies. The shop managers can then order directly on telephone to the EDP terminal in the regional warehouse.

The prospects for 1981 are uncertain, as it is not known as to what action the government will take to reduce the inflation rate. In case of a repetition of a price freeze by the Government, the societies will find it difficult to get their expenses covered.

DEVELOPMENTS IN RETAILING IN FINLAND¹

The Ministry of Commerce and Industry in Finland has sponsored a project on the development and structure of retailing. There have been some changes in the environmental scene in Finland with the organisational and economic concentration of markets. Marketing channels have been formed basically of large general and departmental stores and this has resulted in over-capacity and excessive selling space in urban areas. As general retailing is concentrated in four major channels, this affects their operations in rural areas leading to shop closures and to the deprivation of rural consumers of essential services.

This excessive investment in urban areas results in a lower return on capital so that retail organisations tend to close their less profitable shops - often small shops in rural areas making little contribution to the revenues of the organisation. These developments have been increasingly financed by borrowing and this trend leads to calls for the control of "social waste". The question is whether public control on investment in retailing should be imposed in the hope that such regulation will result in better investment planning.

A survey of this problem calls for a description of the development of general retailing in every-day goods in the seventies, noting the number and type of shops, their sales, floor space in square metres with breakdowns by region and for urban and rural areas. In such an analysis co-efficient can measure capacity growth and retail performance in different markets - as by floor space per inhabitant, sales per square metre, sales per head of local population etc. These co-efficients reflect changes in demand and consumer behaviour and the competitive situation during the seventies.

The figures show that there has been a considerable increase in large shops in certain towns resulting in a sharp rise in floor space per inhabitant and a decline in performance as measured by sales per square metre. In these towns large department and general stores dominate the

¹ *Condensed version of a paper presented by Erkki M Salonen, Labour Institute of Economic Research, Finland*

retail trade and there have been many closures of small and of specialised shops. This has not happened, however, in the largest towns where strong and elastic demand has so far ensured the survival of a variety of different kinds of shops.

In rural areas shop closures have followed the movement of people to the towns. Although the number of shops in rural areas has declined, floor space has been fairly constant and has increased in some rural areas as new types of shops have been opened. Shop closures in rural areas seems to be related to over-capacity in local towns. Rural people often seem to travel considerable distances to do their shopping and thus weaken the position of local shops.

Nine shops out of ten in Finland are controlled by large retailing organisations and this suggests that closures in rural areas are often made by these large organisations on the ground that the shops are not sufficiently profitable. It is difficult, however, to prove that these organisations have paid too little attention to the social needs of consumers in rural areas; for large organisation may be in a better position than independent proprietors to keep small rural shops open and may wish to do so as part of their competitive strategy - to maintain a presence notwithstanding possible local losses.

Competition between these large organisations seems to account for some of the excess capacity in certain towns to maintain their market shares. If one organisation has a large modern store in a town the others feel obliged to match it. Failure to do so is likely to mean losing ground; so that the expansion of one organisation is only too likely to lead to over capacity. The organisations make special offers and advertise heavily but it does not follow that prices to the consumer will necessarily be the lowest possible. There may be local losses carried by the whole organisation: but someone has to pay for excess capacity. The real savings of large scale operation should be passed on to the consumer, but, if large stores are half empty, the savings are less apparent. More research is needed to discover to what extent over capacity has affected the economies of large scale retailing and worked against the consumer interest.

The problem of over capacity is not new. There used to be a very large number of small shops in Finland, each having a kind of local monopoly situation based on inelastic demand. This was inefficient. Prices were often high because of distribution costs and quality sometimes low. The co-operative movements pioneered large scale distribution in Finland. Incomes and mobility increased and shops became larger and more efficient. But the building of supermarkets did not necessarily stop at the point of maximum efficiency such as would have served the consumer interest. The elasticity of demand seems to have been unbearable and to have driven retailers to introduce imperfections into the market. Local market situations have developed into chain operations but more work is needed on evaluating investment in retailing and the economic performance of the distribution system.

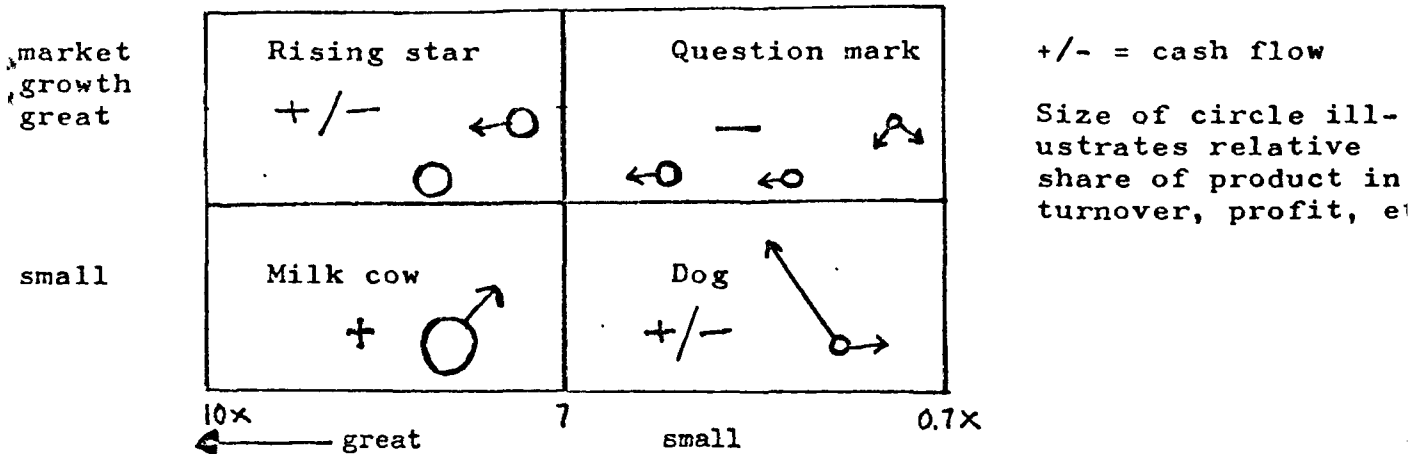
Investment in retailing in Finland has increased considerably since the mid sixties, reflecting reorganisation by major retailers; but the relation of investment in retailing to gross investment in the economy as a whole has been relatively less. On the other hand this investment has contributed to a much larger share of Value Added in the Gross National Product and share of employment in the total labour force. On the macro level the efficiency of investment does not seem to justify measures for regulation.

During this period the ratio of Added Value in Retailing to the Gross National Product, which is an approximate of gross margins, has been relatively stable. In spite of rapidly rising costs the trade has not absorbed resources in proportion so the operation is fairly efficient. Finland is a country with a low ratio of Value Added to Gross National Product in retailing, like Sweden, Britain and the Federal Republic of Germany. In these countries the degree of concentration in the retail trade is high and consumers' co-operative movements are strong. These factors seem to be related to each other and to contribute to a relatively good economic performance.

PORTFOLIO MANAGEMENT (BOSTON MATRIX)

Objective

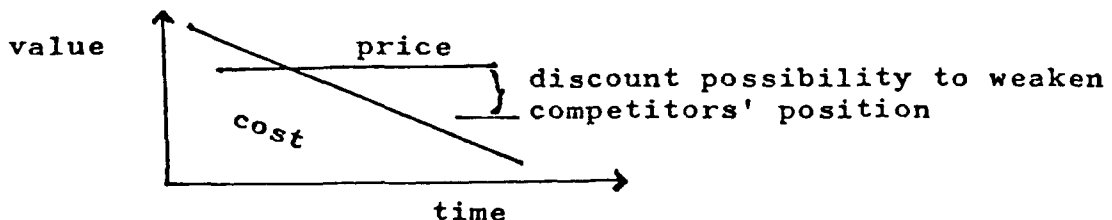
To analyse the balance and risk division between the different fields of operation/products in the company. To examine whether the company at the moment has sufficient good profit making products and also the growth possibilities for own, good profit making products in the future into which the company should direct investments.



Relative market position (in relation to largest competitor=x)

- has the company a future with "question marks"?
- are there "rising stars" for tomorrow's needs?
- has the company sufficient "milk cows" to guarantee liquidity?
- how can it get rid of the "dogs"?
- are the various branches/number of products at different stages in balance when considering the future development of the company?

The Portfolio Management procedure is to a large extent based on the so-called Learning Graph Theory in which a powerful link between profitability and market position has been found which is largely based on the all-round increase in knowledge in the company (production, marketing, product development, etc) the more/longer the operation is carried on.



BUSINESS IDEA = A WAY OF MAKING MONEY

Objective

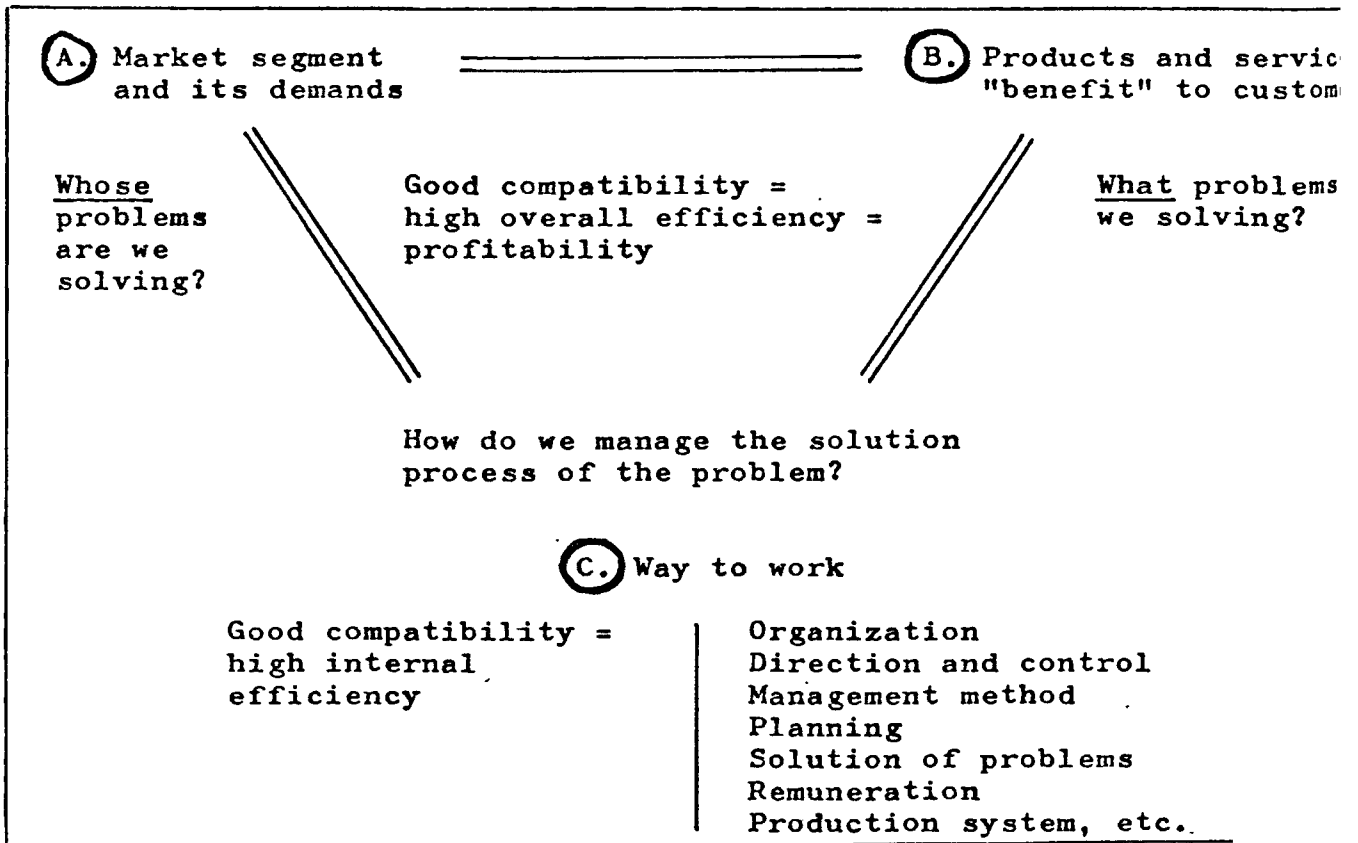
- knowledge of success factors
- direction criteria

Business Idea

- create a system that illustrates in a concret wa existing relations within the company
- illustrate operations in their entirety
- is a product of historical development; the res of a long process of learning and development
- due to its complexity it is difficult to copy
- represents exceptional ability or skill
- represents compatibility between the different constituent factors

Analysis of the business idea requires a picture

- the territory which the company controls/intends to control
- of the products/systems it offers in the territ
- of the resources and internal relations in the company which gave company its controlling posit



Final result: After many development phases often a unique entity that retains its superiority in relat to copyists.

PARTS OF E-MOVEMENT'S LPR

	SALES	PROFITS	INVESTMENTS	PERSONNEL	FINANCING	SECTOR LPR
1. SHOP SECTOR (CONSUMER GOODS)						SHOP SECTOR LPR
2. HARDWARE SECTOR						HARDWARE SECTOR LPR
3. SERVICE STATIONS						SERVICE STATIONS LPR
4. HOTELS AND RESTAURANTS						HOTEL AND RESTAURANT LPR
5. AGRICULTURAL SECTOR						AGRICULTURAL SECTOR LPR
6. FOOD INDUSTRY						FOOD INDUSTRY LPR
7. NON-FOOD INDUSTRY						NON-FOOD INDUSTRY LPR
8. OTHER BUSINESS ACTIVITIES						OTHER BUSINESS ACTIVITIES LPR
9. DISTRIBUTION AND STORAGE						DISTRIBUTION AND STORAGE LPR
10. ADMINISTRATIVE SECTOR						ADMINISTRATIVE SECTOR LPR
TOTAL E-MOVEMENT						E-MOVEMENT LPR

O F K L P R
 SUBSIDIARY COMPANIES L P R
 CO-OPERATIVE SOCIETIES L P R

O F K L P R
 SUBSIDIARY COMPANIES L P R
 CO-OPERATIVE SOCIETIES L P R

FINANCIAL BUDGET NET WORKING CAPITAL

Kritys COMPANY N:o

	Toteutunut 1)			Muutos 2)		PPS (Muutos) 2)		
	Vllanne 1978	Muutos 1979	Vllanne 1979	Lt- budjetti 1980	Uusi arvio 1980	1981	1982	1983
Nettoliikeyrityksen erittely Luvut 1 000 mk								
CAPITAL ACQUISITION								
Rahat ja pankkisaamiset	311	CASH AND BALANCE IN HANDS						
Käytöissä, E-yrittäjät	325	} SALES RECEIVABLES						
" , Muut	329							
Muu rahoitusomaisuus	351	OTHER FINANCIAL ASSETS						
Varastot	371	INVENTORIES						
Yhtymänsä omaisuus yhteensä CAPITAL DISPOSITION		TOTAL SHORT TERM ASSETS						
Stokki luotto	412	CHEQUE CREDIT						
Velkaverekselit	411	BILLS PAYABLE						
Yhtymänsä lainat	410							
Ostovelat, E-yrittäjät	425	} PURCHASES PAYABLE						
" , Muut	426							
Muut lyhytaikaiset velat	451	OTHER SHORT TERM LOANS						
Rahoitus lii(-)/alijäämä (+)	490							
Yhtymänsä omaisuus yhteensä Vastolliseksi jäämä		TOTAL SHORT TERM CAPITAL						
		NET WORKING CAPITAL						

1) Ao. vuoden rahassa

2) Vuoden 1980 rahassa

UNIT

Sektorit

SECTOR

E-yhtiöt

E-COMPANY

YHDISTÄMÄSIIRTOYHTEISÖN NIMI INVESTOR COMPANY NAME	YHDISTÄMÄSIIRTOYHTEISÖN TYPPI TYPE OF FIXED ASSETS	1979			1980			1981			1982			1983		
		Inv. 1 luokka	1978	1979	1980	1980	1981	1981	1982	1982	1983	1983	1983	1983	1983	
1 YHDISTÄMÄSIIRTOYHTEISÖN YHTEENSÄ	TOTAL		TRANSFERS	INVESTMENTS	INVESTMENTS											
2 YLLÄPITÖINVESTOINNIT YHTEENSÄ	TOTAL		MAINTENANCE	INVESTMENTS	INVESTMENTS											
3 LAJAVARUSTUSINVESTOINNIT YHTEENSÄ	TOTAL		EQUIPMENT	INVESTMENTS	INVESTMENTS											
4 INVESTOINNIT YHTEENSÄ	TOTAL		INVESTMENTS	INVESTMENTS	INVESTMENTS											
5 YHDISTÄMÄSIIRTOYHTEISÖN SIISÄLLYKSIIN KUULUVAT YHDISTÄMÄSIIRTOYHTEISÖN YHTEENSÄ	TOTAL		INVESTMENTS	INVESTMENTS	INVESTMENTS											
6 YHDISTÄMÄSIIRTOYHTEISÖN SIISÄLLYKSIIN KUULUVAT YHDISTÄMÄSIIRTOYHTEISÖN YHTEENSÄ	TOTAL		INVESTMENTS	INVESTMENTS	INVESTMENTS											

1) S = Vuodelta 1979 siirtynyt investointi 2) No. vuoden rahassa

Y = Ylläpitöinvestointi

L = Lajavarustalinvestointi

M = Muut investoinnit

LONG-RANGE PROFIT BUDGET

TUULOSLASKELMA
1976-1980

YHTIYTOIMINTA

	ACTUAL		BUDGET ESTIMATE		LONG-RANGE BUDGET	Sektorin BRANCH	Tilitys/-tyhmä ENTERPRISE /-GROUP
	Totentunut 1976	1) 1977	2) Arvio 2) 1978	PTS 2) 1979	1980		
1 000 mk							
MYYNTI + TOIMITUKSET	TOTAL SALES						
MYYNTI E-LIIKKEEN ULKOPUOLELLI	SALES OUTSIDE						
LIIVEMÄÄRÄ	TURNOVER						
MYYNTIKATE	SALES MARGIN						
- palkat	WAGES AND SALARIES						
- sosiaalikulut	SOCIAL BENEFITS						
- muut kiinteät kulut	OTHER FIXED EXPENDITURES						
KÄYTTÖKATE ennen vuokria	OPERATING PROFIT						
- vuokrat	RENTS						
- kiinteistöjen hoitokulut	MAINTENANCE OF PROPERTIES						
- toisiot	DEPRECIATION						
LIIVEMÄÄRÄ	TURNING PROFIT						
KÄYTTÖMÄÄRÄ	EMPLOYEES						
Käyttöomaisuus	FIXED ASSETS						
vaihto-omaisuus	INVENTORIES						
rahoitusomaisuus	FINANCIAL ASSETS						
TRUSTOITU PÄÄOMA YHT.	TOTAL INVESTED CAPITAL						
RAHOJEN TUOTTOASTE (ROA)	RETURN ON ASSETS %						
KÄYTTÖN KIERROKOKOUS	VELOCITY OF TURNOVER						
Produktion muutamat palkat	VELOCITY WAGES IN PRODUCTION						

DEVELOPMENT MEASURES PLAN

Sub-group/unit	Sector	Company/-group
----------------	--------	----------------

THING TO BE DEVELOPED	OBJECTIVE	MEASURES	TIME	RESPONSIBLE FOR

Made by _____ Date _____

Sub-group/unit	Sector	Company/- group
----------------	--------	-----------------

DECISIONS FROM ANALYSES

Strength/weakness factors Possibility/threat factors	Decisions Operation/resources development requirement

SOME ASPECTS OF SELF-MANAGEMENT PLANNING IN YUGOSLAVIAN AGRICULTURE
AND COOPERATIVES WITH FOCUS ON PLANNING

The system of self-management planning is the most efficient, but also the most difficult form of planning in Yugoslavia. It is based on the active participation and the endorsement of viewpoints by numerous planners as a result of great efforts by the management organs and professional services of all self-management organizations and communities and socio-political communities.

The specifics involved in agricultural production make the situation even more complex. Difficulties arise from the fact that the majority of production capacities are the property of agricultural workers, whose great number and random nature in business cause special problems in planning. The given problems are responsible for the present mid-term plan for total agricultural production to have been made on the level of socio-political communities. The plans include organisations of associated labour in the area of primary agricultural production. The plan for organizations of associated labour in the field of primary agricultural production and organizations of associated agricultural workers did not include the development of the largest, by number and production capacities, category of agricultural farms and they were left to the forces of nature. This approach made it impossible to coordinate the developmental plans of the total agricultural socio-political community with developmental plans for all agricultural organizations of associated labour in the area of primary agricultural production and associated agricultural workers.

Plan Function and Contents

The agricultural workers organizational plan contains:

- An agricultural production program taking into consideration total village capacities within the framework of a natural program, also giving a production program for associated agricultural workers.

- Production and business costs for realizing total production, especially for realization of production by associated agricultural workers.
- Quantity and value of total goods produced and break-down according to type of products and to goods produced by associated agricultural workers, with special attention given to linking production with processing and turnover on an income basis.
- Service costs.
- Research and mastering new techniques and technology.
- Organization of work and utilization of work time with special attention to organizing workers in joint use of machinery, and jointly establishing fruit orchards and vineyards, in the joint production of other agricultural products, and better utilization of land.
- Productivity and business efficiency.
- Program for investments in production capacities of joint interest and in production capacities of associated agricultural workers with special attention to investments that contribute to the more rapid animation of production and work potentials of agricultural workers and workers in general, in the sense of increasing production accepted by the market, completing the technological process, as well as solving the problem of storage and preserving agricultural products. Hereby, special attention is being given to joint investments by workers and associated agricultural workers and joint investments with interested organizations of associated labour for the purpose of mutually realizing income.
- In the framework of investments, the plan includes the development of additional activities through building up the capacities of "small-scale commerce", tourist development, etc.

- The mutual rights, responsibilities and obligations of agricultural workers and workers in acquiring income and its distribution with special notice of the need for strengthening economic and social security of associated agricultural workers (pension and health insurance funds) and the formation of a solidarity fund for this purpose.
- Basic elements for establishment of prices and placement of goods.
- Crediting and the conditions for investment credits and on-running needs.
- Bases and criteria for distribution of income of associated agricultural workers and workers for personal, joint and common spending, for the expansion of the material foundations of labour, for reserves, for personal income and joint spending.
- Training and special advancement courses for agricultural workers and others for carrying out production and self-management functions, employment, hiring, the development and training of cadre, especially for work on agricultural farms.

Obligations to other organizations or communities with which the organization of agricultural workers has formed an association or joined together to create an income jointly, for purposes of satisfying personal and general social needs and interests.

- Securing the means and other conditions for carrying out the tasks and activities in the sphere of self-defence and civil defense.
- Ensuring preservation and improvement of the environment.
- Securing material, financial and other reserves.

The organizational plan for agricultural workers contains work assignments for constant advancement of socialist self-management relations in agriculture and the village, for advancing organization and work methods of self-management organs, and for realizing the inalienable rights of associated agricultural workers and others.

The plan also confirms the necessary measures, methods and forms as well as the means for informing agricultural workers and workers in general on all important issues related to the realization of this plan.

ROG-MEETING OSLO SEPTEMBER 1980.

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