

Co-operative Identity and Co-operative Management

by Dr. Peter Davis

The growth in power and influence of management and the withering of democratic content in many of the larger Co-operative societies was one of the key issues that prompted the review of Co-operative Identity by the ICA. Another was the question of why bother to be a Co-operative at all? Whatever may be said in public many managers, unsure as to the answer to this question, have in the past, in the process of concentrating on their responsibility for the "business", ignored falling membership participation.

The ICA draft documents on Co-operative Identity fail to address let alone resolve these problems. It is not an affirmation of the "promise" of Co-operation as a democratic movement (*Into the 21st Century: Co-operatives Yesterday, Today and Tomorrow*, ICA Background Paper, 1995) but a definition of its social and economic purpose that we require. To pretend as the background paper does that key decisions are taken by ordinary members through the democratic process is merely to perpetuate a myth that ignores management and creates cynicism in the latter rather than the commitment that the movement so urgently needs.

Politically - correct statements using the language of European social policy and business ethics just will not do. Honesty, social responsibility, and equal opportunities are important criteria upon which the performance of all organisations should be judged not just Co-operatives. Democracy is a distinctive feature of the Co-operative form but one that without the recognition of the role and importance of management in the decision-making process remains singularly hollow.

The Role of Managers

Co-operative managers need a clear statement of their role and their specifically Co-operative identity in terms of Co-operative objectives or mission. Such a statement is not an attempt to define a "perfect Co-operative" (Statement on Co-operative Identity: A Background paper, ICA, 1995) but to provide working criteria for the direction and purpose of all Co-operative organisations irrespective of their function. *Whilst Co-operative management has no recognition and no sense of its distinctive Co-operative purpose democracy will continue to be undermined and the development of the strategic management of Co-operative organisations*

will remain problematic and random. Yet the draft Statement on the Co-operative Identity simply reiterates the old formula of “common economic, social and cultural needs and aspirations” (see the clause Definition).

Nor does the following statement of principles concerning Democratic Member Control (principle 2) and Autonomy and Independence (principle 4) address how a well informed and powerful management, with little understanding or sympathy for the Co-operative movement, can be prevented from mobilising a majority of normally uninvolved Co-operative members to sell off for immediate short term gain the assets accumulated by past generations. Indeed “common . . . economic needs” could well be the justification for the sell off or transfer of the Co-operative organisation’s assets to a capital based organisation.

The Unifying Purpose?

We need a clear statement of the unifying purpose of Co-operation that can cover the wide diversity of Co-operative activities across the globe. This is not provided by the 6th principle which asserts rather than persuades that co-operation between Co-operatives is best. Unfortunately, it is *not* always in Co-operatives’ “common economic . . . needs” to trade together. And as we have no other statement of Co-operative purpose what else does this sixth principle refer to?

Co-operative associations today need more than ever to hold two primary over-arching common *Co-operative* purposes in addition to their functional business-based immediate purposes as providers of products and services. First, all Co-operators have in common their individual vulnerability and powerlessness in the marketplace and the inadequacy of their personal wealth to meet their needs for subsistence and welfare. Secondly, for association or co-operation to be practised by economically vulnerable people they must act together (this requires a strong sense of their community of interests). Thus we can say that;

The first Co-operative purpose is therefore to redress imbalances in market power.

Secondly, all Co-operative associations should exist to strengthen the idea and practice of community amongst their membership both as an intrinsic good and because it is this acting together in unity that is key to successful association.

The Co-operative's purpose, therefore, is to unite and involve its members in an economic and social community to provide countervailing market power and access to economic and social resources that as individuals the membership would not be able to accumulate for themselves.

The Definition Needed

An amended definition of Co-operative identity should therefore, read as follows:

"A Co-operative is a voluntary, democratic, autonomous association of persons, whose purpose is to encourage members to grow in community and to act collectively both for the intrinsic value of being part of a living community and to overcome their problems of economic dependency and need by providing access to, and ownership of the means of subsistence and welfare.

Co-operatives, as they grow, develop managerial strategies, structures and policies that enhance their ability to meet these Co-operative purposes".

Measuring Management Performance

These amendments to the draft definition of Co-operative identity enable a much sharper evaluation of the effectiveness of Co-operative management. It implies three clear Co-operative criteria upon which management performance can be judged in the Co-operative context:-

- a) The first criterion being the strengthening of unity, involvement and community within Co-operative membership.
- b) The second being the accumulation of collective and individual economic resources by members.
- c) The third and final criterion being the extent of democratic involvement exercised by members.

These three criteria are in addition to, not in place of, existing functional business criteria.

Co-operative management that seeks to achieve the purposes outlined above and is made fully accountable for their achievement must avoid those values that are drawn largely from the culture of MBA and main stream

management training programmes. As Reimer Volkers has put it “. . . where the membership orientation is replaced by mere customer orientation . . . change in the Co-operative character of the society is inevitable.” (Volkers, *ICA Review of International Co-operation*, No. 87, 1994 p48).

Co-operative Values

Only when Co-operative management is directed by a clear statement of Co-operative purpose, upon which appropriate values and principles have been constructed, can it begin to differentiate a Co-operative management culture. For this reason we need a statement of Co-operative values that emphasises the purpose as well as process of Co-operation.

The statement of Co-operative values should read;

“Co-operatives are based on the values of community, people before capital, self-help, mutual responsibility, democracy, quality, equity, service and stewardship.”

These additional values of community, people before capital, quality, stewardship and service to others can hardly be said to be new. Their re-emphasis now, however, is particularly important and relevant. It enables us to define the principles governing Co-operative management practice and culture and suggests the inclusion of a further key principle addressing this question into the existing draft statement.

The Principle of Community?

However, to attempt, as the official draft does, to place Community as a “new” 7th principle is almost to rewrite Co-operative history. Co-operation has always been based upon the recognition of community of interests and the attempt to make that community a living reality. This “new” 7th principle unfortunately externalises something that is central and interior to Co-operative Identity itself. Co-operatives should of course be interested in the wider community as should any socially responsible business. This is not something that differentiates Co-operatives from other types of business, even if Co-operatives may justly claim to have their roots in their local communities. It dilutes our understanding of true Co-operative identity and should be reformulated into the interior Co-operative value that community has always been, both as an intrinsic good or purpose, and in order that the process of Co-operation is effectively supported.

A Principle on Management?

I urge that the really new 7th principle that can help the movement address the problems we face should be under the heading of Co-operative Management, viz:-

Co-operative Management

"Co-operative management is conducted by men and women responsible for the stewardship of the Co-operative community, values and assets. They provide leadership and policy development options for the Co-operative association based upon professional training and Co-operative vocation and service. Co-operative management is that part of the Co-operative community professionally engaged to support the whole membership in the achievement of the Co-operative purpose."

It is by the incorporation of Co-operative management as part of the Co-operative community and as representing an important principle of Co-operation itself that we can work out the tension, produced through increasing scale, between management and democracy within the Co-operative enterprise. *It is on this basis that we can and must include Co-operative executive management on the main boards of Co-operative societies.*

I do not in any way wish to imply any down-grading of the importance of lay elected directors nor of the excellent work undertaken in director training and development programmes (which in the UK I have had the privilege and pleasure to contribute to). These initiatives are essential, but alone lay directors in the modern world are no real match for the authority of the top team of professional executive managers running the society day by day.

Managers on Main Boards

The real danger to Co-operation lies in the fact that at present we have a legal myth of main board responsibility without that board's membership carrying sufficient professional authority. That authority will only be available to the main board when its lay membership is *strengthened* by being joined by members of the executive management *committed to the Co-operative purpose*. Without the latter commitment, of course, I readily accept that our democratic process and social and economic purpose will not have been strengthened. Top management and the elected members must operate as a united team, collectively accountable to the whole

membership, if the Co-operative process is to be reinforced and its purpose fulfilled.

A clear, membership-focused statement of Co-operative purpose, underpinning a strong statement of the principles of Co-operative management, can empower the professional Co-operative managers and at the same time improve the ability of lay members to assess management performance and ensure the integrity of the Co-operative identity.

The sterile separation of commercial and social in Co-operative activity must be swept aside and the Co-operative project seen as a whole. This means ensuring that the responsibility for leadership and the development of strategic and truly Co-operative responses includes senior members of the top management team as appointed members of the main board, alongside the otherwise elected lay directors. The commitment by top managers to the Co-operative purpose and their adherence to a short statement of Co-operative management principles will provide a succinct criterion for appraising management's Co-operative performance and enable lay members better to understand and defend, if necessary, the integrity of their Co-operative society. *The establishment of a principle of Co-operative management (see above) enables the Co-operative enterprise to be managed professionally and Co-operatively in such a way that democracy and involvement will remain key aspects of Co-operative practice. The clear definition of Co-operative purpose (see above) gives the Co-operative society, of whatever type, the strategic direction within which Co-operative management must work and against which their performance can then be appraised.*

Programmes of Training and Education

Finally, we need to stress that at the end of the day no statement on paper is worth very much unless we develop the management and organisational training and development resources to motivate and empower Co-operative managers and members. Clear professional leadership builds unity and encourages democratic participation in the Co-operative community in both economic and social terms. To understand what is to be the content of the training and education referred to in the 5th principle, therefore, requires that we know why we want to co-operate in the first place. *The aim of understanding our purpose as well as our process must inform much of the content of Co-operative education and training for managers as well as members. To define that purpose in terms of the need to off-set the economic and social vulnerability of the individual in the market place is not idealism but the common Co-operative identity upon which the*

responsiveness to specific needs of members in the diversity of Co-operative provision must be understood.

A fuller account of the approach in this article can be read in my Discussion Paper in Management Series No 95/1 Co-operative Management and Co-operative Purpose: Values, Principles and Objectives for Co-operatives into the 21st Century, published by the Management Centre, University of Leicester, price £2.00 plus p & p.

The Author

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In Passing

"The Long-term Struggle

The three great consumers' Co-operatives (Dortmund, Konsum Stockholm and Nada Kobe) wish to improve their market standing in their respective areas of activity. They can also attain this end on a social economic basis. Self-financing - it is clear - cannot be neglected because it is safe. All were agreed on this statement.

Co-operative ideology is no substitute for performance in the market. Nevertheless, with good market performance, Co-operative democracy has its chance."

M. Dabrunz in a comparative study of the three largest consumer Co-operatives in the world, first published in Der Verbraucher - Journal 53 April 1985.