

MAKING MEMBERSHIP MEANINGFUL
PARTICIPATORY DEMOCRACY IN CO-OPERATIVES



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Centre for the Study of Co-operatives, University of Saskatchewan,
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MAKING MEMBERSHIP MEANINGFUL PARTICIPATORY DEMOCRACY IN CO-OPERATIVES

by the

International Joint Project
on
Co-operative Democracy



This manuscript is dedicated to the memory of

Dr. Alf Carlsson

Alf was involved in the project from its inception until his untimely death, 28 September 1994.

He was one of a group of Scandinavian co-operators attending a seminar on Peace and Security aboard the M.S. *Estonia*.

Alf was an important part of this project.

His commitment, insightful observations, and humour endeared him to the members of the project.

He was a dedicated co-operator, an accomplished researcher, and fine citizen of the world.

He is greatly missed.

**PREFACE TO THE FINAL REPORT OF THE
INTERNATIONAL JOINT PROJECT**

In the autumn of 1994, I was asked by Mr. Robert Houlton, director of the Co-operative College in Britain, "Why did you want to carry out this kind of international joint project?" His question unleashed a flood of memories reminding me of the events that had led up to starting the joint project.

I recalled the warning by Dr. Laidlaw of an ideological crisis through the proposal relating to basic values presented by Chairman Marcus at the Stockholm ICA Congress in July 1988.

I recalled how we at Co-op Kanagawa had formulated a new long-term plan and corporate identity in August 1987. We were troubled by how to develop democracy among members, in the midst of a transformation into a large-scale organization and social changes then taking place, such as in women's lifestyles.

We had held an international symposium in April 1989 on "Visions of the Consumers' Co-operative Movement towards the 21st Century" in advanced countries. The principal theme was the democratic administration of consumers' co-operatives. I recalled how, after the symposium, I had become serious about the thought of further developing this theme in theoretical and practical terms through international research. Professor Jack Craig, of York University in Canada, and I had become friends, so I broached the subject with him and asked, if we could get that kind of project going, would he be able to work with us. He would, he said.

In the spring of 1991, I was in Stockholm, and Mr. Per-Olof Jönsson invited me to have dinner at his home. On the way there, I shared my personal ambition with him, and he endorsed it.

With the cooperation of these two men, we were able to hold the first meeting of the project in October 1992, immediately prior to the Tokyo ICA Congress. The project group included the Swedish Co-operative Development and Research Institute, a team of Canadian researchers consisting of Pro-

fessor Ian MacPherson and Professor Lou Hammond Ketilson, Professor Jack Craig, and Co-op Kanagawa. After that meeting, because of the efforts of Mr. Ivaro Barberini and Mr. Graham Melmoth, the National Association of Consumers' Co-operatives in Italy and the Co-operative Wholesale Society in the U.K. joined us. I was overjoyed to see how the aspiration of one individual could be transformed, becoming tangible in the form of an international joint project involving five countries and creating ideas to submit to the Manchester ICA Centennial Congress in the autumn of 1995.

Ignite the latent energy sleeping in the legions of co-operative members and employees! It is no exaggeration to say that the fate of co-operatives in the 21st century will be governed by whether or not they can ensure their ascendancy with respect to private corporations by marshalling such human potential.

Having said this, I believe the system for keeping such enormous human potential burning efficiently and effectively is participatory democracy. Like the circulation of blood in our bodies, what we call participatory democracy is not something that you can separate from its context and hold up, exclaiming, "This is it!" However, we can see it as the abundant successful results of our practical work.

We want to emphasize that our proposals are not prescriptions for the solution of all problems. We strongly hope that members of co-operatives throughout the world are not letting the Book Report and resolutions from the Tokyo ICA Congress gather dust on their bookshelves, and that they will seize our proposals at the Manchester ICA Centennial Congress as an opportunity to further develop participatory democracy in a way that is adapted to the current situation in each country.

I have great respect for Mr. Jönsson, Mr. Melmoth, and Mr. Barberini, who collaborated on launching this project and continued to inspire the activities, as well as for the members of the secretariat, Mr. Alf Carlsson, Mr. Iain Macdonald, and Mr.

Loris Ferini, who managed the practical side of the project work.

Finally, I express my heartfelt thanks also to the many co-operators and researchers who lent their support, especially Professor Craig, whose efforts were unflagging from the time the idea was germinating to the hectic days compiling the final report.

Masayuki Yamagishi

Co-op Kanagawa, Chief Executive Officer

The Manuscript

The writing of this manuscript was a collaborative process involving nine authors from five countries on three continents. This was not an easy process, but was a very rewarding experience. The project's conceptual framework took shape in a meeting in Yokohama involving both the practitioners and academics. It was agreed that the case studies would be written by each organizational team with one person taking a lead role for each country, but the material would be developed through a learning process involving many others to various degrees.

Chapter 1 was drafted by Co-op Kanagawa and Chapters 7 and 8 were drafted by Professor Jack Craig, Canada with contributions from Dr. Alf Carlsson Sweden and Dr. Toshikazu Nagayama, Japan. The drafts became the basis for discussion, and following the discussion each country's team made revisions. The theoretical part was revised and greatly improved with the hard and careful work of Professor Leslie Brown and Professor Lou Hammond Ketilson. The result is a manuscript not only jointly written, but one in which both the academics and practitioners from five countries contributed. For those involved it was a unique joint learning experience that enriched our lives. We hope that co-operators will find it interesting and useful.

Professor Jack Craig,
June 1995

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INTRODUCTION

Developments Leading to the International Joint Project on Participatory Democracy

This study project was initiated to meet the needs of co-operatives by helping them learn from each other. At the Moscow ICA Congress in 1980, Dr. Laidlaw presented a report warning of an ideological crisis in the co-operative movement. However, the movement has been slow to respond theoretically or in practical terms, to Dr. Laidlaw's warning. At the Stockholm Congress in 1988, Chairman Marcus repeated this warning and proposed four values for co-operatives based on co-operative concepts. An ad-hoc committee was formed, chaired by Mr. Sven Åke Bööck, and the committee studied the problem of basic values for three years. The Bööck Report was debated at the Tokyo ICA Congress in 1992, and delegates adopted three core values behind the co-operative movement (the basic ideas in Mr. Bööck's report) and five basic global values as goals for the future.

While we applauded the results of Mr. Bööck's work, we believed we must continue to build on those achievements, further developing the content of the basic values in a theoretical way that was backed up by practice. We wanted to advance in the direction staked out by Mr. Bööck when he wrote, "There is a need for an exchange of information regarding the ways in which established co-operative organizations may be revitalized, above all as regards member participation. This is mainly a matter of identifying and testing new ideas. Such exchange of experience is, of course, currently taking place. The need, however, is to achieve a continuity and a comprehensive view of the especially good examples. The ICA would be the natural co-ordinator." (Bööck, 1992:19)

Our study is an attempt to respond to the appeal in the 1992 report for an exchange of experiences. Thus, we con-

sidered it most important to illuminate topics paying special attention to participatory democracy and the relationship between co-operatives and society, and how they relate to the future society.

Participants in this study have been Britain's Co-operative Wholesale Society, the Italian National Association of Consumers' Co-operatives, the Swedish Co-operative Research and Development Institute, Co-op Kanagawa, and a team of researchers in Canada.

Structure of the Report

This report is written for both practitioners and theoreticians. We think the two are not mutually exclusive. Rather, they complement one another, as good practice is founded on good theory, and good practice is what theorists use to build theory.

The report consists of a main report on the practice of participatory democracy and a part on the theory and methods used. Chapter 1 of the report contains the essence of our findings, in the form of a handy guide for practitioners to gain ideas about how participatory democracy can be applied in modern society. Chapters 2 through 6 contain reports on how participatory democracy is currently being dealt with in the five countries involved in the project. Although similar in that all are industrialized countries, the contexts for each of the co-ops studied did vary significantly. For example, the nature and role of the voluntary sector, and specific involvements of women and men differed. Also, while all were experiencing pressures related to globalization and competition, each co-op movement was placed somewhat differently in its market and economy. Our findings must be interpreted in light of these differences and similarities.

Chapter 7 reviews the answers co-op theory and research offer to several key questions asked by co-operatives interested in democratic renewal. This review of the literature provides the basis for the conceptual framework which guides this research project, and is aimed at both researchers and practitioners.

Chapter 8 summarizes the research approach used in the

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International Joint Project. This was not a quick survey or field visit. Rather, it was an attempt at action learning in which theorists and practitioners studied and learned together to develop a joint understanding. In our view, that has given us more confidence in our findings, which reflects our belief that the decline of consumers' co-operatives in many places is a result of the failure of leaders to stimulate sufficient participation in both the business enterprise side and the voluntary association side of the co-operative. There are practical things that can be done to remedy this, and our findings are specific about several possibilities for change in co-op practice.

The five countries studied during the course of our research were all located in industrialized countries. Due to constraints of time and funding, we could not incorporate co-ops from Eastern Europe or the tropics. This is unfortunate as we believe that the potentials for, and examples of, the implementation of participatory democracy need to be researched in these contexts. We hope that such research will be undertaken soon.

Recommendations to the Movement

To assist this process in the coming years we would like to see the members of the International Co-operative Alliance continue to make membership in consumer owned co-operatives meaningful in the 21st century. To do this we need to implement the suggestions raised in 1992 by Mr. Sven Åke Bööck when he identified the need to exchange information about the ways co-operatives could be revitalized and the role that ICA could play as a "natural co-ordinator". This study focused primarily on consumer co-operatives and the practical suggestions are directed to consumer-owned co-operatives. However, we have included some examples from other types of co-operatives and we feel very strongly that different types of co-operatives can learn from each other in developing ways to revitalize their organizations and make membership meaningful in the 21st century. In order to initiate the process of reflection and debate at the level of the international alliance we respectfully propose the following motion for the consideration of all co-operative organizations.

**MOTION PROPOSED TO THE ICA CENTENNIAL
CONGRESS IN MANCHESTER 1995
BY THE PARTIES OF THE INTERNATIONAL
JOINT PROJECT ON CO-OPERATIVE DEMOCRACY**

The Centennial Congress of the ICA at its meeting in Manchester in September 1995:

COMMENDS the initiative of the International Joint Project on Co-operative Democracy in Consumer Co-operatives involving movements in Canada, Italy, Japan, UK and Sweden;

ACKNOWLEDGES the difficulties faced by co-operators the world over to find methods for and good examples of active member participation in more complex business structures, under tougher competition, and relatively lacking in young members;

EMPHASIZES the need of co-operators to positively influence the living conditions of members through new and existing ways of developing participatory democracy so that our values, ideas, and activities contribute significantly to democratic development for justice and solidarity;

CONFIRMS the group's finding that participatory democracy (members' participation, commitment, and involvement) must be integral to co-operative activities and continually developed as core conditions for business and society change;

REMINDS co-operators that participatory democracy is never fixed once and for all but must be continuously recast and reconquered;

ACCEPTS the final report of the project group, comprising

(1) a description of the consumers' co-operative movement (retailing) in each country,

(2) case studies from each country focusing on increasing member involvement and participatory democracy, and

(3) conclusions and recommendations;

RECOMMENDS further study by co-operators in the five areas of the project:

Introduction

- (1) expanding members' participation,
- (2) the relationship between members and management,
- (3) innovation of organizational structure,
- (4) expanding the relationship with employee participation, and
- (5) economic and social responsibility;

ENTRUSTS the Board and Regions to initiate measures for co-ordinating and informing member organizations about the exchange of experiences and opinions on the development of participatory democracy in co-operative organizations in general and on the final report of the International Joint Project in particular.

Participatory Democracy in Practice

The logic of co-operatives is simple and straight forward. The users of the services should be the owners and the organization should run to meet the needs of the users. This implies that the organization needs to keep in touch with its members and learn from them; how else but through participation and democracy. This is difficult, and as the socio-economic context of the organization changes so must the techniques. Also, as organizations are successful and grow, the way they involve members must also evolve. Participatory democracy sounds good, but is it practical?

What Is Participatory Democracy?

Participation means to take part, to involve people in the decisions. It does not mean that they make the decisions, rather that they contribute.

Democracy means that the people are involved in making the decision. It is a global term and used in several different ways. It is a form of government; it is a way for people to make decisions and a way of legitimizing decision makers.

The ideals of democracy have been described on many occasions by philosophers, social scientists and politicians. Abraham Lincoln's famous phrase, "government of the people, for the people, and by the people," is as succinct a statement as any, but it is not as simple as it appears. This assumes that the individual has a central place in the democratic process and each individual is capable of making decisions about the affairs of the polity. These assumptions then are the bases for the ultimate goals implicit in Lincoln's words.

The distinction between direct democracy and representative democracy is common in political science. In representative democracy, members of the organization or society elect representatives who then govern in the interests of the organization or society. Direct democracy means that representatives may not make all decisions. Conventional wisdom is that small groups or organizations can have direct democracy and large ones cannot. But this common view is increasingly challenged as too simplistic. We see them as comple-

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mentary in that representative democracy in overall governance does not preclude direct democracy in particular domains.

Our aim in investigating participatory democracy is to identify practical ways that this base can be nurtured and ways representatives may learn from the membership of the co-operative. It is much more than organizing meetings. The two way flow of information between the co-operative and its members is important for this process and both formal and informal techniques can keep member participation alive and well. Some techniques are expensive and time consuming, others have very little cost and can be built into the way we do things in our daily routines. The following chapters explore these options in more detail.



Chapter 1: ESSENTIAL ELEMENTS

How Shall We Solve the Difficulties We are Facing?

The period from the late 1980s to today has been a time of dramatic transformation: the collapse of the Soviet Union and the change in relations between East and West; the disappearance of borders for people, goods, money, and information; and the resurgence of religious and ethnic conflicts. Clearly, the centrally planned economy has been discredited. But the market economy is imperfect, and economic conflicts are deepening; in addition, a variety of global issues, of which the most obvious is the environment, are becoming more serious. Under such circumstances, we are earnestly seeking ways to change the present socioeconomic system into a society and economy appropriate for the 21st century. In this search, the co-operative system is attracting more attention.

Co-operatives in industrialized countries have played an important role in their national economies and societies. But in competition with international, large-scale retailers, which are integrating vertically back to the production stage, some co-operatives are losing market share and some have even disappeared. Simultaneously, the financial basis of co-operative enterprises is weakening as they lag behind private corporations in fund-raising and capital formation. Competition with private sector companies has intensified, and management has tended to focus on that competition. The bias toward economic activities has tended to dilute the character of co-operatives as a social entity by reducing the characteristic differences between co-operatives and private corporations. Many co-operatives have not drawn on their democratic legacy to emphasize development of their human resources to respond to competition. The bias toward economic activities has resulted in an identity crisis in the

Chapter 1: ESSENTIAL ELEMENTS

co-operative movement and a decline in member participation and engagement.

In the 150-year history of the co-operative movement, co-operatives around the world have enjoyed success and suffered failure. On the threshold of the 21st century, members of many existing organizations are searching their souls for their group's *raison d'être*. Whether an organization can continue to exist depends on its ability to renew itself. In times like these, we cannot rely on memories of success in the good old days or fall victim to pessimism caused by failure. Rather, we must intensely examine our mistakes and pay attention to change to best prepare ourselves to create a new era.

The premise of this report is that if co-operatives do not strengthen their character as social entities by developing their human resources, defeat is inevitable; they will be marginalized in the global economy and one by one disappear. Thus we have chosen as our urgent and vital theme the restructuring of participatory democracy.

The Basic Values in Co-operatives and Participatory Democracy

Sven Åke Bööck identified the basic ideas that are central to the concept of co-operation as equality (democracy) and equity, voluntary and mutual self-help, and social and economic emancipation. He then defined four basic ethics: honesty, caring, pluralism (democratic approach), and a constructive attitude (faith in the co-operative way). These basic ethics are close to the basic ideas and are stated in his report as personal characteristics of co-operators. In addition, the basic principles and characteristics were structured into eight items. Mr. Bööck proposed five areas for global basic values for the future which parallel the above structure. Bööck concluded his report by observing that the principles set down in 1966 need to be restated to better reflect the value sets outlined above. (On the subject of reviewing principles, the Bööck Report specified a variety of proposals, such as developing democracy and introducing methods of capital formation.)

At the Tokyo ICA Congress, delegates decided to launch a review of basic co-operative principles, under way since 1992 by a committee headed by Dr. Ian MacPherson of Canada. The committee tabled its report at the ICA Congress in Manchester in 1995. Because these basic principles form a crucial foundation for this report, we repeat the committee's statement on co-operative identity in full.

THE INTERNATIONAL CO-OPERATIVE ALLIANCE STATEMENT ON THE CO-OPERATIVE IDENTITY

DEFINITION

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

VALUES

Co-operatives are based on the values of self-help, democracy, equality, equity, and solidarity. Co-operative members believe in the ethical values of honesty, openness, social responsibility, and caring for others.

PRINCIPLES

The co-operative principles are guidelines by which co-operatives put their values into practice.

1st PRINCIPLE: VOLUNTARY AND OPEN MEMBERSHIP

Co-operatives are voluntary organizations open to all persons able to use their services and willing to accept the responsibilities of membership without gender, social, racial, political or religious discrimination.

2nd PRINCIPLE: DEMOCRATIC MEMBER CONTROL

Co-operatives are democratic organizations controlled by their members who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the members. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.

3rd PRINCIPLE: MEMBER ECONOMIC PARTICIPATION

Members contribute equitably to and control the capital of their co-operative. They usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the co-operative; benefiting members in proportion to their transactions with the co-operative; and supporting other activities as approved by the membership.

4th PRINCIPLE: AUTONOMY AND INDEPENDENCE

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations (including governments) or raise capital from external sources, they do so on terms that ensure democratic control by the members and maintain their co-operative independence.

5th PRINCIPLE: EDUCATION, TRAINING AND INFORMATION

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public — particularly young people and opinion leaders — about the nature and benefits of co-operation.

6th PRINCIPLE: CO-OPERATION AMONG CO-OPERATIVES

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7th PRINCIPLE: CONCERN FOR COMMUNITY

While focusing on member needs and wishes, co-operatives work for the sustainable development of their communities.

We believe that participatory democracy is related to the values listed above and the proposed new co-operative principles. Participatory democracy is a co-operative method for realizing the diverse values inherent in the idea of co-operation and practiced through the human resources of the co-operative. The majority of members who have invested private capital in the co-operative have expressed their initial interest, but financial participation is only part of the equation. A learning process using participatory democratic

techniques that involves members, boards, management and staff can be the means to develop business operations to meet economic and social needs and as a result, enhance capital formation and create surplus for members.

Co-operatives' Position in Society

The 20th century has seen increasing expectations for democracy and freedom and escape from war and hunger. Technological development has enhanced standards of living but produced adverse side effects, such as uneven income distribution and environmental degradation, and has raised awareness that old models of development are unsustainable. We believe that co-operatives and the co-operative ethos offer one vehicle for addressing the need for major change in social and economic systems.

The present can be seen as a period of transition, from an industrial society to a different or new society, as described by Dr. Peter Drucker in his book *The Post-Capitalist Society*. Drucker describes this society as a society of knowledge, a society of citizenship, and a society of organizations. Whereas industrial societies have emphasized production and values of efficiency, it is reasonable to assume that the newly evolving post-capitalist society will correspond to new values. Drucker and many others believe that this society will be based on the initiative of individual citizens in their communities. Drucker's view is consistent with the vision outlined in the MacPherson ICA Report, but it is not the only scenario.

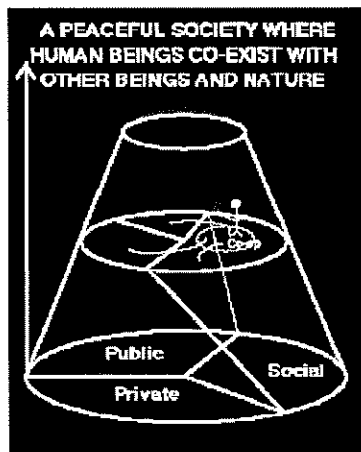
Several routes to a new society are possible, including the development of narrow-minded egoism, selfishness, and conflict between the haves and have-nots. But a new society can also develop from citizenship seeking co-operation. Of course, no one knows the future. What we do as citizens of the world today shapes the world of tomorrow. Co-operators need a vision of what they would like the world of the 21st century to look like to help shape their actions.

When the idea of a co-operative comes in contact with felt needs and the readiness of people to act, it takes root, grows, and flourishes. The association of people and enter-

prise forms a symbiotic relationship of mutual support. A movement grows and flourishes, and the business prospers. In this dynamic, co-operatives represent instruments of social change. This is not on the grand scale of restructuring society, but on a community basis where the change can be felt and quality of life improved.

If we aim at citizens seeking co-operation, however, we must recognize the limits to the role of the public sector and the private sector and expand the role of the social sector. As the largest group of non-profit organizations, co-operatives are positioned to contribute to the creation of this new citizen-oriented society. Co-operatives can promote the free co-operation of individuals and broader collaboration with other independent non-profit organizations in the social sector. A thriving co-operative sector, as part of the social sector, actively competing in the marketplace can raise the profile of such ideals and increase the importance of the social sector as illustrated in the higher plane of the figure. This is not revolutionary change. Rather, human society can evolve closer to this ideal as the strong co-operative sector engages competitors and they modify their practices to compete with co-operatives. This statement of an ideal that we expect many diverse co-operatives share and aspire towards, is illustrated in diagram 1.1.

Diagram 1.1: Cooperation as Seen in Relation to Society



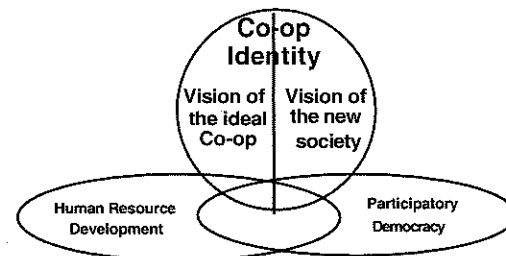
The Co-operative Identity and Participatory Democracy

The stagnation of the movement was recognized early by Dr. Laidlaw who warned of a coming ideological crisis, which has manifested itself in the 1990s as an identity crisis. Co-operators are unsure of their common *raison d'être* and are seeking it partly by identifying basic values and principles, though these will be expressed differently worldwide. By definition, co-operatives reflect the needs and visions of their members in their societal context. This is where the import of participatory democracy becomes clearer.

We have already indicated that participatory democracy complements the values and principles of co-operation. We also suggest, based upon our review of literature and our own research, that participatory democratic structures are essential for members seeking to create responsive, successful organizations which reflect their needs and visions. Far from hampering business success, participatory democracy can enhance it. Further, the more aware members and employees are of their organization as a co-operative, as an organization embodying a clearly articulated value system,

the easier it will become for them to find common cause with other forms of co-operatives, and to lead efforts toward building the new emerging society. This goal is illustrated in diagram 1.2.

Diagram 1.2: The essence of being a co-op in the new society



The “citizens’ community” as described by Drucker is not yet in place. It cannot be formed and function solely through representative democracy in the public sector, and a liberal laissez faire approach with respect to the private sector. We believe that participatory democracy must be positioned as the essential element of a new citizens’ community, not just within co-operatives but society wide. Our various co-operative activities can become one of many venues for drawing out the latent energy of members and revealing the needs of people in the citizens’ community. At the same time, the entire process will enhance the co-operative identity and the strength of individual citizens.

The participants in this project share a vision of the new society as a peaceful community where people, society, and nature are in harmony, a society of citizens working together in co-operative activities, seeking esteem and self-actualization as well as goods and services. The peaceful, sustainable, and just society we aim at is needed by all people. Co-operatives can lead the way as we seek to develop co-operative strength with people in our communities. We have had these thoughts in mind as we carried out our work in the joint project.

We would hope that leaders of the movement see these ideas as self-evident. But not everyone in the movement thinks that the current situation is cause for concern. We hope that co-operators around the world will agree with the need for a new co-operative identity and agree that participatory democracy is central to mobilizing people in the movement and earning a place for the co-operative vision in the new society.

Themes and Concrete Examples for Making Participatory Democracy Work

Our research and own experience have convinced us that a participating membership is fundamental for the future success of co-operatives. Many co-operatives in industrialized countries have imitated the methods of conventional businesses to survive against the competition, undermining the foundation that sets co-ops apart from private corporations. In the formerly centrally planned economies, the mistakes of co-operative systems once dominated (and in some cases still dominated) by national policy are obvious. In both settings co-operatives have surrendered their positions as democratic organizations set up to serve the needs of autonomous members. We believe the key weakness is in applying participatory democracy (see Chapter 7). The co-ops participating in this research project agree that co-ops must actively seek to promote member participation.

In exploring ways to do this, it is beneficial to find a way to break down the problem into components. A useful way to do this, we have found, is to analyze one's own co-op in light of five themes for making participatory democracy work: 1) expanding members' participation; 2) the relationship between members and management; 3) innovation of organizational structure; 4) expanding employee participation; and, 5) economic and social responsibility.

The theoretical basis for the five themes is contained in Chapter 7. The following is a summary of the key points derived from a review of the management and co-operative literature.

Key Points From the Management Literature:

- Management does have to change. But there is no inevitable or "one right way" to respond to the challenges of globalization, nor will current trends necessarily lead to increased harmony and prosperity world-wide. Effort must go into promoting that vision.
- It is likely that organizations which are impacted by globalization will need to increase competitiveness, in part through increasing flexibility and ability to access and handle information. How these are to be achieved needs to be explored—no one way is necessarily "best".
- Organizational characteristics (such as values, traditional patterns, etc.) have an impact. There is a role for strategic management, especially when located in a supportive and coordinated network context. (The network may be branches and suppliers of a large multinational, or organizations within the consumer co-op movement.)
- Ongoing strategy formulation and experimentation, ongoing debates over the nature of the company's business, fostering creativity in a safe environment are all likely hallmarks of a healthy company.
- Carefully fostered alliances, joint ventures and other forms of collaboration are important in gaining greater control over organizational environments and in passing along useful information on success stories and failures.
- It is important to be sensitive to, and make use of, the diversity promoted by societal effects.
- Careful thought must go in to restructuring that involves radically downsizing the number of employees and constant exhortations to employees to demonstrate worth as "value adders". There is a danger that, carried to an extreme, such changes will undermine the organization. Nor should strategic alliances be entered into casually, without first evolving the mutual trust, respect and commitment needed to make the alliance work.

- For co-operatives, the literature communicates the message that increased participation, decentralization, and democratization are likely to be changes fostering success. While such changes may not be the only way to go, there is evidence that they work! And co-ops may well find such directions compatible with their values, stakeholder opinions, and long term vision.

Key Points from the Co-operative Literature:

- Co-operatives are both associations of people and business organizations. To survive as co-ops, both economic and social objectives must be articulated. The two are not in conflict but intertwined in complex ways. Social objectives are unlikely to be realized unless the business is effective and viable. Similarly the business objectives are enhanced when co-operatives actively address their social objectives.
- Democracy is generally seen as an ethical imperative of co-operatives, though the ways democracy is defined and implemented change over time and across organizations. Increasingly, democracy is viewed as making good business sense when in balance with enterprise needs, and as part of the process of differentiating co-ops from their competitors, and staying innovative and abreast of member needs/wants.
- Member control and influence are basic to co-operatives. Representative democracy allows for control to be exercised by active members. However, representative structures are not suitable for broad-based involvement and influence, nor are they particularly effective at building community and commitment. To prevail against an over emphasis on consumerist values (e.g. convenience and price), and to take advantage of the information and input members can provide, co-operatives must engage their member/owners. Participatory democracy is therefore necessary.
- Employees of co-ops have a stake in the co-op which goes beyond their stake as members. Their commit-

ment and knowledge is there to be cultivated and tapped through sincere democratic (participatory) management techniques.

- Individual co-operatives can benefit by developing a clear sense of themselves as different from conventional businesses, and clarifying what forms of participation are to be facilitated and encouraged, by whom, and in what. To do this effectively, their members need to be prepared for participation, and the co-op needs to be ready to respond to the consequences of increased participation.
- Democracy and the day-to-day management of consumer co-operatives requires a balancing of tensions and it is the role of management to balance the tensions. Boards can be more effective as governing bodies if they govern by policy and articulation of vision.
- Consumer co-operatives, in particular, are likely to be more successful if they effectively differentiate themselves from their competitors. As part of this effort, they can seek to position themselves as organizations which are relevant to both consumers and communities.
- Co-operatives must develop linkages with other co-ops, as well as other forms of democratic organizations, in order to have more impact on their environment, to strengthen their market position, to learn from others, and to extend the opportunity for citizens to live their lives within democratic organizations.

Key Aspects that can be Democratized

- Co-operatives are self-defined democracies. Democracy can be promoted in both the governance and operations sides of a co-op.
- Members are those who use the co-op, and members are the main citizenship constituency. However, employees have a special "stake" in the co-op. Their special position deserves recognition. One way is to ex-

tend democracy into the workplace in some way.

- Representative democracy needs to be constantly revitalized. It helps, in doing this, to have a participative base.
- Participative democracy is valuable in its own right too, and may even be essential to the long term vibrancy of co-ops as democratic institutions.
- Democratic processes necessarily involve conflicts and tensions. These need to be actively managed and balanced.
- Democratic structures and processes which fulfil both the monitoring and development functions of co-operatives are essential.
- Co-operatives which can foster a general homogeneity of vision among its members, a respect for differences of opinion, and a mutual trust will have fewer difficulties managing tensions and conflicts.

Key Points in Increasing Member and Staff Participation

- Democracy requires active cultivation and monitoring. The literature indicates specific strategies and orientations that have demonstrated viability.
- Democracy is a process and not simply present or absent. It is always in flux and has ebbs and flows. The important point is that democracy requires wide ranging commitment and participants need to know that they are indeed efficacious—their participation brings results.
- Co-operatives need not feel alone in their efforts to find ways to combine enterprise and association. All co-ops experience the challenge, and can learn from one another.

What the literature says about making participatory democracy work is born out in what practitioners have found from practical experience. In doing our research we dis-

tilled these ideas down to the five themes mentioned earlier and which guided our case analysis (see chapters 7 and 8). Our conclusions, following from the case studies, are presented in the following section. For convenience and consistency, we have organized them according to our five analytical themes. At the end of the discussion of each theme are examples drawn from the co-ops studied.

Since each co-op is different in context, composition, type of services and so on, each co-op needs to deliberate about the ways its members and staff wish to pursue democratization and the balance it will strike at any given point in time between enterprise and association. Experimentation, consultation with other co-ops, rethinking commitments, all these are part of such a process. The examples presented here are necessarily taken out of context, which is misleading to the degree that any particular strategy or structure is linked to others or to particularities of the co-op and its context. However, they are useful in providing ideas which can be adapted, and in stimulating other ideas—as the co-ops involved in this project have found, to their delight! For more in depth information, see the case studies and write the co-ops for more information

Theme 1: Expanding Members' Participation

The System of Members' Participation in Expanding Membership and in Decision Making

Strengthening membership must become a fundamental precept for every co-operative. To do this, co-operatives need to be open organizations in which all types of people can participate spontaneously, where they have the opportunity for participation in all bodies of the organization, including the board of directors, and these opportunities must be open to all members based on the guaranteed right of one person one vote. In doing this, however, systems are needed that openly evaluate factors making people suitable for leadership, such as experience, capability, knowledge, and dedication, as well as the volunteer spirit of such persons. In addition, co-operatives should not assign roles in co-operative decision making and policy planning solely to

the board of directors and management, for it is vital to guarantee links with members in all processes.

Examples from experience:

- Finding ways to make Annual General Meetings more participative and more meaningful has been the subject of considerable thought and innovation on the part of these co-ops. The co-ops have developed various types of consultation processes, forums, and processes for the selection of delegates which take place in advance of annual meetings and help build an interested and informed base. Several co-ops engaged in broad-based consultation with their membership to develop these strategies and processes.
- All the co-ops described in this manuscript involve members (to varying degrees) in the less intense activities of reading (even preparing or contributing to) newsletters, using suggestion boxes/hot lines/ etc., responding to solicitations from "we listen" programs, surveys, focus groups, and so on.
- The co-ops handled long term visionary planning in very different ways. Some co-ops primarily involve board members and annual meeting delegates, while others try to involve members more broadly. For example, in Italy, National Assemblies, where approximately 10-30 delegates per co-operative participate, convene every 3 or 4 years to develop common multi-year policies, such as social and environmental policies.
- The co-ops described in this manuscript all paid close attention to matters related to the nomination, election, responsibilities, and terms of office of board members. One co-op was particularly concerned to encourage self-candidacy as a way of broadening the pool, several concentrated on building effective nominating committees or electoral commissions. All co-ops had developed ways (though often very different ways) to maximize member and/or local co-op involvement in the electoral process. All co-ops debated and reached (at least temporary) decisions on whether or not to

restrict the number of consecutive terms of office an individual could serve.

- All the co-ops have taken decisions specifically about ways to promote active membership. While the specific ways chosen differ quite significantly, what is important is that they have all brought member participation into the foreground of organizational planning and strategy. One co-op has even specified quantitative criteria by which to help evaluate its success in moving toward increased participation.
- Local co-ops in the co-ops studied make membership promotional materials visible and easily accessible.

Creating New Fields for Members' Activities

The relationship between the needs of members and management of the co-operative must include a guarantee of participation by members in the management of the co-operative. If we look at management in practical terms, we can divide management into three parts: management related to business operations, management related to members activities (in which members activities will be administered and run by members themselves), and strategic management. It is essential that we integrate the attractive ideals of management participation by members and employees. We must establish fields of activity corresponding to needs and create venues for such activities. In such cases, each co-operative in its own way can move towards implementing the vision of the ideal co-operative in a new society. We must not overlook the relationship between the content of a co-operative business operation and the scale of the organization, nor the relationship those have with the local community.

Examples from experience:

- Several co-ops offer their members a space for meetings and activities that do not relate directly to the co-ops' business. For example co-op premises can be used for meetings of member interest groups, coffee mornings, book exchanges, coupon exchanges (i.e. exchange of manufacturer's discount coupons), perennial plant

exchanges, coordination of organic gardening projects, and so on. The case of Co-op Kanagawa shows that the types of interest group activities in which members can become involved can be as varied as: peace, lifestyle and household accounts, the environment, welfare, culture, health, international exchange, and labour co-ops.

- The connection of the co-op to a movement/social change orientation is being fostered in several co-ops. For example, in Sweden, the consumer co-operatives are being reactivated as a co-operative consumer's movement. In these cases the members determine what they want their store or co-op to support (e.g. environmental or peace activism; co-operation as an alternative to capitalism and communism, etc.). This support may be extensive or tacit. Not all the co-ops studied would agree with this, however.
- All the co-ops have created structures and processes which allow members to be involved in merchandise policy, brand product policy, supply policy, and product development. This involvement ranges from input through questionnaires, surveys and opportunities to make suggestions to management through to more substantial involvements. These include participating in product testing groups, serving on committees which promote Co-op Brand in stores, getting involved in Co-op Days events, taking part in focus groups, voting on which items will be discounted during sales periods, and so on.
- In Japan, a group of members, usually a few dozen regulars, raise vegetables organically on agricultural land leased from producers and supply the vegetables to Co-op stores.
- Some co-ops are becoming involved in social welfare activities to greater or lesser degrees. This of course depends in part on how great the needs of their members are in these areas. For example several co-ops have home delivery for the elderly or infirm. Some have programs in place whereby volunteers assist the eld-

erly by taking them shopping or on other outings.

- Several co-ops promote and facilitate recreational and other activities which involve the members of several co-ops. One example of this is the formation of co-op softball leagues or bowling leagues; co-operation in fund-raising for local hospitals, etc. One co-op, Co-op Atlantic, is particularly emphasizing co-operation between all types of co-operatives within local communities. Members and staff of local stores are being asked to take the lead in promoting and coordinating such linkages by forming co-operative development councils in their communities or regions. These councils (composed of volunteers) try to promote co-ops of all kinds, and facilitate the formation of worker co-operatives. The co-op central provides staff support and advice as requested.

Promoting Participation in Management, including Management of the Business

We must actively broaden members' participation in management from the point of view of expanding the competitive strength of the co-operative, to promote the use and direction of operations toward meeting economic needs and financing the co-operative, while guaranteeing through the organization a strengthening and clarification of the co-operative nature. The extent of a member's patronage of the business organization can usually be related to the level (in terms of information and communication) of a member's relationship with management. There is a clear correlation between the level of participation of a member and that of a member's use of the Co-op, as can be seen in Japan. This is a key reason to increase participatory democratic processes in order to compete effectively. Thus co-operatives must set a course toward wider influence of members in management.

Examples from experience:

- Establishing a system where members interest groups are linked with the co-ops planning makes it possible to mesh voluntary group activities with development of the Co-op's basic policy.

- Initiatives linked to specific interests of the members e.g., volunteering, environmental protection, safety and consumer education, marketing of products, and agricultural policy, provide opportunities for members to influence the development of the co-op's policies in these areas.
- Most of the co-ops have found ways for store management to reward participation with financial gains, though there is great variation in how they do this. Patronage refunds (benefits to individuals and their families) are paid out to members in some co-ops (with eligibility criteria differing across co-ops which do this). Another form of benefits to individuals is provided by "direct charge" co-ops, which sell products in local stores at close to wholesale cost while members pay service fees toward the operational costs of the store. Community (collective) benefits are provided to some degree by all co-ops, including those co-ops which have indivisible reserves and which seek to allocate surpluses in ways that will benefit both members and their communities. In some of the co-ops described here, the money allocated to providing community benefits is substantial and extremely significant for their communities.
- Developing an effective committee structure within local stores has been an ongoing task for the co-ops participating in this project. Some have member relations field personnel who visit and actively encourage local stores to develop particular committees, for example, member relations committees, branch committees, finance committees, building committees, recruitment committees, and so on. In one co-op, member relations committees in local stores are composed of volunteers, with staff support. They are involved in planning and administration, membership analysis, recruitment, communications, and events/programs/activities. These various committees not only promote participation in management, they provide opportunities for volunteers to become involved and to learn

through hands-on experience. They also provide a ready pool of recruits for formal training programs.

- The co-ops described here all seek to develop management that is a partnership between members and staff. This means they seek to develop effective, collaborative, and participatory working relations between top management and the board. It also means that they cultivate a partnership between other management levels, non-management employees, and members in committees and as individuals. Revisions and active reference to vision and mission statements help remind everyone of the fundamentals of their co-op, and of the priority given to member participation.

Theme 2: The Relationship between Members and Management

The Role of the Co-operative and Grasping the Needs of Members

Co-operatives need to develop a vision corresponding to the needs of members that moves toward the new society, a peaceful society of citizens based on free co-operation of individuals, and a peaceful community where people, society, and nature are in harmony. Such advanced needs are as a rule dormant but are occasionally expressed as a criticism of the public and private sector. Co-operatives must have a system and policies to grasp these advanced needs, and creative plans for members' needs in the future are required. At the same time, we must be mindful of the current state of consciousness of the great majority of members. This is an issue where management can play an even greater role.

This issue can be addressed by developing timely qualitative and quantitative telephone, interview and questionnaire surveys, creating a system for capturing the voices of members directly, analyzing views expressed at each meeting, and taking other steps. At the same time, we can put in place systems for getting members involved in all kinds of management processes. This does not mean letting management limit themselves to waiting to hear the views of members, but developing systems that can proactively seek out

members' wishes.

- Members' changing needs can be grasped, to a degree, by surveying members at regular intervals about their concerns over store-related and broader social issues. The co-ops described in the case reports, two in particular, do such surveying. The co-ops also draw on demographic and other studies available from other agencies. The challenge is to have mechanisms to look long term as well as short term.
- All the co-ops have mechanisms to involve members in financial decision making, and mechanisms to encourage members to balance their own needs with those of the co-op as a whole. In some co-ops members are involved in financial forecasting, in developing responses to shortfalls, in decisions about closing shops, in drafting and approving final budgets. Usually this involvement is on the board level, but in some co-ops involvement is wider. Some co-ops decentralize responsibility for financial management to local and regional managers and local boards and member committees.
- Taking member needs into account, or even being led by them, is particularly useful when developing stores—choosing locations and making decisions about the range and nature of store services. Store development in several of the co-ops is oriented toward the creation of community and responding to specific neighbourhood needs.
- Each co-op faces the issue of bridging the gap between central boards and local co-op stores (or local boards in a federated system), and between central management and local management. In all the co-ops the central boards and managers have developed ways of trying to stay in touch with local needs. One common mechanism is for personnel from the central board and/or management to visit local co-ops on scheduled days. Another is to convene meetings. (e.g. zone or district meetings; managers' conferences) where all levels meet together.

- Co-operation between co-ops is another way some of the co-ops have found to stay in touch with and respond to members' needs. For examples see the Atlantic Canada co-op councils mentioned above or Co-op Kanagawa's co-operation with other food co-ops in testing products for contaminants.

Innovation of a System of Communication that Elicits Initiative

The elements that are essential to guaranteeing a participative system and its smooth operation include the innovation and development of communication. Access to information must be widened, both within the co-operative organization and to outside parties. One method for doing this is to develop and promote members' cards and personal computer networks to gather the very important information about individual members. However, in a system premised on co-operation between people, the energy coming from face-to-face communication must be recognized and harnessed. Co-ops must advance the establishment of venues for communication adapted to the conditions of all people: women and men both inside and outside of the formal labour force, the elderly and the young.

Examples from experience:

- All the co-ops have tried to identify opportunities to make communication between shoppers and management two-way rather than one way. For example, community councils with a focus on neighbourhood stores to provide feedback on new products, store layout, services provided or required, and to act as a sounding board for change. Other examples include suggestion boxes, reply boards, fliers, information "hot line" and newsletters.
- The various new fields for member activities mentioned above also help communication flow. The Saskatchewan Wheat Pool has introduced territorial marketing teams which are another way to enhance communication.

- Hiring field staff at central levels, who can work with local co-ops and act as a communication channel, has been found to be extremely useful by some of the co-ops here.

*Innovation of a System of Members' Education
Starting with Training Member Leaders*

To support a participatory co-operative organization, a corps of member leaders appropriate to such an organization, must be developed deliberately setting and working toward targets for the ratio of leaders to members. Instead of expecting that these leaders will naturally appear, they need to be prepared through a purposefully structured system of education. In addition, a system for finding members who have leadership qualities must be developed, coupled with a management training system for members who will bear responsibility in the business. The educational program should include the principles and history of co-operation, of course, but must also cover areas such as policies for business operations and members activities as well as the roles for implementing such policies. Experiential learning (learning by doing) is of particular importance as part of educating and recruiting leadership. Many different methods are to be found in the case study examples.

- All the co-ops in this study have education and training programs aimed at helping members (and sometimes the general public) understand and appreciate co-ops. Most common are those aimed at board and committee members, at the general public for recruiting members, and orientation programs for new members. Some go beyond co-op education to include car care, garden care, home security, consumer counselling, nutrition counselling, seasonal crafts, and so on. In some cases, co-ops develop relations with schools.
- The co-ops also develop programs for staff and management, to help them learn about the differences between co-ops and other firms, and about styles of management-employee-member relations appropriate to co-ops. For example, in Scotland staff training programs encourage staff to expect and encourage mem-

bers to be actively involved in all aspects of the democratic processes.

The Role of Top Management in Taking Strategic Initiatives to Promote Human Resources and Develop Participatory Democracy

The human resource of members and employees, constitute a wellspring of co-operative strength, and must be developed through participatory democracy. Developing top management who recognize the importance of bringing out this energy is critical. We must establish leadership in top management through a continual process of spreading, in the co-operative and the community, the co-operative identity as an integrated vision of the new society and as the ideal co-operative.

Concerning the structure of top management, we must appropriately combine representatives of members (investors in the co-operative) and representatives of staff (bearers of the specialist skills in the business operations). From a social point of view, co-operatives may also include viewpoints and ideas from stakeholders from the larger community.

Examples from experience:

- This is a key performance area for all the top management in the movements covered by this study. For example in one of the co-ops studied, managers are given annual targets for membership recruitment and a direct responsibility for the promotion of membership.

Theme 3: Innovation of Organizational Structure

Building a New Structure to Elicit the Initiative and Autonomy of Members

Issues of concern for members are changing, in line with the way society is now and changes in citizens' consciousness. We must pursue the best course for the organization to expand areas of activity corresponding to individual interests of members that measure up to the direction of social development and must support broader activities in those fields.

Co-operatives can build systems of members' participation that are adapted to representative and direct systems of decision-making. To do that, they need to consider restructuring the organization away from the bureaucratic, pyramid-shaped hierarchy, to a flatter structure with more delegated authority and responsibility, and in some cases, a network organization linking different functions.

Precepts of the New Structure

Restructuring is likely necessary to enhance member involvement, learning opportunities and communication, as well as to strengthen community roots. Individual co-ops have a wide variety of options to choose from in this process, as the case studies demonstrate. One common feature across the co-ops studied is that of trying to foster member's identification with units within the co-op—local stores, small interest groups, and so on. We must prepare such an organization for collaboration in areas of interest and with local communities, and it must play a role in communication with activities outside the co-operative as well as in expanding communication throughout the entire body of the co-operative. At the same time, there is ample room for creativity in involving these organizations in patronage of business operations. We must embed members' participation in decision making to create committees exercising leadership in each community, although the scope of a community will vary from country to country. We emphasize the relationship between participative structures and the promotion and use of co-operative businesses.

It is essential that co-operative business operations develop flexibility according to changes in the external environment and people's needs. At the same time, we need to have flexible development and change aimed at achieving the aspiration of members. To develop activities in each field based on issues of interest to members, we must compose an organization for promoting those activities.

Examples from experience:

Collaborative Strategies

- Collaboration between the labour union, the Co-op board of directors, and members. Forming on going

groups in each locale and at each site of operations, to discuss topics of common interest. Having unsatisfied consumer members meet with staff after closing time to discuss problems and ways to improve layout and merchandise.

- Consumer co-operative leaders providing organizational leadership to form community councils with other co-operatives to address specific needs like job creation and the provision of a new service in communities, and broader issues such as community development.
- Through co-operation between co-ops, develop and support bodies which will represent co-ops and credit unions to legislatures and the public.

Decentralizing Strategies

- At the same time as decentralizing member involvement to the local shop level management focuses on the international nature of the movement at national and international levels to maximize member benefits. For example, Co-op Kanagawa provides links to agricultural co-ops and bananas from the Philippines; in Scotland trade occurs through Intercoop.
- Local committees of all kinds have the effect of decentralizing, increasing local autonomy, and encouraging local initiatives. When committees control their own budgets, as happens in some of the co-ops studied, they are particularly free to be innovative. Also, members of local boards and committees can be convened for consultation and decision making as desired.
- In Atlantic and western Canada local co-op stores have their own board, in Scotland, branch committees. Of the co-ops participating in this study, some were federations of locally or regionally autonomous co-ops, others were branch systems of one centralized co-op. Issues of autonomy were necessarily handled somewhat differently in these different situations.

Revitalizing Strategies

- The co-ops participating in this project are all self-consciously "revitalizing". This process is being handled in various ways. In all cases the initial steps taken were management-driven (where management is seen to include boards and employee managers), though general members were also involved, to widely varying degrees. These co-ops have, between them, tried: re-assessing and developing vision and mission statements through a participatory process, trying various overall structures (e.g. conventional or direct charge models in Atlantic Canada; federated or branch systems), spending a year or more planning a revitalizing strategy with members at all levels, drawing on the input of local advisory committees, assessing community needs, and so on.

Developing Unique Structures

- In Canada, Saskatchewan Wheat Pool facilitates member input into commercial operations and agricultural policy through the reporting structure of the co-operative. Extensive financial support and complex organizational infrastructure symbolizes the significance of member input into organizational success. A two week annual meeting of delegates, Board of Directors and management further demonstrate the importance attached to participatory democracy.
- Selective involvement in local and national policy issues of relevance to co-ops and co-operators.

Theme 4: Expanding the Relationship with Employee Participation

Helping Staff Support the Partnership with Members

We must advance a staff organization appropriate to the level of development of the co-operative and assignment of functions within each organization. We must work for the coexistence of social effectiveness and operational efficiency in the staff organization.

It is essential that each staff member fully understands co-operative ideals, sympathizes with members activities, and cultivates professionalism in his or her duties and that we build up an education system for instilling this attitude. At the same time, we expect leadership based on independent activities in a voluntary, non-profit spirit promoting social participation, including participation in the activities of members as individual citizens.

Examples from experience:

- Developing and delivering training and education programs to help employees learn about co-operative forms of business and co-operative culture.

Developing a System for Staff Participation in Decision Making Adapted to Management Levels

The relationship between members and staff is a partnership. We must embed management participation of employees as well as of members. Employees must have an opportunity to express their views, and the onus is on management to work toward developing systems based on those views. This transfer of roles must be adapted to the level of responsibility as well as authority.

Examples from experience:

- Involving employees in Quality Control circles.
- Senior management actively supporting the involvement of employees at all levels in developing organizational policy making (a clear commitment to industrial democracy).

Workers' Participation in Management

Countries differ as to how far they have advanced historically and socially in this area, but we must initiate participation of workers in management. Workers (and their unions) constitute a source of constructive criticism of management and management must utilize such positive proposals.

Examples from experience:

- The co-ops have a range of structures for involving employees. In some co-ops employees can serve as in-

dividuals on local branch committees or boards of directors, or may even serve as elected representative of employees. In other co-ops employees serve, or can serve, as resource persons on committees of members. Calgary co-op has established labour-management committees at each shopping centre, with ties into a senior committee of management and labour representatives. In most of the co-ops CEOs and other top management serve *ex officio* on the main boards, while in others these people may run for board offices. One co-op, the Saskatchewan Wheat Pool, is going to sell shares on the capital markets, and employees can purchase shares as can anyone else.

Systems for Supporting the Construction of a New Structure

The system to support the creation of a new organization must be built upon 1) a system for members' education starting with leaders of members activities, 2) a system of communication related to operations and activities, 3) a financial management system that supports growth, and 4) a system of data management.

Theme 5: Economic and Social Responsibility

Envisioning the New Society

The new society we envision is a peaceful society of citizens based on free co-operation of individuals, or a peaceful community where people, society, and nature are in harmony. We think this is a reasonable vision for most co-operatives affiliated to the International Co-operative Alliance, and a useful statement for choosing strategic directions in co-operatives.

Examples from experience:

- All the co-ops in this study have gone on record as being committed to something beyond the material well being of their members. For example, they agree that the role of co-operatives in community is to balance the competitive forces of the market so that the member is not buffeted unduly by uncontrolled mar-

ket forces. Also they concur that co-operatives have a responsibility greater than a commercial one; they have a responsibility to ensure that the economy of the community is strengthened not undermined by the actions taken by business. One co-operative emphasizes extending co-operation through an interdependent network of co-operative enterprises which innovatively applies co-op values and principles. Then, too, there is the claim that the role of a co-operative is to pursue social activities relating to:

- protection and representation of consumers rights;
- guarantee of democratic participation;
- promotion of training of employees and members about co-ops;
- promotion of innovation and modernization within sales network; and
- improving the quality and professionalism of employees.

Establishing a Co-operative Identity

The course of success and failure of co-operatives corresponds to a building up and breaking down of the co-operative identity. It is vital that we establish a co-operative identity based on the new society. The co-operative identity will acquire power in itself through the process by which members and employees grow to hold the identity as their own vision. The co-operative identity is indivisible with sets of co-operative values, so that the realization of those values will guarantee its foundation.

Examples from experience:

- Changing the image Co-ops have in some countries of being reliable but ageing organizations which survived in the rural hinterland to a modern highly competitive urban store.
- Co-operative ethical and environmental policies and procedure are highlighted in local shops and in member publications.

- Working in the school system to increase co-op visibility
- All the co-ops work at making Co-op Label a brand symbolizing quality and reliability. This has been particularly significant in Japan where Co-op Label is an assurance of lack of contaminants.
- Honing the association between co-ops and local communities is a process that is ongoing in the co-ops represented here.

*System for Ongoing Expression of
Social Achievements of the Co-operative*

Co-operative management must continuously express the substance of achievements to people within and outside the organization. To do that, it is important to establish themes based on an annual review and the goals for such themes.

*Introducing Systems for Social Audits and
Social Accounting*

The substance of the information will determine the form of the system for obtaining evaluations, chiefly from members and staff (and their families) but also from local government, businesses co-ops deal with, the mass media, various community organizations, and society at large. We must construct a system for reporting and where appropriate quantifying a social evaluation of the co-operative organization and its business operations.

Examples from experience:

- While all co-ops are working at ways to implement this idea, the Italian co-ops have perhaps gone the furthest in evaluating and communicating the co-operative's performance on its non-financial objectives. They produce a social audit showing the financial and social contributions of the co-operative to members and the community. This is supplemented with a budget that lays out the objectives for the coming year.

Conclusions

In summary, there's nothing mystical about member commitment and loyalty, nor are these qualities of personality. Commitment and loyalty are built (or not built) in the everyday workings of an organization, and on the way members evaluate how they are treated. All businesses depend on commitment and loyalty of a kind. In fact, many private businesses work harder for customer loyalty, and for an image as a good corporate citizen, than do many co-operatives. While commitment and loyalty are neither mechanical nor completely predictable, they can be fostered rather than left to chance. Co-operatives have access to a variety of ways to enhance member loyalty and commitment, including one which other businesses cannot offer—the promise of democratic input and of a variety of opportunities to participate in the co-op.



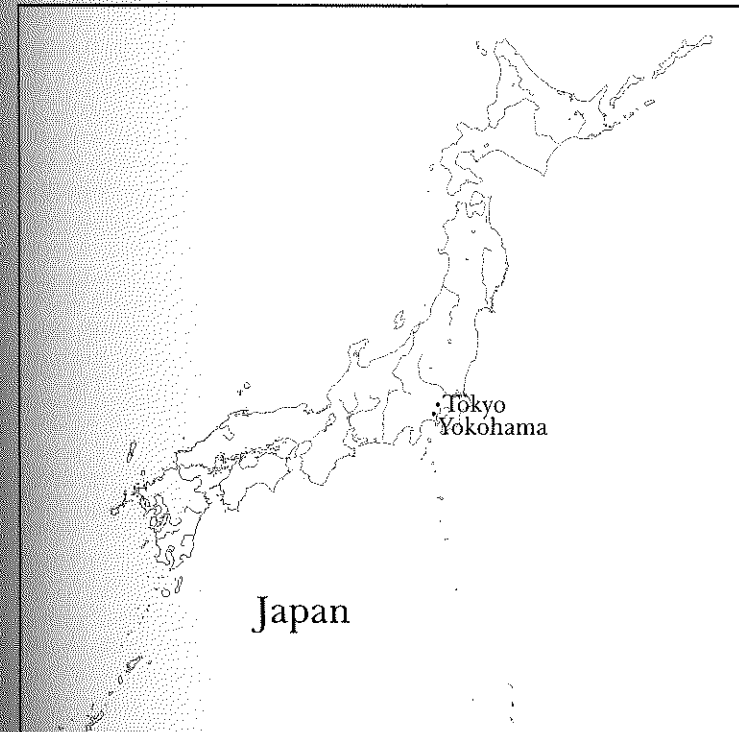
Chapter 2: JAPAN

"There is a need for an exchange of information regarding the ways in which established co-operative organizations may be revitalized, above all as regards member participation. This is mainly a matter of identifying and testing new ideas. Such exchange of experience is, of course, currently taking place. The need, however, is to achieve a continuity and a comprehensive view of the especially good examples. The ICA would be the natural co-ordinator." (Böök, 1992:19)

The Japanese Consumer co-operative movement is the most dynamic movement in the industrialized countries today. Although the roots of the movement go back to early part of this century and the impressive pioneering work of Toyohiko Kagawa. Most of the current co-operatives started in the 1940s and have made impressive gains during the 1970s and 80s. The retail industry is highly regulated in Japan, land prices are high and direct buying of food has become popular. Many members groups (*hans*) have food delivered each week. This comes directly from the warehouse and one member takes delivery of the food for the group and returns the next week's orders. This, combined with an integrated network of stores, has enabled consumer co-operatives to be very competitive. The consumer co-operatives have merged into prefecture organizations (restricted from spanning prefectures by law) and have developed extensive food testing and procurement federations.

The organizations are premised on women having spare time to attend *han* meetings and be involved in the participatory structures. But, Japan is changing. The restriction on food imports and regulation of the retail trade is declining. Women are returning to or staying in the workforce in increasing numbers and the premise of participatory democracy is shifting. This trend is recognized by leaders and Co-op Kanagawa, one of the largest consumer co-operative in Japan, is responding to the changes by innovating new ways to involve members and keep membership meaningful.

Mr. M. Yamagishi, President and CEO and Mr. H. Komori, describe the changes underway in this innovative organization.



Co-op Kanagawa

by M. Yamagishi & H. Komori

Current Situation

Japan covers an area smaller than Sweden and has a population of 125 million. The country's GDP is the second largest in the world. Co-op Kanagawa has its headquarters in Kanagawa Prefecture, which lies to the southwest of Tokyo. Kanagawa Prefecture occupies only 0.6% of the land area of Japan, but its population of 8 million corresponds to 6.4% of the Japanese population and is roughly equivalent to the entire population of Sweden. Also, the GDPs of Sweden and Kanagawa Prefecture are about the same size.

At present, there are 649 consumers' co-operatives in Japan, and they have an aggregate turnover of 3.3 trillion yen. Their market share is only 2.7%, which is not at all high in comparison with co-operatives in Western Europe. The 11 largest consumers' co-operatives account for 38% of aggregate turnover. In addition, unlike in any other country, Japanese law strictly forbids use by non-members, limits the area of operations of each co-op to a single prefecture, and forbids financial business.

The first Japanese consumers' co-operative was Co-op Kobe, founded in 1921, but the majority of co-ops, including Co-op Kanagawa, were started after World War II. In the period of confusion that followed the war, activities to secure foodstuffs and to safeguard everyday life originated in the labour union and citizens' movements. However, development of consumers' co-ops did not take off until the 1970s. The rapid economic growth that started in 1960 brought a variety of problems for society, beginning with pollution and harmful food products. These problems gradually became more severe with the oil crises of the 1970s. A large number of citizens' organizations were formed based on opposition to the corporate philosophy of "profit first."

In this social setting, consumers' co-operatives developed into a consumers' movement through the organization of full-time housewives. There were three reasons for this. First, management of the business and the members' activities were based on *han* groups; these developed into a particularly Japanese expression of participatory democracy. Second, co-operatives developed their own products that contained neither harmful chemicals nor food additives. Third, co-ops developed small-scale stores supported by joint-purchasing operations and members' activities. In this way, the Japanese consumers' co-operative movement expanded rapidly up to the middle of the 1980s.

However, from the mid-1980s the conditions for Co-op Kanagawa shifted as the external environment entered a period of structural change. During the past 10 years, Japanese economic development has been characterized by manufacturers moving production capacity offshore because of the rising yen (*endaka*), which began with the Plaza Accord of 1985. During the same period, the country experienced the rise and fall of a bubble economy because of the internationalization of stock and money markets.

Japan is also undergoing political transformation. For almost 45 years after World War II, the Liberal Democratic Party (LDP) governed Japan. When what had amounted to single party rule collapsed, existing political parties lost members, new parties were formed, and the resulting panoply of factions regrouped in consecutive coalitions that held power only uneasily. During the 12 months following the resignation of Kiichi Miyazawa, the last LDP prime minister, political instability reigned as the country experienced four changes of government.

From another perspective, brisk progress in globalization trends concerning people, goods, money, and information has had a broad effect on citizens' livelihoods and consciousness. Awareness of problems relating to the environment on a worldwide scale has emerged and won those problems a high priority.

At the same time as new technologies are causing a flood of diverse information, communication between neighbours

and the person-to-person contacts that once characterized local communities are eroding.

Additionally, in 1994, the percentage of the Japanese population over 65 years of age passed 14%, so Japan has already become a society of the aged. More importantly, the rate of growth of this segment of the population is accelerating, and awareness of problems of social welfare is spreading apace.

In the midst of these changes in our social environment, the number of women working outside the home has grown such that a majority of all adult female Japanese are now gainfully employed.

Further complications arise from recent programs to relax government regulation on pricing, focusing on the difference between prices of Japanese and foreign products (partly as a result of globalization) and the gradual entrenchment of changes in the price structure caused by a pricing revolution, with prices cut by more than half compared to previous levels in domestic retailing. These are reflections of international structural reform of systems of production and distribution and price mechanisms as well as the appreciation of the yen.

These types of structural change in the external environment naturally have had a significant effect on the lifestyles (values and conduct) of citizens and have made it imperative for Co-op to review the best means of member participation and business operations.

Members' concerns have evolved beyond the previous interests in "economy and safety". Individual concerns have spread to a greater or lesser degree to a wide range of issues: peace, the environment and welfare, as well as job creation. At the same time, economy has been refined to become quality at low prices, and safety to heightened safety derived from advances in food science.

The Co-op is losing its exclusive appeal as a means of participation for full-time housewives symbolized by *han* groups. We must devise a means of participation and business operations structured around the lifestyles of working members whose children have grown up.

Consumers' co-operatives stand at a crossroads in dealing with the current pricing revolution: Is it possible to increase member participation in business operations and ensure that Co-op products embody co-operative ideals? (As we entered 1994, it became apparent that some Japanese consumers' co-operatives with long traditions had virtually gone bankrupt, and a nationwide debate re-evaluating a federal business structure has started. In addition, the agricultural co-operatives continue to restructure as a result of new legislative restrictions on foodstuffs and market liberalization of agriculture.)

On the agenda for today's Japanese consumers' co-operative movement is, first, the innovation of members' activities and creation of new avenues for participation by members and a system for such participation; second, innovation of business activities for participation of members and guaranteeing the quality, price and assortment of products corresponding to members' needs, so that co-ops do not lose to private retailing interests; finally, the integration of these two areas of innovation sorely requires the promotion of leadership who are able to realize a vision of the future and to clarify a strategy.

Innovation of Members' Activities and Management Participation Based on Participatory Democracy

Taking as our definition of management "continuously steering the co-operative organization and its activities toward goals," we can classify such management according to function, into "management of business activities," "management of members' activities," and "strategic management," combining the two. We must focus on the functional integration of these three through the attractive force of co-operative values and a vision of the co-op combined with the promotion of management participation by members and employees. With respect to management participation by members, we are pursuing broader participation suited for development into a structure enabling members' initiatives, not only in management of activities in the members organization, but also in management of activities in the business

organization and in strategic management. The trend for our Co-op in goods and services supplied and the number of members can be seen in Addendum 1.

Understanding the Needs of Members and the Role of the Co-op

Japan's political, economic, and social environment has seen great changes since the yen began rising in value as a consequence of the 1985 Plaza Accord, a turning point in our country's history. The metamorphosis of internationalization, the spread of the information society, and the advent of the ageing society have had substantial effects on the consciousness and activities of Co-op's members. Addendum 2 presents the results of surveys of citizens' consciousness (carried out in December 1986) relating to social issues concerning the inhabitants of Kanagawa Prefecture, the site of our operations. In addition, in the three years or so since Japan's so-called bubble economy began to deflate, the distribution sector has been squeezed by a pricing revolution (a trend toward narrower differences between the prices of domestic and foreign products caused by globalization), and workers have suffered from unemployment and declining incomes. As Co-op members' desires for safety have gradually been augmented by stronger requests for lower prices in particular, a trend toward the use of supermarkets has emerged. On the one hand, members' attention is focused on environmental issues partly because of increased concern for the environment worldwide. Because of the ageing of the Japanese population (the proportion of people in Japan past the age of 65 exceeds 14%), we see more concern for welfare issues. Co-op activities and the best methods for members' participation will be greatly influenced by such changes in popular consciousness although Co-op has not paid sufficient attention to these trends. Addendum 3 shows the results of a survey of members conducted in May, 1994.

This means that the needs of members have changed or been amplified in that members have widened their scope from previous Co-op areas of activity such as peace and problems of consumer goods. At Co-op Kanagawa, we are carry-

ing out systematic members' surveys, studying the everyday comments of members, and analyzing change in our external environment, all founded on the 10-year long-term plan, to deal with setting a course toward a tangible business plan and aiming to fulfil members' needs.

The Creation of New Fields for Members' Activities

Co-op Kanagawa has worked to set up "avenues for participation" responding to the new needs of members. In 1988 "field-specific" activities were positioned among the undertakings of Co-op members. There are eight fields of activity: peace, lifestyle and household accounts, the environment, welfare, culture, health, international exchange, and labour. Each area has an action program on which expansion of activities is based.

Groups for promoting these field-specific activities were formed in each locale. As of March 20, 1994, these groups numbered 321 and involved about 2,500 members. There are also 293 circles (as of March 20, 1994), as venues for members to share their hobbies and special abilities, in which a total of about 2,300 members participate. There are circles for *ikebana* (Japanese flower arranging), tea ceremony, languages, calligraphy,

To incorporate the field-specific activities in basic Co-op policy, we are pushing forward with a reorganization toward action programs encompassing what were previously the goals for group activities and what are now business activities and activities of committees. In addition, to support group activities, we have created, at the district level, group/circle promotion meetings and, at the regional and prefectural levels, field-specific activity promotion councils for promoting activities in each field. Each prefectural level field-specific activity promotion council engages the Co-op board members and group leaders responsible for that activity who exercise leadership by deciding on the action program and carrying it out. This system makes it possible to mesh voluntary group activities with the Co-op's basic policy.

A number of members who wanted to improve themselves

in work for pay gave birth to a workers' co-operative. The workers' co-op, consisting solely of members of Co-op, chiefly carries out work commissioned by Co-op. In particular, this field has become a setting where experienced member leaders can play a central role in developing know-how and expertise. There are now four workers' co-ops, as detailed in Addendum 4.

A new outgrowth of joint participation is the establishment of and participation on *fureai* farms. In this activity, a group of people, usually a few dozen regulars, raise vegetables organically on agricultural land leased from producers and supply the vegetables to Co-op stores. There are around 10 locations where this example of participation is found. Currently, we are preparing cultural appreciation festivities envisioned on a scale of 2,000-3,000 members, as an integral part of cultural activities. A variety of forms for joint participation have emerged, including teams of members promoting product development on their own and teams supporting local stores. Their success indicates that we should expand the concept of Co-op members' groups.

Since the spring of 1994, each region has held presentations of the activities of circles and groups together with meetings for exchanging views. We call these get-togethers "Co-opcation".

Promoting Participation in Management, including Management of Business Activities

The areas and levels of Co-op decision-making are diverse: from themes related to strategy, to how to advance members' activities on a local level, the development of Co-op brand products, up to the handling of products in the shops. Of course, the relationship between members and employees can vary, depending on the content, but we believe that it is necessary for members and employees, whatever the level or area, to actively participate in decision-making.

There is a clear correlation between the level of participation of a member and that member's use of the Co-op, as can be seen in Addendum 5. Of particular interest is the

large disparity between leaders of *han* groups associated with a Co-op shop and *han* members. There is relatively little difference in the amount of patronage by *han* group members and individual members. This is not only an indicator of the "hollowing out" of *hans* but also of how important it is to make the content of member's participation stronger and more stable and how great a problem we have, from a business point of view as well, in pursuing broader and deeper participation in management.

During the past 10 years, the Co-op business has been endangered any number of times. For example, there were times when the surplus from operations budgeted at the beginning of the fiscal year could not be achieved, and it seemed that the patronage refund and return on members' shares could not be paid as members had been promised. If this promise could not have been fulfilled, it would have been a major problem relating to the social trust placed in Co-op. To extricate the co-operative from this dangerous situation, we kept members informed of the actual business conditions and resolved the problem by drawing on the energy of members collaborating with staff.

In fiscal 1994, employees and members on committees visited with all *han* group leaders near outlets (involving 1,100 members and 700 staff in August and September 1994) and in activities to deliver dividend and patronage refund notices to members (in September and October 1994). The numerous activities engaged almost 10,000 members.

At the annual general meeting in 1994, the mediocre quality of fruits and vegetables and the development of staff resources to support members received the most intense criticism. To deal with these issues, teams of members working on *kaizen* (incremental, steady improvement of things large and small) were formed, and concrete work with staff is under way to improve the quality of produce, in particular. One result is a 30% decrease from the preceding year in complaints related to fresh produce.

On the issue of opening and closing of shops, we accumulated the results of discussions with members based Co-op's strategy for changing its regions. We also took steps such

as expanding membership to support store openings and advertising Co-op brand products. Based on meetings between members and staff, we recently initiated plans for the future of stores losing money. The plans aim at results by the end of fiscal 1995.

Once each month members and employees work together to hold a Co-op Day. Activities include members providing shoppers with samples for tasting in the stores as well as promoting products in stores based on the demands of Co-op members and bulk sales at lower prices. Co-op Days have become a force for maximizing turnover and the number of visitors to each store.

We are promoting membership participation in all types of policymaking in the business activities by means of the systems described below.

Organizational Structures

System of Members' Participation in Decision-Making

Han groups have developed through a Japanese-style participatory democracy focusing on housewives who are provided a role in the *han*, the basic organizational component of the Japanese consumers' co-operative movement. Previously, a majority of *han* groups held meetings regularly. Meetings involving more than 80% of all *han* leaders promoted participation in decision-making in Co-op activities, including business. However, *han* groups have become less functional as the percentage of the female population gainfully employed has risen, communication among neighbours has deteriorated, new lifestyles have emerged, and the interests and concerns of the population have shifted. We have begun searching for new avenues for participation by members befitting the modern needs of members and the innovation of the *han* structure.

The organizational reform we are now carrying out is based on the plan for New Participation of Members and the Best Methods for that System. (We are hoping the plan, which was adopted by an extraordinary general meeting of members, will be completely in place by 1996, after a preparatory period of two years.) A diagram of that structure is

included as Addendum 6. The key concepts in the plan are: generation of initiatives and management participation. The following are a number of items and changes contained in the plan.

First, along with the *han* groups, the smallest units for participation are the activity groups and circles. *Han* leader visits and other types of collaboration between employees and members aimed at renewing the *hans* were outlined above. Although the rate of participation by members of *han* groups in Members' Get-Togethers (held since 1976) had been falling, as a result of these activities the decline was reversed (from 35% participation in April 1994, to 41% in November 1994), as was the decrease in patronage of Co-op stores. This is shown as Addendum 7.

Avenues for participation by members not in *han* groups have been growing from the seeds planted with the activities described earlier.

Second, the structure of the members' organization was changed to conform to our attempts to view members in the context of community and lifestyle, instead of from a commercial viewpoint. Previously, units of the organization were based on affiliation with a business format unit (shop or joint-purchasing depot). Now they are organized by geographical area, and local members' committees have been set up.

There are also areas in which no local committees are operating. However, a number of committees are being set up to perform tasks such as distributing the Co-op magazine every month to approximately 800 households, for which the local committee is responsible, and making regular *han* group leader visits.

Third, Kanagawa Prefecture, where Co-op operates, was divided into seven areas, initially seven regional management units. Part of the authority previously exercised by the Co-op's board of directors was transferred to the regional management committees set up. These committees were delegated responsibility for profit and loss in the region. The members on Co-op's board of directors and regional management committees number 116 persons in all. They implement the objectives of the regional meetings, (based on

the objectives set for the general meeting of members), and are settled and incorporated in regional initiatives by regional management committees. The sum of the business budgets and plans for members' activities' in all regions becomes the goal of Co-op Kanagawa.

Fourth, to reflect members' needs in business operations, as heard in opinions voiced at outlets, we have made it possible to fulfil members' needs by creating Users' Discussion Meetings for each store as well as to form teams according to the need to organize activities around various themes. For a long time, we have been promoting members' participation in Co-op brand product policy, supply policy, and product development. But now we have also inaugurated a system with the aim of adapting the content of such participation to the current scale of the organization and of promoting members' participation in business format policymaking and policy at associated companies.

By steadily developing a system such as that described, we hope to further enhance the conditions for members' participation in Co-op, as shown in Addendum 8.

The Innovation of a System of Communication that Encourages Initiatives

Every month, the views, complaints, and proposals received from members in various meetings and in the Co-op shops create feedback for the members submitting suggestions and for the district and local level committees. Also, since 1989, members have made their voices heard in Co-op head office by means of a direct, toll-free line, called Moshi Moshi Co-op (Hello! Co-op!). An average of about 350 enquiries are received each month.

Co-op Kanagawa currently publishes a members' magazine, called *Mio*, and sends 300,000 copies out each month, chiefly to the 270,000 members of *han* groups. The in-house newsletter *Fureai* is distributed to all full-time and part-time employees, all committee members, and group leaders. However, because of the decline of the *han* system and *han* group leaders handing them out at meetings, the number of copies of *Mio* that actually get distributed has declined.

Soon, membership will total one million, but *Mio* will reach no more than 200,000 of those people. While each committee receives a veritable flood of diverse information from the Co-op head office, it has once again become necessary to create mechanisms for ensuring that the person who needs information gets it when it is needed. The same can be said of the business organization. Co-op aims and policies are not effectively conveyed to the people working on the front lines, in the shops or depots, and so much printed matter is sent out that staff have no time to read it all. Thus, the control and reform of methods of distribution have become imperative.

In our desire to broaden participation in Co-op, we have begun investigating alternative means for delivering Co-op information relevant to each individual member. In the autumn of 1994, we distributed patronage refund notices and annual report summaries to individual members in conjunction with visits by active members to non-active members. However, we recognize the need for a new system including postal distribution of information to all members. We plan to implement a new system in fiscal 1995 to deliver patronage refund notices together with the annual report and special product offers to all members.

We experimented with the monthly distribution of *Mio* to every member's home, but from fiscal 1995 will begin to introduce a more reliable method for distributing *Mio* through joint participation groups, starting with *han* groups.

We have started investigating a new information network utilizing personal computers and have been thinking of promoting members' activities rooted at the community level by processing the information contained in data from members' purchases and application forms by computer.

The Innovation of a System of Member Training and Education Beginning with Member Leaders

Member training and education has been promoted based on a coherent philosophy of training and study for members for the future. At present, we have invested much effort in the cultivation of member instructors for study activi-

ties organized near members' homes. As of March 1994, 34 members were authorized as teachers for the Sakura School. The Sakura School trains the members' own teachers in subjects ranging from the history of Co-op to methods for promoting members' activities, the role and methods of committee procedures, and so on, so that they in turn can train other members elected for the first time to positions of responsibility on committees. The instructor training course is conducted by experienced member leaders. In addition to teachers for the Sakura School, 34 members are recognized as instructors for courses on food products, 21 in peace, and 23 for newsletter editing. In particular, food products gave rise to 24 new instructors, and during fiscal 1993 these instructors held 27 courses on food, of a total of 39 courses held. Now we need to find a system for reregistering teachers to keep pace with our growth policy. In addition, plans are being made for furthering the training of instructors in other fields of members' activities.

Thus we are designing an education and training system covering every level of Co-op from new members and members of committees, to the level of board of directors—and all fields of activity, from the environment to welfare. A particularly important task here is the development of a system for finding and training candidates for regional management committees and the board of directors.

Employee Participation in Decision-Making Corresponding to Management Levels

What we mean when we talk about employee participation in decision-making at Co-op Kanagawa is that employees corresponding to each of the management levels perform their duties actively and not passively. We speak of management in which everyone participates. With this in mind, in 1981 we began to institute quality control circles (QCs) and went on to introduce total quality control (TQC) in 1985.

In QC activities, full-time and part-time workers at the front line of operations, on-site, use statistical methods on themes closely related to their own duties. Creating small

groups performing similar procedures, staff thus cultivate management and *kaizen* activities. In each of the areas of responsibility where top goals are elaborated, too, employees determine themes important for promoting the fiscal year's budget and plan for business operations, applying scientific methods. Also, department and section managers use goal management in their planning, implementation, and evaluations. Related duty posts develop function-specific activities carrying out themes spanning departments by creating task forces and project teams that collaborate. The project and task force activities for the new long-term plan and the renewal of the business organization structure are working with the participation of employees from all different ranks of the organization.

We define TQC activities comprising QC activities, goal management activities, and function-specific activities as: The concerted efforts of the total resources and employees of the consumers' co-operative toward our No. 1 priority: to raise the level of quality of goods and services so that it meets the demands of members, specifically the quality necessary for products that help maintain members' lifestyles and health; a quality of facilities and service so that members can comfortably use the Co-op; a quality of operation of the members' activities that makes them enjoyable for members; a quality of work by Co-op staff that is in the truest sense based on the viewpoints of members. We are moving forward by learning lessons from and sharing information in the form of excellent examples publicized at the quality management conferences, held twice a year, and at the QC activities conference for the entire Co-op organization and for each region.

However, from the viewpoint of employee participation in decision-making, the current situation is far from satisfactory and entails a number of problems. We intend to move forward with the development of a system for staff participation in management that is adapted to human resource development, based partly on groundwork already laid, such as the following initiatives.

- Settlement of new policies for the optimum means for

employee participation in management and initiation of discussions with all employees;

- Conversion to methods for everyday operations and communication that put a premium on individual development of employees;
- Establishment of policies for business planning based on the understanding and consent of employees acquired through a bottom-up consensus-building process;
- Development of staff resources who register the opinions of members on how staff can best participate in and cooperate with members activities; and
- More thorough education in policy and co-operative ideals as well as on-site skills training.

Worker Participation in Management

Our position on the role of workers and the labour union at Co-op is as follows. As Co-op specialists, workers are in a position to become acquainted in their daily lives with many specialized techniques, know-how, and experience in the process of having regular contact with citizens' movements and issues such as living standards and prices, while as wage earners they defend their own lifestyles and rights. Also, we expect employees as citizens of the community to conduct their daily lives in a co-operative and volunteer spirit.

Relations between the board of directors and the labour union should be conducted in a democratic manner. At the same time, we think we have to build labour union participation in management on the development of democratic relationships so that every link between management-level employees and general staff in daily business activities are conducted in a democratic manner, and every link between the Co-op board of directors and members and labour union members functions properly in the purchasing activities and other areas of the members' movement. We think the labour union's positive proposals and constructive criticism of policies and aims as they relate to management of the co-

operative are valuable and want to continue to pursue this participation in management, which plays a role in developing the Co-op movement.

The Peace March and the Co-operative Festival are examples of collaboration between the labour union, the Co-op board of directors, and members acting as a single body, one Co-op. In addition, labour unions and each members' committee in each locale and at each site of operations, such as each shop, meet to discuss topics of common interest. These gatherings for discussion involve the manager of the site, a local representative of the members, and a representative of the union for that site. And they hold joint events such as local Co-op Days.

Providing Information about the Objectives and Achievements of the Organization

Publicizing the Co-operative's Social Achievements

We believe social audits that serve as a system for periodically publicizing Co-op's social achievements are vital. We think of social audits as a series of activities to judge how much progress is being made in meeting members' needs through economic activities, fulfilling our social responsibility with respect to the environment, welfare, culture, peace, and co-operation within the co-operative community domestically and internationally. The achievement of these aims is based on the development of human resources, embodied by our members and employees, through participatory democracy, all for the ultimate aim of creating a peaceful community where people, society, and nature are in harmony. The social audits fulfil their roles when the goals and plans created, and the evaluations carried out for the audit, are easy to follow and use as strong and objective a statistical approach and method as possible and involve participation by third parties.

Also, by ensuring that information about the results of such audits reaches a broad audience of members and citizens, the Co-op's social role will be better understood. This policy has not yet been developed on a broad scale.

A System of Social Audits and Social Accounts

The social roles that Co-op is fulfilling require that the organization not look on the evaluations smugly. If other citizens do not come to similar conclusions about us, then our evaluations lead to nothing but self-righteousness. We must create a system of auditing committees involving outsiders as well as techniques for evaluation and compilation of items that will be the object of the audits.

As an example of what we must develop in such a system, we can look at our recycling efforts based on the Co-op's ecology action program. Members have on their own initiative recycled milk cartons, empty cans, styrofoam trays, and PET bottles. In fiscal 1993, they recycled 19 million milk cartons, 1.8 million empty cans, and 26 million styrofoam trays. Those activities cost ¥150 million. However, the activities reduced waste management expenses of local governments about ¥27 million. In addition, they resulted in the production of more than 2.22 million rolls of toilet paper. By continuing to apply such methods and evaluations, the results can gain the attention of the mass media each year, as other reports published in newspapers do.

We plan to expand our reviews to find such concrete examples in other areas to thereby indicate, among other things, the activities' objectives, results, and contribution to society. And we are beginning to create procedures for doing just this.

Relationship with Employees

Promotion of Human Resources and the Development of Participatory Democracy

Since our co-operative was founded, we have faced many troubles. However, the history of our movement is such that we have always succeeded in transforming such situations by drawing on the energy of members. This is because Co-op top management has never wished to have a mere shell of an organization. Since the latter half of the 1980s, as business operations and the movement entered a period of stagnation, we began analyzing the external environment, management resources, and the conditions achieved by the busi-

ness so far, such that in 1987 a long-term plan was adopted, and the following year a corporate identity program was adopted. In the midst of promoting each of these programs and plans, our ultimate vision of creating a peaceful community where people, society, and nature are in harmony has entered the thinking of many members. A new logotype to express this is also well-known among members and other citizens. We have sloughed off our earlier Co-op persona. In a word, we have advanced from a co-op conducting activities chiefly for constituent members, to a co-op that can shoulder its responsibility to society; that has shown society its social nature; that is more open to the public as a member of the community. As we have carried out plans, we have developed each Co-op policy, such as those relating to the environment, welfare, and culture, and have promoted members' participation in management. Also, we have advanced research into theory and policy in a variety of areas of Co-op activities. In the area of business operations, we have opened large shops, based on surveys of members' needs and research on organizational structure, and have progressed in areas such as the founding of the U Co-op Federation, and have influenced in no small way the Japanese consumers' co-operative movement.

However, we have not come far enough. In the compound recession that began in 1991, a combination of a downturn in the business cycle and structural problems in the economy, the Japanese consumers' co-operative movement, including our Co-op, is now facing new ordeals. If we do not fulfil our social roles partly by succeeding with business operations based on members' participation, then the survival of Co-op will be threatened. We have begun preparations for adopting a new long-term plan to take effect from fiscal 1996. We are fervently aspiring to fulfil the role of top management who have a strategy for strengthening even more the participation of employees and members.

Employee Education as a Partnership with Members

When the scale of an organization expands, there is an accompanying change in the consciousness of employees.

As a place of stable employment, Co-op has become an employer of choice. While this in itself is not bad, the reality is that loyalty to Co-op activities is waning. In such a situation, employees, who in the past shared burdens with members are now expected to play their roles in a new configuration. For that reason, we are expanding the opportunities where members and employees may work together so that employees can understand the mood of members. All key personnel with head office duties participate in committee meetings with members in each district, to think of ways to enhance local members' activities. On Co-op Day each month, head office personnel promote activities that support the stores to which they have been assigned.

A particular source of strength is the encouragement of voluntary participation of employees in members' activities. (Obviously, coercion is not allowed.) In this year's Peace March 550 employees marched alongside members. Co-op has reimbursed the expenses of staff who wished to participate in exchanges of views on production farms; in 1994, five employees took part. At the local level, staff work alongside members in organic farming activities, and a slowly but gradually growing number of Co-op employees participate in home help activities for the elderly.

Through employee training, too, we want to reappraise our personnel and training systems, moving from the previous command style of management, to one that encourages employees to devote their energy, which will be generated by the high regard accorded their initiative.

Being a Co-op in the New Society

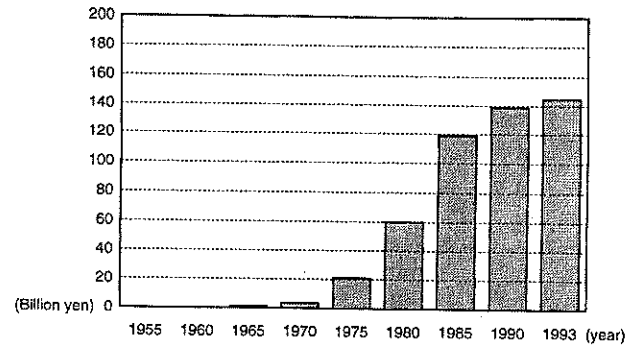
The goal of realizing the essence of being a co-op can be likened to realizing the co-operative identity. We think this goal is to heighten the quality and quantity of every type of activity that moves us toward the realization of co-operative values (economic activities to meet needs, participatory democracy, development of human resources, social responsibility, international and domestic cooperation among co-operatives) which aim at creating a peaceful community where people, society, and nature are in harmony.

As for the circumstances surrounding members of our co-operative, issues related to the lifestyles of members — the rice problem, the system of taxation, the electoral system, the issues of pensions—have accumulated. Taking those into account, Co-op has published *The Board's Outlook* from the position of protecting the lifestyles of our members and democracy, proposed directions as to how members should deal with these matters, and expressed to society the position of our Co-op as determined through a great amount of deliberation among members. We are raising the profile of the Co-op identity by celebrating 20 years of successful Co-operative Festivals in 1994 and, in 1996, the 50th anniversary of its founding, by compiling a commemorative history, opening a Life Science Center, Asian Co-operatives Cooperation Center, setting up multipurpose funds, and other activities. We want citizens who are not yet members of Co-op to join, members to deepen their sense of belonging to Co-op, and to create a consumers' co-operative movement that will further the participation of all.

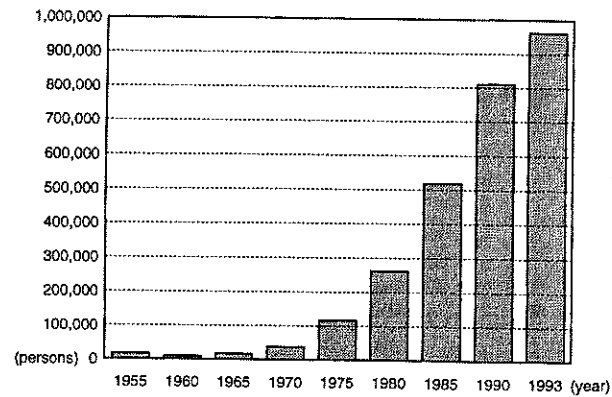
ADDENDUM 1

Turnover and Number of Members in Co-op Kanagawa

(1) Turnover

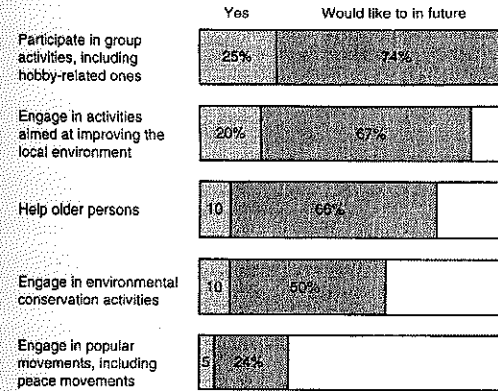


(2) Number of Members



ADDENDUM 2

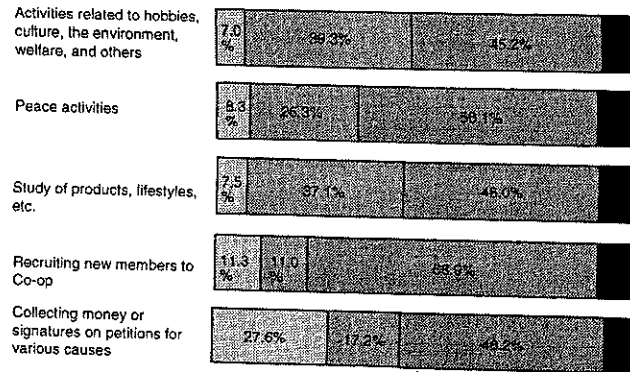
Survey of Kanagawa Residents' Perceptions towards Daily Life and Social Issues (December 1986)



ADDENDUM 3

Survey of Members' Consciousness and Actions

(1) Participation of Co-op Members in Co-op Activities during the preceding two to three years

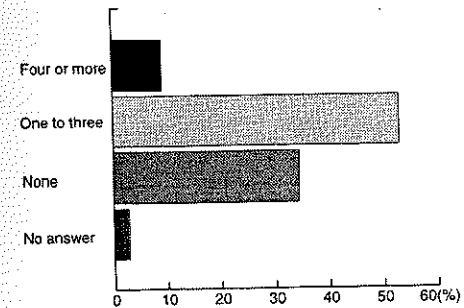


- Actually participate
- Would like to participate
- Do not intend to participate
- No answer

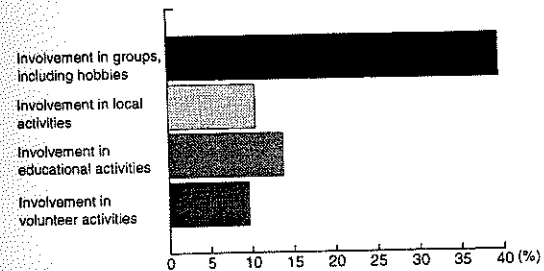
ADDENDUM 3

Survey of Members' Consciousness and Actions

(2) Number of non-Co-op activities in which Co-op members participate



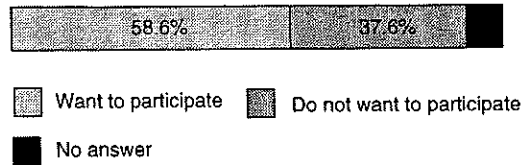
(3) Involvement in non-Co-op activities, circles, or workshops which enjoy the special commitment of members



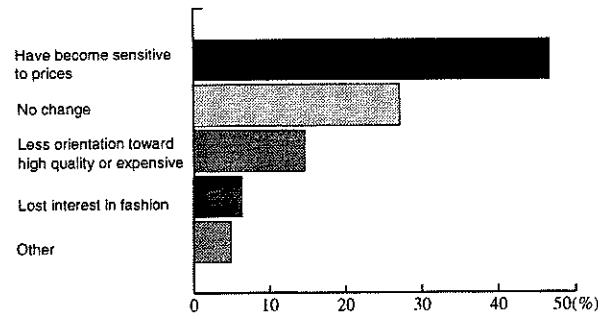
ADDENDUM 3

Survey of Members' Consciousness and Actions

(4) Volunteer or community activities



(5) Changes in perceptions of household expenditure during the past two to three years



Selected from simple aggregates in the report on the survey of Co-op members carried out in May 1994. Of the 3,000 questionnaires distributed, 1,098 were returned; 100% in the graphs above represent the total sample of 1,098 respondents. All graphs taken from simple aggregates in the report on the survey of Co-op members.

ADDENDUM 4
Outline of Workers' Co-ops, 1993

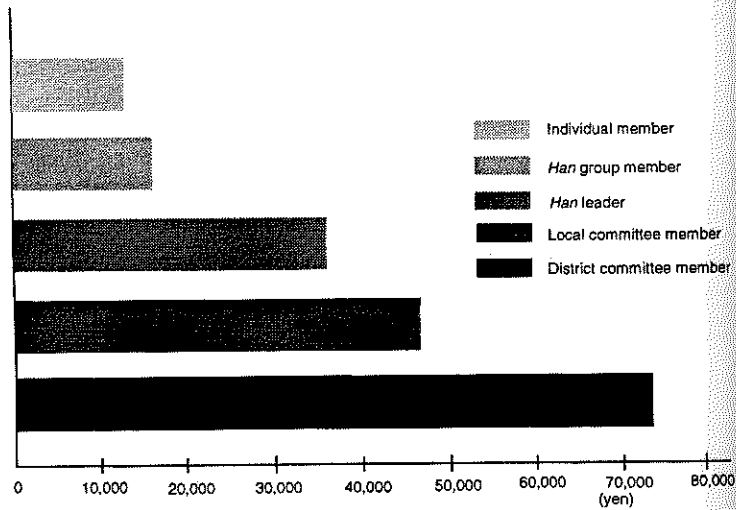
	AI CO-OP	CUBIC
Number of Members	330 persons	103 persons
Share Capital	¥6.24 mn	¥2.54 mn
Turnover	¥35.00 mn	¥67.00 mn
Surplus	¥1.04 mn	¥0.51 mn
Main Businesses	<ul style="list-style-type: none"> • Nursing care for the aged and disabled • Housework • Escorting to and from a hospital • Assistance with child care • General help before and after the birth of a child 	<ul style="list-style-type: none"> • Cafeteria/Catering • Translation/Word-processing • Editing/Graphic design • General affairs/Accounting • Handicrafts • Temporary work in stores

	"MINE"	"APPLE EDIT"
Number of Members	7 persons	3 persons
Share Capital	¥150,000	¥50,000
Turnover	¥3 mn (projected 1994)	¥920,000 (projected 1994)
Surplus	None	None
Main Businesses	<ul style="list-style-type: none"> • Planning/Organization of cultural events • Management of Co-op Hall rentals • Catering 	<ul style="list-style-type: none"> • Publishing and editing • Advertising and Design (making leaflets and pamphlets, transcribing tapes, and other word processing)

ADDENDUM 5

Patronage and Participation

Average amount of purchases associated with a Co-op shop per month as of January 1994 (based on a random sample of 100 members)



ADDENDUM 6

New Participation of Members and the Best Methods for That System

A. Members		
B. Hans, Groups and Circles		
C. Local Communities		
D. Members' Get-Togethers		
G. Promotion Committees for Groups	E. Local (Members) Committees	H. Users' Discussion Meetings
	F. Discussion Meetings of Local Committee Chairpersons	I. Users' Teams Organized by Themes
		J. Users' Councils
K. District (Members) Committees		
L. District Committee Chairpersons' Meetings		
M. Regional Headquarters	N. Regional Management Committee	O. Regional Audits Committee
P. Regional Annual General Meeting		

Addendum 6 cont'd

A. Members

- (1) Are individuals who invest in the Co-op.
- (2) Are the subject of "participation in management" being promoted.
- (3) Can make use of the Co-op's varied goods and services.

B. Hans, Groups and Circles

- (1) Positioned as venues for joint participation.
- (2) Consist of more than three people, among whom a leader is chosen, and must renew registration once a year.
- (3) Promote voluntary communication and activities.

Han: A venue mainly for members to jointly use the Co-op business. (The rules regarding business use are set up separately.)

Group: A venue for members to promote the review of merchandise and lifestyles, or explore social themes. (Anybody can join.)

Circle: A venue for members to pursue hobbies and share special talents. (Anybody can join.)

C. Local Communities

- (1) Venues where members' participation in management is promoted through relaxed communication.
- (2) The units for organizing "members' get-togethers."
- (3) Where each member is registered.

D. Members' Get-Togethers

- (1) Sponsored by the local members committee.
- (2) Any member, including those in hans, groups, and circles, residing in the community can join.
- (3) A venue for gathering members' voices.
- (4) A venue for discussing and spreading information about the Co-op's aims.

E. Local (Members) Committees

- (1) A local (members) committee is made up of local members volunteering to represent the members' organization in the local community.
Activities include:
 - (a) to get Co-op management to reflect members requests and to broaden understanding of the co-operative movement and the business
 - (b) to promote assistance and exchange in the venues for joint participation in local communities
 - (c) to hold events and activities together with other local organizations and extend the scope of those activities corresponding to the degree of "participation in management."
- (2) Any member can join a committee, and committee members decide who will serve as chairperson, treasurer, reporter, and auditor.
- (3) The committee organizes "members' get-togethers" in April, September, and November.
- (4) The Committee officers' terms are two years, and a member may serve two terms in each position. The year starts on March 21st and ends on March

20th the following year.

- (5) The committee is designated "Co-op Kanagawa [so-and-so] Region [so-and-so] town (or village) [so-and-so] members' committee.

F. Discussion Meeting of Local Committee Chairpersons

- (1) Sponsored by district (members') committees.
- (2) Consists of district committee members and local committee chairpersons.
Activities include:
 - (a) Discussing district goals.
 - (b) Exchanging experiences of local (members') committees carrying out activities, etc.

G. Promotion Committee for Groups

- (1) Sponsored by district (members) committee.
- (2) Consists of representatives of groups.
Activities include:
 - (a) stimulating Co-op policy to reflect the views of members in groups
 - (b) supporting groups in the district and promote the exchange of views and experiences
 - (c) planning and executing activities with the district committee

H. Users' Discussion Meeting

- (1) A way of introducing the views of members who use the Co-op business into operations.
- (2) Sponsored by a store manager or area manager, any members can join, even members not belonging to a local committee.

I. Users' Teams Organized by Themes

- (1) Formed by store and area on the initiative of store managers or area managers
- (2) Together with staff, promote activities centering on themes that lead to promotion of store usage

J. Users' Councils

- (1) Sponsored by district members' committees.
- (2) Consist of store managers, area managers, and district committee members who are in charge of Users' Council.
- (3) A way of introducing the views of members who use the Co-op business into operations.
- (4) A venue for discussing monthly business goals.

K. District (Members') Committees

- (1) Organized by members in the district and represent the members organization in the district.
- (2) To deliberate and execute plans for promoting and realizing goals decided at the annual general meeting (and regional annual general meeting.)
- (3) To promote members' "participation in management" in each district.
- (4) To promote members' activities in the district, including promoting use of Co-

- op business and field-specific activities.
- (5) To enhance involvement by district members in profit and loss of the business operations.
- (6) The Committee members' terms are two years, and members serve two terms. The year starts on March 21st and ends on March 20th the following year.

L. District Committee Chairpersons' Meeting

- (1) Sponsored by regional management committees; involving district committee chairpersons.
- (2) Venue for discussing or building consensus on goals of regional management committees, based on goals from the regional annual general meeting, to promote regional management.

M. Regional Headquarters

- (1) Headed by the regional headquarters manager.
- (2) Members of the regional management committee and staff of the headquarters work there.

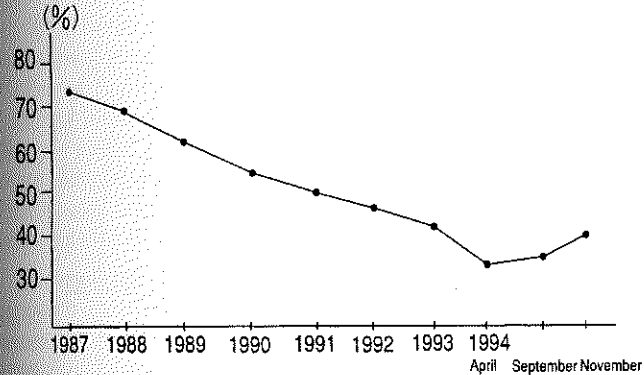
N. Regional Management Committees

O. Regional Audit Committees

P. Regional Annual General Meeting

ADDENDUM 7

Participation Rate by Members of Han Groups in Members' Get-Togethers

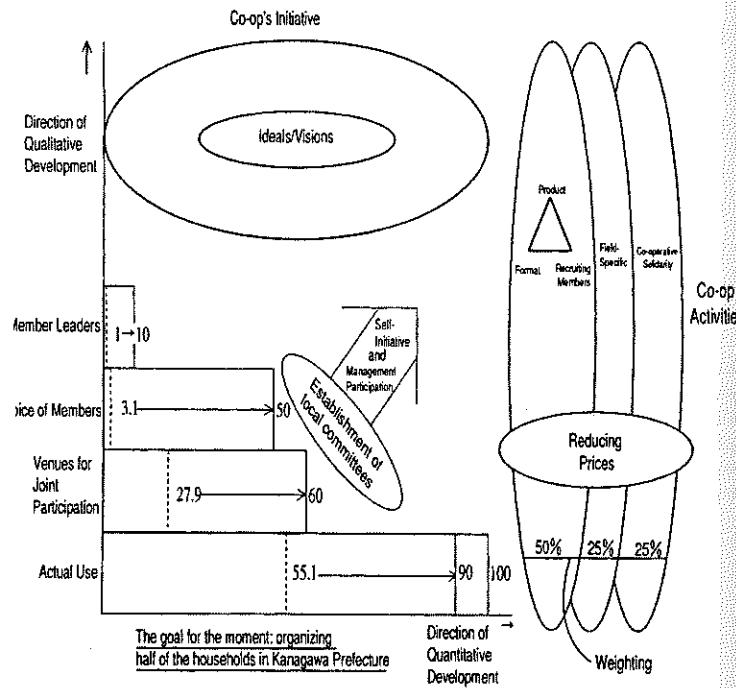


Note: In the spring of 1994, we adopted a system enabling individual members to take part in get-togethers. The number of members, including individual members, who participate in the get-togethers has increased as follows.

April	18,325
September	21,862
December	31,183

ADDENDUM 8

Image of Development of Members' Participation



Chapter 3: SCOTLAND

The birth place of consumer co-operation is undergoing a renewal process and rediscovering its membership. In 1813 Robert Owen started a consumer co-operative store in Scotland at New Lanark which provided inspiration to William King's retail co-operatives in the 1830s when over 300 co-operative shops were started. By 1840 all had disappeared, but these initiatives inspired the Rochdale Pioneers who started the first successful consumer co-operative in 1844.

The British movement has had a one hundred year growth period during which it diversified to ownership of farms, factories and services like funeral services, travel centres and optical practices. In the latter part of the twentieth century it has undergone considerable change. It has centralized its management, closed the small neighbourhood shops and opened new modern marketplaces in order to compete. In the process membership activity declined and many consumers began treating the co-op store as just one more chain. This is beginning to change. The CWS Retail operations in Scotland have reactivated its membership base and are again involving members in meaningful ways.

The following case describes the developments surrounding the opening of new modern shopping centre in Oban and outlines how participatory democracy can be restored in an old consumer movement.

Iain Macdonald is the Membership Development Officer for Scottish Co-op since 1985 and has had the responsibility for reinvigorating participatory democratic involvement in Scotland.



CWS Scottish Co-op, Oban & Lochaber Branch Committee

by Iain Macdonald

Current Situation

Founded in 1863 to serve the needs of the growing consumer Co-operatives, the Co-operative Wholesale Society has always been the main supplier of goods and services to retail societies. The Board of CWS is elected by Co-operative Society shareholders and by individual members through CWS branches.

The primary activity of the CWS is to support and service Co-operative retailers by acting as a buying, marketing and distribution agency. This includes the supply of the Co-op Brand range of 3,000 food and 1,500 non-food products, and a wide range of technical and specialist services.

In many regions of the UK, the CWS is now the main Co-operative retailer, operating hypermarkets, superstores, department stores, supermarkets and convenience stores. These, together with extensive specialist retail businesses, account for an annual turnover of over £2,000 million, around 30% of all Co-operative retail trade. Specialist retailing sectors are organised on a national basis, with close co-ordination with Regional Chief Officers.

In Funeral Services, the CWS is the country's largest undertaker, conducting last year a total of over 53,000 funerals; the headquarters are in Glasgow.

The Society's business in the dairy sector, which includes 1,600 milk rounds, providing doorstep delivery to consumers, has its headquarters in Blaydon. The Travel Group trades as Co-op Travelcare, with over 200 branches.

Using the Co-op Eyecare identification, the CWS has 75 optical practices, which in 1993 carried out 130,000 eye tests. CWS operates over 30 Garages across the country, selling

vehicles and providing a range of services to motorists.

The CWS owns all the ordinary shares in the Co-operative Bank plc and is the sole shareholder of the Co-operative Insurance Society Ltd. Members of the CWS Board serve on the boards of both these organisations, and other successful Co-operative enterprises, including Shoefayre and National Co-operative Chemists.

In 1934, the CWS registered the CWS Retail Society, which began trading in 1936, with the transfer of engagements of the Cardiff Society. This was the first CWS experience as a retailer in England and Wales. The CWS Retail Society changed its name, in 1955, to Co-operative Retail Services (CRS) and now operates independently from CWS.

The more recent involvement of the CWS in retailing, in Scotland, began in 1973 when a merger took place with the Scottish Co-operative Society (SCS). For over 60 years the SCS had operated shops, particularly in the more remote areas of the Highlands and Islands and this had been extended by taking on responsibility for a number of retail societies which had run into difficulties. Since 1973 many more Scottish societies have merged with the CWS, and the CWS Scottish Retail Group, known as Scottish Co-op, is now the largest Co-operative retailer in Scotland.

Scotland has a population of approximately 5 million It has its own legal and educational systems, but politically is part of the United Kingdom of Great Britain and Northern Ireland. As such, it has experienced 15 years of Conservative Government even although the majority of Scottish Members of Parliament are from different parties. The strong market emphasis of this Government has tested the Co-operative Movement to the full but the Scottish Co-op has maintained a strong position within the Scottish economy. Its current annual turnover is over £400 million with 180 shops and a total staff of over 7,000. Its profit levels have increased regularly since 1989.

It is in this context that a decision was taken in 1985 to revitalise the democratic structure which, as a result of these many changes, had become neglected. A membership development officer was appointed and a five year plan pre-

pared to restructure the democracy of the Scottish Co-op. In some areas there was no recognisable democratic structure at all and this case study uses the example of the Oban & Lochaber area on the west coast of Scotland. This was one of 15 areas identified as a Branch Committee area and the experiences here give a clear insight into how an area can be transformed from having no co-operative activity for many years to one where an enthusiastic and committed members' committee have raised the profile of the Movement in the area, with a consequent effect on trade.

Oban & Lochaber

It was in November 1989 that a public meeting was held in Oban to gauge the interest of local people in forming a branch committee as part of the CWS programme of revitalising democratic participation in their trading areas.

The Oban & Lorne District Co-operative Society, registered in 1920, had merged with SCWS in 1941 but since then no record of any form of consumer co-operative activity had existed and it was necessary, therefore, to start from scratch. As part of the exercise Scotland had been divided into eighteen areas, each with a broadly similar number of shops and based, where possible, on a sensible geographical structure. The Oban Committee therefore was to take in the shops at Caol, Kinlochleven, Ballachulish, Oban, Taynuilt, Tobermory and Tiree. The last two presented particular problems being islands but attempts were to be made to have reliable contacts in these areas.

The first meeting attracted 23 people. Posters had been put up in stores, an advert put in the local paper and contact made with a variety of individuals and organisations, namely District and Regional councillors, local workers' co-operatives, Workers' Educational Association, Labour Party, Co-op staff, as well as existing members. The CWS Membership Development Officer, addressed the meeting concerning the purpose, role and intent of the new democratic structure and a slide presentation was given to explain the background of the Co-op in Scotland as many in attendance had no previous involvement with the Movement.

The image of the Co-op at that time was therefore one of a reliable but ageing organization which survived in the rural hinterland mainly because no other retailer gave it a lot of interest (the exception being Oban itself where Wm. Low had a new superstore). There were no other CWS Groups involved in the area either, e.g. Funeral, CIS, etc. There was no auxiliary activity although there had been a Women's Guild some years before and one workers' co-operative was operating although they did not seem to connect themselves with the Co-operative Movement.

Clearly there was still a lot of residual loyalty to the Co-op and the trading figures at that time reflected a fairly healthy position (Appendix 1). The initial numbers attending were satisfactory and we persuaded 10-15 to form a steering group. I attended all the early monthly meetings explaining stage by stage the role they would be undertaking. Eligibility was something of a problem as each committee member had to have two years membership; £25 of shares and be under 68 years of age. With a new committee this meant that a 'gestation' period of two years was inevitable although I found that it took that length of time for a steering group to graduate to full committee status. Indeed, it was not until the introduction of our training programme (Appendix 2) that a more corporate approach was developed. Each area, however, was different and often the most successful method was to approach individuals directly with a view to involvement of the committee. Quite often this was to people with no Co-op background.

A knowledge of the socio-economic structure of a given area is essential in this context and information from Strathclyde Regional Council was invaluable in this context (Appendix 3). I include in this Study, therefore, an up-to-date reflection of this area in the fields of employment, population, sex, industry, services, etc.

From a party political point of view, Oban is a mixed bag. Although Labour control the Regional Council, the local regional councillor is from the Scottish National Party (SNP). The District Council is largely Independent and the Parliamentary Constituency is held by Liberal, Ray Michie. This picture is not unusual in the more rural and widespread ar-

reas of Scotland.

Since 1989 the Committee has established itself in very real terms within the community. Board approval for its establishment as a fully fledged CWS Branch Committee was obtained in June 1991. One of the first recognisable features of the special nature of this committee was its concentration on successful members meetings. It is required that each committee holds two members meetings per year and these have become quite an occasion within the Oban calendar. It is not unusual for over 100 members to be present and the evening is a pleasant mixture of business and entertainment. As a result of this we have an enthusiastic committee and a good base of members who will nominate and elect new committee members when necessary.

Over the last three years the committee has been involved in a number of initiatives which are of significance to its work:

- Establishment of Co-op sponsored WEA courses on the Environment.
- Setting up of a new Women's Guild group.
- Setting up of a local Co-op Party branch.
- Supporting the development of a Woodcraft Folk group.
- Support for the Community Care and Schools Arts initiatives.
- Identification of a site for a new store.
- Negotiation with Community Centre for creche facilities.
- Encouraging new features in the new superstore, e.g. Gaelic signage, coffee bar, delivery of goods to pier.
- Member recruitment exercises in store.
- Charity concerts with the CWS (Glasgow) Band.
- Involvement in Branch Committee Training Programme (Appendix 3).

Expanding Members' Participation

The position of the Scottish Co-op in the economy has changed rapidly over the last few years. Mergers with small Independent Societies have made it the biggest Co-op retailer in Scotland and a considerable amount of expansion has taken place, particularly in store development. Indeed, the new superstore in Oban is a good example of this. At the same time, the role of the member has changed significantly. We no longer have Education Committees, such as in the old Independent Societies, but we do have fourteen multi-purpose committees whose job it is not only to monitor trading activity in their area but also to promote Co-op auxiliaries such as the Women's Guild, Woodcraft Folk and Co-op Party and also to improve our links with the local community. In all of these changes the age rule has perhaps been one of the most significant developments which at a stroke ensured that our committee membership was in the 40-60 age range as opposed to the 50-80 range before. Creating new fields for members' activities

At the moment we have some 96 member groups within the Scottish Co-op area. These vary from Women's Guilds, Co-op Party and Woodcraft Folk groups as mentioned before to dance classes and the world-famous CWS (Glasgow) Brass Band. As far as newer activities are concerned, one unique development has been the creation of credit unions for Scottish Co-op members only and these exist in Rutherglen, Kilmarnock and Ayr. Many of our members are involved in various environmental groups, not least of which is the Moray Firth Friends of the Dolphin and also a number have involvement with worker co-operatives and community businesses. It is also often the case that active members of our branch committees are also active in various community groups in their own area.

Promoting Participation in Management, Including Management of the Business

A lot of work has been carried out recently in connection with updating our regulations with regard to our Regional and Branch Committees. Included in this has been a limit placed on the number of employees who can serve on our

branch committees, i.e. a maximum of four out of ten. This has been done to ensure there is a balance of employee members and lay members on our committees but it is strongly felt that employees should not form the majority on any one committee. Where such a balance does exist it has to be said that it adds a lot to the success and development of the branch committee. At the same time there has been an increase of information within our twice-yearly Members Report and all our members now receive detailed information regarding the trading performance and financial situation of the CWS as a whole as well as more specific details regarding the Scottish Co-op. The same report advises all members of when the members meetings are being held to allow them to take part in discussion on that report.

Organizational Relationship

The Role of the Co-operative in Grasping the Needs of the Members

Since 1986 a lot of work has been done to revitalise democracy in the Scottish Co-op's trading area. Such was the state of the members' records that the old system was basically scrapped and new members were recruited and existing members re-recruited. As a result of this we now have a core membership of 60,000 which corresponds very closely to our actual membership. In that time we have also created fourteen branch committees whose job it is to monitor the trading activity in their area, to meet with local trading management and to promote the Co-op through the auxiliaries and in the local community.

We have also developed a comprehensive system of membership benefits which means that all 60,000 members receive our Magazine and Report twice yearly and a calendar at the end of each year with vouchers every month for spending in our stores. All this has led to an increase in participation with over 500 people regularly attending our twice-yearly members meetings and a vibrancy within our branch committees which had not previously existed. It is hoped that the last remaining area for development, i.e. the north

and west of Scotland, will have a committee structure in the very near future, although this is likely to be of a different model owing to the remote and geographically difficult nature of the area involved. Ideas involving telephone conference and computer modem links are being considered which could well be worthy of discussion in a wider forum especially with regard to the implications for democratic involvement.

Innovation of a System of Communication that Encourages Initiative

Within our stores we now have a well established system of suggestion boxes which both our members and customers regularly use. We are also in the process of erecting up-to-date notice boards in all stores which will allow the community, as well as the membership, to convey information in that way. The branch committee will be active in ensuring that the notice boards have information with regard to member activities and will therefore attract more customers into membership.

As previously mentioned, the half-yearly report is probably the most important system of communication within the membership conveying as it does information with regard to trading and membership activities as well as the venues and agenda for the half-yearly meetings.

Innovation of a System of Members' Education Starting with Training Member Leaders

The Scottish Co-op has initiated a system of training our branch committees which is now being used as a model in other parts of the Movement in Britain. Appendix 2 indicates details of the training programme whose basic objective is to ensure that members of our committees have sufficient information about the background to the Co-op, the way it is structured today and the specific role of the branch committee within that structure. On completion of that course the committee member can then continue to undertake the Capability Certificate which builds on the basic information they have already received and they may also eventually undertake Directors Courses. All of these have been organised through the Co-operative College at Stanford Hall

and have shown the importance of having an educated membership within a modern Co-operative Society.

The Role of Top Management in Taking Strategic Initiatives to Promote Human Resources and Develop Participatory Democracy

One of the main features of the success of the Scottish Co-op's revitalisation of democracy over the last few years has been its increasingly positive links with management. There is no doubt that a co-operative can only work when members and management are in agreement with one another and each needs the trust and support of the other. It is now clear that management are aware that the existence of a strong, democratically elected local committee representing as it does the local community, can help immeasurably the standing of the co-operative in that area and this should be reflected in trading activities as well.

Organizational Structures

Building a New Structure that Facilitates the Initiative and Autonomy of Members

Scottish Co-op are at present examining the possibility of an entirely new structure. One which will learn from this Project as well as bring involvement and decision making closer to the member.

Our experiences with Branch Committees have shown the necessity of having good community links and the importance of a committee well versed in co-operative practice. Any new structure will build on this base and encourage the expansion of greater links with the community and other Co-operative organisations.

Relationships with Employees

Part of our redevelopment plan has been to ensure that employees are aware of the background to the Co-operative Movement and the nature of the organization for whom they work. This has now been built into the Induction Training Package which all new employees receive and the Scottish

Co-op has indeed received awards for the in-store staff training which it carries out—and this includes details of membership affairs. This also dovetails with the ability of employees to become members in their own right and to aspire to membership of the branch committees and beyond.

Developing a System for Staff and Worker Participation in Decision Making

A staff newspaper has recently been developed which advises staff of issues within the organization. However, there is not yet developed a system of employee participation with regard to decision making although the Scottish Co-op does have a very good relationship with the main trade unions. As with employee participation this is not an area which has been much developed within the Scottish Co-op, although trade unions are kept well informed of day to day decisions and policies. There is, of course, a political wing of the Co-operative Movement in Scotland which is represented by the Co-operative Party who have many sponsored Members of Parliament as well as councillors in local authorities. These, in turn, are able to influence Co-operative policy through their own systems as well as through the CWS's democratic structure.

Economic and Social Responsibility

Realising the Evolving Society

This is the subject which prompts most discussion due to difficulty in identifying exactly what this means. In 1994 much has been made of the 150th Anniversary of the Rochdale Pioneers combined at the same time with increased talk of more mergers, leading possibly to a National Society for Great Britain and/or Scotland. There is no doubt that the debate will continue for a long time with regard to how large a Co-op can become without losing its essentially democratic base or conversely whether indeed members can become more meaningfully involved in a larger Co-op as opposed to a small one whose impact on the market place is minimal.

Establishing a Co-operative Identity

Over the last few years there has been much more involvement of co-operatives beyond the consumer arena such as worker co-operatives, housing co-operatives, credit unions, agricultural and fishing co-operatives and community businesses. All of these role to play and if we are ever to achieve the aim of a "Co-operative Commonwealth" all types of co-operatives will have to work more closely together. Are we alternatives to the have a established way of things, do we challenge the expected capitalist wisdom of the market place or do we work within that structure and attempt to maintain our own specialist identity?

System for the Expression of Social Achievements of Co-operatives

The group "Co-operators for the Environment" was set up some years ago which has helped to establish the Co-op's reputation as a leading thinker in the area of the environment. The Consumers Issues Group within CWS management is now about to launch a new journal *Coop Horizons* aimed at active members and tackling wider consumers issues. Grants have also been made available through the CWS to groups carrying out good practice on behalf of the environment and the Corporate Marketing Team in Manchester are engaged in the promotion of environmental issues with regard to retailing. The Scottish Co-op has taken a full part in all these initiatives although perhaps more work is required in getting this message across to the general public.

Introducing Systems for Social Audits and Social Accounting

Whether we are fulfilling our economic and social obligations as a co-operative is perhaps one of the main questions of the day. At the moment we are discussing ways in which monitoring in this area can be carried out but this has not yet begun.

Conclusions and Proposals

The experience of Oban & Lochaber does show that co-operation, both in a trading and democratic sense, can be

revitalised given certain conditions. Although the area is essentially rural, it does contain within it problems of urban deprivation. It reflects the recessionary difficulties experienced throughout Britain both in general and in its effects on the Co-operative Movement. It emphasises the importance of membership involvement in showing how, despite geographical difficulties, members can become more involved in the running of their Co-operative Society. It also shows there are limitations to that involvement which must be explained and understood through a comprehensive training programme. Increasing involvement brings its own difficulties particularly for management which is why their understanding is also crucial. Committees whose powers are increasingly understood and used will develop critical faculties which management must respond to properly if members are not to become disillusioned. Involvement must be meaningful if membership is to continue to be seen as important and useful.

As a result of work in the Oban & Lochaber area and elsewhere, and through discussion with member groups throughout Britain, the following proposals are put forward as ways of progressing participatory democracy:

- Membership groups should have the physical support of their Co-operative Society, preferably in the shape of the exclusive use of premises within an operating base, i.e. shop. These premises could then be used for meetings, creches, coffee mornings, book exchanges, membership drives, educational evenings, etc.
- Staff should be deliberately encouraged to be actively involved in all aspects of the democratic structure and staff training should reflect this emphasis.
- More time should be spent on educating members themselves about Co-op practices and principles and, indeed, members of the public.
- Democratic involvement should be brought down, where necessary, to the shop itself with shop-based advisory committees linked in to the existing structures.
- Managers should have targets for membership recruitment and a direct responsibility for the promotion of

membership.

- Co-operative, ethical and environmental policies should be highlighted at all times especially in shops.
- Promotional packs should be available in-store for members and non-members alike.
- Representative committees should have meaningful budgets to promote their own activities.
- Communication between management and membership should be improved and be a two-way process.
- Senior management should give serious consideration to the participation of employees in policy making, i.e. a clear commitment to industrial democracy.
- Membership should be based on an annual subscription to encourage involvement.
- More emphasis should be put on the international nature of the Movement both at local and national levels.
- Material benefits for members should be improved.
- A community dividend should be developed to enhance our profile beyond the shop.
- A less centralised democratic structure should be developed.
- Employees should be allowed access to participation without loss of earnings.
- Questionnaires should be used on a regular basis to allow members to be involved in marketing, product testing, etc.

TWENTY KEY DECISIONS TO PROMOTE ACTIVE MEMBERSHIP*

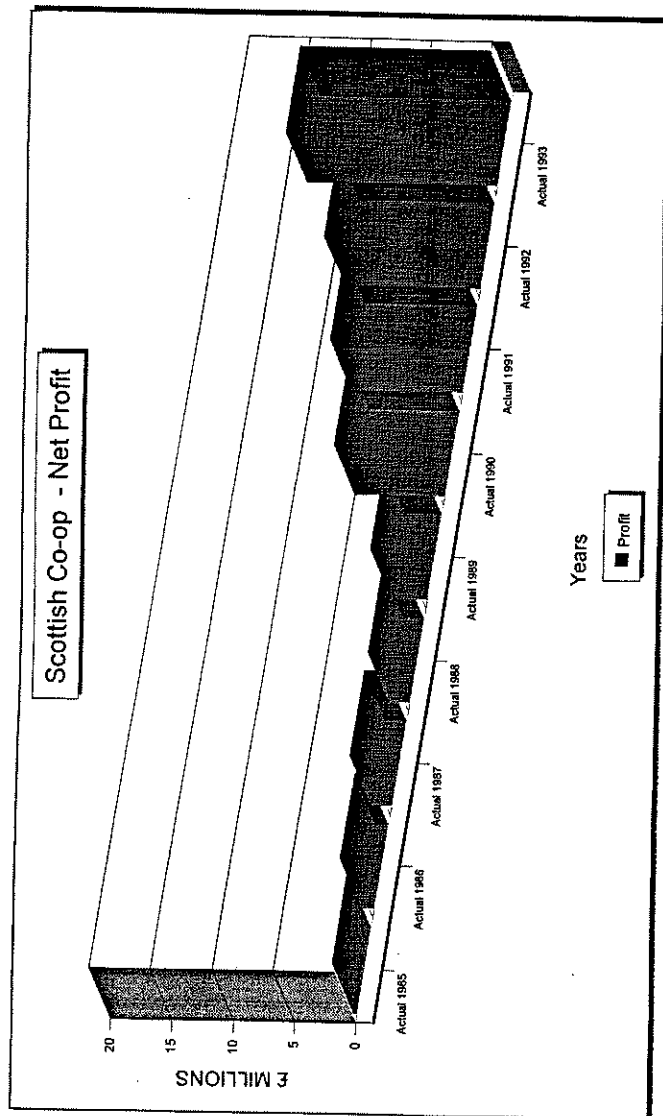
1. To make training available for new and inactive members to develop a basic understanding in the co-operative Movement.
2. To train its active members in the skills needed to play a role in their co-operative.

3. To review annually their own committees' training needs and to deliver them through the Institute of Co-operative Directors and other appropriate means.
4. To identify all information that must be regarded as confidential and to push downward as much relevant information as possible to other members. Freedom of information rather than confidentiality should be the driving force.
5. To review annually the flow of information down through the membership structure and to implement change where appropriate.
6. To secure the commitment of senior trading management for the promotion of membership in trading outlets and develop a clear communications strategy for membership information.
7. To ensure a continuous presence of membership information in stores through the provision of permanent in-store information boards or displays sited at highly visible areas in the customer flow.
8. To set up a system to ensure that in-store membership boards are filled with leaflets on a regular basis and serviced as required.
9. To take steps to ensure that store staff are able to deal with basic queries on membership and the co-operative movement and are aware of where to direct customers for more detailed information through the provision of adequate staff training and briefing.
10. To ensure that trading outlets are used as a basis for membership activities organized in liaison with trading management.
11. To review annually the current membership base and to compare it to the customer base, then take action to ensure that the two continue to converge.
12. To encourage the promotion of co-operative values in co-operative advertising where practical.
13. To review how the committee's own activities had impact on membership recruitment and development

- over previous year.
14. To ensure that all co-operative social activities were relevant to the development of all active co-operators.
15. To review annually the mechanism for developing active members with the aim of removing as many barriers as possible.
16. To examine the impact that each activity has on the perception of the Co-op by an inactive member and to seek improvements where necessary.
17. To ensure that all publicity material is of the highest standard possible for the type of promotion being undertaken.
18. To ensure that the Half Yearly Meetings give members a positive role to play in the meeting and are an encouragement to future participation.
19. To set in place a process to ensure that ex-committee members are not lost as activists when they retire from or leave a committee.
20. To review all the above at regular intervals and to introduce additional targets as frequently as possible.

* From the Report on Membership Involvement theme group of the Home Counties Co-operative Education Committee, 1993. CWS United Kingdom of Great Britain.

Appendix 1



Appendix 2

BRANCH COMMITTEE TRAINING PROGRAMME

A specialised training programme has been devised for all Branch Committee members in the Scottish Co-op in conjunction with the Co-operative College. This is a unique development and reflects the Scottish Co-op and CWS's commitment to professionalising the democratic and participative structure within the organisation. To date 80% of committee members have undertaken the course which itself will lead on to further training opportunities and the Scottish Co-op is committed to ensuring that all new committee members receive the same training in the future.

The training involves one evening session from the Scottish Co-op membership team followed by a two-day residential session run by tutors from the Co-operative College itself. More recently this has been combined into one 3-day course. The main elements of the course are:

- pre study materials at home
- evening debrief session
 - + links with local community
 - + role of branch committee
- weekend course
 - : goals of a branch committee
 - : a year in the life of a branch committee
 - : skills and attributes of a committee and its members
 - : roles and qualities of office bearers
 - : committee procedures

Appendix 2 cont'd



CWS Scottish Co-op

Branch Committee Members Training Programme

TUTOR'S NOTES			Evening session (2 x 1 hour sessions)	
TIME	NOTES	OHP		
	Distribute the training packs and, in introducing the session, refer to them. For the initial exercises group participants in their actual committees			
7.00	10mins	1/2		
7.10	20mins - debrief			
	Allow 10 minutes for the participants to run through their answers to the pre course exercise in groups			
	Debrief of pre course information pack - exercise			
	Although the committees should have undertaken this prior to arrival, allow up to 10 minutes for them to run through it before debriefing. Run quickly through the 'information points' (Section 1), allowing more time for qualitative information on points 2 and 3.			
7.30	15mins - group discussion	3		
7.45	5mins - per group to report back (15 mins)			
8.00				
	Group Exercise			
	What are the challenges faced locally:			
	the local economy			
	the local community			
	the local retailing scene			
	<ul style="list-style-type: none"> Get groups to list key points on each and report back List key points on flipchart Save flipchart for analysis later 			
	Total 60 minutes			
	If possible allow a brief break here, then mix the committees for the remaining exercises			

TUTOR'S NOTES			Evening session (2 x 1 hour sessions)	
TIME	NOTES	OHP		
	Group Exercise			
	What is the role of the branch committee?	4		
	Group discussion/brainstorm followed by report back (encourage different people to report back each time)			
	Debrief and introduce:			
8.15	10 mins	5		
	Some of the roles the branch committee can have:			
	<ul style="list-style-type: none"> i decision/policy making ii communication upwards iii communications outwards iv control of executive functions v others - group contributions 			
	Get participants to feed from the floor for each heading, based on the previous discussion examples. Introduce next group exercise.			
8.25	15 mins	6		
	Your branch committee:			
	<ul style="list-style-type: none"> -what use is it to the Society/management? -what use is it to the local community? -what powers does it have? -what role could/should it play? 			
8.40	20 mins	7,8,9		
	Flipchart debrief - go to each group in turn on each question listing key points on the flipchart - link to replies to information already extracted eg local challenges - OHPs for summary			
9.00	Total 60 minutes			
	Allow 5 mins for a brief review/evaluation of the evening at the end.			
	- Distribute the follow up exercises for participants to look at before the weekend seminar. Emphasise the need to send answers to you at least a week prior to the weekend so that the information can be incorporated into the weekend.			
	- After the course transcribe the flipchart notes and send out to participants.			

TUTOR'S NOTES		OHP
TIME	NOTES	
10.30 for 11.00 start	Arrival and Coffee	
11.00	<p>Session 1 - Saturday morning:</p> <p>Introduction to the course - Tony Crowter/Iain MacDonald - Scottish Co-op</p> <p>1 i Refresher - What did we do in the evening session? - any fresh thoughts? <i>Initial exercise in Committee based groups - get the group to go through the exercise left after the evening course and then appoint a member to report back</i></p> <p>1 ii Discover responses to follow-up exercise: - what did the groups discover? - what did the management say? - any fresh ideas on roles? Discussion on responses</p> <p>* OHP's from evening session</p>	<p>E.7*</p> <p>E.8*</p> <p>E.9*</p> <p>1a</p> <p>1b</p> <p>1c</p> <p>1d</p>
11.45		

TUTOR'S NOTES		OHP
TIME	NOTES	
11.45	<p>Session 2 - Newly elected Branch Committee - Goals - group exercise</p> <p>Divide into three small groups, mixing people together from different committees. Each group is asked the same two questions - give them out one by one.</p> <ol style="list-style-type: none"> 1. Imagine you are part of a newly elected CWS branch committee in an area where no such committee has existed. Discuss your goals for the following year. What do you wish to have achieved (or are least, well started) one year hence? 2. Do any of your goals apply in the case of a committee already in existence? If no, what goals might an existing committee set for the forthcoming year? <p>Once the groups have established a reasonable programme distribute the individual cards regarding items they should consider eg. What about attendance at meetings? etc.</p> <p>Use OHP and release questions one at a time</p> <p>Allow five minutes for each group to report back on their programme followed by front led discussion identifying areas that the group had not included, suggesting possible stratagems etc.</p>	<p>2a</p> <p>2b</p> <p>2c</p>
1.00	Break for Lunch	

TUTOR'S NOTES		OHP
TIME	NOTES	
2.00	<p>Session 3 - <u>A year in the life of a committee.</u> Summer - Jul-Sept, Autumn - Oct-Dec, Winter - Jan-Mar, Spring - Apr-Jun</p> <p>3 i What are the main tasks of the branch committee through the year?</p> <p>3 ii Flipchart / brainstorm - list and then categorise functions. Then produce completed wheel diagram (or list as ohp). Inner wheel for formal activities, outer wheel blank for other activities contributed by group)</p> <p>Debrief each quarter - adding additional functions identified by members</p> <p>3 iii Can we set these tasks into a hierarchy of importance? distinguish between:</p> <ul style="list-style-type: none"> - political roles - participatory roles - outreach/education roles - charitable roles - social/convivial roles - policy making, delegation, rule-making - meeting management, meeting members - schools work, auxiliaries etc. - donations to local organisations - other support for community groups - any social cultural activity not mentioned above. 	<p>3a</p> <p>3b</p> <p>3c</p>

TUTOR'S NOTES		OHP
TIME	NOTES	
3.00	<p>Session 4 - <u>Skills and attributes of a committee and its members</u></p> <p>4 i Exercise - "Spanners in the Works" Distribute name cards for Spanners in the Works (i), distribute script and get group to read parts. Encourage those without scripts to note carefully what actually happens as the meeting develops. Distribute name cards for Spanners in the Works (ii) and get group to read parts <i>make sure those that did not have parts the first time do in the second version.</i> Again encourage those without a script to note carefully what happens as the meeting develops.</p>	
3.20	<p>4 ii Debrief exploring what makes a meeting work - Front led discussion</p> <ol style="list-style-type: none"> i. What makes the first meeting successful, and the second one unsuccessful? ii. How can you guard against the problems which soured the second meeting? iii. What makes a meeting work? <p>.../ continued</p>	4a

TUTOR'S NOTES		OHP
TIME	NOTES	
	<p>Session 4 (continued)</p> <p>4 iii Introduce key points in what makes a meeting work</p> <p>Common purposes Management by Objectives Mutual respect Building - not destroying Keeping it moving Welcoming newcomers</p> <p>4 iv Introduce 'Some typical spanners in the works'</p> <p>The flight leader The polemicist The constitutionalist The old soldier</p>	<p>4b</p> <p>4c</p>
3.45	Tea and Coffee	

TUTOR'S NOTES		OHP
TIME	NOTES	
4.10	<p>Session 5 - Film/videos: "Meetings, Bloody Meetings"</p> <p>Discussion and flipchart points.</p> <p><i>Option to run personnel questionnaire at this point - subject to time.</i></p> <p><i>Individual questions on sheet of paper (handout).</i></p> <p>Each member completes their own questionnaire and then the group to collate answers and report back:</p> <p>Conclusion and report-back:</p> <ol style="list-style-type: none"> 1. Where do the skills and experience reside? 2. Where are there gaps in the group's knowledge or experience? 3. What sort of forward programme would help to bridge the gaps? 	<p>5a</p> <p>5b</p> <p>5c</p>

TUTOR'S NOTES		OHP
TIME	NOTES	
10.45	<p>Session 7 - Sunday morning (continued)</p> <p>3 Legitimacy:</p> <p>Was the member's question in order? Is it acceptable to use confidential information in this way? How did the branches deal with the issue? Is the information commercially sensitive? Discuss in terms of:</p> <ol style="list-style-type: none"> achieving (not damming) a flow of information from the Area Manager. enabling the branch committee to be active in the community. acknowledging responsibility of the committee to be sensitive to management priorities and problems. <p>4 Procedure:</p> <p>Is the motion in order? Was it carried? If so, how should it be proceeded with after this stage has been reached? Is the CWS empowered to amend this rule independently of the Co-operative Union? What is the role of the Registrar?</p> <p>5 Policy:</p> <p>Does the age rule safeguard co-operative democracy - or jeopardise it? Who should determine the rules of membership? What implications would a change of this kind have for the Society?</p> <p>Tea and Coffee</p>	<p>7c 7d</p> <p>7e</p> <p>7f</p>

TUTOR'S NOTES		OHP
TIME	NOTES	
11.15	<p>Session 8 - Sunday morning Summary and synthesis:</p> <p>8.i. How can we make committees more effective?</p> <p>8.ii. What would be the consequence of active - dynamic - innovative area committees?</p> <p>General brainstorm, flipchart summary.</p> <p>8.iii. Final debrief - roundup - end.</p> <p>Debriefing - report-back from each group</p> <ol style="list-style-type: none"> where were the problem areas in the training exercise? what have we learned about the roles of the committee? have any new areas of activity / outreach been identified? have any new training needs been identified - how can they be met? what was the most important learning that took place? what action will you take as a result of attending the course? what recommendations would you make to the organisers regarding, <ol style="list-style-type: none"> this course future training courses <p><i>Distribute individual evaluation forms</i></p> <p>Concluding remarks - Tony Crowter/Iain MacDonald</p>	<p>8a</p> <p>8b</p> <p>8c</p>

Appendix 3

GEOGRAPHY AND ENVIRONMENT

This area lies in the north of Argyll and includes the small islands of Seil, Luing, Lismore and Kerrera, covering an area of 175,500 ha. North Argyll has a typical West Highland topography, with long winding sea lochs separated by high mountains and wilderness areas. Although the geology and resultant soils are varied, few are suitable for intensive agriculture. Farming consists of beef and sheep rearing with winter feed being grown on the better quality land. This is found in scattered patches on the coast and some narrow inland strips. Agriculture is of major importance in terms of both land use and employment.

Much of the higher ground has been afforested with conifers relatively recently, mostly by the Forestry Commission.

The area has seen a massive population growth in the last 10 years, particularly in Oban. The 1980 census figure was 13,879, it is now estimated to be 15,481, a 7.7% increase. Oban (population 7476) experiencing a growth of about 10%. The town acts as a service centre for a wide area, including islands such as Mull. It is the principal growth centre in Argyll and Bute, and there is a high demand for both private and public sector housing, and commercial and industrial development land. Population forecasts estimate an additional growth of 150 people per annum.

Oban is the only rail terminal in Argyll and plays an important role in both freight transport and as a summer tourist destination. Oban is also an important centre for fishing, around 200 men are directly and indirectly employed. Growth in the area has been centred on the town and there has been less growth in surrounding areas although there have been significant pockets of growth (e.g. at Dalmally and Easdale). The next largest settlement in the area is Dunbeg (population 779), but in character it is little more than a distant suburb of Oban. The other significant settlements are Connel, Taynuilt, Benderloch, Barcaldine, Appin, Kilmore, Kilninver, Kilmerlford, Arduaine, Ardfern and Seil.

TRANSPORT AND INFRASTRUCTURE

Oban is the dominant transport and infrastructure node for the area, the network from the town being dictated by the local topography. The town is the principal destination of many journeys and acts as a staging point for a great many more. In recent years there has been increasing use of both rail and ferry services in the area, mainly related to tourist use.

North Argyll has a relatively well developed network of major roads linking it with the north, south and east. The principal roads in the district are the A85(T), the A828(T), the A816. The A816 to Lochgilphead has poor geometric alignment but there

are no major plans for work on the road. Other roads around Oban are of low standard and limited capacity, this may constrain any future developments in the town. The network is complicated by the local topography and the high volumes of traffic that the town attracts in the summer which can cause considerable congestion. There is a case for a link road to be constructed to keep through-traffic out of the town centre; this would reduce traffic flows and open up areas for development. Summer peaks also lead to major parking problems in the town. Other roads in the area are generally single track and some are unsatisfactory for their level of use.

There is a twice daily bus service between Oban and Glasgow which takes three and a quarter hours, run by Highland Omnibuses in conjunction with Alexanders. There is also a twice daily service to Inverness which changes at Fort William and a limited service between the town and Ardrishaig which runs three times a week. Public transport over shorter distances is poorer, especially for employees who need to travel daily to Oban as often services are geared to school needs.

Oban is served by British Rail services to Glasgow, there are four passenger trains each way Mondays to Saturdays which also serve the small towns of Connel Ferry, Taynuilt and Dalmally (Mid-Argyll). In the summer these services are extremely popular with tourists as the town is a centre for island tourist holidays. The volume of freight carried on the line is low and the financial position of the freight service is poor. However the retention of this service is vital to the economy of the area and is important due to the number of different ferry services available at Oban.

CalMac operate car ferry services to Mull, Colonsay, Lismore, Coll, Tiree, Barra and South Uist. The most important in terms of volume of traffic is the service to Mull, which has five or six sailings each way daily during the summer. Strathclyde Regional Council also run a number of ferries in the area. Luing is connected to Seil by a limited car ferry during daylight hours and a passenger service in the evenings, Easdale island has a passenger ferry and Lismore is served by a short crossing to Port Appin or a longer car ferry to Oban. CalMac have recorded an increase in passenger and car ferry traffic since 1985, but there has been a decrease in the amount of freight carried. Ferry services run by Strathclyde Region have timetabling problems which can have serious effects on local communities.

The ferry services operating from Oban are the lifeline of the island communities and the town is the service centre for a large area.

There is an airstrip at North Connel, and there is local and tourist demand for a regular weekday service to the Highlands and Islands, Central Belt and Inverness, but transport links between the airstrip and Oban need improvement to make this feasible.

This airstrip has great potential, as it will be only 40 minutes away from Fort William on completion of the Creran road bridge.

North Argyll is not connected to the national gas grid, instead, liquified gas is transported by tanker and stored at Lochavullin. The sewerage system is barely adequate for the towns needs but further population increases may put pressure on it. Some communities in Lorn (eg Kilmore) have partial drainage schemes but the remoter settlements rely on septic tanks. Many sewage treatment facilities will need to be upgraded to meet EEC standards. Electricity supplies come from the Inverawe and Kilmelford power stations, the station at Cruachan is connected to the national grid and makes no direct contribution to the local system. The capacities of substations in the area have recently been increased, it is anticipated that supply can keep pace with the increased demand.

Strathclyde Regional Council are responsible for education, roads, public transport, etc. but as in many rural areas the local Community Councils play a major role in representing the District. The District Council play the major role in planning, housing and environmental health issues. Local news is covered in the Oban Times although coverage of wider issues is patchy.

The district offers a wide range of professional, public and commercial services, most being based in Oban. It has five hospitals, the DAFS and Scottish Agricultural College area offices, and a wide range of commercial facilities.

At Dunstaffnage the SMBA research station is not only a significant employer but also provides valuable services to marine based businesses and generally to the marine environment.

LOCAL ECONOMY AND INFRASTRUCTURE

Unemployment in the Oban Travel to Work Area stands at 8.1% of the workforce. However the seasonality of employment in the tourist industry means that this figure varies during the year.

AGRICULTURE

There is little land (less than 5%) above grade B+, but there are large amounts of grades b, b- and C. Farming consists of upland sheep and beef rearing in the main, with some dairying on the raised beaches and rich alluvial deposits around Oban and on the west coast. The dairy herds of the area have been considerably reduced, in 1985 these were only 14 of the 1967 total. The number of sheep has also fallen slightly (by 6000, 1967-86) but the beef herd has remained stable at around 4800. Inland there are a number of sporting estates some of which contain important deer forests. There are significant horticultural units on the side of Loch Awe and near Taynuilt, and some winter fodder is grown although there is little cashcropping in the area. A

total of 155,196 ha. are farmed, split into 500 farm units. Of these, 190 are crofts, mainly in the coastal area; the system still forms an important part of the land use structure unlike other areas of Argyll. Many of the farms (almost 50%) are worked only part time.

Agriculture is of major economic importance to the area, both in terms of land use, environment and employment. As well as being a principal direct employer it sustains much ancillary employment in supply distribution, agricultural engineering and marketing. Oban is the agricultural service, distribution, engineering and market centre for much of the West Highlands and Outer Isles. There are two major livestock markets in the area, in Oban and Dalmally which have a combined turnover of £7m. per annum.

FORESTRY

Around 15% of the land area is afforested, the majority being owned by the Forestry Commission. There are applications for planting an additional 6000 ha. mainly representing private sector interest. Much of the plantings are mixed species conifer, dominated by spruce which is ideally suited to the climate.

Timber production is relatively low (40k cubic m.) as much of the afforested area is immature, optimal production (of about double present output) is expected to be reached by the year 2000. This reflects the large conifer afforestation programmes of the past 10-20 years coming into yield. There are local concerns about the ability of the road system to take the associated increase in heavy vehicle movements. This could act as a constraint to further expansion of the industry although the problem is being addressed by SRC, the FC and Timber Growers UK. Barcaldine Forest produces supplies of sawlogs and these are expected to increase as surrounding areas mature. Objections have been raised by the District Council on a number of issues concerning forestry, and after consultations with the industry some success has been achieved in improving the visual quality and impact of plantings. A minority of new plantings have been for broadleaves, however these should increase to at least 5% in the future.

Much of the harvesting programme in the area is carried out by local squads, using mechanisation due to inadequate training provision for a largely contract labour force.

Timber processing is carried out at two sawmills, at Barcaldine and Taynuilt. The former produces relatively high value finished products, and the latter concentrates on supplying the building and agricultural sectors.

FISHING

Fishing has historically been an important input to the economy

of the area. There has been an increase in both the value of landings and the numbers employed in fishing in the Oban and Lorn area in the past 10 years. The value of the 1988 catch was £3,546,508. In 1988 fishing and related industries employed around 200 men.

There has been a switch in the type of catches landed at Oban; traditionally the grounds were fished by nomadic fleets from the east coast for pelagic species, more recently the emphasis has been placed on local boats fishing for shellfish, and the pelagic industry is almost negligible. This has prompted a rise in the locally based fishing population and accompanying service industries. Landings are generally composed of a mixture of demersal fish (cod, haddock and whiting) and shellfish (scallops and lobsters). The latter account for almost 70% of the total value of all landings. In addition, significant landings are made at smaller coastal ports and there are opportunities to provide support services for these landings.

The fleet can be broken down into four areas: seine netters and light trawlers which fish the outer waters; Nephrop trawlers fishing the inner waters such as the Firth of Lorne and sea lochs; prawn and lobster creels are set inshore from Port William to Loch Melfort and around the islands; scallop dredgers and divers work areas such as the sound of Mull.

Landings are made at the newly improved Railway Pier at Oban, although activities will be transferred to the new purpose built fish hall on the South Pier. Considerable expense is involved in the new shore developments due to new EEC regulations. Some landings are made at Bunessan and Tobermory from where the catches are ferried to Oban.

White fish buyers travel from Glasgow, Tarbet, Campbeltown and Ayr, but there are some small-scale local buyers. Since the closure of Homac Ltd., there is scope for several small local processing units to give added value to some of the catch and this would help consolidate the local Nephrop/white fish fleets. Local interests have not encouraged the development of the processing industry due to perceived conflicts with the tourist industry.

Local services for the industry include a number of small boatyards (although vessels tend to use Girvan or Mallaig yards), a limited number of marine engineers and electrical repairers, and Linnhe Ice which can produce up to 20 tons per day. This service is seen as a reason for decline in the sector as boats are reluctant to land fish if ice cannot be guaranteed. The industry faces a number of further constraints including the lack of processing facilities.

FISH FARMING

The area is the most important in the Highlands and Islands for fishfarming. Many sites have been developed and there are some

opportunities for further development. 2600 tonnes of farmed salmon and trout are produced annually by eight companies who employ around 150 people. The largest producer is Golden Sea Produce (500t per annum) who employ 60 staff in farming, processing, services and engineering; other major companies are BP Lismore, Stirling Aquatic, Kames Fish Farming and Kerrera Fisheries. These major producers account for 120 of the 150 salmon farming jobs.

In addition to direct employment, other services have expanded due to the sector, notably transportation groups, engineering and marine services, but also local shops, hotels, garages and hardware stores. An estimated further 80 jobs have been created in the area as a result of fish farming, and further expansion will create more. The main constraint on further development is the shortage of housing for workers, and a shortage of well-trained staff.

Shellfish farming is of more recent introduction but growth has been rapid. For a sample of 24 of the 45 shellfish farms in North Argyll, in the years 1988-90 mussel produced has doubled (to 121t per annum), oyster shells have increased from 34,458 to 928,000 and scallop production has quadrupled. The expanding oyster industry on Seil forecasts a growth to £1.2m by 1992. 98% of shellfish farms are leased by local people and are generally small concerns employing one or two people. Inputs to the industry are generally local and produce is sold locally with a small export market for high value species such as scallops and oysters. Expansion is expected to continue as farms develop their leases, and a tenfold increase has been projected.

The general increase in shellfish farming throughout the area necessitates a need for infrastructural improvement and training provision to aid expansion.

There is a consultation procedure run by the Crown Estate Commissioners, the Clyde River Purification Board, DAFS, and the SMBA over the siting of fish farms below the low watermark, this is hoped to reduce the conflicts between the industry and traditional fishing, navigation, recreation and nature conservation interests. Shellfish farming causes little pollution and environmental damage although there are considerations over the siting of some farms which may be visually intrusive.

The SMBA research station a Dunstaffnage is a unique facility of national and international importance and provides useful services to both the fishing and fish farming industries.

MANUFACTURING

This sector is relatively small, and accounts for around only 5% of the workforce. Since the late 1970s it has contracted substantially.

The largest employer is Kelco International Ltd. (formerly Alginate Industries Ltd.) at Barcaldine, employing 100 people. The company processes seaweed for use in a variety of industries including textiles, food processing and pharmaceuticals.

There is a small local fish processing industry and interest in developing further small units (1500-2000 sq ft) which could employ up to five people each.

Mineral extraction is carried out at three sites: of these Bonawe Quarry is worked by J & A Gardner & Co. and employs 15 people extracting 30,000 tons of grey microgranite each year. The operation could be expanded if planning permission for extension of the face was obtained as reserves of the mineral are extensive. The area also supplies the workforce for the Glensanda Quarry and the loading depot in Loch Creran.

Highland Enterprise own four industrial premises in the area, occupied by Oban Wetsuits Ltd. (who employ 12), the West Highland Crofters Store, Caithness Glass, and MacQueen Bros.; these cover an area of 30,563 sq ft. The major area of industrial land is at Lochavullin. This is an eight ha. site, of which over three-quarters has been developed. Further development is dependant on ground preparation by Scottish Enterprise. The 28 small users sites at Lochavullin all are fully occupied, and have created 65 new jobs. There is a waiting list of 50 potential clients but it is unlikely that this demand can be met although there is scope for more units at a site at Tweedmill in Oban, and at Glenshellach. The latter site has been approved for a development including a hospital, housing, a school and light industrial units.

Scottish Malt Distillers employ 15 people at the Oban Distillery, after contraction in the 1970s and early 1980s production has now stabilised.

The Oban Times newspaper group employs 40 people in the production of local titles.

Outside Oban there are few industrial premises and the District Council intend to survey demand for small user industrial sites in Dunbeg, Taynuilt, Benderloch and Seil. There are sites suitable for development at Connel airport and at Barcaldine.

TOURISM

Tourism dominates the local economy of the area; the industry directly employs around 2500-3000 people (20% of the workforce) and in 1986 tourist spending was estimated at £10 million. North Argyll is one of the major tourist centres in the Highlands and Islands area, and Oban is the fifth most popular resort in the country. Originally a staging point on the way to the Hebrides, it quickly developed into a resort in its own right due to its attractive location. There is a large stock of serviced accommodation, and Oban has a dual function as both a resort and

as a stopping point on touring and cruising holidays due to its central position. The town is also a major watersports centre having excellent access, although on-shore facilities have been reduced and could be improved. Changing holiday patterns and competition from overseas package holidays has seen a decline in the traditional market, although the cruising market is still buoyant. Oban is a popular destination for bus tours, although these visitors are traditionally low spenders.

North Argyll provides a wide range of both indoor and outdoor activities and facilities for visitors. The area provides the opportunity for hillwalking and climbing (e.g. on the West Highland Way), forest trails, freshwater and sea fishing, and spectacular coastal and highland scenery.

There are facilities for golf, tennis, squash, bowling, sailing and swimming and there are safe sandy beaches at Ganavan and Tralee, Benderloch.

All weather facilities include visits around local craft firms and craft shops, a variety of entertainments at hotels and restaurants, a disco, the cinema, a small museum and a health centre. The two halls which house the latter are also the centres for a range of exhibitions, concerts, conferences and dances.

Destinations for daytrips in the area include Dunstaffnage and Barcaldine castles, numerous ancient monuments, the wintersports facilities at Glencoe and Fort William, the Cruachan power station on Loch Awe, the Sea Life Centre at Barcaldine, the Rare Breeds Park, and Seil Island with its old quarrying settlements, Folk Museum and Atlantic Bridge.

Water sports are very popular on the coast: Oban is situated in the centre of the West Coast cruising area, and a number of recent developments including marinas at Dunstaffnage and Ardoran have occurred to cater for this market. There have also been plans for a further marina at Oban. Other plans for the area are for a major leisure development at Barcaldine, and for a large hotel development in Oban.

The area has a large number of bedspaces in a wide variety of accommodation types. Traditionally demand has been for serviced accommodation, i.e. hotels and guesthouses, but more recently there has been an increase in the number of self-catering visitors. However, hotels are still popular, and there has been an increase in hotel bedspaces in the 1980s. These have relatively high occupancy levels (61% in 1988) compared to the rest of the HIBD area. However improving the standards of accommodation is seen as a priority by local hoteliers. Self-catering accommodation has a similarly high occupancy rate, this reflects the continuing popularity of the area.

The majority of those working in tourism are employed in hotel and catering trades. Employment in the tourist industry varies seasonally, and many employees are not local. In addition, the

industry employs mainly female staff on a part-time basis on relatively low wages. Very few hotels or tourist facilities are open year all year round. A lack of training is perceived as limiting the accessibility of the better jobs to the local people. This is due to the lack of local training facilities; employers bring in trained staff from other areas rather than spending money themselves on staff training. The proposed development of Oban's waterfront should add ice skating/curling facilities upon completion and is also intended to include a new base for Caithness Glass and the Tourist Information Centre. A Heritage Centre, further shopping and a small hotel is also proposed.

RETAILING

Oban is the major service and retail centre for North Argyll and the islands. The catchment area reaches as far north as Duror, east to Dalmally, south to Kilmelford and includes the islands of Mull, Coll, Tiree and Colonsay. In addition, many people from Mid-Argyll use the town as well as some from North and South Uist and Barra. The catchment population, making allowance for tourists, is around 30,000. This has led to a quantity and variety of shops in Oban that do not reflect its size. There are 98 retail units in the town, compared to 107 in 1986. Of these units, a large proportion (around 68%) sell durable goods, with convenience foods accounting for a relatively small number of outlets. However there is a Wm. Low supermarket and a Scottish Co-op superstore in the town. This confirms the relative shopping self-sufficiency of Oban and its importance as a durable goods centre. However much of the town's trade is dependant on tourist spending, resulting in reduced trade during the winter.

The retail core of the town is centred around George Street; developments at the Lochavullin estate have not provided as much retail competition as was originally feared as retailing on the estate is centred around the Caithness Glassworks.

The town experiences severe traffic congestion and parking problems and this could be a constraint on the development on further retailing. It is likely that further development will be limited by the Local Authority to the redevelopment/modification of existing premises.

Although there are no shopping centres of any size outside Oban, the smaller settlements such as Dunbeg, Connel, Taynuilt, Benderloch, Siel and Ardforn/Arduaine have smaller outlets to serve the local communities' needs, mainly for convenience goods. However there is scope to extend the role of the small village centres, perhaps with the development of craft shops to cater for passing tourist trade. There are a number of cases where these smaller shops have been run with HIDB assistance as community co-operatives; an example is the grocery store/post office in Port Appin. HIDB have also helped to fund a multi-purpose shop and tourist development on the Oban-Fort William road, and the Board

saved the local shop/filling station in Kilchrenan, which has since been returned to private ownership. As in many rural areas mobile shops play an important role, especially in many of the smaller villages. They mainly sell convenience foods but as increasing car ownership has improved communications there has been less demand for this service.

CRAFT INDUSTRIES

There are a wide variety of craft industries in the area, ranging from the Caithness Glass factory at Oban which covers 8000 sq ft to small one-person operations producing limited supplies of luxury goods. A large number of small specialised businesses producing high quality products have opened. There is a craft co-operative in Oban providing a retail outlet for small craft producers.

CONSTRUCTION

The construction industry accounts for 7.8% of the workforce in the Argyll and Bute statistical area. However in North Argyll the industry accounts for less due to local considerations; in the last 15 years it has suffered considerable contraction, falling from 15% to 6.5%.

A major constraint to the industry is the shortage of land that is suitable for development, and the problems in the releasing of suitable land once it is identified. There is scope for increased construction work with a locally perceived need for up to 600 new houses. There is a local supply of building materials available from the three local quarries.

Recent construction projects including improvement work to Railway Quay, the development of South Quay, and building and landscaping work at the Lochavullin industrial area. The proposed developments at Glenshellach and the waterfront should create opportunities for increased employment in this sector.

Appendix 3 cont'd

LORN & AWE	NUMBERS		TOTAL	PERCENT		EMPLOYMENT BREAKDOWN BY SEX		TOTAL	
	MEN	WOMEN		MEN	WOMEN	MEN	WOMEN		
Forestry, Fishing	92	31	123	74.8%	25.2%	100.0%	3.6%	1.3%	2.9%
Energy & Water	149	30	179	83.2%	16.6%	100.0%	5.8%	1.3%	3.0%
Metals, Chemicals, Bitcks, etc	208	19	227	92.6%	7.4%	100.0%	9.2%	0.8%	5.2%
Engineering, Metal goods	18	5	23	78.3%	21.7%	100.0%	0.7%	0.2%	0.5%
Food, Drink, Other Manuf	91	60	151	60.3%	39.7%	100.0%	3.5%	2.5%	3.1%
Construction	146	12	158	92.4%	7.6%	100.0%	5.7%	0.5%	3.2%
Distribution, Hotels, Catering	650	937	1587	41.0%	59.0%	100.0%	25.2%	39.8%	32.2%
Transport & Communications	612	41	653	93.7%	6.3%	100.0%	23.7%	1.7%	13.2%
Finance, Banking, Business Services	125	216	341	36.7%	63.3%	100.0%	4.8%	9.2%	6.9%
Public & Other Services	459	1002	1461	31.4%	68.6%	100.0%	17.6%	42.6%	29.6%
TOTAL	2590	2353	4933	52.3%	47.7%	100.0%	100.0%	100.0%	100.0%
PRIMARY	241	61	302	79.8%	20.2%	100.0%	9.3%	2.6%	6.1%
MANUFACTURING	347	64	431	80.5%	19.5%	100.0%	13.4%	3.6%	8.7%
CONSTRUCTION	146	12	158	92.4%	7.6%	100.0%	5.7%	0.5%	3.2%
SERVICES	1846	2196	4042	45.7%	54.3%	100.0%	71.6%	93.3%	81.9%
TOTAL	2590	2353	4933	52.3%	47.7%	100.0%	100.0%	100.0%	100.0%

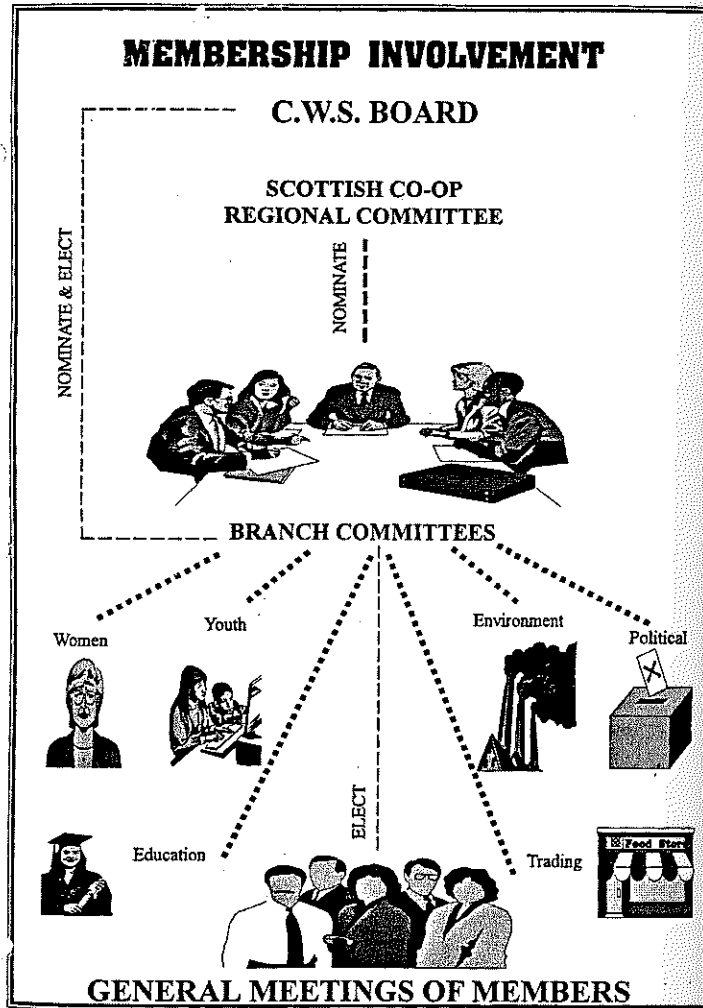
Note: These figures exclude Agricultural employment which is collected from a different source and is commercially confidential

Appendix 4

MEMBERS' GROUPS IN SCOTTISH CO-OP

Regional Committee	1
Party Council	1
Branch Committees	14
Women's Guild	33
Woodcraft Folk	14
Co-op Party	22
Credit Unions	3
Ambulance Classes	3
Country Dance Classes	4
Brass Band	196

Appendix 5



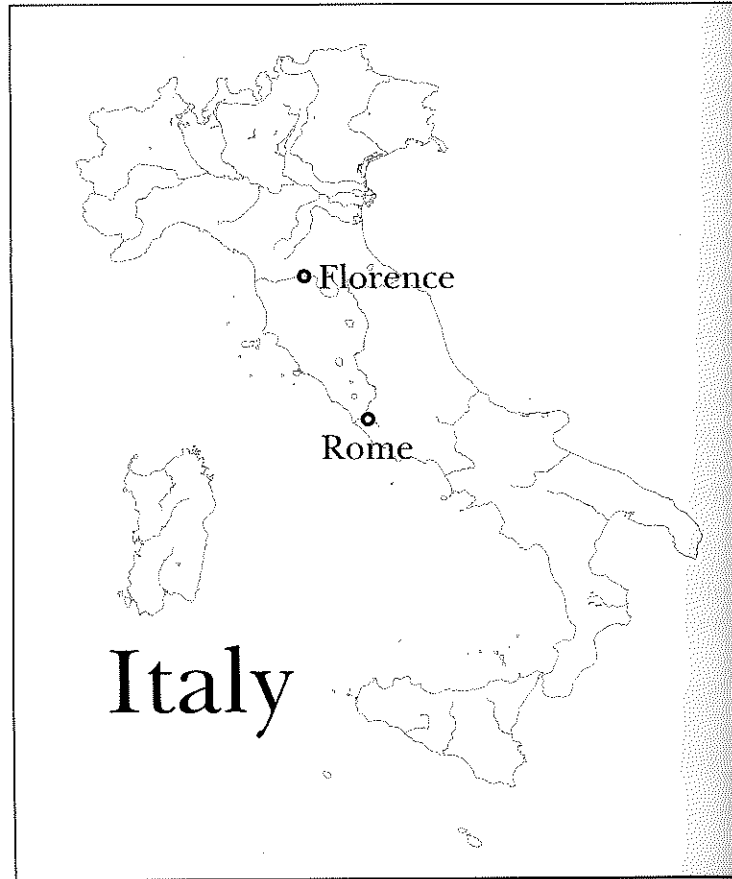
Chapter 4: ITALY

Consumer co-operatives have grown rapidly in Italy since World War II. From 1982 to 1993 the membership has doubled and sales have increased five fold. They are increasing market share and competing successfully with the chain stores. These co-operatives see involving members as good business and have long had a focus on their social objectives as well as their financial objectives.

Participatory democracy is highlighted in the social report which all local co-operatives undertake and gets reported annually. Members are not only informed on how the social objectives are being met but also in establishing performance standards for the coming year.

Membership in the European Economic Community is changing the retail environment for these co-operative as large multinational discounters move into urban areas. This is a concern for management and is being addressed by involving members and keeping membership meaningful.

Loris Ferini, Head of the Member and Consumer Department with the Italian National Association of Consumers' Co-operatives, is responsible for coordinating membership involvement in local associations.



Italian National Association of Consumers' Co-operatives

by Loris Ferini

Current Situation

Italy has been noted for political instability and high inflation for many years. By the 1990s the changes in wage indexation and the remarkable improvement in labour productivity brought inflation down. Economic growth exceeded that of Germany and France, and the size of Italy's economy had surpassed that of the UK. By some calculations, it is now the fifth largest capitalist economy, behind the U.S., Japan, Germany and France.

There are also problems. The budget deficit is large and exceeds GNP. In the Spring of 1992 the entire country saw an explosion of problems relating to corruption, involving many political parties and many corporations. This was a source of uncertainty. But out of this has emerged a positive demand, that of abolishing the current institutional organisation. Italy is experiencing the transition from the first to the second republic.

The population is looking forward to electoral reforms and highly significant institution reforms. A third factor in this uncertainty is the development of new formations, new political movements mainly occurring within the right wing.

These three factors make up the social, political and economic reality of Italy which is currently in a very precarious situation. This situation is obviously causing a loss of confidence on the part of contractors and businessmen, the economic subjects, and directly the consumers as well as the savers.

In the period, May 1992 to May 1993, Italy recorded a loss of industrial production of 4 1/2%. There was a loss of

jobs of 2% which meant that 380,000 people dropped out of the labour market. The cost of durable goods to households fell by 21% in the period in question and the cost of food only increased by 0,3%. The unemployment rate reached 10.8%.

"Nonetheless, Italy remains a visibly prosperous country with almost two-thirds of the adult population owning their homes and one Italian family in four has a second home. If the production of goods and services of the famous Italian submerged economy were included in the official economic figures, an estimated 10% to 30% would have to be added to the national wealth. This makes Italy's double-digit unemployment figures less serious politically than in many other Western European nations. Dependence upon oil and raw material imports is excessive. Italy has almost no domestic energy sources. Government plans to expand nuclear power production were dealt a severe blow in a 1987 referendum vote which stopped the building of atomic power stations. 80% of energy used must be imported, twice the Western European average. In spite of its large trade deficit and the fact that it produces only 80% of its food, Italy does have impressive trade successes in clothing shoes and mechanical goods: 90% of exports are manufactures, over 50% of trade is with EC partners" (PC Globe, Mapfacts).

Against this background of recession, how are consumers reacting and what is the situation with regard to food consumption? In the first six months of 1993, all operators in the sector constantly sought to cut costs. There has been a widespread distribution of products ranging from various different costs, and, for the first time in Italy, of the hard-discount method. Until recently, hard discounts could only be found in our economy in small, insignificant, and unpredictable areas along the distribution chain, but from the beginning of this year it has gained a 2% market share. These selling methods can be found among European operators, particularly the German and French operators, and a major development of this method is being planned.

The commercial sector as a whole is therefore experiencing a situation characterised by a considerable drop in consumption, a reduction in income throughout the sector, and a loss of jobs. Many companies, particularly small and

family-run companies are being squeezed out of the commercial sector.

But there is growth in modern distribution and its selling methods, supermarkets and hypermarkets.

The cooperative movement has changed dramatically since the 1970s. The number of cooperative societies, has reduced from 645 to 330 indicating a process of concentration of cooperative societies. There has also been a reduction in sales outlets, from 1,700 in 1978 to 1150 in 1993, and here too a reduction in absolute terms in the sense that many small sales outlets have been lost and major outlets have taken their place. Total sales increased from 739 billion lire in 1978, to almost 10,000 billion lire in 1993. The sales area has more than doubled in the same period, from 300,000 square meters, to 661,000 square meters. The number of employees has increased from 11,000 in 1978 to over 30,000 in 1993, and the number of members has increased from 793,000 in 1978 to almost 2.800.000 at the end of 1993.

Another consideration: The coop's share of total commercial activities is currently 5.7% in the food sector as is its market share. Its share of total food and non-food consumption is 2%. This is not, therefore, a market share of European dimensions such as that found in other European countries. However, it is the group which has the largest market share in Italy. If we now consider only modern distribution, i.e., the commercial distribution relating to the supermarkets, with over 400 square meters of sales area, the coop market share is in this case 15%.

By analysing the size of our companies, we see that out of a total of 330 companies, 25 produce the overwhelming majority of the business, with 549 sales outlets, 531,000 square meters of sales area, nearly 1.240.000 members, with almost 24,000 employees and a turnover of 9,000 billion lire.

The selling method adopted by the 25 major cooperative societies is characterised by 14 hypermarkets having an average sales area of 5,600 square meters. Then there are 119 integrated (food and non-food) supermarkets with an average sales area of 1,600 square meters and 229 only food supermarkets with an area of 793 square meters. These are

the average sizes in our modern structure.

To give an idea of what we mean by major cooperatives, in descending order of size: Unicoop Firenze with a turnover of 1,227 billion lire in 1993, a growth of 10,2% in 1992 and 377.000 members; Coop Estense covering the area of Modena and Ferrara, with a turnover of 958 billion lire, a growth of 6,9% during 1990 and 197.000 members; Coop Emilia Veneto, covering the area of Bologna and the Veneto region, with a turnover of 973 billion lire and 243.000 members, Coop Toscana-Lazio, Novacoop, Coop Liguria and other cooperatives in descending order of size.

What are the trends in Italian distribution? A drop is expected in the absolute number of food shops, with a growth in supermarkets, and a substantial growth in hypermarkets, from 101 in 1992 to 148 in 1995: the coop forecasts for the period from 1993 to 1995 is of an increase of 8 hypermarkets in 1994 and additional eight for the 1995-1996 period. All sales structures will have sales areas of over 3,000 square meters. The integrated supermarkets (food and non-food) will grow by eight units in 1994, while the food supermarkets will grow by four units.

We have thus examined the political and institutional situation in this country, the economic dimension of the commercial sector, and the presence of coop. We shall now look at the coops' social policy.

Innovating Participatory Democracy

Innovation of Members' Activities and Management Participation Based on Participatory Democracy

Understanding the Needs of Members and the Role of the Coop

The Cooperatives' social role that clearly emerges among consumers from their charter is based on constitutional principles which favour the communities of users particularly in the cooperative form recognising the high social function (former articles 43 and 45) of the Italian constitution which establishes the protection of the right to the health of citizens (former article 32); on the community principles

of the European Union with respect to the protection of consumers; on the provisions of the new national cooperative law (Law 59/92).

The reason for Coop's existence coincides with its objectives that are represented by its mission. For Coop, the enterprise is a means through which such objectives may be reached. Coop's social role is expressed through the realisation of these objectives which have been formulated as follows:

- to represent the interests and values of the members and guarantee democratic participation in the cooperative life;
- to protect and represent the rights of consumers, defending economic interests, health and safety and protecting their surrounding environment;
- to offer the utmost quality and the best service at the lowest possible market cost;
- to favour the formation of a critical awareness that is careful in protecting the consumer;
- to contribute toward the development of consumer cooperation through innovation and modernisation of sales networks;
- to establish itself as the most qualified sales organisation for its high quality structures and excellent consumer service;
- to qualify the professional level of its personnel to improve consumer service; and
- to finalise accumulation for reinvestment purposes in order to produce an increasing number of services and create new employment opportunities.

Coop has nearly three million members belonging to all the social and age groups. It is only through the proper understanding of the development of needs that Coop can legitimise its own existence and reach its objectives. Understanding the expectations of such a wide social base requires a correct classification and an adequate system that monitors the development of values, behavioural trends and

needs.

Coop analyses the consumer and classifies him according to different dimensions and tools:

- the member—the consumer as a citizen: the changing system of values, the social structure and the environment, paying attention to the emerging social needs. For this purpose, Coop carries out research activity on the Italian and European social development;
- the member—the consumer as a potential or actual client: the purchasing trends and the expected service quality are analysed based on the fact that Coop must be the leader in the relationship with the consumer;
- the consumer—as an owner member who participates or who wishes to participate in Coop's institutional and educational activities. This is the most important and complex target. In this case action is not only limited to research, but to relations and direct listening realised by the local social structures (area committees) that constantly involve the members and interpret their principal needs.

A fourth segment is also represented by the members of the representational bodies who are involved in the decision-making process and constitute the base units of the democratic and participatory structure. Consultation and involvement activity as well as all the typical institutional control activities are aimed at them and will be discussed in the following chapters. As we will see, these are nearly 7000 members who make up the active base of Coop's representation.

The principal criticism concerns the following:

- difficulty in developing participation for such a high number of members. The initiatives involve only a small minority of the social base; and
- difficulty in identifying a representational model of the social base so that the Board of Directors and the area committees truly represent the social base.

The Creation of New Fields of Activities for Members

Initiatives for Involving the Member as a Consumer

Based on the above-mentioned concepts, our most recent action has been aimed at initiatives towards the consumer member: the involvement and listening to the consumer also as a moment of confrontation, of reaching Coop's objectives regarding cost, service, quality and safety, social and civil values.

For this purpose, many cooperatives have established the "100% service satisfied" in order to increase and improve relations between Cooperatives and consumers as well as to create dialogue that allows the Cooperatives to better respond to the needs of consumers (in 1963, 5 cooperatives out of 13 had established such a service). The members and consumers have always had the possibility of returning the defective products. The new policy also includes highly innovative and competitive products. We wish to stress that this service offered to members and consumers is free of charge and only costs 0,038% of sales and instead indicates a sharp rise in participation defined as participation in the purchasing power which is different from that of any other Italian distribution chain. Coop devotes great attention to motivations, some of which legitimate, that cause the consumer to change his attitude towards purchases.

The other example of non-institutional participation is that which we have defined as the "Direct Line", or "Listening" project which we are experimenting in one of our cooperative companies. Within the context of such a method, we provide the consumer with a series of tools that range from the board on which notices and opinions are to be attached placed within the sales outlet, to the toll-free telephone number that the member or the consumer can use to call the cooperative company and express his opinion, criticism or suggestions. The Coop journal also exists that contains questionnaires on the quality of service in the sales outlets.

Furthermore, in 1993, 9 cooperatives out of the 13 major ones, conducted consultations and referendums (binding in the case of Coop Emilia Veneto) so that its members could choose those products or services to be inserted in the

list of discount and special sales initiatives reserved to members only. The participation in this type of consultation registered 30,000-member voters in Coop Emilia Veneto.

Initiatives for Involving the Member as "Owner"

In this case we have attempted to introduce a more general type of analysis of the democratic and participatory system within Coop. This represents one of the large national projects launched by Coop that is presently being defined. What has been done up to now concerns the review of the already existing systems.

Our experiments had the following objectives:

- to broaden the number of votes in the election of area councils;
- to promote the candidacy of councillors; and
- to provide a greater number of representatives from the social bodies.

Today, we have obtained the following results:

Campaign for self-candidacy: various cooperatives (Emilia Veneto in 1992 and Liguria in 1993) conducted a campaign to stimulate self-candidacy for area Representatives. These initiatives produced excellent results in terms of participation.

Voting in Sales Outlets: another highly innovative method consists in organising voting in Sales Outlets in order to give the opportunity to the greatest number of members to participate. The ballot boxes are placed for about a week in all the Sales Outlets and also in this case, results have been excellent (for example: in Coop Liguria, 22,000 members elected their own area committees).

An electoral commission: this is a social body that has the task of selecting candidates according to criteria of competency and commitment demonstrated towards social activities (i.e., volunteering, environmental protection).

Another significant experience was realised in the field of training the newly elected members. Upon their entry, the members attend a course on cooperative training based on the themes of cooperation, product quality, envi-

ronmental quality and listening to expectation.

In many cases research activity, listening initiatives, training and information provided to members are all conducted by the members of the area committees.

In certain cooperatives, aggregation initiatives were carried linked with specific interests of the members, in particular, volunteering, environmental protection, safety and consumer education.

All the above activities are integrated with the Coop's most consolidated participatory activities: activity of educating with respect to consumer products, information, advantages to members. In this field, the most significant experiences concern permanent laboratories, actual places where education is provided with regard to consumer products and whose activities are mainly directed to young people, schools and local communities.

The Participation of Members and Employees in the Decision-Making Process

Coop's Social Structure will soon be the Subject of an Institutional Reform (Tables 3-4)

Today, Coop represents the trademark of an associated cooperative system: there is a system category (GIUNTA and management where the presidents of the major cooperatives and district associations participate) and a category of single cooperatives (board of directors and area committees).

The area committees (representatives of a territory that in certain cases coincide with the sales outlets) are physically located in the sales outlets and are formed by about 10/15 members elected every three years. For some years, an attempt has been made to broaden the criteria of representation from the single sales outlet to zones or geographical areas. These criteria will be fully discussed in the reform proposal since Coop feels that it is very important to maintain a close link with the local communities without falling into an exaggerated attitude.

The area committees convene to approve the budget

and other topics of civil obligations; during the assemblies the delegates that will participate in the general assembly with a compulsory mandate are elected. In this way the vote expressed during a local assembly is binding and the areas can express their own decision-making weight. Nonetheless, the principal problem of reform is represented by the Board of Directors.

The Boards of Directors are formed by a number of members that ranges from 17 to 44 members elected every three years. The members are not part of the Board of Directors nor of the area committees. Only in one case the Presidents of the area committees are part of the Board of Directors.

However, due to the enterprise's development, to the changes in society and of the institutional structures, it is necessary to strengthen the sources of legitimation.

As already mentioned above, the new proposal for institutional reform will have to update Coop's role in economy, the principles and criteria of representation, the regulations and codes and the participatory and election systems.

An Organised Structure that Corresponds to Participatory Democracy and to a System made for Participation

The Social Organisation

The cooperatives of the Coop system are organised into areas or member sections having their own committees, in addition to the Board of Directors. In order to promote an exchange of information with the Board of Directors and the involvement of the areas, most cooperatives have created intermediate bodies formed by the presidents of the areas. Such bodies have a consultative nature and are convened for the most important decisions. The area committees have an autonomous budget for organising their local activity. One of our cooperatives (Coop Emilia Veneto) has experimented a new model that includes the presidents of the area committees in the Board of Directors. The role attributed to the areas is that of local representation, manag-

ing monitoring activity of the needs of the local societies and controlling the cooperative results. At Coop, the member assembly is articulated in separate assemblies of sections or areas. Activity aimed at developing the social base has recently been conducted also promoting membership through specific campaigns and initiatives.

The following activities have been carried out:

- campaigns on services and the material advantages of being member;
- initiatives aimed at obtaining support on common interests (i.e., environment, recycling, etc.).

Results were satisfactory in:

- the number of members is constantly increasing (at Coop, membership has a base cost of an average of Lire 40.000) even though our problem is not represented by the increase in number of members, but in the increase of members that participate;
- the number of members that are involved in initiatives is also increasing, particularly for those initiatives regarding the commercial area, but not exclusively; and
- the socio-demographic formation tends towards a greater presence of young people and women with middle-higher education.

The members of the area committees approve the draft and final budget and in some cases, the Corporate Budget.

The following initiatives have been tested in order to involve members in commercial activities:

- binding referendum to choose products on sale for members only; and
- involvement of committee members in polls taken on client satisfaction at Sales Outlets.

In addition to the monthly journal sent out to all members, many cooperatives also mail newsletters on the activities of the Board of Directors and of the management.

The Structure of Existing Control

As already mentioned, Coop is organised into areas or territorial sections that correspond to one or more stores. Until some time ago, the organisation was based on the store; today, this characteristic has been superseded in almost all the cooperatives.

Since this represents a form of enterprise whose ownership is widespread, control is articulated at the following different levels:

- much more rigorous norms with respect to those established for corporations. Cooperatives, in fact, in addition to controls envisaged for regular companies, are also subject to self-controlling their national associations with regular audits, to the supervision of the Ministry of Labour and for the medium-large cooperatives, also to the mandatory certification of budgets;
- the control of representational and assembly bodies;
- the control of members at the system's level (National Association);
- the control of the cooperative headquarters; and
- the control expressed by the organisations that interact with Coop within society and the market.

At this point the Cooperative Social Budget that our enterprises draw up annually represents a true means of control and direct participation for Coop's various different interlocutors.

Innovations achieved by the National Association include the following:

- the publication of the social budget of Coop's system and of every cooperative, a report with the results obtained in relation to the objectives of the mission; and
- national assemblies where approximately 10 to 30 delegates per cooperative participate; such assemblies are convened every 3-4 years to elaborate Coop's common multi-year policies. In 1992 an assembly was held to define the system's social policies and in March 1995 the national assembly for Coop's environmental policy

was held in Grado.

We would also like to recall that one of the objectives of the above-mentioned reform must be to favour the control capacity through various different tasks on the part of the councillors as well as a greater participation of the members in the election phases (voting at the Sales Outlets). In addition, another objective is to stimulate the interest on the part of the members through a more massive communications campaign to self-candidate themselves for the role of councillor.

Employee Participation

Coop's members are the consumer and not the employees even though the latter may choose to be members. The problem regarding employee participation regards management policies of human resources and style and Coop values regard working conditions and employment. A national Seminary was held in July 1993 with the top executives of all the cooperatives to elaborate a policy of human resources based on the entrepreneurial culture and involvement of human resources. The National Association of Consumer Cooperatives also emphasised the principal points underlying Coop's employment policy:

- sharing and transmitting values, commitment and responsibility for all;
- the management is involved in elaborating regulations and policies in coherence with the mission;
- consolidation of relations with the unions; and
- protecting occupation and professional growth;

For this purpose, the national system has undertaken several important initiatives:

- in 1992 research was conducted on the expectations and the atmosphere among the 30,000 Coop employees out of a sample of 1000 individuals;
- various inter-cooperative projects were defined among which:
- the "quality" project aimed at spreading work systems in groups to improve client service;

- the "Domino" and "Marco Polo" training projects aimed at Coop managers and professional employees at hypermarkets; and
- a new national union agreement has been reached filled with group incentives (collective and departmental production awards).

Other important feasibility projects are being also elaborated such as the project for a Coop central school and techniques to improve internal communication.

Provide Information on Objectives and on the Organisation's Results

Introduce a System of Social Controls and Social Auditing

Social responsibilities exist that Coop has assumed towards society and it is necessary to document such responsibilities. We have taken on this role during the '90s. It has taken three years, from 1990 to 1993, for this system to be introduced and adopted by the entire system. We have defined it as the "Cooperative social report or analysis". It is an instrument that provides clear and timely information on commercial activities. Furthermore, the cooperative social report provides the list of the cooperative's social activities carried out in reaching its objectives. It is a tool that accurately highlights the differences between the Cooperatives and other commercial operators.

The purpose of the cooperative social report is to be an informational tool and a means of programming and planning: in the last two or three years, our companies have programmed activities in terms of achieving their final objectives.

However, the prerequisite for developing social activities is naturally represented by the company's high profits. This is necessary, but not sufficient. It is only a precondition. The company's various different activities are run within the context of the objective of social responsibility. It is a means of communication both internally with employees and members, but above all with the outside world, with the com-

munity as a whole, consumers and the rest of the cooperative movement.

The social report is structured into sections that correspond to the different "interest holders" or stakeholders, namely, those who have particular interests and benefit from the cooperative's existence and activities:

- members,
- consumers,
- employees,
- civil society and the local community, and
- the cooperative movement.

For each of these categories, the following are drawn up:

- mission,
- policies and guidelines,
- objectives,
- results obtained,
- future objectives, and
- costs sustained.

This is obviously a plan drawn up both on descriptive and quantitative terms. For the moment, the social report is drawn up in its final version, but a draft is also being planned.

We shall now briefly analyze the contents of the 1993 social report: (Appendix 1-2)

Members

Towards the end of 1993, the members totalled 2,740.000 with an increase of 160,000 units. We are growing at a rate of 150.000/160.000 members a year with an institutional participation that is quantifiable in 1000 assemblies held by the members during the course of 1993.

There is also a social type of participation with a total of 300.000 hours of voluntary activity on themes of consumption and the environment; in 1993 such activity cost 26 billion lire.

With reference to the economic interests of members and the economic advantages for users and consumers, 40,000 members were consulted to learn their opinions regarding the special offers and discounts. Over 5 million members benefited from the discounts and the special offers reserved to members, a form of discounted prices that is promoted among members during certain periods of the year. Additionally, some of our companies also offer a refund that is proportional to the expense made during the year under the form of a re-evaluation of the capital subscribed by the members. This initiative involves more than 60% of all the Coop members of the cooperatives that practice this form of reimbursement. In 1993 all these activities offered members an economic advantage equal to 60.000 million lire.

As for social communication, that includes the publication of periodicals; in 1993 1.800.000 monthly periodicals were mailed to members together with other information bulletins for a total cost of 7.605 million lire.

Consumers

As for the activities aimed at protecting health, we principally refer to the applications of the rights established by the European Economic Market on consumer defence.

One of the principal fields of application is represented by the Coop products. There are 600 reliable quality products that succeed in competing with the products of the most well known and major brands. Since these do not involve any advertising and promotional costs, they are offered at low and competitive prices. Nonetheless, they are quality products that respect the environment and during 1993, Coop conducted more than 110.000 quality and safety tests on these products.

These activities aimed at protecting the consumer's health cost 8.072 million lire in 1993.

Furthermore, always with regard to consumers, in 1993 our cooperative companies developed various different educational and training programs that principally concerned schools and that were aimed at the young consumers. Within the context of these programs, they utilised a

series of different tools. For example, "the tool box", consisting of a kit that we sent to more than 70.000 secondary school teachers in Italy. It is based on traditional topics such as food and nutritional education as well as on other more specific subjects such as domestic accidents, information on supermarkets, etc. The classes are formed by students and teachers and are conducted at our sales outlets.

We have also created a new sector for the elderly based on research conducted to learn their opinions on cooperatives, their expectations with regard to products, services and social activities.

As far as environmental protection is concerned, we have reached an agreement with Replastic, a national consortium created for the differentiated collection of packaging materials which has led to the creation of "ecological islands" in many Coop sales outlets. These are collection points for the various different types of packaging materials that have allowed us to collect more than 25.000 tons of packaging cardboard.

Always with regard to packaging, we are drawing up a project that aims to collect materials that form secondary packaging of Coop labelled products, their recycling and the production of new packaging materials. Closing the circle means completing the cycle.

The campaign on pesticides, with which we created a document that provides evidence of our activities, during the month of July 1993 deeply involved Coop with petitions (more than 1 million) aimed at the Italian lawmakers for introducing a new law that updates our legislation in this field.

Environmental protection represents the most innovative field for Coop's activity: differentiated collection, recovering and recycling materials, education and environmental protection.

Also worth mentioning is the information activity through the consumer journal and through specific initiatives such as conferences-exhibits and seminars.

Coop has invested more than 5 billion lire for consumer education activities.

Civil Society

With regard to relations with society, we actively collaborate with various different voluntary associations, in particular with an association linked with the problems deriving from multiple sclerosis. We are also developing important collaboration projects (development activity) with various Third World countries such as Burkina Faso, Latin America, Senegal, Nigeria and Mozambique: we are also working on multi-ethnic educational projects aimed at schools and young people. In 1993 only, all the above-mentioned projects have cost 7,586 million lire.

As part of the changes that have taken place, the adoption of a social report has constituted a determining factor insofar as we realised that when members participate in the annual report approval meetings, those meetings that illustrate the year's final report, they do not participate as owners, since they are not shareholders who have invested capital in the cooperative and therefore expect a redistribution of dividends, but as users who expect qualified services.

Our objective is to draw up a single cooperative report that as such strongly emphasises the social objectives and Coop's responsibilities. As already stated, this means having administrative directors that are aware of civil and legal aspects, but that are also guided by the correct interpretation of Coop's mission and the requisites expressed by our members.

The social report project still remains open. The areas that need to be developed concern the formulation of the budget, the establishment of indexes and fixed points of reference, the access to various accounting information through an information program.

Issues Regarding Employees and Management

Top Management in the Initiatives Aimed at Promoting Human Resources and the Development of Participatory Democracy

At Coop, employees are also owners insofar as they are consumers, but they do not represent interests linked to

their occupation in the company. The development of participatory democracy and the promotion of human resources concern the values of the leading group that elaborates initiatives aimed at involvement and participation and expressing a style that is non-authoritarian and motivating.

Coop's internal organisation does not include a representation on the part of the employees, except for the traditional form of the union since it has always been believed that such a choice could conflict with the interests of the consumer members.

Today, Coop's problems can be summarised in the following points:

- need for a generational change and promoting a new managing group that brings forth more innovative projects;
- passing from a culture that is based on a steady job to a culture of many different tasks and flexibility, provided that one of Coop's fundamental values is represented by the protection and development of occupation and working conditions;
- increasing efficiency and reducing costs through increasing responsibilities of all working conditions; and
- defining tools and regulations that guarantee the expression of a participatory culture in light of our enterprises' large growth in size.

With regard to initiatives and training, we have already mentioned the most significant issues.

Partnership with members is not Coop's characteristic trait. Lately, an attempt has been made to sensitise employees towards services to consumers since most of activities for members are realised by the social structure and only a small part by the commercial one. One of the present objectives is precisely that of rendering Coop's social initiatives more visible within the Sales Outlets since they are much more evident in the medium and small sized Sales Outlets and less so in the hypermarkets. This will also necessarily involve the employees.

The Essence of being a Co-op in the New Society

The '90s have shown us that the industrialised world is drastically changing. A responsible cooperative is formed on the ethical behaviour of cooperatives.

Giorgio Vozza (1993) summarises this behaviour as follows:

"Cooperators agree on the need to return to basic concepts, to recuperate and adapt to present needs the motives and traditional elements of cooperation and their practical use. In order to succeed in this intent, organisations must devote greater attention to listening.

This "creed" does not contain anything ideological and is firmly linked to market research, to the analysis of the consumers' expectations and the new mentality emerging in this decade. The analysis conducted by cooperators, in step with that conducted by private entrepreneurs, highlights the obvious superiority of certain approaches such as employee involvement, the concept of an enterprise led by citizens, the cooperatives' social commitment, the attention towards consumers, transparency in management procedures and the personal prestige of its leaders.

All these elements perfectly comply with the nature and identity of the cooperatives that have the fortune of being characterised by values and ideals that are much appreciated today. However, this is not sufficient for being competitive and for remaining in the market.

Two fundamental criteria exist: responsibility and coherence. Our thoughts and actions must be coherent with each other. We must attempt to express ourselves in a better way: we must depart from a simple equation which is $E = R + C$ (Ethics = Responsibility + Coherence)".

Below is a list indicating the way of how this can be put into practice:

Responsibility towards members that have specific rights that must be respected: from the right of being in-

formed, to the right of participation, to the direct election of the directors of the cooperatives to which they belong.

Responsibility towards consumers to whom the cooperative must offer merchandise that is safe, of high quality and at competitive costs.

Responsibility towards employees, training and practical, that goes beyond contract guarantees in order to propose more effective forms of involvement.

Responsibility towards society, from the small community with only one cooperative sales outlet to the more complex relations in large cities; commitment to improve the quality of life for the citizens through positive action.

Responsibility towards the environment, reformulating consumer products and distribution, without polluting; but cleaning, collecting and cooperating.

Responsibility towards the institutions: a loyal confrontation without subordination or mediation between each institution and not between the private body and the public one. The latter must be reminded of its duties towards cooperation and service for the citizens.

Responsibility towards the heritage which must be accurately managed and possibly improved constantly. Part of such heritage is material, while the other part is abstract as is our reputation and the market quotas.

Responsibility towards competition with whom the cooperatives must demonstrate their superiority and uniqueness

Responsibility towards our ideals: which must not be forgotten, but put into practice and defended

Responsibility towards procedures: particularly those regarding the functioning of the Bodies, our democratic approach and the proper management of the decision-making process.

Responsibility towards the organisation: the Association, the League and the other cooperatives that must be

helped and supported in developing themselves as far as possible.

Social objectives must be formulated every three years through quantitative indicators. The annual, economic and social report can become the best tool to verify progress. At the end of the mandate it will be easy to establish whether or not the objectives set have been reached. As society changes and takes on a new shape, the organisations must become socially responsible in order to gain respect.

Table 1

Changes that occurred in the Italian consumer cooperatives from 1982 to 1993

	1982	1990	1991	1992	1993	1994
Number of Coops	593	341	338	335	330	320
Sales Outlets	1486	1162	1179	1165	1150	1165
Turnover (1)	2184	7458	8765	9733	10680	11260
Sales surface area (2)	361	566	622	656	684	723
Employees	15711	27656	28826	30179	31406	31840
Members	1.2bn	2.3bn	2.4bn	2.6bn	2.8bn	2.9bn
(1) in billions of Lire						
(2) thousands of square meters						

Table 2

Summary of the cooperative social report 1993 for the entire national Coop system

1993 SOCIAL COSTS (in millions of Lire)

MEMBERS	
Representational costs and participation	L. 26.401
Costs for economic advantages offered to members	L. 60.340
Costs for social communication	L. 7.605
Subtotal	L. 94.346
THE CONSUMER	
Costs for quality and safety	L. 8.07
Costs for consumer education and training	L. 3.649
Costs for information and research	L. 773
Costs for environmental protection	L. 1.057
Subtotal	L. 13.551
PERSONNEL	
Cooperative and professional training costs	L. 13.740
Subtotal	L. 13.740
CIVIL SOCIETY	
Costs for supporting research for multiple sclerosis	L. 4.000
Costs for social and civil solidarity and for territorial cultural development	L. 3.182
Costs for developing countries	L. 404
Subtotal	L. 7.586
THE COOPERATIVE MOVEMENT	
Funds intended for indivisible reserves	L. 424.462
Cooperative development and promotion fund	L. 13.491
Subtotal	L. 437.953
Subtotal items 1-4	<u>L. 129.223</u>
Subtotal item 5	<u>L. 437.953</u>
GENERAL TOTAL	<u>L. 567.176</u>

Table 3
Summary of guidelines for Coop changes

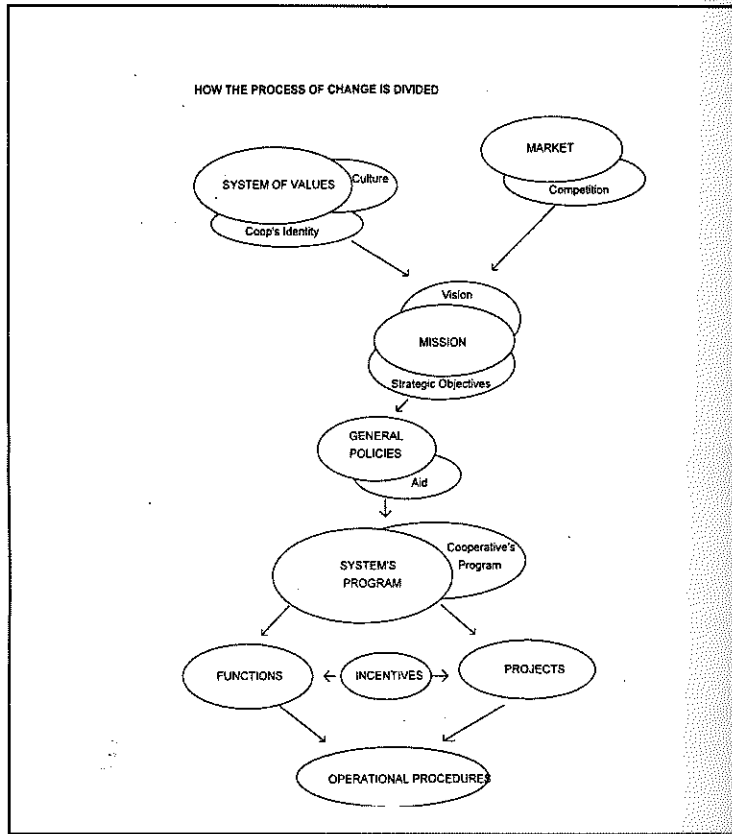


Table 4
Summary of national projects for Coop changes

The Scheme of Policies and Projects

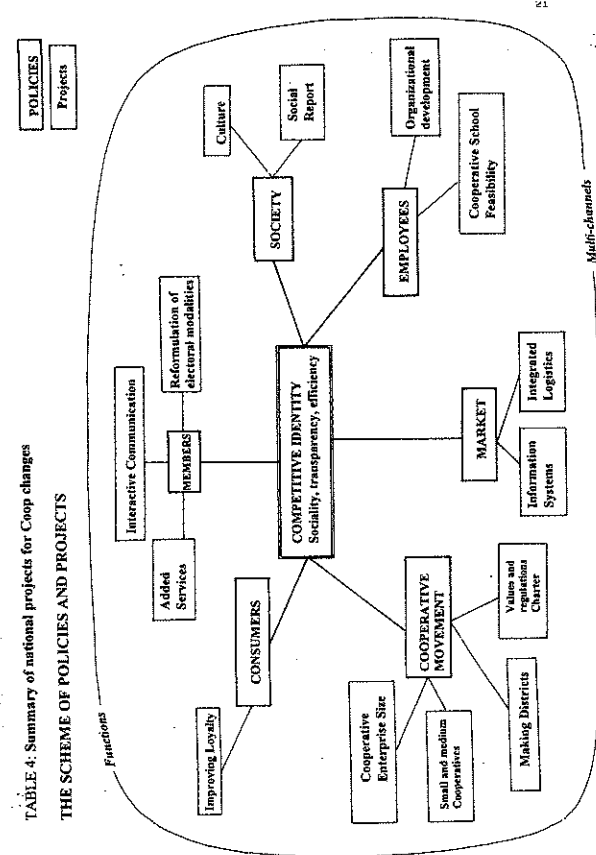


TABLE 4: Summary of national projects for Coop changes
THE SCHEME OF POLICIES AND PROJECTS



Chapter 5: CANADA

Co-operatives began and gained strength in North America amongst farmers. The Consumer co-operative movement made inroads into the urban market place in the 1950s but most have fallen by the wayside with the onslaught of large shopping malls and the current trend to discount chains. Atlantic Canada (most Eastern provinces) is an exception. This has long been a depressed region in Canada with high unemployment rates.

Co-operatives took root during the 1930s with the Antigonish movement and food co-operatives are now dominant in the Co-op Atlantic federation. They have over 20% of the food market, are continuing to form new co-operative associations, increase market share and are doing it in a different way than sister movements around the world.

The direct charge model is important in urban centres and each store is a co-operative association with a separate Board of Directors and its own membership activity. They also practice co-operation between co-operatives at the local level where the consumer co-operatives have provided leadership in developing local Co-operative Development Councils which stimulate activities to address local needs and improve the local quality of life.

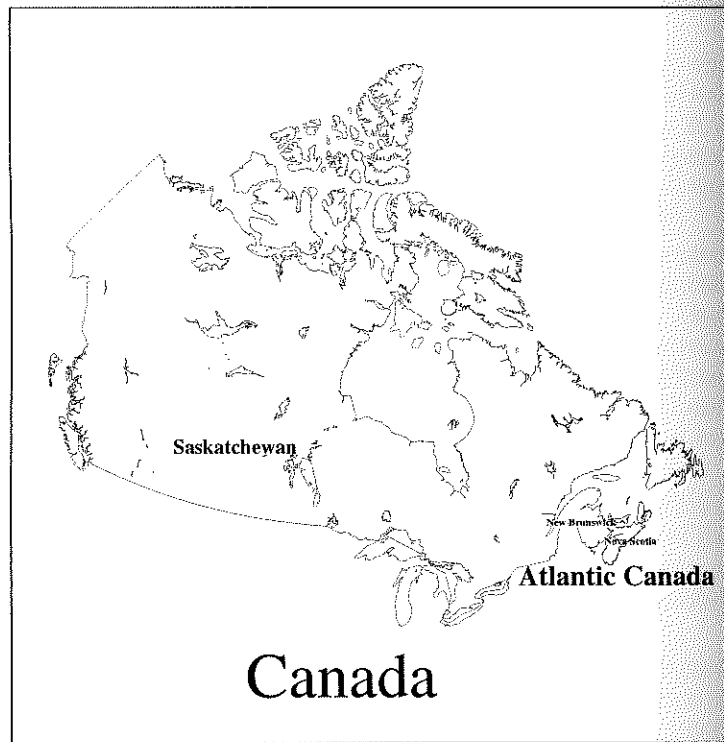
The largest consumer co-operative in North America is Calgary Co-operative Association which has over 30% of the food market share in the city of Calgary, operates 14 shopping centres and has a long history of involving member volunteers.

The largest co-operative in Canada, Saskatchewan Wheat Pool has had a centralized management structure since its inception in 1924, and has the most extensive delegate structure to implement participatory democracy in North America, it is now under intense pressure to change as the

crisis in agriculture deepens and the need for capital has pushed it towards selling shares to nonmembers.

Dr. Leslie Brown is a volunteer. She is a member on a steering committee to develop a new food co-operative and a Board member on a local credit union. She is also a Sociologist at Mount Saint Vincent University in Halifax.

Dr. Lou Hammond Ketilson is also a volunteer director in a Saskatoon health care co-op and is a Professor in the Business School and senior researcher at the Centre for the Study of Co-operatives at the University of Saskatchewan.



Co-op Atlantic

by Leslie Brown

In this case study I describe practices and initiatives in the areas of member and employee democracy in Co-op Atlantic and the consumer co-ops which are its members. These co-ops are located in the four Atlantic Provinces of Eastern Canada and in the Magdalen Islands of the Province of Quebec. The population of this region is about 2 million.

Co-op Atlantic, with head office in Moncton is a second tier co-operative which is a wholesaler of consumer goods, feed, and petroleum (See Appendix 5). In addition it is a supplier of farm inputs, and of services to member organizations (management agreements, training programs for directors and employees, member communications, planning, auditing, accounting, advertising, public relations, information systems, financial management, credit, engineering, merchandising and so on). Co-op Atlantic has livestock and poultry feed mills in four locations, and distribution centres (for groceries, produce, hardware, dry goods, petroleum, building supplies, feed and farm supplies) in three. Co-op Atlantic owns Atlantic Peoples Housing, and CA Properties (involved with the development and management of housing co-operatives, land and subdivision development, house construction, non-profit senior citizen's housing).

Co-op Atlantic ranks among the top 50 Canadian non-financial co-operatives, holding 9th place in 1992, and is listed among the top 200 businesses in Canada. It has assets of \$96 million, sales approaching half a billion dollars, and over 860 employees. Its member co-ops employ over 5000 people. Over 200,000 families, comprising approximately 650,000 people, own shares in the member co-ops of Co-op Atlantic. Their market share is 19% overall, higher in the vicinity of individual stores.

Current Situation

About one hundred and sixty-five (165) autonomous, locally owned co-operatives and their 216,000 member households own Co-op Atlantic. It is run by a board elected from and by its member co-ops. Sixty of the member co-ops (36%) are conventional consumer co-ops, retail grocery and general merchandise stores in which anyone can shop but only shareholders can vote, run for office, serve on committees, and so on. Thirty co-ops (18% of the membership) are direct charge consumer co-ops, retail grocery and general merchandise stores in which only shareholders can shop. Nineteen co-ops (12%) are multipurpose, with most of these involving retail functions. The remaining 56 members include agricultural societies, agricultural co-ops, buying clubs, regional, fishing, and publishing co-ops. Seventy-two of the member co-ops currently have management agreement contracts with Co-op Atlantic, and most direct charge co-ops are under management agreement.

Since 1988 there have been 7 new incorporations, 35 expansions, and 4 new stores built for existing member owners. While co-ops have closed over this period (one direct charge and four conventional co-ops in Nova Scotia alone), Co-op Atlantic has usually been able to avert closure by working closely with co-ops which are having trouble to help them get back on their feet. In fact, out of 30 direct charge co-ops formed over the past 15 years, only 3 have failed—a record far better than the failure rate of the private sector where 8 out of 10 small businesses fail in the first five years.

Co-op Atlantic operates within five provincial jurisdictions, across large geographic distances, in an area which is sparsely populated, in two time zones, and in two languages. Co-op Atlantic has to be sensitive to strong local identities and sensitivities, and has to cope within the North American Free Trade Agreement and a historically weak regional economy.

Since the late 1980s Co-op Atlantic has undertaken several initiatives which have moved the organization and its members in new directions and sparked renewed commitment to enhancing democratic participation by members and employees, as well as renewed involvement on the part of

members. In 1988, after studying various reports including a commissioned study by an economist on the effects of free trade on the co-op system, the Co-op Atlantic Board of Directors put forward a resolution to the AGM. This resolution, which was passed by the delegate body, opposed the proposed Canada-U.S. Free Trade Agreement and authorized the Board to lobby against it. At the 1989 AGM a resolution opposing the Goods and Services Tax passed. Although both the Free Trade Agreement and the GST were enacted, it is significant that for two years in a row the delegates had supported "political" motions which traditionally would not have been considered the realm of Co-op Atlantic.

During these years the Board of Directors and several among the senior management came to the conclusion that the co-op sector is approaching a crisis. The nature of the global economy, economic restructuring, Atlantic Canada's "dependent" economy, the consumerist ethos, and the disjointedness of the "movement for co-operation" were and are seen to bode ill for the future. On the other hand, the unwillingness of Canada's national and provincial governments to do anything about regional inequalities or to promote and protect the Canadian economy create a vacuum into which co-ops may be able to step.

In 1990 the Board of Directors again went to the AGM with a resolution. This time they were seeking agreement with the creation of a committee to study Co-op Atlantic's vision and mission statement with a view to making any needed revisions. This was part of a larger objective—to reconsider co-operative ideals, and Co-op Atlantic's co-operative ideals in particular, in the contemporary era. The delegates passed the resolution and in 1991 the committee returned to the AGM (after much consultation and promotion throughout the member co-ops) with Resolution 11: A Proposal for Renewal. (Appendix 1) This too passed handily.

The reaffirmed vision statement and the revised mission statement of Co-op Atlantic read as follows:

VISION

We share a vision of people working together to achieve our potential; to improve our social and economic well-being; and to produce and consume what we need through institutions that root social and economic power in community organizations. We recognize the interdependence of persons and organizations, and the need for effective and responsive links. We pursue our vision through co-operatives - organizations based on fairness, equality and mutual self-help.

MISSION

(adopted at the 1991 Annual General Meeting)

We will extend co-operative values to all parts and sectors of our society and economy through the creation of an interdependent network of co-operative enterprises whose operations gain their vitality and business strength through the innovative application of co-operative values and principles.

At the same time as they voted on these revisions delegates at the AGM voted to accept an initial action plan. Resolution 11 offers proposals for renewal in six areas: integrated co-operative development, facilitating co-operative development, capital formation, stakeholder control, responsibility to the environment, and communication/education. (See Appendix 1) This initiative is far-reaching in the changes it suggests for Co-op Atlantic and its member co-ops, including as it does the concern for developing stronger linkages with other forms of co-ops, the promotion and facilitation of worker co-ops as well as consumer co-ops in local communities, developing an environmental program, significantly altering management styles, and incorporating employees as owners of local co-ops.

The documentation underlying Initiatives for Renewal (IFR) is clearly rooted in particular economic, political and sociological theories about development and underdevelopment, and the impacts of free trade in a dependent economy such as Canada's. Throughout, the critique is sustained by a focus on the co-op commitment to an economy which serves

people, in which people have some control over their own destiny. Proponents of the IFR portray co-ops as integral to the social and economic fabric of Atlantic Canadian Communities, and as a key factor in community economic development. The bedrock on which these initiatives rest is the active participation of members and employees, considered as two main stakeholders. Issues of democracy are seen to be at the heart of Co-op Atlantic's future, as a business and as a movement.

In this report I offer a synopsis of participation by members and employees in Co-op Atlantic and in its member co-ops, both direct charge and conventional co-ops. My information comes from previous research I have done on consumer co-ops in Nova Scotia, recent interviews with Co-op Atlantic management and board members, documents, observations at Co-op Atlantic's 1994 AGM, and my experiences dealing with Co-op Atlantic while I was Chair of the Steering Committee of the Sackville Direct Charge Co-op Project.

Innovation of Members' Activities and Management Participation based on Participatory Democracy

The Needs of Members and the Role of the Co-op

Co-op Atlantic and its member co-ops are trying to respond to the need of member organizations and individuals for a continued healthy co-op sector, and to the members' needs for a secure living for their families. Initiatives for Renewal is seen by its proponents as a way for consumer co-ops to respond to these needs and, in fact, as the only way that the consumer co-op sector has a chance to survive in the long run.

While some view the IFR as a threat and a diversion of resources, others see it as the culmination of the last ten years of efforts to identify and debate the key issues facing co-ops in Atlantic Canada. These issues include: the need to clearly articulate the key components of the co-op alternative, the dangers and potentials of Free Trade and economic restructuring for Atlantic Canada and the co-ops, problems of capital formation, environmental degradation, lack of interde-

pendence and co-operation among co-operatives, the need to regenerate commitment to a rejuvenated co-op philosophy, and participation in co-operatives appropriate to the present era.

An ongoing challenge, though, is to make IFR a participatory process rather than a top-down one, and to draw both members and employees into it in a participatory way. One commentator suggests that the IFR is often seen to be an initiative of the board members and key management personnel, who then took steps to disseminate information, help people understand the rationale behind the initiatives, and consider the implications for the co-op system. Though overwhelmingly supported by AGM delegates, the IFR is less well understood at the level of local co-ops.

The Creation of New Fields for Members' Activities

New or rejuvenated fields for member activities include: lobbying in preparation for the AGM, initiatives from autonomous co-ops either alone or as a group (within zone, or category of co-op—direct charge or conventional), member relations sessions in each of the zones or areas where co-ops are located, member relations committees and programs within each co-op, co-op newsletters, local co-operative development councils.

Lobbying in Preparation for the AGM

When asked for recent examples of member co-ops pushing for an innovative idea (other than IFR) most respondents chose as an example the Newfoundland produce warehouse. Co-ops in Newfoundland proposed a Co-op Atlantic produce warehouse for Newfoundland (first to Co-op Atlantic managers and Board, and then to an AGM). Although supported by the delegates at the AGM, Co-op Atlantic managers and board turned down the idea because they believed that it would not be economically viable and so would harm Co-op Atlantic. They reported this at the next AGM.

After a year or so of lobbying among other co-ops the Newfoundland co-ops again presented a resolution instructing the board to set up a produce warehouse in Newfoundland. It was passed by a strong majority, and the Board of

Co-op Atlantic did not feel that they could refuse to go along with the resolution. The warehouse opened in 1993 and has surprised board and management personnel by not being a drain on the system.¹ Some seem quite pleased by this turn of events, to be "proved wrong" by a group of dedicated co-ops who really did their homework was seen as a positive experience. They also believe that the effort extended to obtain the produce warehouse probably has contributed to whatever success it achieves.

At the same time, there is some concern that the initiatives of autonomous co-ops can drain the resources of the system. For example, a co-op (or a group of co-ops) can run itself into the ground and be bailed out by Co-op Atlantic even if along the way it consistently ignored warnings and advice from Co-op Atlantic. The reasons for the bailout are not hard to understand—the well publicized failure of a co-op store, resulting in losses to members, would severely damage the co-op system as a whole. While no respondents advocate abolishing the federated system, one suggested the introduction of contracts between the individual co-ops and Co-op Atlantic to make clearer the reciprocal obligations.

Initiatives from Autonomous Co-ops

Co-ops also exercise initiative in identifying issues and problems which the Co-op Atlantic system needs to address. For example, several direct charge co-ops are concerned about the change in their demographics (more "empty nesters", fewer young families) and the difficulty they have attracting young people and less well to do families. At the request of these co-ops, Co-op Atlantic organized meetings in the fall of 1994 where the focus was on the difficulties and opportunities facing direct charge co-ops. These discussions specifically embraced key direct charge issues such as the service fee.

Member Relations Sessions

To help generate and disseminate innovative ideas, Co-op Atlantic's Member Relations Department convenes member relations sessions to which stores in a particular geographic area are invited. At these sessions the co-ops and the field workers talk about concrete examples of successes

and failures in member relations activities. These sessions supplement the more informal channels of communication and the information shared during routine visits from field workers.

Member Relations Committees and Programs in each Co-op

Over the past few years the Member Relations Department of Co-op Atlantic has spent time with each member co-op, encouraging each co-op to form member relations committees, and to develop a member relations program. This has been very successful and has the spin-off that the member relations committee helps bring in volunteers and acts as an incubator of potential board members. Field workers from the member relations department do training sessions with member relations committees and help them develop programs which have five elements: planning and administration, membership analysis, recruitment, communications, and events/programs/activities. About 90 co-ops also have a paid staff person responsible for member relations.

Co-op Newsletters

Prior to the emphasis on developing member relations programs, Co-op Atlantic began producing newsletters for individual co-ops. Each co-op develops its own copy, supplemented by articles provided by Co-op Atlantic. The format (headings, etc.) of each newsletter is the same. Now that member relations programs are being promoted, newsletters are being advocated as part of such a program and individual co-ops are being encouraged to become more involved in providing copy for their newsletters.

Co-op Atlantic also helps fund the independent regional newspaper *The Atlantic Co-operator*. This newspaper prints co-op news articles, writes (often) controversial editorials, encourages readers to air opinions, has several columnists who raise issues for discussion, and generally informs and stimulates.

Miscellaneous

On a smaller scale, individual co-ops are always experimenting with new ideas, and seeking help from Co-op At-

lantic where appropriate. Co-op Atlantic tries to respond quickly to initiatives from local co-ops. For example, one co-op noted that complaints about general merchandise, especially family fashions, were increasing. After doing its own preliminary survey the co-op contacted Co-op Atlantic to ask how to better understand what the problems were and how to address them. Member Relations developed some suggestions, including the convening of invited members in the offending section of the store after hours. These suggestions were amended to the satisfaction of the participants and then implemented. The results were very satisfactory, and the techniques used are now being promoted more widely in the system.

Local Co-op Development Councils

An area which offers new opportunities for volunteer participation is that of the local co-operative development councils. About 14 of such councils exist in Atlantic Canada, 3 of which predated the IFR, which does advocate such councils. The councils are formed by local co-ops, local credit unions and other forms of co-ops. These councils can draw upon Co-op Atlantic's IFR manager for help. This manager, the only staff person assigned exclusive responsibility for IFR, either helps himself or refers them to other areas of Co-op Atlantic.

There are several councils among the 14 which are quite active. One of the longest lived, most successful and experienced is Le Conseil de la coopération de l'île de Prince Edouard. Another is located in Saint John, New Brunswick, and is more directly a response to the IFR. It also lacks the context of isolation and ethnic solidarity that is said to favour co-op councils in the Acadian (French) parts of the region thus showing that councils are possible even where such factors do not play a part.

Five years ago, responding to enthusiasm generated at a Topsyhee Conference² the managers of the co-ops and credit unions in Saint John founded the Fundy Co-op Council. Primarily interested in joint ventures such as marketing, the council succeeded in mounting some campaigns, sponsoring local community events, and so on. When the recession

caught up with the co-ops in the early 1990s, commitment to the council waned. However, after the passage of Resolution 11 at Co-op Atlantic the Council was re-energized, and expanded to include board members as well as managers or other staff from the member organizations. By 1994 the membership had expanded to 12 (4 co-ops, 2 credit unions, housing co-ops, wood producer co-op, funeral co-op, restaurant co-op, taxi co-op).

Earlier this year, the council incorporated as the Fundy Development Co-op Limited, with the current President being the General Manager of one of the local credit unions. Shares are \$10 per member. Until now a strictly volunteer operation, the increased workload has led to a decision to try to raise funds to hire someone to manage the co-op. Twenty-five to thirty people now attend monthly meetings, and there are several projects on the go.

The Fundy Development Co-op helps groups form co-ops, and is able to help people draw on the resources and expertise of the member organizations, Co-op Atlantic (under its Initiatives for Renewal program), various unions, and other sources. These organizations provide advice, help in developing business plans, etc. Loans are provided through the credit unions, according to normal commercial loan criteria.

In the case of the new funeral co-op various co-ops and individuals have signed guarantees for lines of credit. Nine individuals have guaranteed \$30,000 and 6 co-ops (2 credit unions + 4 co-op stores) have guaranteed \$30,000 each. The restaurant is a workers co-op formed by New Canadians from Guatemala, who had no money but found people to sign guarantees for \$2,800 each. The Canadian Red Cross and a local restaurant workers' union helped this group too. The taxi co-op (still in the planning stages) is also a workers' co-op, with each member contributing \$5,000.

Members of the Fundy Development Co-op enthusiastically support the concept. They feel that over the past few years they have broken down barriers between existing co-ops, heightened awareness of and support for the co-op sector in the St. John area, and helped people take charge of

their own lives. Involving the emerging co-ops as members of the development co-op keeps them in touch with a supportive milieu, and is expected to enhance their chances of survival.

While funding is still a problem, the supportive networks and steady stream of innovative ideas are encouraging to all. Members feel, too, that the high concentration of co-ops in the area has been a help, because the concept is not foreign to local community residents. A few successes will help solidify the council, it is believed. Successes will also generate more interest and enthusiasm on the part of regular co-op members.

The Participation of Members and Employees in Decision Making

Details of the governance structures are given below. It is important to note that informal channels of participation continue to be extremely important - activists tend to know or know of one another, and Co-op Atlantic Staff travel out to the co-ops regularly. Even the General Manager is only a phone call away. Employees do not sit on the board of Co-op Atlantic, although the General Manager and members of the senior management team attend board meetings and suggest agenda items. Local co-op boards do not include employees yet, though this is being discussed. In many co-ops employees do sit on committees. Employees have been heavily involved in the design and implementation of the ecology program mandated by the IFR.

Organizational Structures, Present and Planned, for the Facilitation of Member and Employee Participation:

Member Participation in Decision Making, Business Areas, and the Understanding of Members' Needs

The structures which are in place to involve members in Co-op Atlantic include: the zone conference, the elected Board of Directors, and the Annual Meeting. Members are also influential through their own store managers, who participate in: the retail managers' zone conference (area meetings), the managers advisory committee, managers' clinics,

department managers' meetings (see Appendix 2).

Member co-ops (co-ops which pay a membership fee of \$25) are divided geographically into 10 zones. Co-ops in each zone send delegates to meet together every fall, and again during the annual meeting. Co-op Atlantic sends an area manager to these meetings. At the fall zone conference, the representative elected to the board from that zone reports on board activities and fields questions. While this is not a decision making body members raise issues they want to see addressed, participate in workshops, and network with one another. The General Manager of Co-op Atlantic attends at least one zone conference per year.

At the Annual General Meeting co-op delegates (1 - 5 per co-op) hear reports, vote on resolutions submitted in advance by local co-ops, attend a zone meeting to elect a board member if necessary, attend workshops, and network with other co-ops. The board reviews all resolutions in advance and offers a recommendation which the delegates may or may not choose to accept.

The ten member Board of Directors meets every two months for three days at a time. The August meeting rotates among the zones and directors visit each member co-op in the zone. The board's responsibility is to determine policy and direction of the organization, to set up any necessary committees, and to supervise management.³ To varying degrees, board members also see it as their responsibility to keep in close touch with local co-ops in their zones. A board member can serve a maximum of three consecutive three-year terms before having to step off for at least a term. It is as yet rare to find more than one woman on the board of directors.

The fact that the Co-op Atlantic System is a federation of independent co-ops necessitates ongoing attention to issues of democracy and participation if legitimacy is to be maintained for Co-op Atlantic. Ongoing attention to issues related to communication, representativeness, speed and quality of decision making, building consensus, improving democratic and/or business skills, handling conflict and divergent interests is required. Member co-ops may see Co-op Atlantic

as too rigid, too unresponsive, too "in control", or too oriented toward uniformity. Co-op Atlantic personnel, in turn, may find member co-ops too unresponsive, lacking in commitment or knowledge, conservative, too protective of their independence. It is in the nature of a federal system to experience such tensions and differences in perception, and these must always be paid attention to. Indeed, when handled well such tensions can be fertile ground for innovation and healthy diversity.

At present, there is no plan to radically alter the structures for member participation in Co-op Atlantic. However, within the next two years Corporate Services hopes to present to the board an analysis of the democratic structure of Co-op Atlantic, with suggestions for change. Also, IFR offers increased opportunities for involvement in co-op activities. Not only are employees to become more involved over time, but members are asked to serve on local co-op councils, to develop more committees and other activities within their own co-ops, and so on.

Since each co-op is locally owned and operated, there is wide variation in the nature and extent of member participation in them. Each co-op determines its own inventory and suppliers, usually a managerial decision, with input from members. All co-ops have a Board of Directors (9-12 members) elected at an annual meeting. The annual meeting is conducted differently in the different co-ops, though news of successful initiatives is often disseminated through informal networks.⁴ Most co-ops have some committees, the common ones being building, finance, policy, and member relations.

In response to questions about the differences between direct charge and conventional co-ops as regards member participation, respondents were unsure.⁵ Everyone could think of examples of highly participatory co-ops of both types. Direct charge co-ops have a tendency to have better record keeping, and because they are more likely to be under management agreement they are more likely to follow initiatives suggested by Co-op Atlantic. They may be more tied into the informal information channels too. Where they have a committee structure, both types of co-ops tend to have mainly

board members serving on them. One co-op I am aware of actually passed a policy that board members could comprise no more than 40% of a committee's membership.

In general, direct charge co-ops cater to the desire to obtain immediate savings on purchases, and are believed to be more lean, efficient operations because they do not have the advertising and promotion costs that other stores do. Members of a direct charge co-op are "captive" too, in the sense that they have an economic incentive (the service charge) to do all their shopping in the co-op, and thus can be expected to come in each week. This means that they should be more easily reached than members in a conventional co-op who may shop less frequently. It is not clear that members of direct charge co-ops are more "committed" except in relation to their tendency to purchase more of their needs in their co-op. It is likely that direct charge members are more knowledgeable about the key structures and finances of their co-op too. All this has yet to be studied systematically, however.

Most co-ops under represent women among their leadership, and the direct charge co-ops under represent less affluent people among their membership. Discussion is ongoing on both these issues.

Employee Participation in Decision Making

As mentioned above, managers from local co-ops are also incorporated into Co-op Atlantic's decision making process, on the operational side. Managers meet at zone conferences (area meetings) presided over by the area manager. Representatives are elected to serve on a Management Advisory Committee which includes the general manager and the senior management group. This committee meets three times per year. Manager clinics are educational offerings which deal with topics deemed important to Co-op Atlantic or to managers themselves. Department managers also meet each year. Co-ops with management agreement contracts have even closer ties to Co-op Atlantic.

At the local co-op level, managers are free to incorporate their staff in decision making as they see fit. As mentioned

above, employees serve on committees but not on the board of directors. However, there is discussion on the issue of employee involvement, as will be seen below.

A System of Communication to Elicit Initiatives

Certainly people within the system agree that more needs to be done in this area. But some things are already being successfully implemented. The governance structures of meetings and elections provide many opportunities for formal and informal communication, as do the various managers' meetings. People come to know one another over the years and have several opportunities per year to meet.

Between meetings the main formal communication organs are *Contact*, which is sent out to co-op boards after each Co-op Atlantic board meeting, and the manager's *Bulletin* which is sent to each co-op manager. Member relations field staff regularly visit co-ops in their district, attending board meetings where possible. Also, the General Manager maintains an open door policy—any member can call or visit—and he visits the individual co-ops and attends zone meetings. At least one of the senior managers also visits local co-ops as often as possible.

Initiatives For Renewal also requires open communication channels. The IFR manager has been allocated a modest budget—about the same as the ecology program—and can draw in some of the resources of the Member Relations Department. There are plans to launch an IFR newsletter. The IFR manager sits on the board's IFR committee, a committee which also has representatives from senior management. He also meets regularly with the senior management team. He helps local development councils form and operate, upon request, but does not try to organize them himself. That must be a local initiative.

The IFR manager is also authorized to help new (usually worker) co-ops, especially those resulting from activities of the development councils, and to act as liaison with other co-op organizations. It is important that other second tier organizations such as the credit union centrals, the housing co-op federations, the worker co-op federations, and so on

support IFR. This makes more likely the creation of strong local development councils which have as members all the co-ops and credit unions in the community. A more developed infrastructure is needed—even for such basic tasks as evaluating and disseminating information about successes and failures for council members to learn from.

Local co-ops do many different things in the area of communications. Apart from annual meetings and committee work most issues related to communication (other than fliers and the like) are now being handled by member relations committees.

Training and Educating Members and Member-Leaders

Co-op Atlantic's Member Relations Department, within the Retail Development Division, centres its activities around the notion of participatory democracy and education for participation. This means facilitating member participation in Co-op Atlantic and within local co-ops. For example, this department conducts workshops on what it means to serve on a board, runs orientation workshops for first-time delegates to the AGM meeting, coordinates and helps fund director training,⁶ helps co-ops form their own member relations committees and develop their own newsletters, helps co-ops approach Co-op Atlantic on various issues, and so on. This department also promotes a "We Listen" program, conducts surveys, focus groups, consumer panel groups, prepares and disseminates reports, helps board members and staff respond to enquiries from members, and so on. A few years ago the member relations department commissioned an evaluation of the director training program and has plans to make that program more effective.

At the local co-op level training and education (e.g. new member orientation) are the responsibility of local member relations staff and committees, though Co-op Atlantic helps when requested.

Trade Union Participation in Management

While some of the member co-ops have unionized staff,

most do not. Co-op Atlantic itself deals with several unions among its employees. Trade unions are not represented in decision making bodies in the co-ops.

Social Reporting And Social Audits

As yet neither Co-op Atlantic nor the local co-ops do much by way of social reporting or auditing. As part of their work the member relations committees of individual co-ops compile information on the impact the co-op has on the community (number of jobs, members, community projects, etc.). The Corporate Services Division of Co-op Atlantic plans to develop a social audit proposal within the next year or so.

Employees and Management:

Participative Management and Employee Involvement

Relationship with Management and Employees

Within Co-op Atlantic itself there is a conventional hierarchical structure, with a chain of command.⁷ However, by the late 1980s, under the leadership of a particularly concerned President, the Board began to investigate the consistency between owner-manager-worker relationships in Co-op Atlantic and the co-op values of equity, equality, and mutual self help. Further analysis in light of co-op principles was also done. By 1989 the board had passed a directive to management to investigate a more participatory form of management. This complemented the introduction of the Dynamics of Management Program discussed below. The board also began some promotion of the idea of integrated co-ops at the local level (workers and consumers). Much of this was reflected in the IFR Resolution 11. As yet little action has been taken on these ideas, although there is considerable support within various levels of Co-op Atlantic management for the idea of more participation.

No consensus on the meaning of participatory management has developed and several of my respondents complained that they did not know what it means or that everyone uses it a different way. However, one respondent was very clear: participative management means having people

participate in the decisions that impact their area of responsibility, bringing decisions down to the lowest possible level. For that person, participative management means open communication, respect, permitting anyone at any level to voice ideas and raise issues.

Respondents generally agreed that the position taken by senior management is crucial in determining whether or not participative management will work. There is strong support within middle management for the concept, but they look to senior management to see how the concept will be received. Most local co-ops seem willing to ignore the issue, but perhaps would change their minds if Co-op Atlantic presents them with a successful model of an alternative management style.

As regards the other aspects of IFR, respondents believed that the role of the board and management in exercising leadership continues to be crucial. However, leadership from the local co-ops is also needed.

Regarding employee participation in local co-ops, no more than a handful of co-ops involve representatives of employees on the board or committees as stakeholders. On the other hand, the small size of the co-ops means that staff usually know members and board members, and vice versa, and informal communication is customary. Staff often sit on committees as resources, seldom as representatives of employees.

Few co-ops are unionized, and those that are have a distinctly uneven record of union-management relations. When asked, the personnel department of Co-op Atlantic helps co-ops learn how to bargain fairly with their unionized employees. Discussions on the role of employees continue, and as worker co-ops are becoming more common and better understood it is hoped that local co-ops will become more supportive of worker involvement. At present the co-ops which are aware of the concept of integrated co-operatives tend to be opposed or uninterested.

Employee Education and Training

Co-op Atlantic is concerned to help its employees experi-

ence the co-op difference, in part by understanding the role of the member-owner and in part by experiencing the co-op as a particularly good place to work. New employees take an orientation to co-operatives training session, but much more is learned on the job and in interaction with member co-ops and other employees. Generally, no specialized training in co-ops is expected of recruits either at the local co-op level or at Co-op Atlantic, though previous experience in co-ops is seen positively.

During the late 1980s, the personnel department of Co-op Atlantic began to revise its management training/development program. They hired some people to help develop a program which would be up-to-date and would reflect the differences between co-ops and conventional businesses. Particular attention was to be paid to the human relations side of management. As it has developed the Dynamics of Management Program, currently being offered for the first time, promotes a major cultural shift in management. In fact, one informant asserted that one of the fundamental assumptions of the manager development program is that there is a place for participative management and the whole notion of employee empowerment.

The program, especially its final module, involves vertical slices of management and supervisory personnel in discussions about the appropriate management climate for Co-op Atlantic. All management and supervisory personnel (about 200 people) are required to take these 5 modules, as are all local co-op managers who are under management agreement. Since each module is 4 days long, it is clear that Co-op Atlantic has made an enormous commitment to the program. However, if management really commits to changing management styles, they will also need training in group dynamics, conflict resolution and consensus building, and so on. Non-supervisory personnel will also need appropriate training modules.

This new management dynamics program and the Initiatives for Renewal are but two of several major organizational initiatives recently introduced by Co-op Atlantic. For the first time the co-op is doing systematic succession planning (half of senior management, including the General

Manager, will be retiring within five years) and training of potential applicants for the various positions.⁸ Also, in a year long process involving employees at all levels, Co-op Atlantic has developed a fairly elaborate employment equity policy. The ecology program is also involving many parts of the organization, and during the past year a harassment policy has been developed.

These initiatives represent major changes for the co-op, and there are some who feel that perhaps that is enough for a while. For others, these changes indicate a dynamism that they find exhilarating. Certainly it appears that internal relations are beginning to change, though no consensus exists yet on where all these changes should lead.

A Vision of Co-ops and Co-operation for the Contemporary World

As we have seen throughout this case study, many among the activists and leaders of Co-op Atlantic and its member co-ops support Initiatives for Renewal and the vision these initiatives hold out for a society in which co-ops have a strong presence. They see the world's peoples as interdependent, and they value community, empowerment, and democracy. The economy needs to be made responsive to people, not vice versa.

The general members of local co-ops, and even of the average local co-op board, probably have little awareness of IFR and its implications for transforming the way Co-op Atlantic has conceived of itself. And even among supporters, there is a difference in perception: is IFR a "project" of Co-op Atlantic, or is it at the very core of its being? If current plans go ahead for shifting responsibility for Co-operative Development Councils out of Co-op Atlantic and into another organization, will momentum still exist for other IFR issues within Co-op Atlantic and its members?

Respondents believe that for the next few years the leadership initiatives of the board and management will be crucial. Also necessary, of course, is the compiling and dissemination of success stories in each of the six areas in which renewal was proposed. An appropriate infrastructure within

Co-op Atlantic and in the larger co-op sector must also be developed.

From Co-op Atlantic's perspective, the International Project on Co-operative Democracy comes at a good time. It is stimulating to have an audience for one's efforts, and to know that there are others who are also struggling are eager to share their experiences. To survive in an era of transnational corporations and globalism, co-ops must share and help one another, and grow in their capacity to implement their own co-operative values.

Footnotes

¹ My informants disagreed about whether the warehouse is actually breaking even or not.

² The Topsyhee conference is an annual conference on contemporary issues sponsored by the Extension Department of St. Francis Xavier University, the co-op system, and the labour unions.

³ Note that board members have to make a heavy time commitment. This restricts who can actually think of serving on the board. Although a per diem is paid, to soften the blow of having to take unpaid leaves from work, many firms will not allow their employees to take that much time off during a year. And of course, to be an effective board member requires additional time commitments beyond the meetings. One board member told me that with committee work included, board work takes many hours per week.

⁴ For example, one New Brunswick co-op initiated an open 15 minute discussion at a round table over a meal. A note taker records anything the members wish to mention about their co-op, and later reports to the entire meeting. Board members stay away from these roundtables, but listen to the presentations and take away the list for consideration at board meetings. This has proved successful and at least one other co-op now does the same thing. A third co-op has 2 - 3 membership meetings during the year that are primarily social, but which incorporate this process too.

⁵ In a direct charge only members can shop. Co-op members must purchase a minimum number of shares weekly until some specified number of shares is reached. For example, \$2.00 per week until the member has \$700.00 in shares. The actual number is influenced by the size of the store (cost of the store) and the number of members. These shares can be sold back to the co-op if the member terminates membership. Members pay a further service fee, usually around \$3.50, per week towards the cost of running the co-op (light, heat, salaries, etc.). This is the "direct charge".

Instead of being indirectly charged through mark-ups on the shelves, the member sees directly what it costs to run the store, to pay for expansions, etc. The service fee is the subject of much controversy now, with less and less homogeneity in practice across co-ops. Direct charge co-ops participate in a reciprocal shopping program whereby members of any direct charge store can shop at another.

In conventional co-ops anyone can shop, and members receive a patronage rebate at the end of the year if the co-op makes a profit. Such co-ops compete more directly with other grocery stores, and must bear comparable advertising and promotion costs.

⁶ Co-op Atlantic contracts with the Atlantic Council of Co-operatives and L'Institut de Coopération Acadien for director training courses in English and French respectively.

⁷ However, respondents reported that during the recruitment process differences between Co-op Atlantic and other retailers/wholesalers are mentioned. An informal weeding out of highly traditional management types occurs when candidates are told some of the ways a co-op differs from a conventional firm, including lower salaries and less "power". Sources of satisfaction particular to co-operative forms of business may also be mentioned. Candidates withdraw if such characteristics are not attractive to them.

⁸ There are no women in senior management positions, and few are fully bilingual. The programs being put in place around succession planning and employment equity are designed to help rectify that situation in the years to come.

Appendix I A PROPOSAL FOR RENEWAL

Resolution 11, 1990 (the resolve only):

Establishment of a Committee to Examine
Co-op Atlantic's Vision Statement

...therefore, be it resolved that:

1. the Board of Directors of Co-op Atlantic establish a special Board-Management-Staff Committee to examine and deliberate on ways in which Co-op Atlantic's Vision Statement should be changed to recognize the need for Co-op Atlantic to play a key role in creating interlocking networks of co-operatives to counter the erosion of our democratic society.

2. the Board-Management-Staff Committee invite and facilitate member co-operatives and all stakeholders to participate in this examination and deliberation during the next year.

3. That the following resolution and a description of the strategy for its realization be placed before the delegates of the 1991 Annual General Meeting by the Board-Management-Staff Committee.

4. Co-op Atlantic's Mission or Vision Statement recognize that the ultimate goal of Co-op Atlantic is to create in Atlantic Canada interlocking networks of co-operatives which will contribute to counteracting the erosion of our democratic society.

Resolution 11, 1991 (complete): A Proposal for Renewal
(to be brought before the annual general meeting of Co-op Atlantic, March 22, 1991)

Whereas: The 1990 Annual Meeting of Co-op Atlantic directed a Board established committee to deliberate on changes to the vision statement of Co-op Atlantic to recognize the need for Co-op Atlantic to play a key role in creating interlocking networks of co-operatives to counter the erosion of our democratic society;

Whereas: It is essential that co-operatives in Atlantic Canada and the Magdalen Islands restructure their operations and plans to meet the challenges and threats posed by globalization and the Canada-U.S. Free Trade Deal;

Whereas: Increasing corporate mergers and acquisitions are creating huge corporations which will eventually completely

control the production, manufacture, wholesaling, distribution and retail sale of most of the goods and services which we need to live;

Whereas: Atlantic Canada and the Magdalen Islands, as a region, have become over dependent on government and large corporations over which we have no control;

Whereas: Co-operatives need to change to meet the needs of people in Atlantic Canada and the Magdalen Islands in the face of government decisions to reduce its efforts to protect people from the worst impacts of the international market place as evidenced by deregulation, cuts in spending, tax "reform", privatization, high interest rates and cuts in real income for most Canadians;

Whereas: These government policies and corporate mergers, taken together, will eventually destroy our existing co-operatives and our ability as a democratic society to exercise meaningful control over our lives and over the well-being of our families, communities and region;

Whereas: The co-operatives which own Co-op Atlantic have sales of over a billion dollars, more than 5,000 workers, assets in excess of \$300 million, and are owned by more than 168,000 families representing over 500,000 people can use their strength more effectively to meet the needs and challenges facing their member-owners;

Whereas: Common interest exists with over 250 credit unions and caisses populaires having more than 475,000 member-owners, \$1.3 billion in savings, and \$1.4 billion in assets and with co-operative insurance organizations having over 500 workers and an annual of business volume in excess of \$90 million per year; and

Whereas: The co-operative form of ownership allows people to take control of their own communities, economy and society by establishing economic institutions and structures which they control, therefore be it resolved that:

1. The existing Vision Statement of Co-op Atlantic:

"We share a vision of people working together to achieve our potential; to improve our social and economic well-being; and to produce and consume what we need through institutions that root social and economic power in community organizations. We recognize the interdependence of persons and

organizations, and the need for effective and responsive links. We pursue our vision through co-operatives—organizations based on fairness, equality and mutual self-help." be reaffirmed.

2. The Vision Statement of Co-op Atlantic be strengthened by adding the following Mission Statement:

"We will extend co-operative values to all parts and sectors of our society and economy through the creation of an interdependent network of co-operative enterprises whose operations gain their vitality and business strength through the innovative application of co-operative values and principles."

3. The Proposal for Renewal Objectives and Strategies (following) identified by the Resolution 11 Implementation Committee and approved by the Board of Directors as essential for the implementation of that Vision and Mission be accepted as the initial action plan called for in Resolution 11-1990.

PROPOSAL FOR RENEWAL OBJECTIVES AND STRATEGIES

INTEGRATED CO-OPERATIVE DEVELOPMENT

What needs to be done

- Develop interdependent co-operative structures which exercise increasing control over our economic future.

How we suggest doing it

- Recognize the reality of inter-dependencies between single interest co-ops (farmers, fishermen, retail, etc.) by creating practical business links.
- Invest capital so that it contributes to the interdependence of the co-operative network.

FACILITATING CO-OPERATIVE DEVELOPMENT

What needs to be done

- To contribute to the successful development and growth of new and existing co-operatives in all sectors of the economy.

How we suggest doing it

- Creation of local co-operative development mechanisms or councils which will identify local needs, opportunities and

priorities.

- Creation of a regional development mechanism(s) owned and controlled by the network which will provide necessary expertise and assist capital development.
- Systematic use of purchasing power of existing co-op system to expand existing co-ops and identify new opportunities.

CAPITAL FORMATION

What needs to be done

- To accumulate investment capital for the establishment and growth of the community-controlled co-operative economy and invest that capital so that it contributes to the financial health and efficiency of existing co-ops.

How we suggest doing it

- To create new investment vehicles to encourage investment by local co-operatives and members of co-operatives.
- Increase the commitment of co-op owners to the development of co-operative investment capital.
- Change the way co-operators think about the relationship between net savings, investment capital and the value of community control over investment.

STAKEHOLDER CONTROL

What needs to be done

- To create maximum stakeholder involvement, participation and commitment through ownership structure and other mechanisms which reflect the relative stake of each stakeholder and their inter-dependencies.

How we suggest doing it

- Identify key stakeholders and their stake in each of our co-operative organizations.
- Creation of ownership opportunities for all stakeholders.
- Recognize the value and necessity of having workers included as key stakeholders.
- Recognition of the value of changes to the under-representation of women as participants.
- Develop innovative linkages between key stakeholders.

RESPONSIBILITY TO THE ENVIRONMENT

What needs to be done

- To operate in harmony with the environment and contribute to its enrichment, and
- To operate in a manner which recognizes our interdepend-

ency with the natural world.

How we suggest doing it

- Systematically examine the operations of the organizations that make up our network which affect the environment with the help of people with environmental expertise.
- Development of policies, programs and projects to increase environmental awareness, improve our positive impact and minimize our negative impact on the environment.
- Lobby government for standards which would ensure that we are able to operate in an environmentally responsible manner without destroying our ability to compete.
- Base our initiatives on co-op values. (Instead of using environmental concerns to market products.)

COMMUNICATION/EDUCATION

What needs to be done

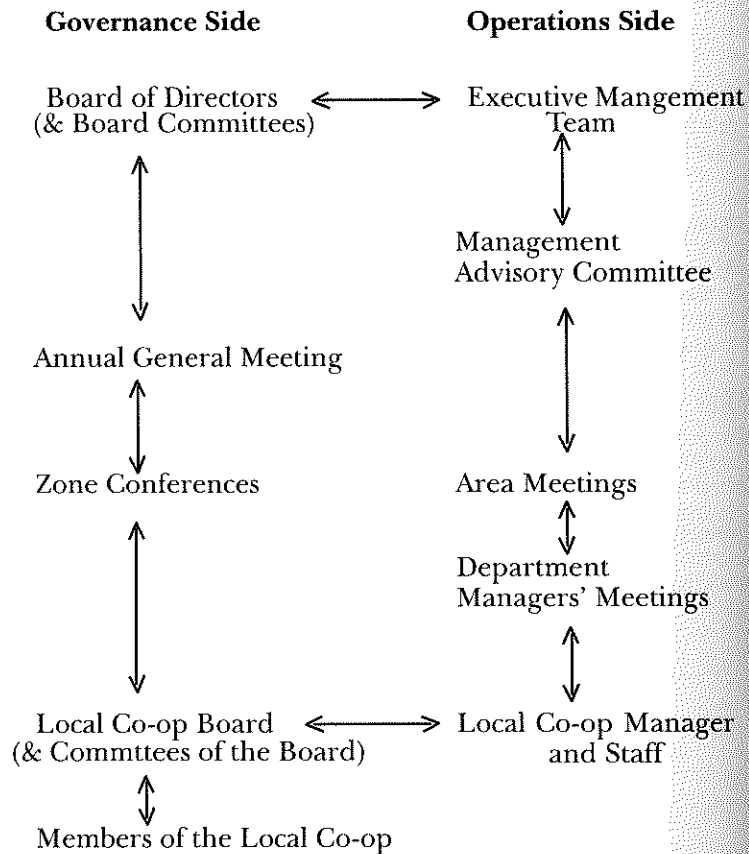
- Create an understanding among co-op members and the public of the characteristics, benefits and need for a co-operative economy and co-operative development.

How we suggest doing it

- Increasing co-operative ownership and control of a variety of communication vehicles.
- Review the democratic structure and process of the co-operatives which compose our network to create an improved democratic system which will allow informed decision making and ensure real control.

Appendix 2

Formal Structures for Participation in
Co-op Atlantic



Appendix 3

**LIST OF KEY INITIATIVES REGARDING
PARTICIPATORY DEMOCRACY**

- implementation of direct charge and conventional co-op concepts
- revisions and active reference to vision and mission statements
- Initiatives for Renewal proposals (integrated co-operative development, facilitating co-operative development, capital formation, stakeholder control, responsibility to the environment, communication/education). Actively seeking out and promoting relations with other types of co-ops.
- Structures and processes which make possible such things as innovative uses of pre-AGM lobbying, and creating common-cause co-op groups to press for action from Co-op Atlantic
- member relations sessions held regularly throughout the region; responsive member relations department
- promotion and development of member relations committees and programs for every co-op
- co-op newsletters which reflect both the wider system and the local co-op
- providing resources to help local co-operative development councils
- formal and informal mechanisms for consultation with members and employees (including the various meetings and on-site visits, the "we listen" program and the use of surveys and focus groups)
- commitment to making a federated system of independent co-ops work; operational and governance structures appropriate to a federal system
- multiple communications strategies and opportunities
- programs for training members and employees, usually developed at least partially "in house" and through a consultative process

Appendix 4

A BRIEF HISTORY OF CO-OP ATLANTIC

1927 MARITIME LIVESTOCK BOARD FOUNDED

Founded to provide livestock shipping clubs with a central of their own, and to become more independent of government

1930 CANADIAN LIVESTOCK CO-OPERATIVE (MARITIMES)

A change of name that was a precursor of major structural changes during the next two decades. The co-op restructured and branched out well beyond livestock shipping. New activities included auditing and insurance programs, grocery wholesaling, education and training programs, and so on.

1944 MARITIME CO-OP SERVICES

As the various regional centrals folded into CLC its mandate changed and expanded, and its independence from government was finalized.

1978 CO-OP ATLANTIC

When the co-ops of Newfoundland and the Magdalen Islands of Quebec joined MCS, the name was changed to reflect the new membership composition.

Appendix 5

Membership in Co-op Atlantic

TYPE OF CO-OP 1994

Conventional Consumer	60
Direct Charge Co-ops	30
Agricultural Societies	18
Agricultural Co-ops	10
Buying Clubs	5
Producer Co-ops	8
Multipurpose Co-ops	19
Regional Co-ops	5
Fishermen's Co-ops	3
Housing Co-ops	4
Publishing Co-ops	1
Worker Co-ops	0
Student Co-ops	0
Funeral Co-ops	2
	<hr/>
	165

Calgary Co-operative Association

by Lou Hammond Ketilson

Current Situation

Alberta is the westernmost of the Prairie Provinces in Canada. It is the fourth largest province in Canada and with a population of 2,545,553 is the fourth most populous, with one of the fastest growth rates. Alberta is particularly important for its fuel resources, the largest in Canada. Over 80% of all Canadian oil production and about 85% of natural gas production occur in Alberta. Petroleum-product processing is now a dominant industrial activity. In addition, Alberta contains approximately half of Canada's huge minable coal reserves. Agriculture, mining, manufacturing and petroleum production support what has traditionally been a strong economy.

Calgary is located in the southern part of the province, in the midst of ranch country, within an hour's drive of Banff, the oldest and best known of Alberta's resorts. With a population of 710,677, it is the largest city in the province, and the centre of the petroleum industry. Calgary is perhaps best known for its annual Stampede, drawing cowboys and visitors from around the world.

Calgary Co-operative Association Limited is the second largest retail co-op in North America, with over 311,700 members. It is a conventional consumer co-operative, retailing groceries, produce, hardware, dry goods, and petroleum. Calgary Co-op employs 3,525 staff¹ in 13 stores in Calgary, and one in Strathmore, located just outside Calgary. Within Canada, Calgary Co-op ranks ninth² among the top 50 Canadian non financial co-operatives, and is listed among the top 200 companies in Canada. It has assets of 139 million, holding nearly 31 percent of the local food retail market. Its primary supplier is Federated Co-operatives Lim-

ited, a co-operative wholesaler owned by its 350 plus member retails.

History

Calgary Co-op was formed in 1956 in what was then a former Alberta Co-operative Wholesale Association (A.C.W.A.) outlet. When the initial decision was made to go ahead there was a membership of 500; this grew to 1000 members by the time the co-operative had its grand opening. By the end of 1957 it boasted 2200 members. Money for inventory and fixtures was raised by selling common shares in denominations of \$25.00, and preferred shares in denominations of \$25.00 bearing 4% interest and \$100.00 bearing 4.5% interest. Shares were sold to a mixed group of rural and urban supporters. Calgary Co-op was to begin a tradition that year which would carry on until current times. That year a patronage refund was declared, and every following year in its 38 year history, with the average refund being 3%, but reaching as high as over 5%.

Within the community, Calgary Co-op saw itself acting as a "competitive yardstick". It was board policy to stay within a competitive range of prices; members of the Women's Guild did the price comparisons as a volunteer service for the store.

"The success of Co-op is hard to pinpoint, wrapped up as it is with philosophy and people and profit."³

Success over the years has been attributed to many things; depth and width of product and service line, an emphasis on customer service, and the annual payment of patronage refunds have been identified as making a significant contribution to success.

A decision was made from the beginning to go with a 'one-stop shopping' model, providing a wide range of quality services. Everything from fresh meat and produce, to in-store bakeries, deli departments, fresh seafood, flowers and grocery items can be found at the Co-op. Each store is located in a Shopping Centre. Many Centres, but not all, offer such additional services as full service pharmacy, hardware department, family fashions, fabrics and household linens, a travel agency, gas bars and auto centres, and cafeterias.

Tenets such as co-op insurance, beauty salons and barber shops broaden the service base. Co-op memberships, bus passes, and fish and game licenses, and cheque cashing are available from the co-op store customer service centre.

An emphasis on customer service has always been key. Friendly, knowledgeable staff are a result of the emphasis placed on new staff orientation and training. A Kiddie Korral (started in 1966) provides supervision for members' children during busy hours. Groceries are bagged and car carry out service is available to all. In 1958 a telephone order and home delivery service for long time members was introduced. Today the Ultimate Shopping Service (introduced September 1993) provides home shopping; members ordering by phone or fax, receive same day delivery if desired; future home computer link up is planned.

Patronage refunds have been the tradition, not the exception, in Calgary Co-op. Members like to see their money work for them; every February members receive cash and contributions to their share account in Calgary Co-op through allocation of savings. As member share investment increases, a larger portion of their allocation is paid in cash.

Current Context

Calgary Co-op went through the bulk of its expansion during the buoyant 1960s and 1970s Calgary's economic base, the oil industry, was strong and the city grew rapidly. Astute management and land acquisitions provided a sound financial base and infrastructure for the co-op. The market was such that the only major competitor was Safeway, whose higher labour costs maintained prices on average 3-4% higher than the Co-op's. Calgary Co-op, offering more services at somewhat lower prices, was hard to beat. This position of superiority was challenged in 1988 when Superstore opened its first outlet, followed rapidly by COSTCO in 1990. Their high volume, low price strategy was a severe challenge to Calgary Co-op's established market share. Another major blow was dealt when Safeway won a wage concession from its employees in 1992, enabling them to make a significant drop in prices. Almost overnight the Co-op found itself strug-

gling with labour costs well above industry average, in an intensely price competitive market. At the Calgary Co-op annual meeting held in February 1994, reporting on the year ended October 31, 1993, the Board and Management had the unpleasant task of announcing to members that the Co-op had lost money for the first time in its 38 year history. Sales of \$515.7 million (which were up slightly from 1992) resulted in a local loss of \$7.4 million; after a patronage refund from Federated Co-operatives Limited, Calgary Co-op's profit reached \$5.9 million. A 1% patronage refund on retail purchases was declared, the lowest in the history of the Co-op.

Union of Calgary Co-op Employees (previously known as the CALCO social club) is the official bargaining representative for all Calgary Co-op stores. It was formed in 1962, and serves both an economic and social function for its members. In addition to negotiating the collective agreement, it serves as an agent for arranging parties and staff get-togethers. Approximately 425 of the 3,476 staff are non unionized.

Calgary Co-op's relationship with its employees has historically been quite good and the Board has traditionally been supportive of the union. When the Co-op was first unionized, the Board at the time indicated that they were not opposed to forming a union but did not want an outside union, suggesting that the "principles of well organized unions may be similar in some respects to the principles of co-op organizations.

Stress caused by reviews and reorganization of business units in 1992 and 1993, however, caused the relationship to deteriorate. The union felt that too much change had been introduced in hierarchical, non consultative fashion. A two year contract (March 92-94) was successfully negotiated, but it was felt by some that the approach taken to the next round, where a reduction of labour costs was a primary focus, was too hard nosed.

In an effort to reduce labour costs it was proposed that employees take a major wage cut. Union executive initially agreed, but the membership rejected the proposal. The union felt that they had not been consulted sufficiently prior

to this decision being taken. A new contract was eventually worked out but not without difficulties. In the spring of 1994, the union agreed to a 8% roll back, as well as buy out provisions and changes to number of hours worked prior to qualifying for benefits.

Calgary Co-op appears to be making a recovery. In 1995 there has been an overall reduction in labour costs to under 13% of sales from 14.54% of sales. Prior to union wage concessions in 1993, initial gains were made through the elimination of 78 management positions, a five percent roll back for management and non unionized employees, and vacation entitlement reduction of one week for senior employees. More work needs to be done, since labour costs are still above the industry average of 12.5%, and well above those of the major competition with a 8% average.

Net earnings for 1994⁴ increased to \$14 million from \$6 million in 1993, although sales showed a decline for the first time in Calgary Co-op's history; \$15 million lower than 1993. The Co-op was able to declare a patronage dividend to members of 2.25% on retail purchases.

Capital formation is another significant issue faced by the Co-op. While the membership is large, the average age of the Calgary Co-op member is high. Members are allowed to withdraw all of their equity at age 65, and to continue to receive 100% of future patronage refunds in cash. A proposal was brought to the Annual Meeting in February 1995 to address the decline in equity levels. The Board proposed that members over the age of 65 be required to maintain a balance of \$300.00 in the Co-op. To facilitate their achieving this without penalizing them unduly, it was proposed they continue to receive a cash refund, but at a rate of 50% rather than 100%. Member reaction to the proposal was negative, and the proposal was tabled. Until this issue is resolved, Calgary Co-op will face a continuing decline in equity causing ongoing capital formation difficulties.

Challenges

Starting in 1992 the Co-op's Board of Directors and Management began a detailed review of the entire organi-

zation, developing a plan for Strategic Renewal, rooted in the following vision statement:

Calgary Co-operative Association Limited, Vision Statement

We will be the community's first choice—the leading retailer in our marketplace. We'll bring value to our customers and provide superior returns to our members through interdependence with our partners. We will demonstrate exemplary commitment to our community. We will be a learning organization with a dynamic, focused leadership team, where all staff are dedicated and committed to work ownership. Opening day, every day! Every member benefits.

[See Appendix A for "Desired Outcomes and Value Statements"]

A new CEO was a catalyst in this initiative launched in March of 1993. The Strategic Plan called for an examination of the viability of every unit of business, a reduction of labour costs to improve profitability, while maintaining a commitment to customer service, and member education and participation. The largest challenge facing Calgary Co-op remains returning it to the financial success it enjoyed in the past while maintaining the services that have been its trademark since formation.

The source for information provided in this case study comes from recent interviews with elected officials and management of Calgary Co-operative Association Limited, and an assortment of Association documents.

Innovation of Members' Activities and Management Participation Based on Participatory Democracy

The Needs of Members and the Role of the Co-op

Member participation in the co-operative has long been a concern of Calgary Co-op elected officials and management, although the exact nature and intensity of member participation desired has not always been what others in the co-operative movement might see as desirable. The tradition within Calgary Co-op has been to support member

participation that was educational in nature, as well as directional and policy oriented in a limited fashion. The type of member participation most intensely encouraged appears to have been consumer education and member input into decisions affecting members as consumers. Calgary Co-op has not held a tradition of advancing consumer policy issues beyond the store floor, nor has it tackled issues related to socioeconomic factors such as poverty, employment or housing. And although members would occasionally advance issues related to smoking, gender, development in other countries, and the environment, issues such as these did not receive the support of the majority of members. Low participation rates at the annual meeting and in initiatives such as the Advisory Council did prompt concern among the Board. Ongoing support for member participation in decisions affecting them as consumers has led to the trial of local Community Councils to provide input into the operations of the local Centres.

The Creation of New Fields for Member's Activities

The following provides an overview of the various ways that members are encouraged to participate in providing direction to the decision makers within the Co-op.

Volunteer Activities

Volunteers are quite central to many activities of the Co-op. A major event, the annual Seniors Day when senior members of the co-op are hosted to a day trip to one of Calgary's attraction is dependent on volunteer support. The annual Plant Exchange, stampede breakfast, the book exchange, and other initiatives, depending on the Centre, make use of volunteer labour. Volunteer contributions are recognized at an annual volunteer appreciation night. An Alumni Night for former board members and volunteers is also held annually.

Member Education

Some Co-op Centre sponsors monthly consumer courses in topics such as car care, garden care, investment options, home security. These are provided free of charge to members, and are advertised in the Co-op News. Profes-

sional consumer counsellors provide advice and answer questions on all products carried by the Co-op, also providing tested recipes and articles in the Co-op News. Co-op resources material which is included in Alberta's elementary school curriculum teaches students about co-operation and team work. Calgary Co-op has also supported the Goldeye Centre over the years, sponsoring young women and men to the co-operative leadership camps.

The Co-op News is a quarterly newsletter distributed to members and the Calgary public. It contains financial information and addresses customers' concerns. Co-op's environmental efforts are featured in the newsletter, along with travel and special event information, and volunteer opportunities.

"The consumer section in the newsletter was very much like Co-op...moderate, more inclined to cope than criticize, more inclined to educate than decide for consumers."⁵

Over the years, other educational functions were conducted through the selection of stories in the rest of the paper. For example, through the years the editors of the newsletter have included pieces from politicians who have supported co-operative principles. Internal matters like member equity, pricing policies, advertising policies, the bylaws and whether to accept the delegate system have been discussed many times.⁶

The Participation of Members in Decision Making

A variety of strategies have been tried over the years to provide a vehicle for member input into decision making. These include members's suggestion boxes, an advisory council, community councils, and neighbourhoods stores.

Members' Suggestion Box

Every store has a suggestion box. Suggestions are reviewed by Centre managers, as well as senior management.

Advisory Council

Participation in the Advisory Council, now disbanded, provided another opportunity for members to have an in-

fluence over the direction of the Calgary Co-operative Association. Formed in 1972, the mandate of the Advisory Council was formally defined as "a major step toward increasing the communications flow between the association's top leadership and the members; duties to include participation in a program of information, communication of this knowledge to other members, presentation of their own and other member's views at meetings"⁷ The Advisory Council was intended to have 100 members, but it was difficult to recruit members to the council. Its role was to be a consulting group for the board and management, where ideas, problems and possible solutions were to be fed for consideration and reaction. It was however, not successful.

Reconnecting with the Membership

Over the years the Board and members have expressed concern that Calgary Co-op was growing too large to maintain contact with its membership. And over the years the delegate system has repeatedly been examined as a model to improve the members feeling of control and contact. Various explanations have been offered for this; some feel that members have had little experience with representational structures and prefer to have direct contact; others feel that a delegate system has not been examined closely, nor has it been promoted.

A survey of the membership was conducted recently, and is intended to be a regular initiative. In addition, focus group interviews were held to confirm customer satisfaction with the new strategies set out in the 1993 Strategic Plan.

Community Councils

In the most recent strategic renewal plans, a focus on neighbourhood stores and the development of community councils is proposed as a means for reconnecting with the membership at a more local level.

The councils will serve two objectives, one for corporate citizenship and community involvement, the other to maximize service and product quality. It is hoped that they will help the local members develop a sense of pride and ownership in membership in the Centre, and in the end create a stronger, community-focused base for loyalty.

The councils are proposed to have 8-12 members, representing the diversity of the local membership. They will be co-ordinated by the Communications Department.

The councils would meet to provide feedback on new products, store layout, services provided or required, and to act as a sounding board for change. It is anticipated that the council would create an effective "presidents council" to provide feedback and grass roots and city wide input for the Board and management of Co-op. The Councils are intended to serve as focus groups to give Centres a "pulse" of their community.

Neighbourhood Stores

In the past the Co-op centres emerged not so much out of community, but because they were placed within a location around which a community grew and evolved. The neighbourhood store concept recognizes the uniqueness of community and is an attempt to target products and services specific to the demographics of the community. Coupled with a move toward leasing as opposed to purchasing land for the development of new Centres and the utilization of strategic alliances with such companies as BlockBuster Video and A&W, Calgary Co-op is making major changes to the way it organizes its Centres. This latter example recognizes the specific needs of a neighbourhood with young families which might not utilize the more traditional services provided at other more established Centres. The first neighbourhood store will open in 1995.

Public Consultation Process

In order to seek member involvement in finding a reasonable solution to the equity challenge facing Calgary Co-op, they have embarked on a public consultation process in the summer of 1995. This process is intended to educate and inform members of the impending problems with equity and to seek their input to a solution which is fair and reasonable for all. The process involves public education through Co-op News, the formation of an equity issue advisory committee for a 6-8 month term, qualitative research, and public open houses. Recommendations will flow from this process.

The Participation of Employees in Decision Making

Relations with the employee group, represented by their bargaining group UCCE, have improved since the annual meeting in early 1994, thanks to the efforts of the CEO and senior managers, with support from the Board. A number of innovative initiatives have also been introduced and seem to have been quite successful.

Survey of Employees

A survey of employees was conducted in February 1994 to assess employee morale as a result of proposed and implemented organizational change. Results indicated an average response of 3 out of 5 on all items, indicating that morale on average is not overly high, nor is it overly low. These results provide management with a benchmark to work toward improvement of Calgary Co-op's working environment.

Newsletters

The employee newsletter, *Frontline*, is published weekly, and has been in existence for three years. It contains a mix of current news regarding the success of the renewal initiatives, reports submitted by staff at various Centres, employee activities, training opportunities, committee activities such as the committee created to study waste reduction in the Centres, and most recently an important addition called Bear Pit Meetings, a question/answer column where the CEO responds to questions put to him by employees.

Employees Suggestion Program

Suggestions forwarded by staff are evaluated for their ability to provide benefit to Calgary Co-op. Award winning ideas are announced in the employee newsletter, and awarded gold, silver or bronze awards.

Town Hall Meetings

Meetings were organized in the spring of 1993 by member relations staff to launch the plan for strategic renewal and the findings of the cross functional teams who had been reviewing the operations of the Co-op. These meetings provided an opportunity for employees to hear about

planned changes and to provide input and questions for senior management.

Bear Pits

The Bear Pit meetings were started in late 1993 and continued throughout 1994. These meetings were organized specifically for staff at the various Centres to answer questions about planned changes and to receive feedback on changes already implemented. These free wheeling meetings had no agenda, with the CEO present to answer questions and respond to concerns held by employees. They have been quite successful and have contributed to improved communications between management and employees.

Organizational Structures, Present and Planned, for the Facilitation of Member and Employee Participation

Member Participation in Decision Making, Business Areas, and the Understanding of Member Needs

Governance Structures

Calgary Co-op is governed by a nine member board of directors, elected for a three year term. There is no limit on the number of terms that a member may hold on the board, and over the years a pattern of long tenure has developed. Gordon Barker, chair of the Calgary store under the Alberta Co-operative Wholesale Association, was named chair of the Calgary Co-op Board, holding that position until 1987 when he was replaced by the current president, Bruno Friesen.

The board of directors meet twice per month, and over the years have struggled to define the appropriate role for the Board vis a vis the CEO. The tendency of the Board has been to be very 'hands on', holding stronger interest in operational matters than policy. Calgary, despite its larger membership base and many stores, does not have a representative system of election of the board of directors. The issue has been raised and debated repeatedly over the years, usually appearing as a topic after a particularly low turnout at an annual meeting, but has never won favour with the membership. Board members maintain one-to-one contact

with members during "Meet Your Director" visits to all Centres, Stampede Breakfasts, and meetings with charitable organizations, as well as through letters, phone calls and informal conversations.

Two new committees have been formed in the past year reflecting the identification of a specific area of concern; an environmental committee has been formed to ensure a strong position on the environment. Progress has already been made in this area, with Deer Valley Co-op identified as the first CFC-free store in Canada. It is intended that all Calgary Co-op Centres will soon be virtually CFC-free. Auto centres have a used oil drop and freon capturing program. An education committee was also struck to explore opportunities for Directors to enhance skills through education and training.

Member Relations Committee

The Member Relations Committee (M.R.C.) is a significant committee that is not part of the Board committee structure, but does report to the Board. The M.R.C. consists of up to 14 volunteers and two Board members. The chair of the M.R.C. is one of the volunteers, and the committee functions quite independently of the Board. The Board members act in a liaison capacity only. The M.R.C. controls decisions regarding the allocation of funds from the Book and Paper Fund and newspaper recycling bins, directing donations for citizenship initiatives undertaken by local not-for-profit organizations, and provides support for the annual Seniors Day event.

"the member relations committee also initiated the perennial plant exchange in 1964 and its become a tradition now.....That's the kind of focus and style the member relations committee has taken over the years -pretty down to earth, a good balancing factor to the bigness that the business itself was experiencing."⁹

Although independent from the Board, the M.R.C. is quite central to the success of the Board, providing the primary mechanism for recruiting and orienting new Board members. Unfortunately, this independence may contribute to the recruitment of Board members with a limited

knowledge or interest in co-operatives per se, and more of a commitment to Calgary Co-op. The M.R.C. has been criticized as not being as effective as it could be in reflecting member needs. In the spring of 1995 the Board decided to put the M.R.C. on hold while its mandate and role is being reconsidered.

Annual Meetings

Through the years the annual meeting has attracted the same loyal 800-1000 members, even with a membership of over 300,000. And at the annual meetings the difference of opinion regarding what kind of a co-op Calgary Co-op should be is apparent.

In 1976 it was noted that the membership was restless,

"Co-op wasn't like what it used to be, and it wasn't like what it might be according to the original intentions of co-operatives. It was getting further and further away from the grasp and understanding of most members. At the same time, it was doing splendidly. It was the biggest contradiction in modern business, turning up success under every rock, yet sometimes leaving members out in the cold."¹⁰

Attendance at annual meetings has been an ongoing worry of the Board and management. Various strategies to increase interest have been pursued over the years, such as entertainment and food, and formal mechanisms for encouraging participation such as the Advisory Councils.

"If you aren't informed about the Co-op, its your own fault. They try. When I was on the board, I know how hard they tried. But what can you do if people won't come to the general meeting? Whose fault is that? They advertise it. They tell you to come. They give you free food. They have public relations committees and they have a bulletin board. Its the people's fault. Its just so good they don't care."¹¹

Over the years, controversy seems to have been most effective in getting members out, as witnessed at the 1974 and 1994 annual meetings. It is hoped that the develop-

ment of Community Councils and the fostering of a Neighbourhood store concept will make direct participation in Co-op affairs more meaningful and desirable for members.

Communications Department

Formerly called Member and Public Relations, this department plays an important role in communicating with the members and the general public of Calgary Co-op. In the past this department has worked closely with the voluntary Member Relations Committee, as well as with other divisions in the Co-op. They initiated the development of an employee index of satisfaction and an extensive customer survey. During 1993 they oversaw sponsorships of major community events, organized city wide food collections for the local food bank, as well as contributing mark down items from the Centres. They also oversee the awarding of bursaries to post secondary students residing in the Calgary area.

Employee Participation in Decision Making

Long tenure of senior management has also been a tradition in Calgary Co-op.

John Suits was manager of the Calgary store under A.C.W.A. and stayed on to manage Calgary Co-op until 1978. Gerry Kiehl held that position until he retired in 1993. Gene Syvenky is the current Chief Executive Officer. Despite recent difficulties, relations with the employees are improving. The membership has expressed support for the employees, and management and the Board are looking at the introduction of a gain sharing plan to further motivate employees as the Co-op goes through its transition phase.

Employee Representation on Board of Directors

Management/labour problems came to a head at the February 1994 annual meeting, resulting in representatives of labour proposing a resolution that employees be allowed representation on the board of directors. This resolution passed, and the annual meeting in February of 1995 saw employee representatives compete for a position on the board, a first for consumer co-operatives in Canada. The union representative, however, did not win the election.

Current Board members are divided about the impact this move will have on the Co-op. Some feel that it is a progressive move in keeping with trends in Europe; others feel that it will only increase management/employee tension as the employee/union representative may be placed in a position of conflict of interest. Currently there is no limit on the number of employees who can be elected to the Board.

Labour/Management Committee

To address the bad feelings caused by efforts to negotiate the most recent contract and the restructuring of the Co-op, management introduced a new structure to formalize commitment to a more consultative, collaborative style of decision making. Joint labour/management committees have been established for each Centre, consisting of the Centre manager, shop steward, and two others. The committees will meet quarterly, and will have responsibility for setting store schedules, and have a mandate to review contract provisions to facilitate ease of implementation of the Co-ops new direction.

A senior committee, made up of three management representatives and three labour representatives (union president, bargaining chair, and a member of the bargaining committee) meet monthly to review progress, discuss problems and work toward joint solutions.

Social Reporting and Social Audits

The Calgary Co-op has never implemented a formal social audit or form of social reporting other than what is reported in the annual report or the member and employee newsletters. The Board Report in the Annual Report summarizes information related to member relations and community activity. The member and employee newsletters identify initiatives with an environmental or social focus of interest to those specific constituencies.

In 1976 a video on Calgary Co-op, entitled 'The Alternative,' was produced and distributed to schools and other public service groups across North America, bringing wide spread recognition of its success as a co-op in a large urban setting.

*Employees and Management:
Participative Management, Employee Involvement*

**The Role of Top Management in the Promotion of
Human Resources and the Development of
Participatory Democracy**

Co-operatives in general and Calgary Co-op specifically, have always adhered to the principle of member participation in decision making within the co-op. Extending this principle to employees has typically been seen in consumer co-ops as a conflict of interest with member needs. This perception has contributed through the years to a double standard as it pertains to the virtues of participation in decision making.

Management style in Calgary Co-op has over the years been hierarchical in nature, although relations with the Union of Calgary Co-op Employees have been quite good. It has been suggested that this positive relationship derived in large part from the successful Co-op's ability to grant attractive wage increases on a regular basis, as well as implementing good benefit packages. Employee representation came through the bargaining process, and employees seemed to feel that their needs were being satisfactorily met.

The dramatic change in Calgary's economic and competitive retail environment in the early 1990s forced Board and management to adopt a more hard-line stance with regard to operations and labour. Substantial reviews of both were undertaken in the traditional hierarchical style. The strong reaction from employees as significant changes to operations and labour force were announced signalled to management that a move to a more open and consultative, collaborative decision making style was required in order to have all parts of their organization pulling together. This commitment to more participative decision making models has taken form in the use of cross functional teams and joint labour/management committees to undertake planning for and implementing change; the utilization of Town Hall and Bear Pit meetings to provide for more direct input and improved communication between members, employees and the Board and management; and has been formalized in

the making of employee representation on the Board of Directors a possibility.

The need for improved employee education around the issues of co-operatives as organizations has also been recognized. An orientation program for new employees will address the issues related to working within a co-operative, encouraging employees to use the 'co-opsness' of Calgary Co-op as their competitive advantage in the Calgary market. Although a general co-op orientation program for all employees has not been developed, the need for a broad approach to training for employees has also been recognized, as well as importance of team work training among managers. These programs are in the developmental stage.

Vision of Co-ops and Co-operation for the Contemporary World

Calgary Co-operative Association Limited came into being at a time when Calgary was undergoing tremendous growth and opportunity. Calgary, and Alberta in general, have historically been one of the more affluent areas of Canada. This affluence has affected the philosophy of the Boards and management of Co-op over the years.

The Co-op has been characterized as "quite right wing, small 'c' conservative, almost reactionary, and criticized for not being out front, working for better environmental controls, seeking an end to monopolies, working to build better communities seeking justice and a better world for all."¹² Rather, the authors of the 25th anniversary retrospective suggest, "Co-op quietly tends to its knitting, never entering the political realm unless it is to support free enterprise or boost Canadian made and owed over foreign owned and controlled."¹³ Co-op never formally connected with the Union movement, feeling rather that Calgary Co-op began as a store for people and should stay that way.

It would appear that the role that Calgary Co-op Board and management foresaw for co-ops at the beginning of the Co-op's history and continue to see for today is one of supplementing the market as opposed to challenging or replacing the market. The role of co-operatives is to be a watch dog and to act as a competitive yardstick for private enter-

prise. Primary responsibility for improving the plight of society lies with government.

"It is generally agreed that Calgary Co-op helps keep grocery prices competitive in Calgary. In the July 16, 1980 Calgary Herald, it was reported that Calgary had the lowest food prices of six Canadian cities...Thus all Calgarians benefit from the Calgary Co-op, not just the ones who belong and get the yearly patronage refund."¹⁴

Co-operatives do however, have a responsibility to community which co-op leaders feel is somehow more substantial than that which private enterprise sees for itself. Calgary Co-op places very high priority on donations and sponsorship within the community in general, as well as to providing significant service to its members, in particular the elderly and disadvantaged.

New Society

The vision of our changing society as described by Calgary Co-op Board members and management is one of tremendous competition among food retailers; a movement toward individualism and limited loyalty on the part of co-operative members. This creates an almost insurmountable challenge for decision makers in the Co-op. The solution is seen to reside in continuing to improve quality and quantity of service to the customer-owner, at the same time continuing to be price competitive. Patronage refunds are also seen as critical to maintaining customer and member loyalty. Sales declined immediately in the week following the announcement of a 1% refund at the 1994 annual meeting. And finally, commitment to the kinds of community and member oriented services and events that Calgary Co-op has been known for in the past has been assured.

Role of Co-op Principles

Co-op principles are considered to be important, but also a bit of an enigma, as demonstrated by the following quote taken from Calgary Co-op *The First Twenty-five Years*.¹⁵

"It almost seems the as if the co-operative principles are incidental to the whole business, as if Calgary Co-op could succeed very well without the basics worked out by the Rochdale Pioneers who started it all years ago.So the question stands...what good are the co-operative principles? Why not just run a good operation and return a yearly patronage refund? That's all many members know about anyway!"

The reason that the co-operative principles are retained and nourished and encouraged is two-fold. First, many people think they are vitally important as a human and economic way of running a business. Secondly, if Calgary Co-op ever went through a tough time, the principles of co-operation might make the difference between continuing success and failure.

"In a crunch period, if the members are faithful to us only because of the patronage refund, then we haven't done a very good educating job. They've got to understand that it is more than just a few dollars involved—it's the people that are involved and it's their protection that's involved."¹⁶

These words spoken as they were in 1981 are quite prophetic. Calgary Co-op is going through tough times and it will be a test of the Co-op to see if Co-op principles can make the difference to Calgary Co-op's survival.

Footnotes

- ¹ As of December 31, 1993.
² 1991 statistics.
³ *Calgary Co-op The First Twenty Five Years*, p. 50.
⁴ 1994 Annual Report, Calgary Co-operative Association Limited.
⁵ *Ibid.*, p.61.
⁶ *Ibid.*
⁷ *Ibid.*, p. 63.
⁸ Co-op Community Councils A Proposal, August 1994.
⁹ *Calgary Co-op The First Twenty Five Years*, p. 63.
¹⁰ *Calgary Co-op The First Twenty Five Years*, p.34.
¹¹ George Rae, quoted in *Calgary Co-op The First Twenty Five Years*, p.62.
¹² *Calgary Co-op The First Twenty-five Years*, p. 73.
¹³ *Ibid.*, p. 73.
¹⁴ *Ibid.*, p. 49.
¹⁵ *Ibid.*, p. p. 49.
¹⁶ *Ibid.*, quoting Lou Faber, p.49.

Saskatchewan Wheat Pool

by Lou Hammond Ketilson

Current Situation

Saskatchewan is located in the middle of the three prairie provinces. Since the turn of the century, local and provincial development in Saskatchewan has been largely centred around primary products. In the southern portion of the province, agriculture has been the mainstay, coupled with the development of the oil industry in the south and west, and the potash industry in the central corridor. In the north of the province development has been based largely around forestry, fishing and trapping.

With a population that fluctuates around the one million mark, the province has struggled over the years to establish alternate industry to supplement its agricultural base. Despite some progress in this direction, the state of agriculture continues to have a major impact on the overall provincial economy. Cereal grain prices, once the mainstay crop, have dropped dramatically over the past ten years. The number of farmers has decreased and the size of farms has increased. Poor revenues from cereal crops has resulted in a move by farmers to diversify into oilseeds, pulse, and more exotic crops, such as spices and canary seed. Food processing and biotechnology initiatives have occurred around the province concurrent with these diversification moves.

After ten years of depressed grain prices the provincial economy would appear to be experiencing a turnaround, with the support of improved potash sales and slightly improved grain prices. Yet Saskatchewan continues to be one of the more disadvantaged parts of Canada, with high out migration a testament to the lack of employment opportunities for young people.

History

The Saskatchewan Wheat Pool was formed in 1924. Its history is colorful, rooted as it is in the struggle of individual farmers who chose collective action to redress the imbalance in power existing in the market place in the early history of the province. With the influence of the Territorial Grain Growers Association, an educational and political organization, farmers turned to co-operatives as a means of obtaining farm supplies and gaining greater control over the marketing of their produce. In 1911 farmers launched the Saskatchewan Elevator Company with the aim of building an elevator system owned and controlled by farmers. Positive experiences with centralized selling of grain through the Canadian Wheat Board established by the government during World War I, but later disbanded, convinced farmers that this form of centralized marketing and single desk selling would provide greater benefit for all than could be achieved individually. The formation of the Saskatchewan Wheat Pool, to pool and market members' wheat was the final step in achieving this objective.

The Wheat Pool Context

The Saskatchewan Wheat Pool began as a marketing co-operative, collecting and moving its members grain from elevator point to market. Over the years the Pool has evolved from being primarily a grain marketing co-operative to providing a major supply function in farm inputs to its members, with farm inputs distributed through over twenty seven farm service centres around the province, and approximately 400 elevator points. The Pool currently holds approximately one third of the provincial farm supply market, handles and markets 40% of the cattle sold in the province, and markets 58% of the province's grain. In recent years, diversification into food processing has contributed significantly to revenues during years of poor harvests and depressed grain prices.

Saskatchewan Wheat Pool has historically been the largest co-operative and business in Saskatchewan, vying for that position in recent years with Federated Co-operatives Limited, the wholesaler for the Co-operative Wholesaling

System in western Canada. Within Canada, the Pool ranked 64th in the 1992 Financial Post 500, and is the largest agricultural co-operative. At its annual meeting in December, 1994, Saskatchewan Wheat Pool reported net earnings of \$40.4 million, fixed assets of \$651 million, and members equity of \$388 million.

The Pool's operating divisions include country services which involves both grain handling and farm supplies, terminal elevators, flour milling, and publishing the nation's largest farm weekly newspaper, the Western Producer. Over the years the Pool has also entered into strategic alliances with associated companies, with ownership arrangements varying from a 22% investment in Pound-Maker Agventures Ltd., an ethanol and feedlot venture, to 100% ownership of InfraReady Products Limited, a turn-key value added processing plant for raw cereals, legumes and oilseeds. In all the Pool has invested in a total of 23 companies, some joint ventures with other co-operatives such as XCAN Grain Pool Ltd. and Inter provincial Co-operative Limited, some with private industry, such as Robins Foods Inc. and CanAmara Foods Inc. After fifty years of operation, the Livestock Division of the Pool was central to a new business venture undertaken with Manitoba and Alberta Wheat Pools. Heartland Livestock Services, a prairie wide livestock marketing company, was formed in 1994.

Within recent years in the food and grain marketing industry, competition has increased exponentially. The rapid pace of merger and acquisition has challenged the Pool's traditional position of dominance within the province. Plans to build oilseed processing plants by international giants Arthur Daniels Midland and Cargil within the province present further challenges to Saskatchewan Wheat Pool's historical position. Nationally and internationally the Pool will have to continue to grow to sustain any kind of presence in the farm supply, food processing and grain marketing industries.

In addition to changes in the competitive environment, significant changes to the regulatory and sociocultural environment are having a major impact on the way in which the Saskatchewan Wheat Pool has traditionally run its op-

erations and served its members. Agricultural reform driven by both trade agreements and fiscal constraint, eliminated the Crow Benefit, dramatically affecting producer costs, and subsequently the Pool. Greater diversity of producers, producer needs and market segments has augmented a move to increased individual freedoms. A growing percentage, although still small in relative terms, of the producers in the province feel that their individual marketing opportunities are being impaired by centralized selling models, challenging a cornerstone principle of the Saskatchewan Wheat Pool and its policy support for the Canadian Wheat Board.

In response to these changes and in anticipation of even more, Board and management of Saskatchewan Wheat Pool concluded that two central strategies were required to move the Pool into the next century in a renewed position of strength provincially, nationally and internationally.

A new CEO in January of 1994 has been instrumental in implementing the new direction approved by the Board of Directors. Becoming more effective at the core business of grain handling through reducing costs and by increasing the flexibility with which the company was managed, was deemed essential. It was proposed that these two objectives would best be achieved through reorganization of the Country Services Division and a revised collective agreement; to strengthen the Pool's capital position, financial restructuring was deemed necessary. Both employees and members would be affected by these decisions.

Relations with the employees representative, the Grain Services Union¹, have historically been quite good. Management determined through its strategic planning process that substantial changes to the collective agreement were critical to longterm survival. During negotiation of the recent collective agreement provisions regarding contracting out were challenged and became a central issue of dispute. An agreement was not reached and a thirteen day strike ensued in September, 1994. Occurring as it did in the middle of harvest put the elevator managers in an impossible situation of wanting to serve the members during the most critical time of the year, and wanting to retain loyalty to the

union. Loyalty to the members prevailed and the work stoppage strategy was unsuccessful in the country. The strike ended in a bitter fashion and continues with a group of 400 employees suing the union. Steps have been taken by the union and management to rebuild relationships and move forward from the dispute.

In terms of capital issues facing the Pool, the Board of Directors and management of the Pool took what has become a very controversial proposal to the delegate body and membership in March of 1994. The primary source of funding for Saskatchewan Wheat Pool ventures and reinvestment in infrastructure and other aspects of the business had traditionally been members equity and debt financing. In recent years reductions in working capital and increases in debt, have impeded the Pool's ability to move quickly with investment decisions. An increased demand for payout of members equity with the average age of Pool members increasing in the future, was predicted to aggravate an already difficult situation.

The proposal was to transform Saskatchewan Wheat Pool from a solely member-owned co-operative to a co-operative offering two types of ownership. Current members would continue to have voting membership in the Pool by retaining a portion of their equity in a voting share account. Only active farmers would be allowed to purchase this type of share. A second type of non voting share would be offered to the public, with members having the opportunity to convert the balance of their current equity in the Pool to nonvoting shares, able then to be traded on the open market. This proposal was decided upon by a meeting of the delegate body in July of 1994, and was passed with the support of 80% of the delegates. A general vote of members was not required since the Pool's Act and bylaws legally gave the decision making authority to the delegate body.

Challenges

As the Pool moves into its 71st year of operation it faces two primary challenges: to convince the majority of its membership to retain their equity in the Pool rather than

selling the balance of their shares; and to continue to operate as a co-operative as it moves forward to face challenges from its competitors as a publicly traded co-operative.

*Innovation of Members' Activities and Management
Participation Based on Participatory Democracy*

The Needs of Members and the Role of the Co-op

Since its inception, Saskatchewan Wheat Pool has envisioned its role as a co-operative to be a voice for its farmer members in the formation of agricultural policy, as well as providing a marketing and supply mechanism whose objective it was and is to enhance direct economic benefit to its members. This role has been carried out through lobbying and advocacy to alter the legislative and policy environment within which its farmer members run their businesses; and through the development of a grain and livestock collection and marketing infrastructure to enhance the individual bargaining power of the farmer member through collective strategies, thus delivering to the member a greater share of the value of the end product of their farm output. A further objective of the Sask Wheat Pool has been to support the future of farming for the family farm and contribute to the viability of rural communities.

The Creation of New Fields for Member's Activities

Volunteer Activities

Volunteerism is central to the success of the Pool's democratic structure and processes. The primary entry point for volunteers is at the local committee level. Each elevator point has a local committee whose mandate it is to represent the issues of that point and community, via the delegate system, to the Board and management within the Pool. Livestock and other special interest committees also function within the Pool's committee and democratic structure. Agricultural policy issues, as well as operational matters have been the primary focus of most committees. Each committee holds an average of four meetings throughout the year. Local annual meetings traditionally held in the fall, and other

member activities provide additional opportunities for member involvement.

In addition to providing a mechanism for receiving and distributing policy and operational information to the membership, the local committees provide input and advice to delegates, the Board of Directors, and managers. This input includes product and service needs or problems, proposed positions on agriculture policy for the Pool to advance on behalf of its farmer members, cropping information and status, and concerns of a more general nature.

Local committees also provide a mechanism for recruiting delegates. Recruitment is encouraged by two programs in particular sponsored by the Member Relations Division; the Farmers for the Future Program and the Advanced Committee Leadership Program. The former is a seminar designed for farm couples to develop interpersonal, leadership and farm management skills, and to learn more about Pool operations and direction. The latter provides an opportunity for members with an interest in becoming more involved in Pool leadership to learn about the democratic structure of the Pool, and to attend a portion of the fall Annual Meeting. The local committees have also been central to delegate recruitment and to recent efforts to encourage more women and aboriginal people to participate in the Pool's democratic processes and to attend informational meetings.

In 1994, 71% of members participated in at least one of the six kinds of activities identified in the member survey; attending the local annual meeting, voting for the delegate, signing the delegate nomination form, attending other SWP meetings, attending a SWP sponsored social event, or serving on a local committee. Approximately 14% of all members serve on local committees. More than 51% of members surveyed discussed issues with a local committee member or delegate, and 89% read the member's newsletter.

Surveys of the Membership

Regular surveys of membership knowledge and attitudes has been a tradition of Saskatchewan Wheat Pool since the early 1980's. The survey instrument is quite compre-

hensive and covers topics ranging from general attitudes toward the Pool's functioning as a co-operative, opportunities for member participation, to Pool services and operations, to positions taken on a range of agricultural policy issues. Results of the survey are incorporated into the Policy and Member Services and corporate planning process.

Women's participation in the Pool has received specific attention since the early 1990's, and a separate survey of women in Pool households has been conducted in the last two surveys to increase the total number of women respondents in the membership survey. In the past two years women claiming membership in the Pool has risen from 28% to 46% of respondents. Despite the increase in membership, actual participation in Pool activities is not high, and interest in involvement remains low. It would appear that Saskatchewan Wheat Pool initiatives to increase women's participation have not yet achieved the desired results.

Member Education

Saskatchewan Wheat Pool is strongly committed to member education and development. The Pool's delegate development program, as an example, provides a variety of opportunities for delegates to participate in knowledge and skill development seminars and workshops, as well as to attend industry and co-operative conferences. The Pool is also an active supporter of the Co-operative Youth Program and 4H, encouraging local committees to sponsor youth developmental opportunities.

The Western Producer, published by the Pool is a weekly newspaper devoted to farm policy and related information, received by members and non members alike on a subscription basis. All Pool members receive a quarterly newsletter called Pool Today, which covers a wide variety of topics ranging from farm practice and policy to Pool operations. A committee newsletter, the Committee Communicator, is also published quarterly to provide committee members with Pool, industry, co-operative and policy information. In addition, the Pool also makes available to delegates and management, on a monthly basis, audio tapes covering a wide range of topics such as policy updates, marketing and commercial information, and information about educational and

other programs available to members.

The Responsible Stewardship program provides information for farmer members to examine and modify their current farming practices to improve their impact on the environment. For example, the Farm Environmental Assessment Guide, a workbook aimed at helping farmers audit their operations, was recently developed. The Guide's easy to follow process allows producers to examine current practices and conditions, identifies areas needing upgrading, and looks at issues related to health, both personal and financial.

Finally, Saskatchewan Wheat Pool, one of the founding members, provides financial contributions to the Centre for the Study of Co-operatives at the University of Saskatchewan which is dedicated to research and teaching about co-operatives.

The Participation of Members in Decision Making

Local Committees

The first point of access to participating in the Pool's decision making process is the local annual meeting, where members meet to elect representatives to the local committee, receive reports on financial and operational results, and discuss policy issues. There are typically two to four committees in a subdistrict. Committee and member meetings offer opportunities for district delegates to provide information to the membership regarding upcoming issues, as well as to gather feedback from members about issues of concern to that subdistrict. The Pool has a very clear system of representation, with each delegate having to be elected in subdistrict elections (by mail ballot) held every two years. Elections for the 8 odd numbered districts and 8 even numbered districts are held on alternating years. Once elected, district delegates elect one of their district delegate group to serve on the Board of Directors for a two year term. Through resolutions advanced at the local committee level, and delegate voting at the annual meeting held in the fall, as well as the election of delegates and directors, members exert their control over the decisions made by the Pool.

Saskatchewan Wheat Pool committee renewal is a ma-

major initiative planned for 1995. Committee focus groups revealed that members believe committees have an important role to play in the Pool's future, but that improvements are needed to make involvement and the role more interesting and meaningful to a larger number of members, in particular younger members. In addition, there is a perception on the part of members that staff and delegates do not listen well. Planned changes include looking at a local process to introduce new ideas, strengthen leadership, and generally help committees refocus. The Member Relations Division has just completed the consultation phase, will be piloting new initiatives, and if successful, hopes to have changes implemented beginning in 1995-96.

Early indications suggest that there will be a move away from local delivery point-oriented committee activity, to a regional focus in keeping with a structure adopted by the Country Services Division and their marketing teams approach. Multicommunity collaboration rather than competition is seen as a way of best using all current resources or what may be there in the future. With changes to rail lines and elevator delivery points anticipated following recent federal government changes to the Western Grain Transportation Act, services are more likely to be provided on a regional basis, so input from members will also need to have a regional orientation. This change will not undermine the work of the committees at the local level, however, as they are seen as providing important contributions in the area of customer data and responding to the unique circumstances in a specific area.

The Participation of Employees in Decision Making

Saskatchewan Wheat Pool employees do not have a formal mechanism for participating in decision making, other than through the annual planning process, which is sophisticated and consultative in nature. Efforts are being made to increasingly decentralize decision making to enhance employee productivity and job satisfaction.

Newsletters

Pool People, a quarterly newsletter, and *Beyond the*

Grapevine are two vehicles for getting information out to the employees of the Pool.

Employee Share Offering

Saskatchewan Wheat Pool management has announced an Employee Share Purchase Plan as part of the upcoming equity conversion process. The co-operative will provide employees with an incentive to purchase Class B, non-voting shares by providing an interest free loan, together with the company forgiving 25% of the share purchase cost over a five year period.

Organizational Structures, Present And Planned, for the Facilitation of Member and Employee Participation

The importance of member input into Pool operations and farm policy positions is demonstrated by the structure of the organization. The Pool has a dual reporting structure with two senior executive officers, one for the commercial divisions of the organization, one for the policy and member services divisions. The latter contains the communications, policy and economic research, and member relations divisions.

Member Participation in Decision Making, Business Areas, and the Understanding of Member Needs

Governance Structures

The Saskatchewan Wheat Pool has a very elaborate democratic system. The province is divided into 16 districts, with seven to nine delegates in each district. Resolutions from committee and member meetings are reviewed at the district level before being referred to the Provincial Resolutions Committee of Delegates which manages the resolutions process leading up to and during the Annual Meeting. A total of 134 delegates, including 16 directors met at last years annual meeting to discuss and debate Pool operations and agriculture policies. The president and two -vice presidents, all full time positions and two executive members of the Board, are elected every year. The Board of Directors normally meets monthly. (See Appendix A)

Member Relations Division

The elaborate democratic system is supported and serviced by the Member Relations Division. With a staff of twenty six SWP provides one of the most extensive support systems of any co-operative in North America.

District representatives serve as liaison with the democratic and commercial structures across the province, providing information, training and facilitation in a variety of areas. The role of the member relations division has been modified recently as a result of internal reviews. There will be an increased involvement with commercial operations as a result of the restructuring of the Country Services Division, an emphasis on team models for management, and commitment to continuous improvement in member communications and participation. As part of the team, the Member Relations representative, will act to advance the concerns of the member more directly in decisions made by CSD managers.

Annual Meeting

Saskatchewan Wheat Pool holds an eight day annual meeting attended by 134 delegates. Management undergoes intensive scrutiny by the delegates presenting their divisional reports and responding to questions. This scrutiny is extended to the CEO and Executive Director as well, who conduct what is essentially a bear pit session with the delegates. Delegates then have an opportunity to debate and vote on resolutions coming forward from the districts, providing direction to the Board and management for the oncoming year on both internal operational and external public policy issues.

The annual meeting has traditionally been an opportunity for delegates to receive a tremendous amount of information about the Pool's operations. How this tradition will be affected by the issuing of public shares is still not certain. Whether more or less information and of what type can and will be made available to the delegate body remains *an issue that must be addressed in the future.*

Another associated issue is whether the relationship of the Board with members, which is currently seen as rep-

representative, will be possible in future. How the Board is able to interact and communicate with the delegate body may be substantially modified in light of insider information regulations, and may weaken the representative nature of the current democratic system.

Social Reporting and Social Audits

Saskatchewan Wheat Pool does not conduct a formal social audit or produce a formal report of its socioeconomic impact on members and community other than what is included in the Community Activities section of the Annual Report. Within this section there is reference to 79 corporate donations, as well as contributions to the United Way. The activities of Pool elected officials and employees, the development of a Farm Assessment Guide for members to evaluate their farm's environmental impact, and support for activities with youth, such as the Adventurer's Club, the Agriculture in the Classroom program and a business education partnership with schools, are included. Saskatchewan Wheat Pool has run an institutional advertising campaign in recent years, emphasizing the importance of the family farm and rural way of life. The Pool also lends support to projects aimed at helping the hungry by using elevator points as a gathering point for donated grain for milling and shipping overseas.

Issues Concerning Employees and Management: Participative Management, Employee Involvement

The Role of Top Management in the Promotion of Human Resources and the Development of Participatory Democracy

Sustaining Saskatchewan Wheat Pool as a democratic and functioning co-operative will be one of the major challenges faced by Board and management into the future.

The recent conflict with the Grain Services Union will take time to heal. The Pool's financial restructuring may provide one means for encouraging greater employee participation of a sort through enabling employees to buy shares in the Pool. Board and management are supportive of this move as a means to motivate employees and increase com-

mitment to efficiency and productivity. Positive experiences with this strategy at Prairie Malt, an associated company of the Pool has contributed to this position of support.

Education of employees both about the Pool in general and the Pool as a co-op is a priority with Board and management. The Agriculture Business Certificate program, a correspondence program developed in co-operation with the Extension Division and the College of Commerce at the University of Saskatchewan is an example of the emphasis placed on advancing the educational opportunities of employees. A five day advanced segment of that program includes sections devoted to co-op content specifically. Overall, the Pool makes available a wide variety of development and training opportunities for employees, delivered both internally and externally.

Vision Of Co-ops and Co-Operation for the Contemporary World

New Generation Co-op

Saskatchewan Wheat Pool had its origins in a fight by farmers for fairness in the marketplace. They desired the ability to procure for themselves a greater share of the returns associated with the end products made from their grain. At the time that the Pool was formed, all members shared a common vision of the role that the Pool would play in supporting members' needs. Within today's membership, however, there appears to be two views as to the role that the Pool specifically, and co-operatives in general, should play in society and in serving their members.

For many of its farmer members, the Pool provides a means for enhancing the profitability of their farm business, a means to achieve 'collective independence.'² The financial restructuring decision is seen as an opportunity for greater growth and increased earnings on the part of Sask Wheat Pool, with benefits flowing to its membership and investors. Those members who hold this perspective are concerned that the Pool continue to be a viable player in the agrifood industry, thus contributing indirectly to the long term sustainability of farming in Saskatchewan. For those hold-

ing this view, the Pool takes on a role very similar to any other significant employer and investment opportunity. Jobs will be created by expansion, members will benefit individually through their investment, and the economy of the province will be strengthened.

For another portion of the current membership, the Pool provides a means to alter the structure of the marketplace and is a mechanism for economic and social development in rural communities. From this perspective, it is imperative that the Pool hold firm on agricultural policy issues which have a major impact on the family farm, such as central desk selling. Such positions may be controversial, and in some circumstances, even in direct contradiction to what is commercially advantageous for the Pool. These positions have been upheld historically because direct benefit to members was seen to outweigh disadvantage to the Pool. For those holding this latter view, opening up the control of the Pool to nonfarmers, and those who invest for speculative reasons is not only anathema to the essence of a co-operative, but is believed to undermine the objective of local control and decisions made for the benefit of Saskatchewan farmers. The tension between these two viewpoints has fueled the controversy surrounding the financial restructuring decision.

Saskatchewan Wheat Pool has identified itself as a *New Generation Co-op*, now with a broadened base of participation. Board and management remain committed to sustaining the extensive member services side of the organization, demonstrating a willingness to fight to retain its 'copness' in the midst of its struggle to become larger and more competitive. How the role of Saskatchewan Wheat Pool as a co-operative evolves in the future will be watched with great interest by its membership and community.

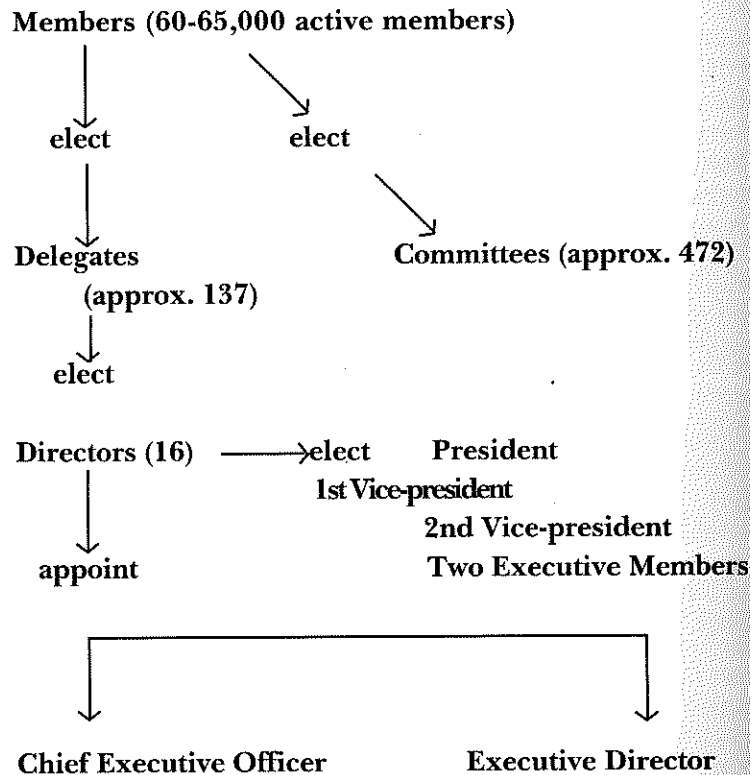
Footnotes

¹The Grain Services Union is not the only union representing employees of the Saskatchewan Wheat Pool. Employees are also represented by the Grain Workers Union-Vancouver Hourly; Transportation and Communication-Thunder Bay Hourly; United Food and Commercial Workers-CSP Saskatoon, Saskatchewan; and, Teamsters-CSP LaPrairie, Quebec.

²From the speech to the delegates by Don Loewen, Chief Executive Officer, December 1994.

Appendix A

Saskatchewan Wheat Pool
Democratic Control Structure

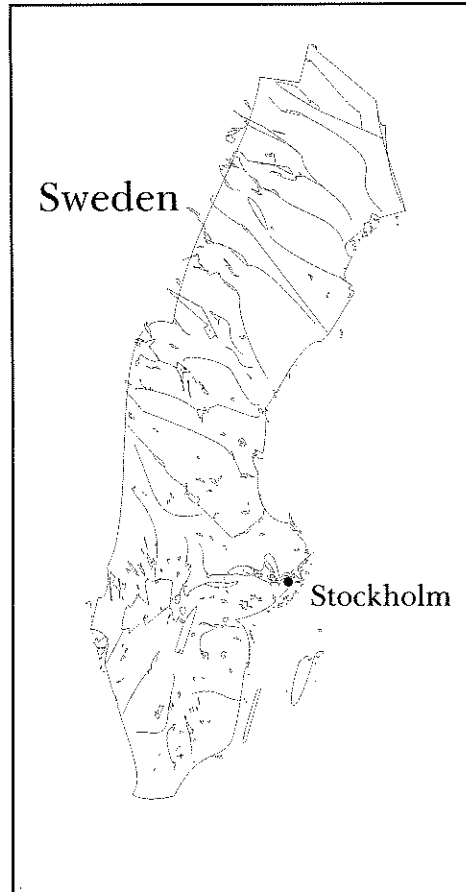


Chapter 6: SWEDEN

Consumer co-operatives started in Sweden in the 19th century and have a long, proud history of breaking monopolies and defending the rights and interests of consumers. As a result the consumer co-operative movement developed into the foremost retailer by the 1960s with substantial retail market share with extensive ownership of manufacturing facilities.

The Swedish movement showed other movements what could happen if consumers co-operated and supported their co-operatives. But, circumstances changed dramatically. By the 1980s the consumer co-operatives were losing market share and suffering from reduced earnings, reforms continued where introduced, but by the 1990s the economic situation worsened and the movement had undergone dramatic change, much of the industries have been sold such as the petroleum facilities. Survival was at stake.

Dr. Sven Åke Böök is a long-time scholar and co-operator. He replaced Alf Carlsson in the project after the fatal sinking of the ferry Estonia in October of 1994.



KF/Konsum Sweden

by Sven Åke Böök

Revitalization in the Swedish Consumer Co-operative Movement

Some aspects from the On-going Process of Change

The Swedish Consumer Co-operative Movement is for the time being, and has been for some years, in a period of radical change. The changes constitute no less than a break with the traditional Swedish views on co-operative organising.¹

Such a statement implies much, considering that there always have been periods of changes. Most of Swedish co-operative history is about recurrent adaptation to changing conditions and, this fact goes a long way to explaining why the Swedish Consumer Co-operative Movement has been recognised as one of the most successful in the world.

This time, however, the changes are more radical than ever. The whole organisation has been "turned upside down".

A History of Expansion and Growing Importance

The Swedish Co-operative Movement traces its roots back to the middle and later parts of the last century. The union KF was established in 1899 and after some decades of "trial and error" to find the proper structures and identities, we can speak about a history of a continuously increasing importance for Swedish households and the Swedish society at large.

This successful history culminated, as it seems from today's viewpoint, during the extremely expansive period of the fifties until the middle of the seventies. This was a time when the Movement became a mass organisation for Swedish consumers; the number of members increased to

almost two million, implying that the co-operatives had contacts with almost half of the households. It was also a time when the Co-operative Movement became recognised as an active part of the emerging Swedish welfare society: as a people's movement for economic democracy, as a corrective and countervailing power in basic consumer markets and as "the" Swedish consumer organisation.

There are many circumstances contributing to these successful decades. Among other things the Movement was able to carry out its activities on an inherited, stable financial basis that made it possible to adapt to, and to meet, the increasing consumer needs with extensive and aggressive investment in modern shops, wholesaling and industrial production. It took the leading position in Swedish retailing, and the advantages for its members became evident. This economic capacity, together with extensive democratic and education activities, strengthened the confidence in co-operative ideas.

This was made possible also thanks to an overall Swedish national economy that belonged to the most rapid and steady growing economies of Europe. Such an expansive and stable economic climate was in harmony with the planned character of the co-operative system. It became possible to handle the emerging tensions within the federative organisation without many conflicts; both central and local parts could enjoy good times.

It was also possible to make extensive changes. At the end of the sixties the Co-operative Movement agreed on a basic structure for the distribution of tasks between central and local levels, determining that KF should concentrate on common background services such as wholesaling, industrial production, education and information, while the societies should concentrate on retailing and the direct contacts with the members. Ideas of a nationwide society "Konsum Sweden" were discussed at that time, but rejected by the majority.

Towards the middle of the seventies economic problems started to emerge, at first looked upon as temporary fluctuations, but gradually considered as signs of more basic

and lasting changes, both for the national economy and the Co-operative Movement. The business cycles started to demonstrate larger amplitudes and the overall economy became unstable and difficult to forecast. For the Co-operative Movement this implied increasing difficulties in carrying out traditional long term planning; more investments turned out to be bad investments (created costly excess capacity)—especially department stores. Both K,F and an increasing number of societies started to enter serious economic troubles. These, however, could be coped with thanks to the inherited strong financial basis.

A Poorer Economic Climate—Changing Values?

The seventies started to demonstrate economic problems, but became on the other hand a very democratic and ideological decade in the modern Swedish history. To quite an extent this could be explained as a reaction against the "large scaled sixties", when people started to be forgotten behind the search for economic efficiency through growing organisations and structures. Visions and ideas of democracy and participation came to the forefront and various forms for economic democracy were introduced in practice, many based on co-operative ideas.

The established Consumer Co-operative Movement was recognised as a genuine form of economic democracy by the closely related peoples' movements, especially by the trade unions, and took further steps to build on its democratic organisation. A variety of democratic bodies and committees were set up, among others, within the expanding administration of common buying and distribution at central and regional levels. Toward the end of the seventies the societies were supplied with approximately 80 %, on average, of their goods through that machinery.

The development of the eighties then became a break with, and a reaction to, those "muddle headed" and "flimsy" days, as the emerging "new realists" often chose to characterise the passed decade. The impact of the "Friedman-Reagan-Thatcher" message had grown stronger, international and multinational companies had increasingly been

accepted as belonging to the good future and more actors in retailing had started to catch up with the earlier co-operative advantages. Financial markets increased in importance and created a speculative climate.

The ideas of the "pure" market economy became the leading orientation for the practice and the thinking. Successful business was characterised by the capacity to make rapid changes, to operate from international economic perspectives and to quickly get rid of unprofitable parts of the organisation. Individual and selfish values were brought to the forefront, while collective values were increasingly considered as backwards, even more forcefully when the collapses of the Eastern European system became evident.

Continuous Co-operative Reorganisation

The Co-operative Movement entered this changing situation with a highly planned federative structure built for the expansive and stable economic development of earlier decades. The movement then, with this structure, planned to apply the principle of independent societies for retailing, with central and common functions at the union level. The experience was something like a "clash" between this co-operative system and the increasingly more market oriented system.

We (also the author of this case study) did not really understand that basic conflict in the beginning. However, later on we will return to how this "meeting" between two kinds of economic system was interpreted in the leading co-operative discourse for the nineties. In this introductory context it is enough to state that KF and the societies approached the period with unusually heavy difficulties. Recurrent reorganisations were undertaken, among other things with the intention of introducing more market mechanisms within the planned structure to make it less stiff and rigid. It was also looked upon as necessary to reduce, or to abandon, most of the so called "unproductive" overhead bodies and activities for democracy, education and information.

Nothing helped, and toward the end of the eighties

the situation became worse. An increasing number of the societies were in fact on the verge of bankruptcy and the financial situation of KF was increasingly critical. Societies in trouble were temporarily rescued by transfers (mostly through the internal price policy) from still relatively successful societies and the KF creditors started to get cold feet and demanded rights of oversight in the business. The situation was extremely delicate, because we all know what harm rumours of insolvency can make.

Here starts our case study, presented in the next sections. Before moving to these, it should be noticed that the times became even worse in the beginning of the nineties. A new right wing government came into power, carrying forward the leading ambition to bring Sweden to a "new way" for the future according to the dominating ideas, values and practices of the eighties. To some extent it managed, but at the same time the national economy became worse than ever in modern Swedish history. The common people were those who had to pay for it, among them many co-operative members: rapidly increasing unemployment, lower incomes, decreasing consumption expenditures and continuous reductions in the welfare system.

Since 1994 there is a left wing government again, but with its arms pinioned by inherited public deficits and debts. It is not realistic to expect expansive measures from that government during the remaining parts of this decade; it will be busy repairing the existing damage.

A Process for Coping with the Economic Crisis

It is necessary to keep the foregoing background in mind when approaching the Swedish case studies. It had created an atmosphere round the leading actors, within the professional and elected top management, that was much characterised by "to be or not to be" attitudes, combined with an increasing conception that something radical has to be done; "now or never".

Two aspects should be especially noted:

- Firstly, the changes undertaken, or on their way, are

considered as a "step-by-step" process; they are carried out within some basic intention of a new orientation for the long run, while the applied practices to quite an extent have the character of "try and see how they work". There are, of course, for the time being, more stabilised new structures than in the beginning of the process. Still, much is in the melting pot and there might be some modification in the years to come.

- Secondly, the changes undertaken, or on their way, are initiated and carried out for economic reasons. The democratic aspects have been put into the background, particularly in the very early phases of the process. In more recent times, however, they seem to be on their way to move higher up on the agendas.

For these reasons there is no need to pay too much attention to details of the applied practices. It is more fruitful, especially in this international perspective of exchange of experience, to concentrate on the ideas, the ambitions and the intentions behind the changes. It is also obvious that the structures and ideas for economic efficiency make up the relevant framework for the democratic ambitions and methods. We may not like it from a full-fledged co-operative view, but to approach the on-going changes within some other framework will not help us to understand what is going on.²

Ideas and Views for the Reorganisation

The latter part of the eighties and the beginning of the nineties became a period of recurrent co-operative inquiry about the future orientation. They were carried out by committees, usually consisting of a combination of laymen and professionals, appointed from the top of the co-operative union. Their reports were normally circulated within the democratic structures before final decisions, though not in such an extensive manner as in earlier periods

In this way the period produced some authoritative views among the leading management, professional and elected members, serving as a point of departure for the

future on how to reorganise and revitalize the co-operative development.

Basics for Orientation

In 1989 the KF Board of Directors was ready to state the basics of the future orientation:

"Our most important utility for the consumers is carried out through our own activities. This must permeate all our daily activities.

In our co-operative tradition and our traditions as a popular movement, there are also values as commitment, autonomy, honesty, openness, collaboration, solidarity and care for human beings and the environment. These values shall be the basis for the ethical considerations taken in all our activities. Goals can be simple and obvious when you write them down, for example to unite economic efficiency with other co-operative values and goals or to defend the environment. The challenge lies in working for the realization of these goals." (Business Concept, Goals and Guidelines, 1989)

A committee was appointed, called the Structural Committee, to carry the long term guidelines into practice. It included distinguished members: The President of KF, the Chief Executive Officer (CEO) and Deputy CEO of KF, the President or the CEO of some larger co-operative societies and a representative of the employees. This committee became, as far as it can be estimated in hindsight, of crucial importance for the coming readjustments and reorganisation.

Economic Crisis and Structural Problems

The co-operative experience from the eighties was interpreted in a dark and drastic outlook:

"The Swedish Consumer Co-operative Movement finds itself in a very serious crisis. This crisis has not a temporary nature, but more deep-going structural causes. Our existing federative struc-

ture and business organisation are facing a situation within which the competitors are working all the more integratedly and rationally." (Structural Committee, page 2)

The tendencies from the last decade were expected to go on during the nineties, essentially characterised by increasing competition, internationalisation and specialisation within larger and more integrated multinational competitors and various new types of low pricing retailers. The overall development of consumption was expected to turn into a slower trend, combined with structural changes in consumption behaviour. More people could be expected to place a higher priority on "life style" and similar issues, as was clearly observed in the eighties, reflected in more sensitive and subjective relations to their consumption.

The Consumer Co-operative Movement had not, with some exceptions, been successful in efficiently adapting to such changes, which among other things had resulted in stagnating market share, increasing economic deficits and a worsening crisis in profitability and identity. The situation was seen as a series of vicious circles: declining member use of the shops, weakening member trust, reduced legitimacy in the community and a worsening financial situation.

The Main Problem: the Federative System

The basic and essential problem above all was localised to the federative system as it was built up in Sweden. The eighties had more clearly than before demonstrated some weaknesses of that system, as the steady expansion of the national economy had stopped, as more co-operative societies had economic troubles and as the intensified market economy started to demand more rapid decisions and adaptation.

Among other things, a lower level of mutual trust between KF and the societies could be observed, and so there were increasing difficulties in carrying out decisions for the co-operative whole. Moreover, the federative system had implied a heavy and costly administrative machinery with doubled functions between local, regional and union levels. It

had also become difficult to co-ordinate issues of shop establishments and marketing and to carry out a joint consolidation policy. The internal price policy (called the "solidaric price policy") was also looked upon as an obstacle to economic efficiency. In the words of the committee:

"The lacking trust between KF and the societies, as well as between societies, is partly based in the federative structure. What is good for the wholeness is good for some societies, but not for others (at least not in the short run).

Our system errors are our real dilemma (our "moment 22"): The system is not possible to abandon immediately, exactly because of the system itself." (The Structural Committee, page 13).

These problems with the federative system were even more stressed by the CEO of Stockholm Consumer Co-operative Society and coming CEO of KF, Roland Svensson, in a special statement. In his view the main problems of efficiency were connected to the use of the solidaric price policy, the traditional way to support societies in economic troubles. This had partly implied a development "against" instead of "with" the market forces and in this way, when applied over longer periods, resulted in an overall loss of competitiveness and in increasing tensions within the federative organisation.

In his view, at the system level: "This is the basic error of the co-operative system".

A "Unity" or a "Dual" Structure?

As expected, the committee suggested an overall long term orientation with an integrated co-operative business organisation for the whole of Sweden. Some alternative models were examined, but the final recommendation was for a nationwide society called "KF/Konsum Sweden". All the economic activities would be carried out through that national society, organised into some six to eight "Konsum-regions" and into national retail chains. This new orientation would gradually be realised during a 5-year period.

The coming CEO of KF, R. Svensson, did not completely agree with the suggestions of the committee. In his view some issues should be more closely examined and considered:

- How a strict economic and business collaboration could be carried out as soon as possible that would work in harmony with market forces.
- Whether there is a combination of local member societies and a business organisation for economic efficiency through integrated retail chains and other advantages of scale.
- Whether it is possible to obtain a new orientation of the member activities towards a strong consumer movement that is based on co-operative membership, but without responsibility for the business.

Those questions introduced, we may say, anticipated or brought to the fore, more explicitly than before the ideas of a "dual structure" in co-operative organising, i.e., a structure implying that member and business activities are carried out in separately responsible organisations, if always within some conception of a co-operative whole: the co-operative movement. Such a dual orientation had not belonged to the mainstream of traditional organisational thinking in Swedish co-operative history, where the unity orientation had clearly dominated and was looked upon as necessary to create a whole of democracy and economy. The Swedish Co-operative Movement has never entered a structure of "dual unions" for democracy and business as in some other countries.

Such dual tendencies, on the other hand, had become stronger in the practices of the eighties; member democracy and professional business had started to move away from each other, in KF and in larger societies. So, a dual reality had started within those formally unity oriented structures.

The New Structure in Process

The KF Board of Directors unanimously accepted

the need of economic integration. As the protocol has it:

"..... the organisation of today is an obstacle for economic success. A strong organisation for co-operative collaboration has to be created. There is no other way. The federative model for this is "out". If there will be no change, the co-operative movement will be knocked out in large parts of the country." (KF protocol 910127).

The decision was carried out as a long term destination for the new orientation and as an "invitation" to the member societies to join. The succeeding negotiations between KF and the societies—whether they wanted to join immediately, to join later or to remain outside—involved some critical aspects, especially in the relations to the largest society, the Stockholm Consumer Co-operative society. This traditionally strong and independent society had some hesitations, and it was considered to be highly problematic for the whole of the reorganisation, if this society would have preferred to remain outside. However, in late 1991 and early 1992 the Stockholm society decided to join, provided some changes were made to the planned organisational structure.

In 1992 the new structure began to be introduced into practice, or more correctly, the *process* started to work out a radically new structure. It was not, however, exactly the model "KF/ Konsum Sweden" that was in sight. It was a kind of compromise between that model, partly already practised for a time in some regions, and the implicit dual-oriented model in the mentioned statement of the new CEO of KF, Mr. R. Svensson. In outline:

- KF and regional (KF) organisations should take over and develop the direct operative responsibility for retailing and other economic activities. KF should also start a process to reorganise the wholesale activities and to reduce its industrial activities. Step-by-step KF should concentrate on retailing and make it into its "core" activity. This should lower costs and increase overall efficiency.
- The societies should transfer to KF their direct economic responsibility for the retailing activities within

their geographical area. The societies should instead concentrate on issues of member democracy, on consumer issues and on opinion formation. They should also prepare and carry out the democratic member influence in the KF bodies and in the regional bodies, responsible for the local shops. And they should contribute to building up a member base for a consumer movement.

Until now most of the larger societies have joined this new orientation (11 out of 98 societies), implying that about 70% of the total co-operative retail business and about 60% of the members are covered by the integrated system. Those societies outside are receiving the common buying services from KF on the same terms as those inside the integrated structure.

Will this process create a future where the Swedish Consumer Co-operative Movement is divided into one more integrated and in one more traditionally associated part? The question is well-founded, in light of the experiences in some other countries. Nevertheless, it is too early for such questions for the time being; what will be the outcome at the end of the day remains to be seen.

The Democratic Challenge

So, a new kind of federative structure is in the making, with a new distribution of work and tasks between local and central levels. The local societies are intended to go on as independent juridical persons, but with no economic activities of their own. Instead they should concentrate on other member and consumer activities of indirect economic character, while the direct economic activities should be carried out from the union level and the regional level. It goes without saying that this is a radical change in the Swedish context.

Against this background some issues become especially critical from a democratic and participatory point of view: How should democratic participation be developed within a process of economic integration that is carried out within a dual organisational structure? How can the motiva-

tion to participate democratically be kept strong and meaningful enough, as the direct economic responsibility of the member societies will be basically reduced? And how can such bridges and links be built up between the democratic and the business organisation, which maintain the "unity" character of democracy and economy?

The way to approach these issues implies the basic challenge for the Swedish Co-operative Movement from a democratic point of view. In fact not only from that point of view; it concerns a challenge to the very co-operative identity, since democracy and participation belong to the most basic core of Co-operation.

Precondition for Participatory Democracy: Economic Benefits for the Members

Turning directly to the issue of democracy, we can make the background observation that member participation, on average and in most of its forms, has decreased during the eighties. This is an official truth, mentioned in committee reports and by co-operative leaders themselves. This means a decline in participation by members as:

- users of the shops
- decision makers
- advisers about the long term direction
- financiers and savers
- active consumer policy agents
- students of co-operative issues
- ambassadors of the co-operative idea and alternatives

The explanations for this state of affairs go back to a mixture of changes and pre-existing aspects, both related to the society at large and to the co-operative movement itself. As for the latter it is obvious that activities to encourage the various types of participation have decreased in intensity during the eighties. They have even stopped or been lying fallow; i.e. the reproduction of active members has been lagging behind. On the other hand the motivation to become

actively involved as a consumer might have become weaker in this phase of development that we often call "the post-industrial" phase. So, the decreasing tendencies in most of the dimensions of participation might also reflect an increasing difficulty in encouraging participation in these times, often considered as characterised as the "buyers market".

Still, there are nuances in this context. There are differences between various parts of the Swedish co-operative movement; there are societies, or parts of them, with relatively high as well as relatively low levels of participatory democracy.

"Yes, certainly there are", adds T. Uhlin, a co-operator active since the late fifties in various contexts, among others, as managing director in some of the co-operative societies in the northern and middle part of Sweden.

"Usually this is a question of local culture and of especially dedicated persons. There seem to be parts of Sweden where it belongs to the culture that people more actively come together with others to take the economy in their own hands. I have also experienced that there often are some very dedicated persons behind; when they pass away, the activity goes down.

It is true that participation has declined in general terms compared to older times. But we should not either romanticise the history too much in these aspects. When reading annual reports from our history, for instance, we can clearly observe that participation was problematic also in those days."

So, when making general statements, we must also in this context be aware of that there are differences, nuances and deviations from the general pattern.

The Leading Member-Perspective

In Sweden we have in mind three aspects of efficiency, when we analyze the efficiency of the co-operative whole: economic efficiency, democratic efficiency and consumer policy efficiency. All these must be properly considered for

long-term, balanced consumer co-operative development.

The Structural Committee had obviously put the main priority, almost the only priority in the short run, on economic efficiency. As the deputy CEO of KF and secretary of the committee, L. Hjalmarson, comments, when looking back from today's vantage point:

"Yes, we were indeed very worried about the economic situation, to put it mildly. Our main and totally all-pervading problem was about how to stop this critically bad development. It was no less than about a question of survival for large parts of our movement. All other aspects had to be pushed into the background."

Economic efficiency then was, and is, considered as the capacity to make economic benefits for the members. That capacity was looked upon as crucial for the membership and so for the decisions to become and to stay as a member. Yes, it was, and is, looked upon as a necessary precondition for the other efficiencies. And we can also here observe some usual sayings: "First we must restore the economy, then we can turn to those other things that we want to do. Because there must be something to carry out democracy about and to demonstrate consumer policy within".

That view was, and is, based on member inquiries of various kinds; the members put economic advantage on the top of their ranking list of expectations for membership. So, not surprisingly, this view was appointed as the leading member-perspective, or more correctly as "the" member perspective, for further readjustments during the nineties.

The Member as a Customer

With this perspective it is natural turn to the user aspect of membership and to stress the member as a customer. In the conception of the committee:

"If we apply a consequent member perspective we have to take our point of departure from the reality and the claims the members carry forward from their roles as customers. This is the very basic bolt. Since we live in a market economy where the customers buy where the supply is most satis-

factory, it is consequently most fruitful to use the customer role as the analytical concept in order to make success in the market".

"... what is interesting for the member today is the direct influence in the shops on issues which are relevant for the member as a customer. ... As a customer it should be possible to influence at least as much - preferably more—our shops as those of our competitors and to be met by at least as competent, sensitive and service minded staff" (Structural Committee, page 5).

In this perspective the members should be considered as persons who firstly demand the means to participate in their buying situation "here and now" in the very shops. Not the roundabout way: through shop councils and board of directors or by representative assemblies and member motions. In other words not "by using other channels and becoming filtered through the valuations and opinions of other people" (p 6).

The committee obviously in this way made a strong plea for more of direct, individual and market oriented participation:

"The elected representatives cannot be considered as "deputy customers" in questions about the buying situation. They cannot therefore be made responsible to mediate changes of demand among the members" (Ibid, p 6).

A strategy for revitalization of this most crucial aspect of member participation should consequently concentrate on measures to improve various direct methods for communication in the shops and with their professional staff. The indirect and representative methods, on the other hand, should be tuned down in those contexts. That implies, among other things that the representative character and ambition of the traditional type of shop councils should be changed. They should be elected in more direct ways in the shops, the links to the democratic organisation of the co-operative society should be loosened or abandoned and they should develop more marketing functional roles.

This very much emphasised economic perspective

on membership is of course too restricted an approach to participation for full-fledged co-operative development. Perhaps we might call it a very pragmatic approach: The intention is to start with this very high priority on development for the economic benefit of the members, in order to later on turn to a fuller approach that also includes a development by and through the members.

The old questions start knocking at the door: Is such a pragmatic approach really possible? Is it possible to turn to a full-fledged development later on again, or will the more one dimensional process have such basic influence on the minds and expectations of members, managers, employees and the community that it is impossible to turn back? In other words, is it not necessary to all the time use a full perspective for co-operative development, at least to all the time reproduce a core of co-operative "social capital" for the future? And so on. In this context these questions cannot be more than questions for further consideration.

The Elaborated Conception of Member Roles

In fact the strategy also includes ambitions and measures for this more full-fledged co-operative development, if still with a relatively lower priority. It would be unfair to present the strategy in any other way. This has been elaborated on by some other committees, first by a Membership Committee and later on by a Membership and Consumer Policy Committee.

The Membership Committee worked in close collaboration with the Structural Committee. The President of KF was the chairman also of this committee and the other members were appointed from the KF Board of Directors and from two of the larger societies. Its main task was to analyse the relations between the member and the society with the aim of suggesting strategies and methods to encourage member participation and involvement. As the big change towards the integrated business structure was anticipated, it became natural to relate to these expected changes.

The Membership Committee approached member participation for the future within so called "member roles".

Among these three were selected as the most important: The role as "customer", as "involved member" and as "owner":

- The customer role is then considered as the one the majority of members are mostly interested in and find sufficient for their participation. It is, as we just have seen, considered as the primary role for shaping the membership in the nineties.
- Some members are, in addition, considered to have a interest in a more involved member role, mainly to participate more deeply in consumer and co-operative issues.
- An even smaller part of the members is considered to be interested in participating as member representatives in the decision making bodies and assemblies, in other words to enter the owner role.

Those together, or more correctly the reproduction of the proper conditions for them, are intended to provide a full-fledged co-operative development in the long run.

"Systematic Sensibility" at the Shop Level

For the revitalization of participation in the customer role a spirit of "systematic sensibility" at the shop level should be developed, implying that the staff persons will become of crucial importance and that shop meetings, shop assemblies and shop panels are the necessary means. The tasks and the responsibilities of the shop councils should be reviewed and made more clear; they should be oriented toward becoming an instrument for the shops and should consequently be elected from persons who are interested in the communication between the shop and the members. The councils should not be included any longer in the by-laws of the democratic organisation of the society. On the other hand they should remain, if developed in this renewed way:

"In many parts of the co-operative movement there are good functioning shop councils and similar. In other parts they do not function at all. Probably there is no need for bigger changes of the contents and the activities of the functioning councils. ...Above all, however, it is important that this activity remains. Especially if the suggestions of

the Structural Committee will be realised as increased economic integration, that might imply that the members possibilities to influence will be questioned even more" (Membership Committee, p 10).

This orientation increases the need for education and training for the professional staffs in the shops and the members of the shop councils. The Committee furthermore suggested an immediate introduction of a "member card", valid all over Sweden, as a strategic instrument for members' customer relations. (A form of such a member card has started to become reality in 1994).

Changing Motives and Forms for Participation?

When considering the proper conditions for the involved member role one has to consider issues about the participatory climate in the Swedish society at large, much discussed in public inquiries and similar venues: Are people changing the way in which they choose to involve themselves, to influence and to participate, and so on?

The committee was ready to answer such questions in the affirmative for the co-operative context; the forms for participation, etc., had become different. For many people, membership as such, and its formal possibilities, seemed no longer to be considered as equally important as in earlier days; what matters seem to more be the benefits and the values that the membership could bring about.

The eighties had implied, in the interpretation of the committee, a transformation from "organisational involvement" to "special issue involvement". People tend to involve themselves to solve specific and concrete needs and problems, rather than for more overall and abstract ideas. The committee takes as examples the emerging child-care co-operatives and involvement in concrete environmental issues. It might be added that such tendencies were observed as well in inquiries and reports about other organisations close to the co-operatives, for instance the peoples' movements. People had started to involve themselves in various new smaller groups for concrete issues, while they handed over the participation in those older and established organi-

sations for more general issues to the elected representatives.

So, the committee suggested that the co-operative societies should extend to various new forms of participation and more informal gatherings around special issues and themes, for instance about environmental issues, food quality, the household economy and co-operative support to developing countries. The results of these member activities should then be forwarded to the member delegates and the more formal bodies for democratic decision making.

Some years afterwards, from today's viewpoint, it seems as if these interpretations and conclusions are relevant to quite an extent. The bad years since 1991, however, with reductions in welfare assistance for many people, might have revived the motivation for organisational participation as well in overall idea and interest-based perspectives.

A Consumer Organisation Based on the Members

Close to the previous ideas are the member activities for consumer (policy) issues, i.e. the members forming a consumer organisation, actively fighting for improved consumer rights and conditions:

"... We should to a greater extent than during later years act from our 'own merits' and actively work in order not to be looked upon as part of the 'apparatus'. The consumer co-operative organisation is basically a tool for the members to obtain changes and improvements. A consumer co-operative movement that is looked upon as an 'administrator' (of the already existing) can therefore not become trustworthy.

A trustworthy co-operative consumer movement should carry out its work on the basis of the consumer interest of the members." (The Membership Committee, p 14).

Such a trustworthy member based consumer policy, as a consumer movement, could not be carried out successfully in the eighties, implying among other things that the members did not get the conception that co-operatives are, or might be, part of an active consumer organisation also in

modern times. This old role and capacity had not been demonstrated; yes, one may even say that other organisations had started to take over that old role, and identity, from co-operative organisations.

However, this co-operative consumer orientation had also been increasingly questioned in accordance with the philosophy of the market economy

"... because of the fact that we carry out own business activities. When we maintain that we make the most benefits for the consumers through our business, this is not looked upon as a convincing argument" (ibid p 15)

It is not possible to be a producer and a consumer organisation at the same time, as the modern interpretation of the market economy has it. Nevertheless, it is crucial to regain trust in order to be looked upon as an interesting consumer organisation, both in the eyes of the members and the society at large. The needs are there. This is also a necessary condition for the revitalization of an active member participation in consumer issues; the members must know, by demonstrations in practice, that it is meaningful to use time and resources to participate.

Education, Competence and Tools for the Owner Role

The ownership concept had become increasingly topical during the eighties, especially the possibility for members to effectively control the elected and hired top management of organisations and enterprises. So also within co-operative organisations, which in this context were, and are, looked upon as having a particularly weak control function compared to capital associations, above all stock companies. Simply because co-operatives are considered to have too anonymous an ownership, in combination with a more complicated structure of goals, making it difficult to "put the management to the wall".

We will not elaborate on that discussion now, but there seem to have been some experiences during the eighties that have confirmed some truth in these observations. In any case, for these reasons, among others, co-operative organisations have felt a need to give the ownership more of "a face" and

to make the responsibilities clearer. A more clear-cut "owner role" was considered as a remedy to these actual or interpreted weaknesses and as a way to revitalize member participation in that role for the co-operative future. See below.

The Member Organisation; Content, Roles and Tasks

The report of the Membership Committee was accepted by the KF Board of Directors in early 1991 and then presented for members and member representatives in some advisory hearings ("Rådslag") before the KF Congress 1992. Most suggestions and main lines of argument were accepted and confirmed by these hearings.

From a democratic point of view, however, more problematic aspects had started to eagerly knock at the door as the proposals of the Structural Committee approached implementation. The old and famous Uppsala Co-operative Society paid attention to them by a motion to the KF Congress, raising the questions:

- Do the members want to influence the shops also in other ways and aspects than as customers? What issues and how?
- What are the proper forms for contacts between the nationwide retail chains and the members of the primary societies?
- What tasks are the most urgent for the primary societies to carry out in addition to those connected to ownership?
- What are the experiences of the on-going development of the KF/Regional organisation?

The questions started to "heat up" the bridges and links between the democratic bodies and the integrated business organisations. A good sign of a living democratic spirit.

The KF Congress recommended that the KF Board of Directors appoint a new committee, the Membership and Consumer Policy Committee (the MK Committee), to approach these kinds of issues. The members were mostly appointed from top level representatives of local societies and

L. Ag, the new managing director of Stockholm Society (see more below, p.247), became the chairman. The committee carried out its work with extensive hearings and with the help of a large reference group (the members mostly from local societies). It might be seen as a continuation of the previous discussions, put into the perspective of a future co-operative whole, supplemented by experiences from some case studies and carried out as an extensive catalogue of measures for revitalisation.

The Member Organisation as an "Orderer" Organisation

We immediately turn to the overall organisational view of the committee:

"The member organisation should ... be given roles and tasks, and create bodies and tools, within which it in the long run can influence and evaluate the business organisation, in other words the member utility... .

The member organisation determines and monitors, through its democratic bodies, the forms and scope of the activities and employs in traditional societies a managing director for the administrative organisation. We can also include member activities in a broad sense, such as the shop councils and the study activities in the member organisation... .

Thus we recommend that the member organisation first of all act as an 'orderer organisation' by formulating goals, making demands and 'buying' member activities and instruments for communications from the business organisation" (MK committee, pages 8 and 21)

In other words the old co-operative truth, to start with: The basis of the power is the member organisation and the direction of authority goes from that organisation to the business organisation. This is certainly nothing challenging in principle. The challenging aspect is about the practice: How to carry out such a view within the increasingly dual character of co-operative organising in order to make the member organisation as an 'orderer organisation' in relation to the business organisation?

Measures for Revitalization of the Member Roles

The committee carried forward an extensive presentation of measures for revitalization in terms of the three member roles, partly renewed measures from earlier practices, partly quite new.

As for the "owner role" there should be developed among other things:

- measurable goals
- member oriented accounts ("social accounts")
- co-operative economic ratios
- improved education for member representatives
- channels for contacts with the business organisations
- improved motion rights for members
- increased financial commitment among the members

Turning to the "customer role" the suggested measures are above all intended to encourage individual influence and to increase the economic benefits. Among others:

- a nationwide member card
- special member benefits and "plus values" ("selective member incentives")
- private label brands combined with quality guarantees
- institutions for member contacts and information

The conditions for the "involved member role", finally, should be improved mainly by various forms of renewed methods for communication, for instance new arenas and meeting places. A long list of good examples from practice were presented, among others:

- direct communication based on the member rolls
- surveys and inquiries among members about consumer issues
- renewals of the shop councils
- meeting activities within and close to the shops around topical consumer issues
- the formation of local groups round special consumer

interests (sport, photo, data, etc.)

- member magazines
- systematized experiences of revitalising practices and ideas

Special attention was paid to the contacts with young people, when carrying out the above mentioned type of measures and activities.

A conscious youth perspective should be applied, starting at primary school levels.

More Straightforward Democratic Organisations

The committee was critical about the existing democratic organisation within which those measures are intended to be practised. From some case studies it put the finger on some weaknesses:

"Many people are committed to and work hard for the member organisation and for member activities. We do think that many more would become active if the democratic bodies could be renewed and revitalised. Our review of a large number of the democratic organisations of the co-operative societies gives the impression that most of them have a complicated organisation that is difficult to grasp and demand much time for the active members. Many bodies have unclear roles and shortcomings with respect to:

- representation (age, qualifications and experience)
- attractiveness, especially to young people
- tasks and procedures of the nominating committees

There are a number of reasons to make the democratic organisations more straightforward and efficient in traditional as well as in integrated societies." (ibid p 43)

The road to revitalization should be the following:

"In our opinion the co-operative societies must now make use of the unanimous result of the surveys of value changes from recent years that dem-

onstrate that people want to participate through individual influence in various decision making situations. This applies to the customer organisation and role as well as to the democratic organisation. Thus, the organisation of representatives should be kept to a minimum." (ibid p 43)

So, the MK Committee suggested a renewed model for democratic organisation, implying

- that the democratic member organisations should be built up in order to give all the members the opportunity to (directly) participate with their votes (one person, one vote) in issues concerning ownership
- that the levels of the democratic organisation should be reduced to two levels (intermediate levels should be abandoned)
- that the general assembly of the society remains as the mandatory body, but that member meetings ("owner assemblies") at the society, district or shop level are becoming the democratic basic level
- that mail voting might be a complement to the voting in meetings

In other words, the committees's inclinations were toward a more direct form of democracy. The most challenging aspect of this proposal is the introduction of "owner assemblies" open to all members of the society or the district. The intention was that such assemblies might encourage more of direct participation and moreover replace intermediate representative assemblies. Those owner assemblies should discuss various member and consumer issues, the activities of the society in connection to those, and nominate delegates to the general assembly.

Against the background of the very strong tradition of representative democracy within the Swedish co-operative movement this proposal might be seen as almost as "to spit in the church". The immediate reactions were also in line with that perception.

A Guaranteed Base of Finances

How to finance these activities of the member or-

ganisation? This question becomes the more crucial when and if the primary societies have transferred their economic activities to the integrated business organisation.

The financing aspects of these kinds of activities have caused recurrent discussions and tensions throughout Swedish co-operative history and the lack of agreed and long term norms have been experienced as decisive. The supply of resources have tended to become much dependent on the existing power structures and dominating attitudes. Often these resources have been the first to be reduced when the economy was seen to be doubtful. These are well-known experiences in other organisations as well, which like co-operative are combining business with opinion formation and education.

In the dual structure these financial aspects might become even more delicate, because the main parts of those finances must be expected to be taken out of the production, as a cost for the business organisation. The committee was clearly conscious of such critical issues and suggested a long term norm for the financial requirements, that should guarantee at least a satisfactory level of activities: to start with an average of 50 Swedish crowns a year and per member. Such an absolute formula might be questioned, but the principle is crucial.

At the end of the day, this is the most critical aspect for the trustfulness and seriousness of the strategy for democratic revitalisation. Of course there must be control and criteria of efficiency for these kinds of activities. But if such a financial norm is missing, the later process will run the risk of being transformed into empty rhetoric.

.....Matters to be Refined in the Further Process

The report of the committee was carefully discussed in the end of 1993 and in the beginning of 1994, most of its contents have been approached positively and most of the ideas and proposals have been forwarded for closer examination before eventual implementation.

KF Board of Directors decided in late 1993 to have the main issues discussed by the KF Representative (a body within the democratic organisation consisting of about 60

delegates from local societies). The discussions were carried out by 6 groups and the overall reaction, as far as it can be seen from the protocols, might be interpreted as mainly positive. The need to pay attention to the issues of proper links between the member and the business organisation, with the aim to create a "unity", was especially stressed, as was the need to find ways to attract young people.

The concrete proposals raised a variety of opinions and one might conclude that the report in this respect was looked upon primarily as an interesting fund of ideas to use for the further process. It was evident, however, that the democratic organisation at primary levels should be looked upon as a matter for the local societies themselves. In that context the ideas of mail voting and of the open owner assembly, not surprisingly, were approached with suspicion or in the negative. More surprising, perhaps, is the fact that the proposal for some kind of a member-oriented accounting was received with chilly, even negative, attitudes.

The KF Board of Directors came back to the KF Representative in march 1994 with a summary of its position. Some aspects were especially stressed:

- The crucial importance of continuously developing the proper links to make the member organisation and the integrated business into a unity.
- The need for renewed methods of communication with the members and, in that context, a further examination of the possibility of starting some kind of nationwide member magazine.
- The importance of finding some solution to the issue of how to finance the activities of the member organisations.
- The urgent need to attract young people.

The suggestions in relation to these aspects, as well as most of the others, were distributed to various parts of the KF administration for closer examination. So, in the beginning of 1995 we might conclude that the ideas and proposals of the MK committee await implementation.

Experiences from the On-going Process of Change

We will look a little closer at some of the integrated parts of the Swedish Consumer Co-operative Movement: The Stockholm Consumer Co-operative Society, The Svea Regional Consumer Co-operative Society and The KF Consumer. They illustrate some different aspects of the on-going practices.

The Stockholm Consumer Co-operative Society ("Konsum Stockholm")

The Stockholm Consumer Co-operative society is one of those societies that entered a new situation from 1992/93, when the retailing activities were transferred to KF. It has been, for some time, the largest co-operative society in Sweden in number of members and scale of activities. There are about 450 000 members in the capital city and environs, implying that about half of the households have member connections with the society.

A Long History and Tradition of Independence

Its history goes back to the last century and speaks of a successful development within an area of recurrent change. The scope of the society to-day is the result of a range of amalgamations and fusions with neighbouring societies, a pattern of history that is still much reflected in the division of the democratic organisation into 37 member districts.

The relations between the Stockholm society and KF have always been close, but it has also recognised as competitive to some extent. Many of the famous elected and professional leaders have their backgrounds in the society; yes, it has been a silent agreement that the CEO of KF should have "practised" as managing director of the Stockholm society. On the other hand the Stockholm society has always been careful to demonstrate its independence of KF. It has during its history built up quite a big administrative staff of its own, much of its own buying facilities and even own factories. The decision to join KF in an integrated way was thoroughly debated among the members and the member delegates, reflecting this traditional independence.

So, the Stockholm society has a somewhat special role and situation in the reorganisation of KF. It was not "forced" to integrate with KF for the reason of bad economics as some other societies; it was an independent and active decision. The former managing director of the Stockholm society became the new CEO of KF, as mentioned above, when this new process of integration started. Moreover, the Stockholm society for the time being owns part of the common retail department (KDAB) together with KF.

Revitalization as an Active Consumer Movement.

What is now the situation for this famous society, with its proud history and tradition of independence? And particularly, how are the members reacting after this "divorce" from their business activities? Will they still consider it meaningful to participate?

These kinds of questions have been handed over to the new managing director, L. Ag, who has some background in the society, but who otherwise is mostly known from other public and consumer oriented responsibilities in the Swedish society at large. He has, among other things, been a pioneer of the Swedish television and was the first director general of the National Board of Consumer Policies, a governmental agency formed in 1973.

"It is still too early to make any certain judgements, since the process of change has just started and it takes some time to find our new roles and to stabilize our activities. However, we cannot be very satisfied with our recent history about active member democracy; it has become more formal and clearly on decline in the 80s. So, we are facing the first steps in a long run process of revitalisation.

In our society, as in the other Swedish societies, the members participate mostly as users and customers. Speaking about this aspect of membership I do think that the shops in our area will be improved with this new integrated organisation. We have come to a point in our history, when it has become increasingly impossible to efficiently carry out a business responsibility within local administrations. I am sure that our members will

experience that, even if it perhaps will take some time for the older members to accept it."

What about the other member roles? L. Ag:

"This new situation has made it possible for us to concentrate on other aspects of member democracy than the direct business responsibility. Hopefully we will be able to step by step encourage more members to involve themselves in more of the important issues for a democratic consumer movement. Above all to develop the possibilities to influence the society at large in consumer perspectives and to prepare members for their various direct and indirect roles in relation to the co-operative retail business in our area.

We have the ambition to regain the trust as an active consumer movement. Our special advantage in this capacity is now as in the beginning that we can demonstrate our wills and opinions in practice through the co-operative shops. We concentrate our resources to improve the conditions for this crucial role."

Activities in Process.

Recent years have demonstrated an increasing number of activities in the mentioned direction. Among those which the society is determined to go on with and to make more extensive, we can observe:

- A magazine ("Mersmak") is distributed to all members. It is a member paper that informs about ongoing and forthcoming activities and special member offers and discusses various consumer matters. It has got a good reception among the members.
- Conferences and meetings are again more often organised. These concern, for instance, "the European Common Market and the consumer" and "fair trade" (the latter about ethical aspects on the distributed goods). There are also meetings about cultural matters as well as various offers to members in such contexts.
- Environmental issues have received an increasing priority in the information and education activities. These

are, for example, about "food and health", "food for children" and "ecological recycling". The society gives an "environmental prize" every year to persons who have made special contributions. Young people and members are particularly interested in these activities.

- Activities for consumer information are expanded. Among other thing a telephone service has been organised, available twenty-four hours a day, about various kinds of consumer and member issues.
- It has been observed that members want to specialise their participative interest in various selected aspects of their consumption. So, members are encouraged to, among other things, form circles for knowledge and exchange of experiences around food, sports, photo, etc.
- Education activities have been renewed. Among other things, an upper secondary school, forming part of the ordinary Swedish school system, has been initiated. This new school opens up wide perspectives for the future. The school is managed by the society and has the ambition of offering young persons the possibility of specializing in co-operative retailing in their higher school examination. Of course it is at the same time a way for the Stockholm society, and other societies, to recruit co-operatively interested and competent young people. The interest in this school has become strong and for the first stage there are far more applicants than places.

A Bridge between the Member Organisation and the Shops

The democratic structure is much the same as before: member districts, member meetings, shop assemblies, shop councils, society assembly and board of directors. Some changes, however, are on their way.

The shop councils are considered to be important in this process of change. They were introduced some decades ago and are considered to be part of the democratic representative system. They are usually elected at the member district, or similar, meetings and are in this way looked upon

as representatives of the members around the shops.

As seen above the representative character of these councils has been quite criticised. What are the experiences and plans in Stockholm? L. Ag:

"We have made investigations about the shop councils and among other things observed some negative reactions and attitudes from shop managers, that we must approach seriously: In fact shop managers quite often look at the shop councils as some kind of a "rucksack" put on them, instead of something that could be an "asset" for them. This cannot go on.

There might be various explanations to these kinds of reactions. One is probably the fact that something like a democratic formalism has become developed within our organisation. Yes, I will even say that this has become a scourge and we cannot claim to be a movement of people as long as we surround our activities with a battery of obstructing formalities. Probably we have stopped the participation of interested members with too an over-organised form.

The shop councils should concentrate on the member activities in relation to the shop and not act as some steering board of the shops. It is in the meeting between creative shop councils and sensitive shop managers we have the potentials. The shop councils should belong to the most crucial "assets" for the shop manager. Therefore it is important that the shop manager has some influence on the election of the councils."

There are also in this context, according to L. Ag, some confusions between decision and influence. It is important to make this distinction clear:

"The shop councils are about advice, not about steering. The shop councils should be a bridge between the member organisation and the shops and in this perspective the shop councils have crucial roles for the future. Together with a sensitive shop manager the shop in this way might become the necessary platform for the consumer move-

ment to grow strong again.”

In accordance with these ambitions the Stockholm society has developed new education material for shop council members. There are also agreements worked out with the KF operated shops, for instance about the election and the tasks of the council.

Kf Svea, Regional Consumer Co-operative Society

As we have seen above, the operative and economic responsibilities for the retailing activities in the new integrated structure are in the hands of KF and regional (KF) organisations. There are four such regional organisations: Kf Svea, Kf Syd, KF Väst and Gröna Konsum Stockholm. A fifth is on its way, Kf Öst. These are owned by KF and local societies together (KF owns the large majority of the shares) and (with the exception of Kf Öst) carry out the responsibilities for the green co-operative shops (the concept “Gröna Konsum”). Besides those responsibilities, KF carries out, and is responsible for, three other types of retail chains: large and smaller hypermarkets, low price discount chains and single line stores.

The older primary societies are expected to concentrate on member democratic activities and consumer issues, as we have touched upon above. These societies are co-owners as members or as stock holders (depending on the juridical form used) in the regional organisations, They are of course also members of KF.

One must admit that this is a complicated structure even for a Swede. Anyway, it will probably be changed in the ongoing development process. Here we turn to one of these regional organisations, Kf Svea, in order to look closer at the experiences and plans from, above all from a democratic perspective.

On the Whole, a Good Experience

Kf Svea is organised as a regional society with KF and 6 societies as members. The region covers an area of Sweden that is located north and west of the Stockholm region. KF, or more correctly the KF body for retailing (KDAB),

is the majority owner of the member shares (93 %) while the societies own the rest. The votes, however, are regulated by a special agreement, giving the societies together the majority.

The members are all quite old societies with proud historical backgrounds, among them “Konsum Dalarna” and “Konsum Uppsala”, which belong to those that founded the KF union once upon a time. They have, as implied in the new strategy, transferred their shops to KF (or are on their way to doing so). They are now expected to carry out the regional democratic responsibility for, and democratic influence on, the shops in their area through Kf Svea. Since most of them are important members of KF, they also have possibility of carrying some democratic influence through the democratic bodies of KF.

“Most of the societies that joined, says T. Uhlin, managing director of the “owner society” of the region for Kf Svea, were not forced to do so for economic reasons.”

“They had made the decisions to voluntarily enter this integrated strategy, since they believe in it for the long run. We have certainly various mixed cultures in our regional society, and cultures that are well-known for their proud independency. But in spite of that, and thanks to the voluntary will to work together for the long term whole, we have managed to carry out good discussions and decisions in the overall perspectives of the region. I do think that this is a strength for Kf Svea.

Frankly speaking, however, I must not make a too smooth picture. There are also problems. In some of the primary societies, for instance, some older members of the board of directors have left their responsibilities as a consequence of the new strategy. They look upon their contributions as without meaning, if they cannot directly be responsible for the economic activities. And in some local parts of the area there are some attempts to build up new co-operative societies of the traditional type round one or a few shops.

On the whole, however, the process of integration is moving forward very well."

Relations with the KF Retail Chains

The principle democratic problems concern for the time being above all, as pointed out by the motion of the Uppsala Co-operative Society, first, the relations between those retailing activities other than the "Gröna Konsum" in the region, and, second, the links between the primary societies (and their members) and the shops in their areas.

T. Uhlin addressed the first problem as follows:

"It is of course self-evident in co-operative contexts that the societies and their members at least should have possibilities to regionally have democratic dialogues with all the shop activities in the region. The indirect way via KF centrally is not sufficient.

We are for the time being discussing these issues intensively and have a hearing within the societies. There might be solutions coming out of this. One idea is about forming some kind of a "regional council", with representatives of the primary societies as members, for all the shops in the region."

And on the issue of the direct links between the primary societies, their members and the shops, he says:

"We are maintaining the older democratic organisation in the societies and we look at the shop councils as one of the important links with the shops. It is true that there are large variations in the way the shop councils function; in some contexts not at all, in other contexts very good. To quite an extent this is a question of personal relations. We try to renew the shop councils, they should be elected by the shop assemblies and they should be encouraged to take initiatives for member activities round the shop. I do think, as many others, that it is crucial to use renewed ways to increase the sensitiveness in the shops for the wishes and the opinions of the members.

There are even ideas about splitting up the re-

gion of Kf Svea into smaller local areas ("societies" within the societies). We discuss 19 such areas for the time being, in order to revitalise and make closer the relations between the members and the shop. What will happen with this idea remains to be seen. There are much traditions, feelings and vested interests connected to the existing society structures."

Overall Member Issues and Consumer Issues?

One of the positive arguments for this new role of the primary societies was considered to be the availability of more time and capacity to approach overall member issues. In other words to connect to the "involved member role" in addition to the "owner role" and the "customer role". Are there any signs of such tendencies in the Svea region?

"That is too early to observe. To quite an extent we have had extensive activities in such issues since before, for instance in environmental issues. It is also a fact that many members go on to carry forward ideas and suggestion about the shops as they are used to do. They are not aware of the changes. And of course they should go on to forward such ideas and suggestions, the roles cannot be much separated in practice.

I think it takes some time before we and the members have explored the possibilities of this new situation. We are trying, however, to interest members in these more general consumer and co-operative issues by orienting our activities round various themes. For instance as said round environmental issues, but also round food issues, ethical issues and similar. In this way we also build up a base to influence the shops in our region and in the areas of the societies.

In the context of member participation we do think that it is necessary to become more informal. We should open up for new and unconventional ways to attract interested persons, above all young persons and members. Formalities and stiffened structures belong certainly to our main problems!"

For these activities T. Uhlin, like L. Ag in Kf Stockholm, has expectations on the new "KF Consumer" for support in various ways.

Revitalization of the Co-operative Consumer Policy

As we touched upon above, the identity as a consumer movement in the eyes of the members and the society at large had started to fade away in the eighties. We also observed that there is no doubt about the orientation of the discourse; it is univocally in favour of the need to reactivate that identity for the future.

The "KF Consumer," a Project on its Way

Some steps for this revitalization are on their way at the union level as well: The "KF Consumer" was established in the second half of 1994. It has the form of a "project" in this process oriented discourse, but is expected to become more institutionalised after some time.

"For the time being we are in a very initial stage, examining the experiences and considering the proper models for our contributions for the years to come. We have the ambition that this project can be developed into a reactivated co-operative voice about consumer issues in the society at large, but also into a supporting tool for the co-operative members to influence the activities of their shops."

The contextual background quoted above is from A. Åhnberg, the newly recruited leader of the project. She has a background as a well-known member of parliament, very active in consumer policy issues. The project administration is currently located within the KF machinery. It has a board (appointed by the KF Board of Directors) with members coming from local co-operative societies, mostly elected member representatives, and with L. Ag from the Stockholm Society as the chairman. The board is among other things responsible for the on-going examination of experiences and ideas in order to transfer them into the next step. A. Åhnberg:

"We will try to encourage dialogues about various consumer issues among the co-operative societies and their members, as well as within the society at

large. In this we will as much as possible use the modern technology of communication for inquiries, hearings, seminars, discussions and so on. We will step by step build up proper arenas for this and try to use informal methods and provocative approaches."

"Trust" and "Confidence"

Some key words are recurrent in the discourse of A. Åhnlund: a "trustworthy", and "confident" voice for the consumers, based on the interest of the members. But how is it possible to introduce such a capacity within an established co-operative movement that at the same time is carrying out business, to quite an extent dependent on the conditions of the market?

"Yes, I know about these almost 'classic issues', I have met them much during my work until now. Of course there are some tensions, even conflicts, between carrying out efficient business and honestly taking the position of the consumers. But it might be a source of special power at the same time. We will try to use these tensions in order to turn them into some positive and challenging for the consumers and try to demonstrate that "efficient business" and "an efficient consumer policy" might be mutually supportive.

Among other things that may imply that the present location of the "KF Consumer" has to be changed in order to get a more independent status. It also implies that there are good mutual relations to the consumer oriented activities of the local societies. And of course, and above all, it implies that we have the capacity to honestly stand up for the consumers.

To become a revitalized co-operative consumer movement takes time. Earlier in the history, during the successful periods, this role was taken as granted. Today we cannot rely on those merits as self-evident for the future; we have to step by step rebuild the identity as a trustful and confident voice of and for the consumers."

To judge from the expressed strategy and the ambitions this orientation is on its way. But what about the financial conditions for the long run? Are there any guarantees? For the time being this is considered as a crucial issue for the next step.

"On the Way"

"We are on the way", states R. Svensson, CEO of KF since 1992 and the leading actor in this process within the co-operative top management in the on-going process of change:

"We are co-ordinating the retailing in KF and shaping it in nationwide chains. We have made available large resources for a powerful concentration on the core activity. The results are moving in good direction, but we have not yet obtained the required efficiency and profitability.

The crucial and most challenging years are in front of us. The intention is that we will have the best shops, satisfied and active members and a leading role for the interests of the consumers. The realisation of that intention calls for whole-hearted contributions from all employees, in all contexts. I know that we by united effort will succeed!" (KF Information, January 1995)

Economic Benefits as the Leading Perspective

Summarizing the participatory dimensions of the revitalizing strategy, we notice, as we have previously seen many times, that the first priority is to satisfy the members as users of the co-operative services (in the "customer" role). In the prevailing Swedish context an efficient capacity in this respect is considered a precondition for the recruitment of more members as well as for the participation also in other dimensions of membership. By the "prevailing Swedish context" we mean:

- An established consumer co-operative organisation, recently with heavy economic problems

- in the fourth and fifth generation of members,
- a surrounding national economy increasingly characterised by an internationalised market economy, stronger competition, slow growing consumption
- a society at large where most of the people have relatively high levels of social security, income and education
- and with a foot into the post industrial stage of development.

The strategy for obtaining this capacity is considered to presuppose a radical readjustment of the economic activities: An increasing concentration on retailing, organised in nationwide retail chains that are managed by KF and regional bodies. This readjustment is also intended to make resources available in the primary co-operative societies for activities in other aspects of member participation than those connected with the "customer" role. i.e., participation in decision making (the "owner" role) and in shaping opinions in co-operative and consumer policy issues (the "involved" member role), those aspects of participation that we traditionally connect with Co-operation and look upon as constituting the significant difference between co-operative and other kinds of business.

Participation in Three Member Roles

The revitalization of member participation is intended to be carried out within the main member roles:

- Participation in ways directly connected with the customer role is intended to be, almost exclusively, carried out in the shops. The representative forms of participation should be reduced to a minimum and the guiding concept for the revitalization should be a "systematic sensitivity" at the shop level. That implies among other things a renewal of the tasks of the shop councils, improved educational conditions for the professional staff and various measures to facilitate communications between the members and the shops. The shops are intended to become "meeting places" for

direct user activities.

- Decision making participation (the "owner" role) is intended to be revitalized by a range of measures, partly through improved conditions for the representatives, partly by a simplified democratic organisation and partly through more straightforward channels between members and representatives. There are measures for education and for renewed member accounts, the latter at least as a proposal. There are furthermore, at the proposal stage, ambitions to introduce more dimensions of direct democracy, implying reductions of formal and intermediate representative bodies.
- The opportunities for interested members (the "involved" member role) to more deeply introduce co-operative consumer issues, and to carry out influential activities in these aspects, are intended to be improved with a combination of local and central effort. Locally a variety of measures are discussed, for instance activities around special themes such as environment, food and ethics in consumption. Centrally, in KF, these activities are intended to be supported by measures to obtain a reactivated responsibility for co-operative consumer policy.

To these role-oriented measures of revitalization we might add some with the intention of improving the overall member identity, the belonging to the co-operative movement; for instance plans to start a member magazine, to have a nationwide member card and to make the co-operative voice more active in consumer policy issues.

Critical and Challenging Aspects

The critical and challenging aspects for the further process of revitalization seem to be about, above all, the capacity to demonstrate that it is meaningful and worthwhile to spend time and resources to participate as more than a customer in co-operative contexts. In other words to develop a co-operative organisation for the future that is more than a retailer among other retailers. That calls the attention to the proper links between "participation for influence" and the "practices intended to be influenced", an aspect that will

turn out to be especially critical in this increasingly dual oriented co-operative structure.

It also brings to the fore the critical need to demonstrate a serious will to enter the further process of democratic revitalization. This among other things implies a proper and stable allocation of long term financial and personal resources, as well as an understanding of the fact that democratic participation is about to continuously reproduce the proper organisational culture. It is about basic investments, as basic as investments in economic activities.

Consumer Needs: Strong Enough for Participation?

But to widen the perspective to some more delicate and existential issues, which seem to be there in the background as "inner monologues" within the leading discourses: Are consumer needs still strong enough to mobilize people to active democratic participation in such countries like Sweden, where people have a relatively high standard of living and many alternatives to satisfy their consumer needs?

Or from another perspective: Is it worthwhile to spend resources to encourage participation in such contexts? Is it realistic to carry out the ambition to encourage a co-operative development *by and through* the members? Or is it more realistic to restrict the ambition to a co-operative development mainly *for* the members?

These are weighty questions, even to just raise, but we cannot avoid them. They are there in the "inner monologues" (not only in Sweden, I might add). Of course there are no obvious answers. The answers depend above all on how consumption needs are approached and comprehended, as well as on how the co-operative organisation is structured to meet those "new" needs.

In Sweden, where the basic needs of private consumption are taken care of (at least for the time being), we can observe that the *relations* between consumption and other aspects of life are becoming increasingly important: health, environment, time, ethics, social welfare, impacts on other people, work, social justice, international solidarity, and so

on. Such issues cannot be approached directly by the market, or directly in the "customer" role. These are basically political issues concerning how to organise the economic and social life and to grasp them there is a need to go "beyond" the market. Co-operative organisations have always been instruments for such approaches and the relevance of that capacity has not been reduced in modern societies.

The short run economic benefits are important, without question. It is also true, however, since Rochdale and before, that the motivation to join and work for the co-operative way involves a combination of economic advantages, moral/political commitments and intellectual convictions. We know that from the co-operative history. Moreover, co-operators have always had the vision that those latter aspects could be expected to become, and to be *made*, increasingly important as the material welfare and the educational standards of people are improved. And as people around the world search for social and economic alternatives to the existing order.

For a full-fledged co-operative development it is crucial to take seriously the ambition to revitalize other aspects of membership than economic benefits. Because coming generation are always, and should always be considered as, potentially whole members for the co-operative way, who, besides getting economic benefits also are ready to involve themselves for Co-operation as a good way to contribute to a better society.

Moreover, as we know it from experience, committed co-operative members and a good co-operative economy are mutually supportive. They belong together.

References

The direct references to this case study are mostly committee reports and similar documents, as well as interviews and discussions. Among the former are:

- A preliminary version made by Alf Carlsson, Swedish Co-operative Institute.

- The reports of the Structural Committee (KF, December 1990), the Membership Committee (KF, dissembler 1990) and the MK Committee (KF June 1993).
- Protocols from KF Board of Directors and KF Representative.
- Various information materials, the journal the Co-operator", booklets, education materials, annual reports, etc.

The main interviews were conducted with:

- Lars Ag (CEO of Kf Stockholm, chairman of the MK Committee and of the "KF Consumer"),
- Lennart Hjalmarson (deputy CEO with responsibility for member relations, member and secretary of the Structural Committee),
- Anita Persson (staff officer in KF about member issues and assistant secretary in the Structural Committee),
- Torgny Uhlin (Managing Director of the "owner society" of region Svea),
- Annika Åhnberg (project leader of KF Consumer).

Footnotes

¹ In this paper the "Swedish Consumer Co-operative Movement" is understood as the "Consumer Co-operative Union and Wholesale Society (KF)", the "Consumer Co-operative Societies" and the individual members.

² Author's note: I came to this project quite late following the lead of my old friend Alf Carlsson, who died in the Estonia tragedy. I know, however, that my approach here is much the same as Alf had in mind. I can see that from his manuscripts and background materials. I also know it from our numerous discussions about co-operative matters over almost 25 years. In this way I hope to carry on his work.

My presentation has the aim of capturing the discourse behind the ongoing process of change, as it is performed by leading actors and seen in relevant documents. I have no ambitions to cover the many nuances in the opinions, nor to analyse in depth the views and practices carried out. As can be observed I have not found it possible to use exactly the same form of presentation as in the other case studies. The main aspects of the themes, however, are covered and easy to identify, especially in the last section.



Chapter 7: THEORY¹

In their search for ways to improve their own co-ops, and for ways to extend co-operation, activists and staff can look to three main sources of information and guidance: their own experiences, the experiences of others in the co-op movement, and the research literature. All three are valuable, and when used together they each can enrich the others. In this study we have drawn on our knowledge of our "own" co-ops, we have followed a methodology which allowed us to learn from the experiences of others, and we have been informed by the research literature. This manuscript is an opportunity to share this process with others, so that the dialogue and mutual learning can continue.

Thus far in this manuscript we have presented a sampling of the experiences of consumer co-operatives which are trying to implement various versions and degrees of participatory democracy. We used a case study format, organizing the presentation of each case under similar headings: processes to involve members, organizational structures, communicating the goals and achievements of the organization, issues concerning employees and management, the vision for co-operatives in contemporary society. The selection of these foci and the analysis we present has been guided by the theoretical understanding we formulated from reviewing the research literature.²

This literature involves three kinds of materials: 1) description and analysis of actual organizations, 2) presentation of theory, which is an attempt to make the findings of descriptive studies more abstract and generalizable, and 3) "how to" prescriptions for practitioners to follow based on what the author feels a co-operative should do or be. In this chapter we seek to provide an overview of the research literature. We do this with two purposes in mind: 1) to sum-

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marize recent research on the question of co-operative management and participatory democracy and, 2) to build from the research the framework underlying this project. To increase its usefulness to practitioners, we chose to organize this review of research around four questions which people working "on the ground" pose when thinking about the future of their co-operatives:

- What does the management literature say about the organizational forms and management approaches appropriate for the needs of organizations in the global economy?
- What does the co-operative literature say about the relationship between democracy and the management of co-operative businesses?
- Once a commitment to democracy has been made, what aspects of a co-operative organization can be democratized?
- How can a co-operative facilitate a democratic ethos, and increase member and staff participation?

Following the discussion of each question, a list of key points is presented by way of summary. What we report here is not a prescription for practice, rather it is an attempt to provide further insight into the learning activity that took place in this study, and to provide information and recommendations we hope will stimulate debate and be useful for co-op leaders.

Management Literature

What does the management literature say about organizational forms and management approaches appropriate for the needs of organizations in the global economy?

One cannot open the business pages of a newspaper or magazine these days without reading about the need for organizations to break with the past and meet the new demands of a global economy and of post-capitalist, post-modern, post-industrial society. Management journals also address these transformations and the resulting need for organizations to change. The theme is, generally, that globalism

heralds increased competition and increased capacity for and reliance on the flow of vast quantities of information. Crucial for survival, then, are increased responsiveness and flexibility of organizational structures. The key question, of course, is how this responsiveness and flexibility are to be achieved. On this the literature is divided.

One position is that responsiveness and flexibility will be achieved by decentralizing authority and decision making, respecting and empowering workers at the various levels of an organization. In the business pages and in many writings on management buzzwords like teamwork, worker management, participatory management, human resource management, new industrial relations, and others abound. Some analysts argue that "old competition" (which is linked with Fordist and Taylorist techniques of mass production, control of labour, and specialization) must give way to new and dynamic forms of competition based on notions of flexible specialization and firms responsive to the cut and thrust of global competition. These dynamic new forms will incorporate such changes as the extension of managerial freedom, widening of informal networks, increased autonomy and control over activities and decisions, and freedom to be innovative. (See discussions in Peters and Waterman, 1984; Piore and Sabel, 1984; Kanter, 1989; Best, 1990; Chandler, 1990; Clegg, 1990; Hirst and Zeitlin, 1991).

Some even write that democratization (not just decentralization) is a likely and appropriate response to current needs. Nightingale (1982) was one of many who promoted this idea as early as the 1980s, and Bennis, who argued this in the 1960s, has recently incorporated a chapter titled "Democracy is Inevitable" into his book *Beyond Bureaucracy* (1993).

Management researchers in the 1980s found that the most successful organizations were not necessarily the most centralized. Indeed Peters and Waterman (1982) pointed out that highly centralized transnationals were in difficulty. Diversity often led to problems too, with management losing their focus on the core business. The challenge of "growing large while staying small" was put to corporate managers—economies of scale and increased responsiveness were

to be combined. Peters and Waterman's (1992) best seller claimed that quality came from moving decisions down in the hierarchy and focusing on the customer. Mintzberg (Gillies, 1995:23-24) emphasizes the importance of ongoing strategizing, experimentation, testing—processes which he sees as overcoming the formulation-implementation dichotomy and involving all levels of the organization. He emphasizes participative management, and a respect for and loyalty to employees.

Morgan pursued similar themes in his research and advice to management. He notes that:

"As companies become large they often become inflexible. Many organizations now recognize this and are striving to find ways of building around small units that can be run in a flexible entrepreneurial fashion. Some companies talk about 'cloning' as a basis for growth. Others talk of 'spawning' or 'chunking'. Whatever the vocabulary, the principle is the same: organize around small units that are differentiated in terms of product or focus, yet clearly linked to the larger corporation through shared values that give coherence to the whole. The approach reflects a holographic principle whereby essential characteristics of the whole are built into all the constituent parts, creating a whole comprising smaller wholes" (Morgan, 1989: 132).

This combined line of analysis (highlighting changes due to globalization plus problems with centralization) leads to the claim that old forms of production and labour regulation are out, and ones appropriate to the "new economic order" are in. Components of this include a niche-based marketing strategy, a craft-oriented or multi-skilled labour force, and a technical core of flexible manufacturing (Clegg, 1990). Sayer and Walker (1992: 191-192) describe the new model of flexible specialization, or post-Fordism, as encompassing:

"small batch production in interlinked, specialized small firms, flexible in organization, work process and output, and tending to concentrate spatially into industrial districts. Microelectronics and information technology play a key role in allowing

more flexible production and closer coordination between markets and producers targeting new market niches. Firms are supposedly becoming more responsive to changing tastes, and to the tendency for consumer products to support the construction of personal identities."

In more general terms, "...the social and economic structures reproduced since the industrial revolution are now fragmenting into diverse networks held together by information technology and underpinned by ... a 'postmodernist sensibility'." (Hassard, 1993:3). So prominent is this view that Reed (1993:164) describes it as "...the emergence of a 'new orthodoxy' that emphasizes the unavoidable necessity for much more flexible organizational forms, and the fragmenting impact which this exerts on established structures and practices..."

What would management look like in such a scenario? About this much has been written. Here let us look at Morgan's (1988) *Riding the Waves of Change: Developing Managerial Competencies for a Turbulent World* for an example of the advice being given. Morgan emphasizes changes which management must accommodate with new competencies and mindsets. In point form his argument is:

- An increasingly turbulent environment is likely.
- In consequence, managers and their organizations need to develop a more proactive and entrepreneurial relationship with the environment (proactive mindset, outside-in management, positioning and repositioning skills)
- Leadership will become less formalized and hierarchical and more "the ability to mobilize the energies and commitments of people through the creation of shared values and shared understandings" (1988:6)—framing, bridging, broadening ownership in the leadership process.
- As human resources become more and more important the good manager will have to be more of a generalist, integrating technical, human, operational, and technical skills. Organizational structures will be-

come flatter with the removal of supervisory roles.

- The successful organization and manager in the information society promotes creativity, learning, innovation. Structures, communication processes, and organizational cultures which unleash human creativity must be fostered.
- Flatter organizational structures will require more emphasis on shared values and understandings (unobtrusive control mechanisms), and the finding of a balance between delegation/empowerment and supervision/control.
- Organizations must be alive to the uses and impacts of the new information technologies: microcomputing, electronic communication, and robotics. Morgan emphasizes that these can be used to reinforce top-down bureaucratic systems. However, such uses are not the ones he advocates. Instead, he suggests using technology to foster decentralization, network styles of management, and self-organization.
- Complexity of organizational life is increasing, so managers must accept as "natural" messy, ill-defined situations in which multiple stakeholders are a given.
- Managers will need to find ways of managing information so as to prevent overload, reshaping trends so they will become more manageable: bridge-building, collaboration, partnerships and other joint ventures. Morgan also emphasizes the need for companies to assume greater social responsibility, for instrumental reasons having to do with garnering public confidence and support.

Writers on the subject of women in management have embraced such changes, especially the notion of the desirability of flatter hierarchies and a different leadership style. For example, Peters (1990), Rosener (1990), and Statham (1987) all argue that there is some tendency for women managers to use management strategies and styles more like the ones now being touted as appropriate to the contemporary era. Thus women can now be seen as valuable resources in

an organization, from whom men can learn more effective management practices.

However, claims of radical disjuncture and fundamental qualitative shifts in organization and organizational analysis are increasingly coming under attack (Allan, 1994; Geary, 1993; Kessler, 1993; Reed, 1993; Sayer and Walker, 1992). So, too, are the claims that organizations will inevitably become more humane or democratic, and that workers are necessarily benefited by these changes. Many see these changes as involving much dislocation of employees, an emphasis on frequent job and skill changes, a virtual elimination of reciprocal loyalties between employers and employees, and an increased emphasis on instrumental relationships between individuals and organizations (Kanter, 1990; Gillies, 1995). Mintzberg, for one, is critical of what he sees as "...a lot more narrowness and a lot more callousness about firing workers—it is almost as if firing workers is wonderful" (Gillies, 1995:24). A second, alternative line of analysis on the subject of achieving competitiveness and flexibility is developing.

For example, Howard (1985), Ritzer (1993) and Reiter (1993) in their separate studies investigated a variety of highly successful North American manufacturing and service sector organizations. They demonstrate that, though sometimes couched in the rhetoric of teamwork and more humane working conditions, the companies they studied centralized control of labour processes and increased both supervision and unobtrusive mechanisms of control.

Prechel (1994) researched changes over several decades in a large American steel manufacturing company which increased flexibility and responsiveness through increased standardization of procedures, increased controls over managers, and the elimination of half of its middle management positions by removing the need to have many personnel with information processing responsibilities. All this was accomplished by "hyper-quantification", more elaborate computerization, and a variety of other changes all of which served to centralize conceptualization and decentralize only the execution (closely prescribed by computer generated instructions) of tasks. The company he studied extended and

adapted techniques typically used to control non-managerial employees to management level personnel.

Sayer and Walker's (1992) analysis of Japanese organizations suggests that many Japanese companies innovate without necessarily getting rid of mass production, segmented labour markets, and so on. Drawing on his own research as well as that of others, Wood convincingly portrays innovations in many Japanese corporations as innovative and neo-Fordist but still rooted in "...Fordism's fundamental bedrock of work study, assembly lines, mass production and mass marketing..." (1994: 550). And despite greater involvement of workers through teamwork, quality circles, and the like, he finds that management's fundamental right to design and plan work remains intact (Wood, 1994: 549-550).

Thus it is not at all clear that the global economy and competition really require less rigidly hierarchical and authoritarian organizations. Instead, as Geary (1993) emphasizes, substantial continuity in organizational forms and processes can exist, even when the rhetoric of change is invoked. In fact, Geary cites research showing that even when management does institute some changes, workers do not necessarily identify any more closely with managerial goals, the us-them divisions tend to persist, and management's own support for change is usually minimal and based primarily on instrumental grounds. His own research on companies in Ireland uncovers inconsistencies and tensions in attempts to introduce new forms of work organization—shared interests and values and team working being particularly difficult to cultivate.

Handy (1989), while being broadly optimistic about the future we can shape for ourselves, points out that the current discontinuous change makes it difficult to unthinkingly apply past experiences to present circumstances. Discontinuous change also favours individualism and individual freedom of choice. But the danger of this is that in our embracing of individualism we may forfeit the social bonds needed for a harmonious and desirable society. For organizations, too much emphasis on freedom, choice, and flexibility could mean lack of commitment to people, inviting a lack of commitment in return (1989: 262).

Contemporary researchers are thus in broad agreement that global changes mean increased competition, increasing reliance on information that flows quickly, and an increased need for flexibility. But they disagree about the ways in which organizations are likely to change to accommodate these global changes.⁴ This disagreement in the literature indicates that there is no one predictable future for corporations seeking flexibility and competitiveness. To the extent that an organization has control over its own responses to a changing environment, each will have to consider its own context, its own values and corporate culture, its own products and services—or else blindly mimic what seems to work for others.

For some organizations, such as co-operatives, changes in the direction of teamwork, genuine (as opposed to “managed”) participation, less rigid demarcations of jobs and skills, flexibility, responsiveness to needs, and so on may meet values held by the organization. These values may include not only productivity and competitiveness, but also values of community, global sustainability and prosperity, genuine worker involvement, and so on. For some it is becoming abundantly clear that present industrial systems are not sustainable and that communities are suffering unacceptably—that productivity and competitiveness must be nurtured within a less harmful context.

In organizations for which genuine decentralization and increased participation are appropriate and desirable, how should they proceed? One useful source is Morgan’s (1992) book on “imaginization”. Morgan urges organization actors to become their own theorists and use their own insight to help set new directions. He suggests that metaphors be used to liberate the imagination and creativity of organizational members, and offers exercises and guides for doing so. As for management, Morgan is among those who conceptualizes management as balancing tensions rather than conforming to the one best way. Consistently emphasized by such approaches is the central role of employees at all levels, but especially those “on the ground”. In Mintzberg’s words “Respect your people. Don’t empower them, they are naturally empowered. What empowerment means is not

disempowering people” (Gillies, 1995:27).

Another useful source is Mueller (1994), who writes on multinational corporations and globalism and tries to sort out the various sources of influence on organizations and organizational change—can management and others in an organization really have much impact given the constraints of national contexts and globalization? He reviews the evidence for a globalization effect—that differences between nations are eroding, as is the power of national governments. He also examines the evidence for a societal effect—that despite globalization there are significant national differences of policy, culture, historical patterns and so on which influence organizational processes. A third factor which Mueller examines is the impact of organizational effects, emphasizing in particular the ways organizations do “benchmarking” and ensure diffusion of “best” practices, diffusion of knowledge and technologies, etc. All three sets of factors were found to be important, and Mueller cautioned against overemphasizing any one. Clearly, intentionally cultivated organizational effects will have more impact if organizational change agents understand something of the other two sets of factors.

Key Points:

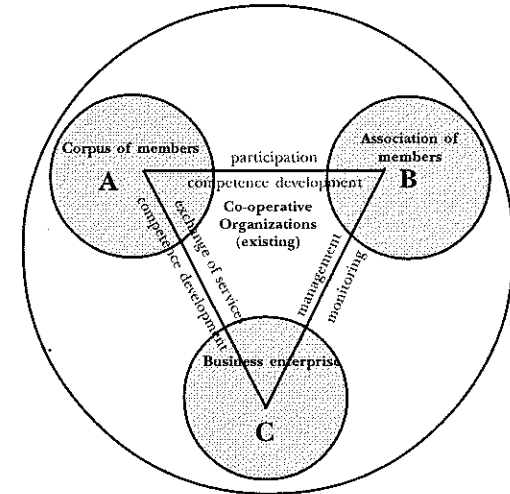
- Management does have to change. But there is no inevitable or “one right way” to respond to the challenges of globalization, nor will current trends necessarily lead to increased harmony and prosperity worldwide. Effort must go into promoting that vision.
- It is likely that organizations which are impacted by globalization will need to increase competitiveness, in part through increasing flexibility and ability to access and handle information. How these are to be achieved needs to be explored—no one way is necessarily “best”.
- Organizational characteristics (such as values, traditional patterns, etc.) have an impact. There is a role for strategic management, especially when located in a supportive and coordinated network context. (The network may be branches and suppliers of a large multinational, or organizations within the consumer

co-op movement...)

- Ongoing strategy formulation and experimentation, ongoing debates over the nature of the company's business, fostering creativity in a safe environment are all likely hallmarks of a healthy company.
- Carefully fostered alliances, joint ventures and other forms of collaboration are important in gaining greater control over organizational environments and in passing along useful information on success stories and failures.
- It is important to be sensitive to, and make use of, the diversity promoted by societal effects.
- Careful thought must go in to restructuring that involves radically downsizing the number of employees and constant exhortations to employees to demonstrate worth as "value adders". There is a danger that, carried to an extreme, such changes will undermine the organization. Nor should strategic alliances be entered into casually, without first evolving the mutual trust, respect and commitment needed to make the alliance work.
- For co-operatives, the literature communicates the message that increased participation, decentralization, and democratization are likely to be changes fostering success. While such changes may not be the only way to go, there is evidence that they work! And co-ops may well find such directions compatible with their values, stakeholder opinions, and long term vision.

Figure 1

Conceptual Relationship between Members and the Co-operative: Illustrating the Structures and Processes (Carlsson, 1993:62)



Co-operative Literature

What does the co-operative literature say about the relationship between democracy and the management of co-operative businesses? There are two bodies of literature. One that attempts to describe what is happening in co-operatives and the other that prescribes what should be happening in co-operatives. We will try to keep them clear in our discussion.

Today's co-operative theorizing has roots in the early part of the nineteenth century and is linked to the writings of such names as Robert Owen, Charles Fourier and William King. Their attempts to organize co-operatives failed but much was learned from their efforts. The Rochdale Pioneers are credited with the first successful consumer co-operative. They were made famous by the historian Holyoake who in

1856 published the *History of the Rochdale Pioneers* which provides us with an analysis of the collective conception of co-operatives: joint action to solve common problems and meet the common needs of members. Co-operatives melded together characteristics of voluntary (democratic) organizations and business enterprises. Both these organizational forms have a long history in Europe, but in the mid-nineteenth century they were brought together in a single organization, a phenomenon that took place in many parts of Europe. By the early to mid-twentieth century co-operatives were flourishing around the world. According to Fairbairn

"The unique importance of the co-operative idea was that it provided a mechanism by which those adversely affected by the changing economic environment could influence that environment to improve it. Co-operatives were a feedback mechanism between people and their economic environment." (Fairbairn, 1994: 1).

By the early 20th century co-operative theory was being articulated and debated by a number of European academics (for example, Gide, 1922 and Poisson, 1920). Lambert provides a synthesis of this debate and from it was able to compile a definition of a co-operative:

"A Co-operative society is an enterprise formed and directed by an association of users, applying within itself the rules of democracy, and directly intended to serve both its own members and the community as a whole." (Lambert, 1963: 231)

A further assumption was that a co-operative's membership would be composed of people who are close to one another socially and geographically, and who join together to address common problems (Nilsson, 1986: 357). Under such conditions direct and participatory democracy could be combined with representative democracy as the bases for management legitimacy and member control. For the first half of the twentieth century this premise, that in a co-op democracy is practised in a setting of relative homogeneity, face-to-face interaction, and common needs was the accepted basis on which consumer co-operatives were organized and managed. Co-operative theory tended to reflect and pro-

mote this premise (Dulfer, 1985:15-39).

However, such an assumption became untenable as the social, economic and political environments changed dramatically during the last half of the 20th century. Not only were co-op members more geographically scattered, but the degree to which they shared, or acted upon, needs in common became less clear. Competition from conventional businesses increased as competitors responded to increasing consumer wealth using mass marketing and large stores. In the rush to meet the competition, few attended to the possibility that creative implementation of the co-op principles of education and co-operation among co-operatives might have offered effective ways to meet the competition (Ilmonen, 1992).

Co-operative practice changed to reflect the changed market and tended to emulate the competition. Consumerism, mass marketing, individualism and economies of scale became driving forces for management.

Changes also occurred in the governance processes of co-ops. The lack of face-to-face interaction and the increased diversity among members have meant that opportunities for spontaneous direct and participatory democracy were reduced or absent altogether. Over the years this has led to an emphasis on formal representative democracy where election at an annual meeting is viewed as providing legitimacy to a board of directors, who then work with paid management to run the co-op (Travena, 1983: 7). Recent decades have seen the increased "professionalization" of management, including boards, as a response to the need to keep co-ops competitive and well run as businesses.

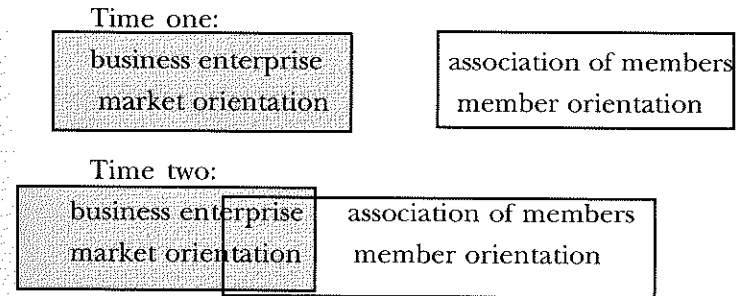
What has emerged then is a situation where the Board plus senior management control the co-operative. They define the issues and make the decisions. Conceptually there has emerged a separation of the association of members and the business side of the organization. The tension between the two tends to be resolved by concentrating on the business and emphasizing "markets" rather than "members" (Fulton, 1990; Brazda, & Schediwy, 1989)

Mainstream co-operative theory also changed, try-

ing to accommodate changes in co-op membership, which became more heterogeneous, more geographically scattered, and more consumer minded. The core idea that co-operatives are premised on a group of people coming together to solve common problems shifted to the concept of co-operatives as organizations that supply goods and services to individual consumers to meet individual needs. This is a profound shift which has had many consequences, one of which is that the consumer/members are not seen to have any strong need to interact with others in an association of members. By the last half of the twentieth century co-operative theory began to reflect this analysis of the situation, the premise that collectivism had been supplanted by individualism and consumerism (Nilsson, 1986).

While democracy continues to be an ethical imperative for co-ops, the normative base of all co-operative theory, the understanding of democracy has changed. Co-operative theory, drawing on both the practices of co-ops and the contemporary social science literature, has come to conceptualize co-ops as comprised of two somewhat incompatible features. These are labelled the "association" side and the "business" side. Further, priority for the business side is justified by the argument that it is the basis for the association side—as in the often heard phrase "Without the business there would be nothing to participate in". This, combined with the focus on members as individual consumers for whom the co-op meets consumer needs, easily lends itself to an "elite theory of democracy"—representative democracy with very limited opportunities for participation, and an emphasis on the business experience/knowledge and background of the elected leaders who become part of the overall management team of the society or organization (Schumpeter, 1943).

Figure 2
Conceptual Relationship between Member Orientation and Market Orientation



The 1950s and 60s were decades in which the elite theory of democracy dominated not only the co-operative literature, but also the theories of political science and other social sciences. Co-operative theorists were influenced by these intellectual currents, just as co-operative practitioners were influenced by current business practices. Practice drew legitimacy and further knowledge of what works from theory. And so it went.

A social scientist whose work was highly influential in this shift to an elite theory of democracy is Mancur Olson, whose 1965 book on collective action was very influential in both social theory and co-operation theory (Nilsson, 1986:386).⁵ Olson used the assumption that individuals act rationally to maximize their self interest to challenge the accepted belief that

"...if members of some group have a common interest or object, and if they would all be better off if that object were achieved, it has been thought to follow logically that the individuals in that group would, if they were rational and self-interested, act to achieve that object" (Olson, 1965: 1) Instead, Olson argued persuasively, "...unless the number

of individuals is quite small, or unless there is coercion or some other special device to make individuals act in their common interest, *rational self interested individuals will not act to achieve their common or group interests.*" (Olson, 1965: 2, emphasis in original).

Olson's argument depended in part upon his analysis of what is now known as the "free rider" problem and the disinclination of people to act collectively unless quite sure that no other course of action would result in their interests being met.⁶ Thus democracy within an organization or movement would be virtually impossible to achieve, since most people either would not participate or would do so only on the basis of narrow self-interest. Also, a wide variety of studies of social movement organizations seemed to "prove" the Iron Law of Oligarchy (Michels, 1949) which asserts that due to a combination of psychological, political and organizational imperatives organizations, however democratic to begin with, inevitably become bureaucratic and oligarchical.

As mentioned above, this line of analysis, picked up and extended by many others interested in collective action, developed at a time in history when co-operatives were finding it expedient to separate democracy and participation off from the business side of the co-op, and to set a hierarchy of importance: the business side predominated, the social dimensions were but "nice" frills which could be, and often should be, curtailed.⁷ Co-operative theorists saw this kind of practice as rooted in accurate theory, and as an appropriate response to concerns about manager competency, board competency, member apathy and/or unpredictability, market competition, and so on.

Co-op theorists developed theories of management which closely paralleled management theory in general. Increasing efficiency, largely achieved from the combination of good management (board and professional management) with economies of scale, were seen as necessary to success in a competitive environment. This shift in theory reinforced and extended changes in practice, and seemed to work. Co-operatives from the 1960s to 1980s deliberately transformed

their structures and achieved substantial business success (Brazda, & Schediwy, 1989: 28).

However, by the 1980s the business gains slowed and, in some parts of the world, co-ops ran into substantial difficulties. Analysts attempted to uncover the reasons for co-op troubles and, more specifically, the reasons for the crisis of consumer co-operation in the consumer co-op sector of industrialized countries. Were co-ops being run poorly as businesses, or was something else a factor? Craig's review of comparative research and anecdotal evidence indicated a link between long run economic success and long term democratic processes (1986: 96-111).

In an extensive study of consumer co-operatives in the industrialized countries Brazda and Schediwy (1989) summarize the trends in ten movements and then present their explanations for the present crisis in consumer co-operatives. On the basis of their analysis of the ten movements they suggest that:

"1) the increasing competition in retailing has led to a downward pressure on margins which has made some "social aspects" of co-operatives costly luxuries..." 2) the downward pressure on margins has made it difficult to earn the traditional dividend which is still regarded as the trademark of consumer co-operation in many countries... 3) "the culture of not facing problems..." 4) the consumer co-operatives that had and have the biggest problems seem to have been those most closely linked to traditional labour movement culture... 5) tensions between parallel central organizations (typically an "ideological" and a "commercial" one—a Union and a Wholesale) have in general led to a victory of the "businessmen" over the "ideologues". But more problematic and unsolved are the problems of a pluricentrism created by large regional mergers, where the central organization tends to become the battlefield of feuding "regional barons". 6) the central bodies had in the past the duty to guarantee the solvency of all co-operatives without always having the concomitant right to guarantee good management... 7) the role of the members and their elected representatives

in this picture is not a glorious one. Members tend to become pure customers and to judge co-ops today mostly by their performance compared to other shops..."

Saxena and Craig (1990: 492) note that a consistent trend in the declining movements described by Brazda and Schediwsky was "expansion, internal organizational concentration and rationalisation, and the tendency to become more business-like and less ideological". Saxena and Craig suggest that for the co-ops in decline "being more business-like means following the competition, or becoming more bureaucratic, and less ideological means to ignore the membership and perceive them as customers" (Saxena and Craig, 1990: 493). For expanding co-ops which Brazda and Schediwsky described, becoming business-like and less ideological is also a pattern, but with a difference. Here more business-like means to finance growth by involving members, improving efficiency, and developing mechanisms which allow management to know what members (especially the consumers using the stores) are thinking. Less ideological means to adapt traditions while keeping the co-operative in tune with basic tenets of co-operation.

In general, the expanding co-ops seemed to be implementing aspects of participatory democracy, adapted to contemporary circumstances. (Saxena and Craig, 1990: 493). Two specific factors which Saxena and Craig identify as significant in influencing success are: significance of the role played by members in financing the co-operative, and the extent to which decision makers are close to members/consumers and are able to respond in imaginative ways.

These kinds of analyses, as well as empirical work in the social sciences, have led many co-operators and co-operative theorists to question the mainstream theories and practices of co-operatives. But there is still much debate among co-operative theorists and practitioners: Should co-ops become less or more member-oriented in the sense of increasing participatory channels and democratic opportunities or should they become better businesses in the conventional sense? To what extent are conventional "good" business practices complementary or detrimental to co-op-

eratives? Is the business side necessarily paramount, or is the association side integral to a vibrant co-operative business? Are there dangers in neglecting co-operative education and participatory democracy for "member/owners", and cultivating consumerist judgement criteria on the part of "member/customers"?

In trying to address such questions co-op theorists are again being influenced by work in the social sciences, notably work critiquing the theories of Olson and his contemporaries (Ostrom, 1990; Kohn, 1986; Axelrod, 1984), and work critiquing the "Iron Law of Oligarchy" (Brown, 1985; Rothschild-Whitt 1986).

Olson's argument has been found to be oversimplified and limited and "rationality" to be not only more complex than a single minded judgement made in reference to narrow economic self-interests, but also to be but one basis for human action (Etzioni, 1993; Knoke, 1990). Ostrom (1990) documents how communities and groups of users have managed common pool resources effectively for centuries, and continue doing so. Kohn (1986) shows that concepts like competition and co-operation are more complex than formerly thought. Axelrod's (1984) research on game strategy shattered the conclusion based on the prisoners dilemma that co-operation was fragile and co-operators suckers. He shows that interacting individuals who practice the co-operative strategy of tit-for-tat will dominate in collective action situations and the idea of involvement and co-operation within groups is far more robust than theories of the 1960s to 1980s had assumed.

Knoke (1990) reviews, critiques, and tries to go beyond the three main explanations offered for people joining collective action organizations: rational choice/cost-benefit analysis, normative conformity (adhering to socially instilled values and norms), and affective bonding. His work offers a powerful critique of Olson, and he presents a subtle model of his own which is not limited to narrowly conceived rational action. Etzioni (1993, 1988) critiques the neo-classical paradigm of human behaviour, challenging both its individual level of analysis and its basis in rationality theory.

The conclusions to be reached from all this "revi-

sionism" are that 1) the development of an understanding of human motives and actions in the realm of collective action requires much more sophisticated analysis than Olson's, and 2) that oligarchy can be fought against and, to a large extent, prevented if an organization consciously strives to enhance democracy. Co-operative theorists are beginning to put this together with the literature reviewed earlier in this chapter, new streams of management theory which argue that good management in the 1990s means decentralization, streamlined organizations, flexibility, a responsiveness to clients/customers, and a sensitivity to human resource issues. But this time co-operative theorists are striving to develop theories which are more than derivatives of other theories, and are more intent on developing theories reflecting the particular nature of co-operatives. The result is a critique of the association/enterprise separation, and of the devaluing of the social and democratic side of co-operatives. Let us explore this in more detail.

Co-operative Theory and the (Re-) Integration of Business and Association Components

As we have seen, for several decades there has been little challenge to the belief that it is virtually impossible to combine a competitive and successful business with high levels of democracy and member responsiveness. Respected management logic is one which splits the economic and social features of co-operatives into "hard/business" and "soft/social", with the former predominating. In consumer co-operatives this typically involved a high degree of centralization and bureaucratization, combined with a representative democratic governance structure.

This failure to balance the two aspects of co-operatives is now demonstrably a problem—a problem both for the survival of the spirit of co-operatives and for their survival as businesses (Craig, 1993: Chs. 3 & 6). Evidence suggests that we must reconceptualize co-ops. Neither the associative nor the enterprise side is paramount, but instead are in relationship to one another. Fairbairn (1994:18) has expressed this complexity in co-operatives by describing it as a symbiosis:

"A co-operative is a symbiosis: a union of an association of people and a business, both of which have to keep healthy for the organism to thrive. Like symbiotic innovations in nature, co-operatives arose when two pre-existing forms combined".

These two forms are a voluntary (and democratic) association of people and a business enterprise. The relationship between these two aspects of co-ops is not only symbiotic, however, it is also, at times, antagonistic. However, we are coming to realize that our theories have exaggerated the antagonisms and underestimated the symbiosis. Theories are needed which will help us understand these relationships better.

For example, for consumer co-operatives, success generally means an increase in size, which makes it more difficult to maintain the associative side and the feedback mechanism Fairbairn describes. As Carlsson (1992:5) notes;

"...it becomes very difficult for the members to have knowledge and information about each other. There is, therefore, a built-in conflict between the expansion of co-operatives of the distributive type and the requirements for knowledge and information", both of which are necessary for informed participation."

There is little question that increased size can lead to very real problems. In their review of the literature on the effects of size on co-operative democracy (in worker co-ops), Rothschild and Russell find many studies to indicate that size matters (1986:314-315). But what size is optimal under what circumstances is still not known, and much is being learned about how large organizations can compensate for their size if they want to be more participatory and democratic. For example, wide sharing of responsibilities and skills, development of a committee/team structure, co-operative education, rotating of various leadership tasks, etc. can all serve to improve the potential for democracy (Rothschild and Russell, 1986; Brown, 1985). Further, generally accepted views on economies of scale are being revised, to take account of various understandings of how to achieve scale—

mergers, expansion, strategic alliances, etc.

This leads us to consider another aspect of the size question, the issue of co-ops combining under one wholesaler—whether as independent shareholders in the wholesale or as branches of a single co-op. Here, as many researchers and practitioners have found, there may be problems of local fiefdoms, exercise of power without accountability, high levels of conflict, and so on (Brazda and Schediwy, 1989; Hammond Ketilson, 1987). While it is indeed unlikely that these problems will ever be eliminated, again contemporary research is helping us to identify ways to lessen these tensions and strengthen the benefits of such alliances. Not the least of such strides is the increasing debate about what really are the “imperatives” of business and about the variety of ways in which these imperatives can be met.

Encouragingly then, the perceived incompatibility between economies of scale and member responsiveness/involvement is being challenged as new management techniques and new technologies make both possible, at least to a degree. Analysts now argue that for co-operatives, closeness to the consumers and responsiveness to their needs was their competitive advantage during the first half of this century. Co-ops successfully addressed the issues of the day, but the old structures and processes became outmoded as the co-ops grew, and with changes in the environment and technology. The structures and processes borrowed from conventional businesses, in response to such changes, helped the enterprise side to an extent but neglected the responsiveness to members. The culture of co-operatives stagnated as the co-ops neglected education and efforts to attract young people and immigrants who, increasingly, saw consumer co-operatives as irrelevant in their lives or even in the market place.

One analyst of these problems described co-op leaders and management as becoming “frozen” (Briscoe, 1987)—unable to say what a co-op can do to distinguish itself in the competitive marketplace, unable to articulate and follow a co-operative vision, or to change to meet new challenges as opportunities rather than threats. Researchers who have built on such an understanding of the past successes and present

difficulties of co-ops are now building theory to help consumer co-operatives flourish again. More and more of them are basing their analyses in the ecological model of symbiosis, rooting their theories in the assumption of a symbiotic relationship between the well managed business enterprise and the association (for example see Côté, 1991 or Blomqvist and Böök, 1995).

Such approaches point to the importance of feedback among users and between member/users, management, and elected leaders. Direct participation and structures and the facilitation of participatory democracy in various aspects of organizational life are seen as increasing knowledge and commitment through experiential learning (Brown, 1985) and as providing co-operative leaders and management with the information they need to respond to their members and their markets. This focus on democracy as a strategy can also be seen as the co-operative adaptation to the conventional management literature's call for more involvement of lower level participants, closer contact with the market, greater flexibility, etc. Increasingly, theorists claim that democracy makes good business (as well as moral!) sense (Fulton, 1990; Nilsson, 1986). What is now needed are co-ops which will make efforts to explore this in practice, and researchers who will follow up on these efforts to learn from them, developing analyses and theories which will be useful to other co-ops. This project has identified a small number of the many co-ops exploring ways to enhance organizational democracy, but many more such studies are needed. Undoubtedly there will be no “one best way”, but equally it is certain that theory can guide the discovery of combinations that work well in various circumstances.

But the transition from such theories to their implementation in practice is difficult for those schooled in conventional professional standards of management. The following quote from a manager of a natural foods co-op in Minneapolis succinctly expresses the tensions felt:

“We need to build in opportunities for membership input and participation, without jeopardizing our ability to make business decisions expeditiously. We need to openly share information with

our members and staff if they are to participate effectively, yet we must not compromise our ability to negotiate confidential and complex projects and proposals" (Graham, 1994).

Note the hesitant, tempering tone. While expedience, effectiveness of participation, and confidentiality are of course legitimate concerns for any business, over emphasis on them can prevent true innovation and experimentation.

Another question raised during discussion of renewed democracy is which groups are to be included in the democratic renewal? Members, of course. But what about employees? Sashkin (1984) claims that participative management is an ethical imperative everywhere that it is no less efficient or productive than autocratic organizations. And such a condition, he argues, is met far more often than we admit. Nightingale's (1982) research on employee democracy finds support for that claim, as he finds that even where democratization does not enhance employee performance, it does not decrease it. Many other studies confirm this finding, with the caveat that the workers must perceive their participation/involvement to be genuine (Rothschild and Russell, 1986; Bernstein, 1977). In addition to members and employees, it may be that communities and suppliers and other groupings may need to be incorporated in some way as well. While enough examples of worker participation exist that research findings are accumulating, these examples are rare in consumer co-operatives. The integrating and balancing of member and employee involvements will take time and effort, and careful study of others' efforts.

Deriving Some Recommendations for Co-operative Practice

The available research is sufficient to lead to three key recommendations for co-op practitioners, which will now be discussed: 1) demonstrate that co-ops are different from other types of businesses; 2) foster linkages with other organizations; 3) develop co-operative management styles and techniques.

Demonstrate that Co-ops are Different from Other Types of Businesses

In a presentation prepared for the First Triennial Congress of the Canadian Co-operative Association, the Bundon Group Limited (a consulting firm) presented as their premise the idea that:

"...the future role of co-operatives in the economy will be determined largely by their ability to distinguish their form of economic enterprise from those of other economic players, and to achieve wide public acceptance of that role." (1991:8)

Co-ops generally differ from conventional companies in their operating principles, the legislation under which they operate, their acquisition and use of capital (Côté, 1991). Application of these differences is affected by the particular balance of associational and enterprise needs struck within a particular co-op. If a co-op gets too out of balance in either direction, it can be expected to have difficulties (Côté, 1991). Of course, if co-ops neglect their associational needs, the consuming public can no longer distinguish a co-op from any other business. As well, the pressures then mount to conform ever more fully with conventional business models.

There is grounding in the research literature for this assessment. For example, congruence theory postulates a tendency towards congruence across organizational properties, although an organization is unlikely to be fully congruent at any one point in time (Nightingale, 1982). Organizations tend toward congruency both because of the logical interrelationships of beliefs and decisions about structures and processes, but also because congruent organizations are more effective (Etzioni, 1970; Blau, 1968; Burrell and Morgan, 1979; Nightingale, 1982).

In a study of small storefront food co-operatives, Brown (1985) argues that a high degree of internal consistency is more important for the persistence of participatory-democratic forms of organizations than of conventional ones. However she also finds that it is possible, to a degree, to compensate for incongruence (e.g. high levels of specialization of tasks combined with high levels of information sharing and/or policies of task rotation). This is the equilibrium

Côté speaks of. A clear sense of mission, of the nature of one's organization as a co-operative is thus important in preventing a series of what may seem to be routine decisions from altering the original character of the organization (Brown, 1985: 64). Just as important as a clear mission, however, is the presence of "democratic watchdogs" strategically placed within the co-op. These watchdogs are the equivalent of strategically placed finance or marketing experts—they keep democratic priorities actively in mind and promote discussion of key issues among boards and management.⁸

Others also agree that co-operatives must be clear on their unique qualities. Hanusch (1985) emphasizes that co-ops must not forget that they are, first and foremost, self-help organizations. Furstenberg (1985) emphasizes that since democratic processes are the basis for legitimation of authority in a co-op legitimacy can be easily lost if democracy is forfeited.

Foster Links with Other Organizations

It has been argued that consumer co-operatives are unlikely to be able to sustain themselves unless they form close linkages with compatible organizations—suppliers, labour groups, community-based organizations, other co-operatives, etc. (Webb, 1991; Bedford, & Pobihuschy, 1993). But Brazda, & Schediwy, 1989 have shown that the old traditional ideological linkage to labour in the European movements has been a problem for some movements. What seems to be the case is that strategic alliances based on a win/win basis are desirable. Dermer and Peridis (1993: 1) go so far as to state that "the formation of alliances is so logically consistent with the moves needed to implement strategies for survival and growth that they are a necessity". The "wisdom" of an exclusive emphasis on competition, based in the metaphor of the so-called Darwinian struggle of "survival of the fittest" and a "tooth and claw" struggle is being challenged now, even by biologists and physicists (Rifkin, 1983; Degler, 1991). They point out that the natural world has a far more complex relationship between competition and co-operation than that offered by the neo-Darwinists.

In fact, despite its well publicized veneration of competition, the conventional business world harbours a significant degree of co-operation. Businesses to survive and flourish must develop co-operative linkages with workers, managers, investors, suppliers, researchers, governments and their critics (Morgan, 1988). In fact, "Businesses usually succeed by having ongoing relationships of trust" (Fairbairn, 1994: 3).

This suggests another metaphor, such as that put forward by Margulis who sees life "as a universe of symbiosis and co-operation, more than competitive elimination of rivals" (Lovelock, 1990). Use of this metaphor does not deny the existence of processes of competition and natural selection, but rather portrays a more complex world view where symbiotic relationships also shape a particular environment. Such a metaphor can be useful both in encouraging innovative ideas on the positive potentials of strategic alliances and partnerships, co-operation between co-operatives, and so on. As well, this metaphor promotes a recognition of the complexity and diversity of organisms (such as business organizations) and their interrelationships (Ogilvy and Schwartz, 1980:35).

Develop Co-operative Management Styles and Techniques

Key aspects of co-operative management styles and techniques include: involving members in financing their co-operative; giving substance to the democratic rhetoric of co-operatives; recognizing that any co-op has multiple stakeholders; taking full advantage of the human resources of members and staff.

To encourage members to invest, and to stay responsive to them, requires management skills. As shown in Gastil's (1994) review of literature, undemocratic and exclusionary management styles can lead to: dependent and apathetic followers, low quality policies coupled with inefficient implementation and limited constituent support, lack of clarity as to the decision making process, and the potential for greater conflict. But simply lauding participation is not enough. As Vyas (1985) ably argues, participation must be

carefully thought through: why, in what, and with appropriate preparation for the participants. Soliciting member investment can be an opportunity for member education in co-operatives and co-operation, it may increase commitment, and it keeps control of the co-op firmly in the hands of members.

Management philosophies and styles most congruent with co-operative values and principles are democratic in nature. Briscoe (1987) writes that the position of management in co-ops is qualitatively different from that of management in conventional businesses. Co-op managers are accountable to the member-owners, and their actions are legitimized by them. Co-op board members, one part of the management team, are elected by the membership and thus are accountable to them. The board hires the other part of the management team, the general manager, who is thus accountable to the board and through the board, the membership. These relationships are those of representative democracy. However, democratic management can now be seen as going beyond representative democracy, to meet not only the requirement of representativeness, but also that of responsiveness. This requires that representative and participatory democracy be combined (Lindenfeld and Rothschild-Whitt, 1982; Quarter and Melnyk, 1989).

It is through the cultivation of particular management styles and procedures that participatory democracy can be facilitated. In general, one would expect leadership in a co-operative to be more informal, friendly, supportive, and participative (Nightingale, 1982: 109). Managers can be expected to stress: direct democracy (participating and learning through doing), member involvement, emphasis on teaching people/facilitating learning, de-emphasis of positional authority (Rothschild-Whitt, 1977; Bernstein, 1977; Brown, 1983). Interestingly, these are but extensions of the style which the traditional management literature is now valuing.

Boards, too, are involved in management and must change the style and content of what they do. Carver (1990) in his discussion of Boards of not-for-profits and other alternative businesses strongly emphasizes liberating board mem-

bers from much of what they see as being "management" and developing their skills as bodies which govern by policy and provide vision and leadership. Both board and paid management can use modern technologies to advantage in implementing their vision of facilitating participatory democracy and, indeed, in improving representative democracy.

Another adaptation required of co-op management relates to both changes in society and changes in the perception of people as human *resources*. Foremost among these are the changes in the role of women. For example, while effective in its day, the women's co-operative guild model of separate venues of participation for women is unlikely to be appropriate for the consumer co-operative of today. Women constitute significant numbers in most in consumer co-ops, and, still, the majority of shoppers. They are often the majority of employees, but are concentrated at the lower levels. Under-represented as they are in co-op management and boards, women are not involved on equal terms with men as member/owners or as employees. Co-operatives are therefore not only breaching their own commitment to equity and justice, but they are also failing to take advantage of the significant resources and talents women can bring to their co-operatives.

Co-op managers are now expected to think more about external relations too. As mentioned in a previous section of this chapter, co-op managers are also being asked to meet expectations stemming from the realization that co-ops have multiple stakeholders, especially employees (Hammond Ketilson, 1987). This requires very different management skills, and taps a different way of thinking of management processes.

From all this we can pull out some key points in answer to question 2 posed above: what does the co-operative literature say about democracy and the management of co-operative businesses?

KEY POINTS:

- Co-operatives are both associations of people and business organizations. To survive as co-ops, both economic

and social objectives must be articulated. The two are not in conflict but intertwined in complex ways. Social objectives are unlikely to be realized unless the business is effective and viable. Similarly the business objectives are enhanced when co-operatives actively address their social objectives.

- Democracy is generally seen as an ethical imperative of co-operatives, though the ways democracy is defined and implemented change over time and across organizations. Increasingly, democracy is viewed as making good business sense when in balance with enterprise needs, and as part of the process of differentiating co-ops from their competitors, and staying innovative and abreast of member needs/wants.
- Member control and influence are basic to co-operatives. Representative democracy allows for control to be exercised by active members. However, representative structures are not suitable for broad-based involvement and influence, nor are they particularly effective at building community and commitment. To prevail against an over emphasis on consumerist values (e.g. convenience and price), and to take advantage of the information and input members can provide, co-operatives must engage their member/owners. Participatory democracy is therefore necessary.
- Employees of co-ops have a stake in the co-op which goes beyond their stake as members. Their commitment and knowledge is there to be cultivated and tapped through sincere democratic (participatory) management techniques.
- Individual co-operatives can benefit by developing a clear sense of themselves as different from conventional businesses, and clarifying what forms of participation are to be facilitated and encouraged, by whom, and in what. To do this effectively, their members need to be prepared for participation, and the co-op needs to be ready to respond to the consequences of increased participation.
- Democracy and the day-to-day management of con-

sumer co-operatives requires a balancing of tensions and it is the role of management to balance the tensions. Boards can be more effective as governing bodies if they govern by policy and articulation of vision.

- Consumer co-operatives, in particular, are likely to be more successful if they effectively differentiate themselves from their competitors. As part of this effort, they can seek to position themselves as organizations which are relevant to both consumers and communities.
- Co-operatives must develop linkages with other co-ops, as well as other forms of democratic organizations, in order to have more impact on their environment, to strengthen their market position, to learn from others, and to extend the opportunity for citizens to live their lives within democratic organizations.

Democratizing a Co-op

Once a Commitment to Democracy has been made, what aspects of a Co-operative Organization can be Democratized?

There are two aspects of co-ops that can be democratized: governance and operations. In order to decide how to further democracy in these areas, individual organizations have to ask themselves what they mean by democracy, why they want to further democracy, and who is to be considered a "citizen" for purposes of democratic participation.

To illustrate, Figure 3 shows that co-ops can consider increasing the extent to which governance is democratic by facilitating the involvement of either or both of general and employee members. In addition, or instead of that, a co-op can facilitate the involvement of the two categories of members in co-op operations.⁹

Figure 3
What Aspects Can be Democratized?

	GOVERNANCE	OPERATIONS
GENERAL MEMBER	A	B
EMPLOYEE MEMBER	C	D

Democratizing Governance

Democracy is generally understood to be a process where people (citizens) are involved in making decisions. It is often used to describe a form of government—a way for people to make decisions (including decisions about who will govern their society or organization) and a way of legitimizing decision makers. The ideals of democracy have been described on many occasions by philosophers, social scientists and politicians. Abraham Lincoln’s famous phrase, “government of the people, for the people, and by the people”, is as succinct a statement as any, but it is not as simple as it appears. It assumes that the individual has a central place in the democratic process and each individual is capable of making decisions about the affairs of the polity. These assumptions then are the bases for the ultimate goals implicit in Lincoln’s definition. These are: 1) the full development of each individual’s capacity within the political system and 2) the ordering of society on universal laws and the power and the freedom of those controlled by law to change the law according to agreed-upon rules—and even to change these rules. Associated with these goals are particular sets of *values, structures* by which the goals may be achieved, and *processes* that will make the structures work.

Much of what is known about democracy comes from the theorizing and research of social scientists. Research on democratic theory and participatory democracy has burgeoned over the past 15 years as interest in the subject has increased. With this attention has come criticism of the relative lack of change in democratic thinking over the past two

centuries. As Henderson (1992:B1) remarks:

“Though nation after nation has come to acknowledge democracy as the best way to manage modern society and politics, we have continued to rely on an 18th century-style representative democracy to solve our ever more complex web of social, cultural, political and economic problems. Such anachronistic models of democracy can no longer manage dynamically changing post-industrial societies riding a global economic roller coaster.”

Usually focused more on representative democracy in nation states, or in political, voluntary and movement organizations, in recent years the concept of democracy has been being pushed further, in two directions: 1) expanding the realms in which democracy is thought to be applicable—notably into the realm of the economy, and 2) deepening the concept of democracy by blending participatory forms of democracy with the more pervasive and familiar representative forms (Pateman, 1970). Let us look at each in turn. First, expanding the realm of democracy.

Scholars from a variety of disciplines and theoretical traditions (e.g. political theorist Dahl, 1985; Barber, 1984; economists Bowles and Gintis, 1987; sociologists Whyte, 1988; Mansbridge, 1980; Mellor et al., 1988; and Ekins, 1992) are arguing that democracy must be brought into economic life—i.e. into the (autocratic) workplace—if we are to preserve a democratic polity and to combine justice and economic development in a global economy. The claim is that democracy in the political realm can only truly flourish if democracy is practiced more pervasively in people’s work lives. Workers can be brought in through representative democratic structures (e.g. seats on the board; elected committees advisory to the board) or through channels associated with participatory democracy.

The community level of analysis (rather than national) is deemed extremely important in much of this literature too, because people work in particular organizations in particular communities. Both workers and communities are seen to be “stakeholders” in what happens in work or-

ganizations. There is some recognition that co-operation and co-operative organizations offer one avenue for the democratization of economic life, with potential spinoff benefits for a democratic polity (MacMillan, 1994; Wilkinson, 1993).

The second direction of democratic theorizing, that of deepening the concept of democracy by blending participatory and representative forms, requires an understanding of both these forms. Representative democracy is essential whenever the group gets too large or too complex to meet together regularly to debate and make decisions. Representative democracy fits situations such as the following:

- A large heterogeneous group with differing views and opinions on most topics.
- Larger groups that do not need full consensus to make decisions because generalized agreement on goals is adequate to hold the polity together.
- Widely scattered membership which therefore cannot meet together.
- Situations where decisions have to be made fairly quickly, by highly informed people.
- Even relatively small organizations can benefit from representative democracy, especially if people have trouble coming to consensus, or if there are very diverse interests among the constituents.

Representatives are ACCOUNTABLE and may not get re-elected, are RESPONSIBLE and therefore expected to meet electors' needs. In between elections, there may be little accountability—elected officials pursue their own ideas though they may try to take the pulse of their constituents should time, money and internal politics permit. The representatives may make up their minds by amalgamating all the views of their constituents, presenting their own individual points of view using the general ideas of the constituents, or by articulating their own points of view to persuade others and build coalitions about what to do to resolve various issues. However, it is possible to set up structures and processes which allow voters to provide their representatives with general direction and support.

The advantages of representative democracy are many. Such a form allows representation of various constituencies of interest, allows some of the decision making efficiencies of a small number of people, offers paid management a team of people to work with and be scrutinized by, and so on. The formalization may also be useful as it regularizes decision making and is open to scrutiny.

There are drawbacks to representative democracy, however. These include the possibility of conflict between constituencies, abdication of responsibility on the part of members not on the board, polarization of members into those who are knowledgeable and those who are uninformed and inexperienced, promotion of a consumer mentality and an us/them relationship between the elected board members and the general members, distance from member needs and concerns, power seeking by elected officials, lack of member commitment to the co-op (Brown, 1983; Barber, 1984; Pateman, 1970). Here participatory democracy offers some promise, as we shall see.

The call for participatory democracy complements the efforts to expand the realms in which democratic principles are applied. Participatory democracy, as it relates to governance, emphasizes the involvement of citizens in self-government. Barber writes about "Strong Democracy" which holds out as an ideal "...unmediated self-government by an engaged citizenry. It requires institutions that will involve individuals at both the neighbourhood and the national levels in common talk, common decision making and political judgement, and common action" (1984:261) Participatory democracy is consensual, facilitates learning through experience, and can provide a firm basis for the representative democratic aspects of a polity. People who will be particularly impacted by a decision or initiative are offered a range of opportunities to become informed and to be involved in the process—hence the term direct democracy, which is often used synonymously with participatory democracy.

Participatory democracy requires tolerance, even encouragement, of experiential learning and of the time consuming process of working through of differences of opinion. Generally speaking, direct participation works best:

- in small group settings in which people are relatively homogeneous or at least share common interests;
- where proximity and close relationships make possible face-to-face discussions and decisions based on total or near total agreement (consensus);
- where divisive issues can be discussed in a variety of contexts, building to a final decision which can be accepted by the group;
- where it is possible by various means for all or nearly all to take part in making decisions.
- where the co-op has many facets in which members can become involved. For example, a committee structure, regular general meetings, other opportunities for input (e.g. focus groups, surveys, etc.), social events, various organs of communication and so on—not everyone likes meetings!

Some democratic theorists believe that participatory democracy offers the best hope for a vibrant polity in which people are knowledgeable, skilled at democratic decision making, committed and efficacious (Pateman, 1970; Barber, 1984; Dahl, 1985). Thus participatory democracy expands and revitalizes governance structures. However, there are disadvantages. The appearance of consensus can be “forced” because people feel uncomfortable raising contrary opinions, cliques can form, employees or board members may find themselves having to recruit and manage an unwieldy cadre of volunteers, representativeness may suffer.

Fortunately representative and participatory democracy are not mutually exclusive, and combining both can help over-ride the problems inherent in each. For example, representative democracy can put a check on the dangers of a tyrannizing minority or a coercive consensus. Participatory democracy can overcome problems of rigidity and lack of innovation, of distance from the members, of a lack of consensus building processes, of failure to allow members to learn and develop reasoned opinions and skills, and to become more involved at their own pace. Participation also provides a base of committed and knowledgeable members out of which representative democratic institutions are more

likely to flourish rather than become moribund. Increasing efficiency of governance and maintaining member integration can both be addressed through combinations of these two forms of democracy.

Democratizing Operations

Over the last two decades a lot of attention has been given to democratizing the operations of organizations, most of it under headings like “work-place democracy” (Bernstein, 1977; Albrecht & Deutsch, 1983; Greenberg, 1986)¹⁰. But attention has also been given to ways to make nations and membership organizations more democratic by getting people more involved in committee work, focus groups, regular communication processes, and so on. Increasingly it is argued that operations level democracy may contribute to the development of broader citizenship skills, enhance motivation to participate in broader governance issues, and improve the quality of decision making (Barber, 1984; Dahl, 1985).

It is participatory rather than representative democracy which is most significant in democratizing operations. In contrast to representative democracy, participatory democracy deals less with formal statutes and electoral processes and more with the myriad of ways members and employees can become involved as individuals and small groups. This involvement can range across any of: taking an orientation program, speaking with the manager, participating in a product testing group, being part of a committee, taking part in all-member meetings where key decisions are made after discussion and an attempt to reach consensus, being part of a work team in the produce section, participating in weekly unit meetings, and so on. Participation means to take part, involve people in the decisions. It does not necessarily mean making final decisions, rather it means having real input or doing some activity that has meaning within the organization. A review of the workplace democracy literature done by Rothschild and Russell (1986:316) found that less autocratic work environments are associated with positive worker satisfaction and identification with their firms.

Implications for Co-operatives

The meaning of democracy for early co-ops was captured by the principles of one person one vote, and open and voluntary membership. As mentioned earlier in this chapter, co-ops came to equate democracy with representative democracy.

This has often stalemated into the acclamation of a slate of candidates presented by a nominations committee at a poorly attended annual meeting. The elected representatives are then rarely in any contact with the members until the next annual meeting. However, this representative process can be revitalized. Co-operatives interested in improving their representative system can focus on ensuring that the elected representatives hear the will of their constituents, that elections are contested, that those running represent a cross-section of the members (age, gender, race, etc.). Various two-way communication channels can be opened, and accountability insisted upon.

Desirable as such revitalization would be, there are more and more people within the movement, both practitioners and theorists, who argue that representative democracy is inadequate for the long term health of democracy in co-ops (Böök, Sven-Åke. 1992; Nomura, 1993). For some expanded democracy is integrally important to the co-op difference, for others democracy is also a tool for handling problems co-ops currently face. For example, democracy can be an antidote to the problems of large size and bureaucracy with their concomitant problems of loss of flexibility and responsiveness to members. But how to combine these? Dulfer (1985:30) puts it this way:

"How...can the various branches of the co-operatives in the ... world protect themselves against a tendency toward bureaucratization endangering the solution of their problems when they find themselves in a dilemma between the desire for member participation and the necessity of forming vertical organizations?"

The answer lies in each co-op's finding the appropriate balance between democracy and business, between representative and participatory democracy, between gen-

eral members and employees. The answers are likely to be different in different co-ops, and different again when one moves from first tier to higher tiers—from individual co-ops to centrals or federations (Furstenberg, 1985). Participatory democracy offers the possibility of making representative democratic structures more effective, and of expanding democracy into operations. Participatory democracy offers the advantages that a wider range of members can become involved in and knowledgeable about the co-op, they learn skills which will serve them well should they ever become board members, they become more committed to the co-op, the co-op finds it easier to stay in touch and to be responsive.

The research literature cannot offer detailed "cook-books" to co-ops wrestling with issues of democracy, but it can offer some guidelines, and issues to think about. The literature also alerts us to tensions which emerge with democratization. For one thing, democracy means that things can become unpredictable and threatening to leaders. There may be conflicts to work out between the various groups in the co-op—general members, board members, general employees, managers. For another, participants may have substantial control but little responsibility, while management (both paid managers and boards) may have substantial responsibility but little control. Elected representatives, who feel that they are legally and morally responsible for the co-op may not welcome the loss of control that comes with the introduction of participatory democratic processes. Active participants may resent their lack of formal authority, and be somewhat hostile to elected representatives. These various tensions can never be eliminated, but they must be understood and managed to avoid major problems.

Within any co-op, there is another tension, that between the monitoring and development dimensions, as illustrated in Figure 4. Representative democratic structures are particularly geared to the monitoring side, but are expected to facilitate, even lead, development too. Participatory democratic processes are particularly useful for helping boards deal with the development dimension, while incidentally helping with monitoring too.

Figure 4

TENSIONS BETWEEN MONITORING AND DEVELOPMENT DIMENSIONS OF RUNNING A CO-OPERATIVE

MONITORING (past focus)	DEVELOPMENT (future focus)
Custodians	Issue Identifiers
Assess Leaders	Discuss Issues
Assess Management	Stimulate Interests
Approve Plans	Set Directions

Key Points:

- Co-operatives are self-defined democracies. Democracy can be promoted in both the governance and operations sides of a co-op.
- Members are those who use the co-op, and members are the main citizenship constituency. However, employees have a special "stake" in the co-op. Their special position deserves recognition. One way is to extend democracy into the workplace in some way.
- Representative democracy needs to be constantly revitalized. It helps, in doing this, to have a participative base.
- Participative democracy is valuable in its own right too, and may even be essential to the long term vibrancy of co-ops as democratic institutions.
- Democratic processes necessarily involve conflicts and tensions. These need to be actively managed and balanced.
- Democratic structures and processes which fulfil both the monitoring and development functions of co-operatives are essential.

- Co-operatives which can foster a general homogeneity of vision among its members, a respect for differences of opinion, and a mutual trust will have fewer difficulties managing tensions and conflicts.

How can a co-operative go about facilitating a democratic ethos, and how can a co-operative increase member and staff participation?

This question flows from the previous one. Once a co-op has an idea of what can be democratized, then how does it do it? In thinking about this it helps to remember that democracy is not a "product" so much as it is a process. It requires more than just appropriate structures, though such structures are important. Efforts to maintain and extend democracy are ongoing, they do not reach closure.

Research on organizational democracy in general, and on co-ops in particular, indicates that there are (at least) six types of things which can be done to facilitate a democratic ethos, to promote member commitment, and to increase the likelihood of high levels of participation:¹¹

- Cultivate appropriate leadership styles and values
- Develop a range of communication channels which permit both top-down and bottom-up communication
- Develop and implement orientation and education policies
- Develop a wide variety of input channels and opportunities for participation, to appeal to a wide range of tastes and talents
- Set up a mechanism for regular evaluation of social goals, such as goals related to democratization
- Learn how to do benchmarking and how to make possible the transfer of information on "best practices" from one co-op to another

Committed staff, committed and proactive boards, well trained member relations staff, and volunteer committees in local co-ops, are crucial in all this. So, too, is vision.

Let us look at each of these in more detail, keeping

in mind that we need more research to see how these might be implemented, and to what effect, in co-ops.

Leadership Styles and Values

Traditional corporate leadership styles are not conducive to democracy, and yet are difficult to change (Bernstein, 1982). Figure 5 gives an overview of leadership characteristics as related to democracy.

Figure 5

Leadership Styles as Related to Democracy

DISCOURAGES OR PREVENTS DEMOCRATIZATION	FOSTERS OR FACILITATES DEMOCRATIZATION
Elitism, desire to maintain exclusive prerogatives	Egalitarian values
Paternalism	Reciprocity
Belief that leader must set example by appearing infallible	Awareness of own fallibility, admits errors, seeks advice
Governing from position of formal power	Governing by merit, explanation, and consent of the governed
Feels all others need close supervision, hence: intense supervision, limits freedom of members/employees	Confidence in others, hence: willingness to listen and to delegate responsibility
Proclivity to secrecy, holding back information	Policy of educating others; open access to information
Rigidity	Receptivity, flexibility
Simplistic thinking, expects single causation, short time sense	Analytical thinking, expects multiple causation long time sense

While any single leader (whether paid manager or elected board member) will embody some combination of the above characteristics, it is important to develop in the co-op a culture of leadership which is favourable to democracy. Otherwise members or employees will learn that there is no substance to the democratic rhetoric, and cynicism and discontent will result. It is also the co-op leadership which is likely to be the driving force behind democratic initiatives, without which no change will take place.

Develop a Range of Communication Channels

We know that different communication channels reach different types of people. Therefore it is necessary to use a wide range of channels. Also, any one channel may be successful for certain types of communication but not others. For example, "hot lines" and suggestion boxes are good for answering relatively simple member/consumer questions, and receiving ideas from the membership. But face-to-face discussions (or, perhaps, electronic mail) are better for discussing complex ideas, working through disagreements, and so on. Some channels are better for communicating information to members (e.g. newsletters) while others are better for members wishing to communicate with co-op leaders (e.g. focus groups, surveys). The most effective communication strategies use all such channels, and more.

Develop and Implement Orientation and Education Packages

This is very difficult for co-ops. It takes time and money to develop and deliver such packages, and in addition co-ops are often reluctant to be seen to "push" any particular philosophy on members and staff. However, in most societies with co-ops the school system and the media teaches children about conventional hierarchical organizations, and teaches them that effective business organizations are not democratic. Later on, business advice is geared to autocratic organizational forms. Children learn about democratic political institutions or voluntary associations, but often without much direct experience.

Co-ops need to supplement the knowledge of people in their societies, especially of members. For board mem-

bers this may mean actual courses, for new members it may mean an orientation program. But education programs need not necessarily be like courses. They may involve learning through doing (experiential learning) or observing the differences—as in discovering that when they submit suggestions or queries they always receive an answer, or that committee work is valued and recognized by volunteer appreciation events, or that elected representatives try to stay in touch with the membership, etc. Co-ops can target a few things each year to emphasize and make visible to the membership, as educative tools.

Develop a Wide Variety of Input Channels and Opportunities for Participation

Again, the emphasis is on variety to appeal to different people's preferences, skills, and lifestyles. Also, these channels and opportunities will be across all levels of the co-op and thus keep the co-op more open and responsive. Ongoing sensitivity to issues of gender, disability, race, class, culture, and so on are important here too. Over time, the quality of leadership at the board level should increase, as candidates will have had more opportunities to participate in other ways before running for the board.

It is to be expected that co-ops will experience an ebb and flow in the quantity and quality of channels, participation opportunities, and take-up of these opportunities. There is nothing wrong with that. All democratic organizations and societies experience such variations. Also, co-ops set their own targets and priorities. No one co-op can do everything at once!

Set up Evaluation Mechanisms

These mechanisms, such as social reports or social audits, are as important for the process they involve as for any products (reports) that result. Ongoing committees involving staff and volunteers which report regularly to the board, and at least annually to the membership, keep attention directed at the social goals of the co-op. When democratization and participation are goals, this means that the co-op has built in a democratic watch-dog for itself. Further, such evaluation mechanisms are educative devices too—for

staff, board, and general members. Individual co-ops determine their own social priorities, and how to monitor activities around such priorities. Each year's report will make suggestions for improvements and will be a catalyst for discussion of social priorities.

Learn how to do Benchmarking and how to Make Possible Transfer of Best Practices Across Co-ops

Benchmarking is the identification of key innovations in a co-op, which have major implications for what the organization is trying to achieve. This requires self-analysis and awareness. Transfer of best practices refers to the facilitating information about innovations so that other co-ops can decide if they are interested, get help from experienced co-ops, and adapt the best practices to their own circumstances. This requires co-operation among co-ops, accumulation and dissemination of information, and so on.

The co-ops described in this manuscript are implementing initiatives in some or all of these areas, and more besides.

Key Points:

- Democracy requires active cultivation. This section has listed six areas where that cultivation can occur.
- Democracy is process, and is not simply present or absent. It is always in flux and has ebbs and flows. The important point is that democracy requires wide ranging commitment and participants need to know that they are indeed efficacious—their participation brings results.
- Democracy does not eliminate conflict and may indeed increase it. Conflict can be creative and lead to important innovations. It can also be a destructive force. To the extent possible, co-ops need to find ways to facilitate constructive conflict.
- Co-operatives need not feel alone in their efforts to find ways to combine enterprise and association. All co-ops experience the challenge, and can learn from one another.

Conclusion

This chapter has presented the point of view that democracy, both representative and participative, is integral to the success of co-ops as businesses and as alternatives to conventional business organizations. The commitment to blending the association and enterprise sides of any given co-op leads to challenges for both paid management and elected boards of directors. Democracy, especially participatory democracy, increases uncertainty for co-op management and may seem threatening. On the other hand, democracy gives co-ops access to resources conventional companies cannot tap—the human resources and skills of the membership.

Within market economies it is assumed that people can show displeasure with an organization by voting with their feet. Sales change and the organization adjusts or fails. However this is a very blunt and imprecise feedback mechanism. Co-operatives have built in influence and control processes around the general principle of democratic control. These enable members to make changes in their co-operatives when they perceive changes are needed.

But democratic patterns are ones of uncertainty or discontinuity for managers. The information flows change. Managers and Directors are expected to listen and learn. The situations when people are involved are unstable (anything can happen), there is unpredictability, there are rational and emotional elements, the pattern of discussion is non-linear and often goes in circles as people explore ideas, argue and the routines are temporarily suspended. In short democratic patterns reverse the day-to-day continuity patterns made possible by bureaucracy and centralization. It will take time and effort for managers and directors to learn to develop and nurture this dynamic. As one manager of a consumer food co-op wrote recently,

“If we are to meet the challenges of an increasingly competitive market we must achieve excellence as co-operators, in addition to being premier....retailers. We must examine and define what it means to be successful as a co-operative today.” (Graham, 1994:1)

The participants in the International Joint Project developed a framework to make possible some consistency in the analysis and reporting of each of the cases studied in this project. This framework offers a fairly flexible and general framework of analysis, reflecting both the interests and commitments of the researchers and the research literature reported in this chapter. The five headings we developed capture the six areas of focus in the previous section. They are as follow:

- **Expanding Member's Participation.** Innovation of members' activities and management, within a framework of participatory democracy. Innovation of members activities include:
 - How the needs of members are heard and the role of the co-operative leaders; and
 - Kinds of activities that enable members to have voice, the creation of new fields for members' activities.
- **The Relationship Between Members and Management.** Innovation of activities that enable members' participation in management of the co-operative. These include:
 - identifying the system of communication that elicits initiative;
 - Innovation of a system of members' education; and
 - Identifying the role of top management in developing strategic initiatives to promote human resources and develop participatory democracy.
- **Innovation of Organizational structures** which correspond to both representative and participatory democracy and which provide a framework for participation. The subject of organizational structure can be broken down into five topics:
 - The ongoing structures for members' participation in decision-making, business areas, and for effectively communicating members' needs;
 - The development of a system of employee participa-

tion in decision-making corresponding to management levels;

- The innovation of a system of communication that brings forth initiatives; and
- The innovation of a system for educating members, beginning with member leaders.
- **Expanding the Relationship with Employee Participation.** Issues examined include:
 - Employee education that relies on a partnership with members; and
 - Worker participation in management.
- **Economic and Social Responsibility.** What vision does a particular co-op hold for itself and co-operatives in general? What is the role of co-operatives as part of, and as contributors to, a peaceful community where people, society, and nature are in harmony? Topics in this area include:
 - ongoing ways of reporting financial and social achievements;
 - the introduction of a system of social audits and social budgets; and,
 - the vision of co-operatives in contemporary society.

The five movements in this study are actively trying to address such issues, as well as the others addressed in this chapter. They are actively working on participative processes, in the belief that practising democracy is also good business. Taken together, the co-ops described in this manuscript offer examples of how organizations can combine good business and democracy. They also suggest ways that expanding technologies of interaction and communication can be put to the service of democracy. These co-ops certainly offer a challenge to the conventional wisdom that democracy becomes impossible in large organizations.

It is our hope that these case reports on consumer co-ops in each of five countries are one step in helping with the process of benchmarking and facilitating the transfer of

best practices. May they help fuel further experiments, research, and debates.

Footnotes

¹ This chapter was jointly written by Leslie Brown, Jack Craig, and Lou Hammond Ketilson with contributions from Toshikazu Nagayama, Alf Carlsson, Sven Åke Böök, and the other members of the project.

² The chapter relies on work published in English, mainly that from North America. There is a significant body of literature published in other languages particularly German. Alf Carlson was familiar with that literature and contributed at an early stage to the formulation of our theoretical framework. However, his untimely passing prevented his efforts from being incorporated into the writing of this chapter. We are advised that the German research is broadly in agreement with the English language research we are citing in this chapter.

³ The statistics from ICA are quoted here. Some are accurate, some out of date. As the report on *ICA Basic Values Project* notes statistics about co-operatives at the international level leave a lot to be desired.

⁴ In more philosophical discussion of contemporary trends we see a similar disagreement. For example, we can compare Drucker's optimistic view of contemporary trends as potentially harmonizing and liberating with Postman's concerns about "technopoly" which he sees as already the major current in the U. S., and rapidly becoming so in other parts of the world such as Japan and several of the European nations. Dulfer (in Dulfer and Hamm, 1985) points to the resurgence of theocratic-dogmatic ideas and ethnic conflicts as evidence that we cannot complacently assume that the world will automatically come closer together.

⁵ Olson was developing general theory about collective action and not specifically about co-operatives. Olson was aware of the restrictions by his basic assumptions. He said in a footnote that when the model was used for organizations the assumptions had to be modified. That restriction, made for the reasons of mathematical simplicity, was however often forgotten.

⁶ The free rider problem is the problem that people will tend not to act unless they can attain selective benefits, benefits accruing to them and not others, as a reward for their action. Instead, many benefits of organization are collective ones, they benefit many others who may have played no part in the setting up of the organization—these beneficiaries are the "free riders". Olson argued that rational individuals will prefer to be free riders if possible, leaving few committed to doing the work necessary to provide the collective benefits.

⁷ By the mid 20th century there was also concern about the inefficiencies and other inadvisable aspects of "too much democracy" in the political realm. The Trilateral Commission's 1975 report expressed concern that

Western democracies were becoming less stable, less orderly, less predictable, and therefore less governable (see Crozier, 1975:173).

⁸ Brown (1985:321) found that co-ops which had a critical mass of such people on their boards (about 25%) tended to be more attentive to the associative side of the co-op.

⁹ Here operations is being defined broadly to include everything from tasks such as might be performed by orientation committees and social audit committees, to those associated with actual business operations such as produce ordering and scheduling of work. Democratizing operations can thus involve decentralizing certain aspects of decision making associated with governance.

¹⁰ This literature also has a lot to say about worker involvement in organizational governance.

¹¹ This list was compiled based on a review of the literature. It draws particularly on the work of Brown (1985a & b), Craig, 1993; Gastil (1994); Furstenberg (1985); Hansen (1985); Cracogna (1985); Mueller (1994); Laycock (1990); Bernstein (1976).



Chapter 8: METHODOLOGY USED BY THE JOINT PROJECT

The initiative and leadership for this international project was taken by Mr. Yamagishi, the President and Chief Executive Officer of the Kanagawa Consumer Co-operative in Yokohama, in 1991. Mr. Yamagishi was concerned about the ideological crisis in the consumer co-operative movement; the decline in market share of many movements and the changes in preferences and attitudes among members. This shift in member attitudes appeared to be universal in industrialized countries. Studies show that members' active participation in co-ops is declining in the industrialize countries (Brazda & Schediw, 1989).

Parallel with Mr. Yamagishi's initiative, the International Co-operative Alliance (ICA) opened discussions about the need of renewing the basic values of the co-operative movement. Values seemed to be eroding in the 1980s, when most consumer co-operatives changed and developed their business structures. They were trying to find more efficiency and faster ways to compete. Similar innovations and changes were not occurring in the democratic structures and many leaders regarded member involvement as an extra frill reducing efficiency.

This project was started in 1992 in connection with the ICA congress in Tokyo, with the first meeting in Yokohama hosted by Co-op Kanagawa and U Co-op. The joint parties in this project are: Co-op Kanagawa, the Swedish Co-operative Institute, Canadian researchers, Italian National Association of Consumer Co-ops, and the Co-operative Wholesale Society in Britain. The project started with two themes. First, how to develop diversified member activities and participation from the members. Second, how to innovate and modernize co-operative democracy. The project involves each national team doing research and presenting

it to the project researchers and leaders at each meeting. The purpose is joint learning as well as documentation.

The Setting for each Country's Co-operatives

In 1986 the International Co-operative Alliance reported about 45,000 consumer co-operative organizations with a membership of over 122 million consumers employing nearly 2 million workers.³ Since then the winds of change have swept through the communist states in Eastern Europe having a profound effect on the consumer co-operatives in the former USSR, Bulgaria, Czechoslovakia, East Germany, Poland, Hungary, Rumania, Yugoslavia.

As well much has been written about two dominant economic trends that characterize the growing market economies in the world. These are and will have an important impact on consumer co-operatives around the world. They include:

- The development of the market economy with deregulation, freer trade and reliance on the world market to establish prices.
- The domination of international trade by multinational corporation and the declining role of governments in trade and regulation.

These trends have dramatically changed the environment for consumer co-operatives in the latter part of the twentieth century. A brief overview of some changes that seem to be occurring in the major consumer co-operative movements around the world suggests the following generalizations:

- Consumer co-operatives are in decline in many countries where they had become major retailers with a reasonable proportion of the market share. In western Europe many movements have strength but the challenge to maintain market share is intense. These pressures are so strong that the survival of the organizations are in question.
- Except in a few centres, consumer co-operatives have

not become a major market force in the developing countries in Asia, Africa or South America. For this reason, plus the limitations of resources, our study has been limited to participation in a few movements in industrialized countries.

- In the industrialized countries growth patterns have varied but most of the major consumer co-operative movements have centralized many management functions to provide economies of scale. They have also chosen to compete on price, and have opened modern stores very similar to the competition.
- The countries where consumer co-operatives are major national competitors in the food industry in the 1990s, notably, Switzerland, Spain, Sweden, Italy, Japan, the United Kingdom, Denmark, and Austria, they are seen as leaders in protecting consumer's interest in food quality and in preserving the natural environment.

It can be argued that the five movements highlighted in this study are sheltered from the worst of the vicious competition that others have had to face. Although Saskatchewan Wheat Pool and Calgary Co-op are beginning to feel the force of deregulation and increased competition, Atlantic Canada is away from the large population centres in North America and has been left alone by many of the aggressive private retailers. Japan has had laws protecting the small retailers which have restricted both the co-operatives and the chain stores from aggressively competing. Sweden and Italy have yet to fully join the European Union and the strong competition from the major chains in Germany and France is just starting. Only the UK is facing the onslaught of the stiffest competition and they are continuing to lose market share (Hopwood, 1995: 229). Scottish Co-op is located essentially in smaller centres where the competition is less fierce than in the major metropolitan areas to the south.

We will not argue this point but rather point out that consumer co-operatives are declining in even less competitive markets than the five in this study, and it is not clear that participatory democracy built into the co-operatives in

the large metropolitan areas does not work. The anecdotal evidence from credit unions in North America which work at their participatory base shows they can compete successfully in major metropolitan centres against strong global banks.

The Crisis Facing Consumer Co-operatives

During the past two decades the consumer co-operative movement has collapsed, or major portions have collapsed, in The Netherlands, France, Belgium, Quebec and urban USA. The consumer co-operative movement in Europe is over one hundred years old. The British and Swedish movements were dominant retailers in the nineteenth century, saw their market share peak in the middle of the twentieth century, and in the most recent decades have struggled for survival in a highly competitive market place. In North America consumer co-operatives developed in the first half of the twentieth century in many cities and have slowly declined as consumers were attracted to highly integrated low cost retailers. Two areas in Canada are the exception. In Calgary Alberta the consumer co-operative has become the major retailer with over a third of the market share, and in Atlantic Canada food co-operatives continue to expand and increase market share. In Japan the consumer co-operatives faced strong competition from emerging chain stores in the 1960s and met this challenge by involving the women consumers in the decision processes. They have become dominant food retailers in many of the urban markets. In northern Italy consumer co-operatives have become retailing leaders successfully competing with the large European chains and increasing market share.

This study does not suggest that these examples are either the most successful or the only or best way to prepare for the next century. There are other success stories such as the co-operatives in Switzerland and Eroski in Spain. Credit unions, consumer owned financial co-operatives are currently the fastest growing type of co-operative in the world.

Cross cultural organizational research is difficult for a variety of reasons. It is difficult not to fall into the trap of

analyzing and drawing conclusion out of the cultural context. A common mistake to avoid this is to elevate the finding to such a high level of abstraction that all can agree, but the substantive insights get lost. Research where the people being studied are actively involved not only as subjects but also in interpreting the data helps lessen these problems. But, this is seen by traditional researchers as losing the objectivity of the research. This is a dilemma that action researchers have been addressing for many years.

Action Research

Action research has a long tradition in social science research but has been criticized by academics who hold epistemological and ontological assumptions that interpreting data and developing knowledge involves only themselves as external experts. This is a philosophical assumption that cannot be settled by empirical scientific research. It exists in the perspectives of the researchers and influences how they address data collection and analysis.

The roots of action research can be found in writings from Greek philosophers. The Greek approach to the political was a vision of collaborative action, *praxis*, with the simultaneous aim of realizing the common good and the self actualization of the individual citizens. Kurt Lewin, a child psychologist did much of the pioneering work developing the action research approach this century during the 1930s. He advocated action research in 1944 as an alternative way of knowing to the dominant traditional scientific research models of the time. He had developed this approach doing research on children. "He saw that children did not act solely as individuals pursuing internally determined needs and goals but as members of social groups, upon which they depended for feelings of security and social status" (Joiner, 1983: 38). Conventional research approaches did not capture this dynamic so he developed an experimental approach involving the participants. He was surrounded by students interested in applying this evolving approach to other settings.

Proponents of action research argue that this approach lends itself to capturing the complexities of social

interaction rather than that of the hypothesis being conceptualized deductively and then tested. The deductive positivist approach was seen as an over simplification and ignoring the complexity of social settings. But, as Joiner (1983: 39) notes "Kurt Lewin's model of action research was eclipsed during the post-war era by the conventional social science paradigm, but his search for collaborative enquiry provided the originating impulse for the OD (Organizational Development) field, leading to the new profession of organizational change agents."

Unfortunately the OD model of organizations was very simple. It assumed a closed system and the impact from the surrounding social environment was not considered to any great extent. During the 1960s and 70s this approach declined as the scientific paradigms began to shift in most disciplines to take more subjective information into account and approach research from a more holistic manner (Ogilvy and Swartz, 1980).

Action research has become a preferred methodology for researchers studying co-operatives. Its importance for capturing intraorganizational complexity was discovered by international development researchers in the 1970s.

International development during the 1960s and well into the 1970s was premised on one of the two dominant economic models; the planned economies of centralized socialism dominant in Eastern Europe and the western approach of liberal democracy and free markets. Development theories were premised on the model used so successfully in the Marshall plan following World War II. The economic models assumed that development was equated with economic growth and that aid should be directed to developing infrastructures in the newly independent countries in Africa and Asia. The economies would gain momentum and income amassed by the new elite would trickle down to the masses and trigger development. The problem was these approaches did not work. During this period co-operatives were a chosen organizational form for development, particularly in the agriculture area which needed much development. But, the grassroots approach used successfully in

the industrialized countries was seen as too slow, so government sponsored co-operatives were the order of the day during the 1960s. By the end of the 1960s it was increasingly apparent that these organizations tended to ignore the local expertise of the members and were seen as extensions of government (UNRISD, 1970 and Michael, 1989).

Development workers, particularly in Latin America, started examining why development projects that looked so good on paper were not working. To do this they had to involve the local population who were the targets for development. Conventional research methods did not work so the action research approaches were implemented and developed. By the 1990s action research has proved very successful in the development field in not only stimulating genuine self-help development but in providing a research base to develop a more complete theory about self-help and the social impact involved in economic development. Participative action research (PAR) has come of age and has been accepted as a valid research approach (Whyte, 1991). It is now widely used in development research particularly in the tropics. It is a mechanism for doing research at the same time as developing self-help approaches which are basic to the emergence of co-operatives and genuine development (Verhagan, 1984 and 1986).

The extensive critique of Eurocentric models of development in Latin America which ignored the indigenous knowledge has also gone a long way to refine this methodology (Fals Borda, 1982: 25-40). Gaventa (1985) documents how traditional scientific expert approaches have served the powerful in society and provide a justification for dominance over the powerless particularly in an information age. Action research approaches vary with the degree of participation of the subjects. In some cases the subjects define the problem, define the appropriate data and data collection methods, are involved in the data collection and the analysis. The degree of involvement needs to be based on the context of the situation¹. Just having participation is not necessarily a key to success. There are many failures (Gagnon, 1976). The research component enables groups to check how well they are doing and make adjustments. A major contri-

bution to the approach is that communities can be seen as whole and development initiative launched to improve the quality of life of an entire community rather than target groups² This research documents and develops a more complex theory of grassroots development than the classical approach.³

The resurgence of action research also came from organizational research.⁴ Argyris (1982 & 1991) provides a rationale for this approach in understanding the complexity of organizations by providing models of learning in an organizational context. This stimulated a host of management approaches on organizational learning in the late 1980s (for example see Senge, 1990).

It also meant more innovations in research approaches to fit the emerging paradigm. Action learning was one of these innovations where researchers involve key stakeholders in a learning process and document data for interpretation by the participants (Wright and Morley, 1989). This approach is not haphazard and methodologists have been addressing the questions of maintaining validity and reliability as done in any approach (see Carr and Kemmis, 1983 or Heron, 1988). What is becoming clearer is this is an approach which fits a more complex paradigm of viewing reality (Craig, 1989 and Laptapi, 1988). Seeing organizations as multidimensional, complex with multicausality in a holistic way does not fit with reductionist scientific methods (Morgan, 1986b)

Peter Reason (1988) specifies an approach to action research which he call "co-operative inquiry method". This is premised on the notion of co-researchers working together to conceptualize analyze and take action in solving problems, then reflecting, developing data and analyzing it. This is research "that is with and for people rather than on people" (Reason, 1988: 1). The essential elements of his method are included in three points; (1) It is participative and holistic; the mechanical metaphor, traditionally an agreed-upon image of how the world works, is increasingly being challenged with concepts that see social interaction as interdependent, multicausal and holistic. Reason notes; "an important aspect

of wholeness is that it requires participation" (Reason, 1988: 10) (2) It espouses critical subjectivity as opposed to objectivity which is the cornerstone of orthodox scientific methodology. Subjectivity can be seen as "naive inquiry" based on our primitive subjective experience of the world. Subjectivity is very prone to distortion arising from our biases and prejudices, from anxieties and from the pressure of social world. But it also has a lot of good qualities because it is alive' involved, committed, and it is a very important part of humanity, and we loose a lot if we try to throw it out altogether (Reason, 1988: 11). Subjective interpretations and attempts at objective analysis results in perspective and it is perspective that is seem as important in action research. (3) co-operative inquiry promotes knowledge in action. Reason (1988: 12) explains "co-operative inquiry seeks knowledge in action and for action" primarily for the advancement of skills and attitudes. But' this process also shows insights into how social interaction unfolds and is the basis of sound theory. Good practise is based on good theory and vice versa.

In recent years action research has become a recognized research approach within academia. This of course has not ended the philosophical debates. It is not without its critics. When viewed from the traditional scientific paradigm Frideres (1992) sees participatory action research as an illusionary perspective. It is illusionary only because it does not fit his preferred paradigm. Philosophical debates cannot be settled through research. The test is not the congruence with the researchers ideology, but rather with the usefulness of the knowledge generated.

What has become very clear is that the a methodology needs to fit what is being studied. Econometrics analysis is valuable in analyzing national accounts, but is irrelevant in studying individuals perceptions. Similarly, historical methods have evolved for making generalizations from records of earlier generations, but fall short when the population being studied is still alive and can provide their own interpretation. It is arrogant in the extreme for researchers to conclude that only they can draw valid conclusions about organizations without using the situational expertise of those involved on a day-to-day basis.

In short research is a learning process and the research methodology needs to fit each particular situation. This project, focusing on participatory democracy where the participants involved experience the process. But the problem of sorting out the cultural context means highly abstract generalizations could loss meaning. For these reasons we selected an action research framework and proceeded as follows.

How We Proceeded

This study could not involve the hundreds of leaders in the five co-operative systems being studied. It was agreed that there would be a core group from each country involved at each stage of the research and that we would meet at least once in each country where the local leaders could interact and be involved in interpreting the data that we were collecting.

The first meeting took place in Yokohama in October 1992. The ICA Congress was meeting in Tokyo and the ICA Researchers Forum held at the same time would be attracting researchers from around the world. Co-op Kanagawa organized an International Symposium to enable their leaders to have a dialogue with about fifty foreign academics. Following this meeting Co-op Kanagawa invited the manager and senior researcher of the Swedish Co-operative Research Institute, three academics from Canada and an Italian Co-operative leader to discuss the possibility of an international joint project exploring the different approaches being used to involve members. Co-op Kanagawa prepared a discussion paper. This was discussed, expanded and amended and taken back to the co-operatives for further consideration.

By April 1993 five countries had indicated they would be involved and people had been selected from each country. This included both managers and an academic from Japan, two academics and managers from Sweden, four academics all active co-operative volunteers from Canada, three managers from Italy and two managers from Scotland. It was agreed that all could not be involved in every step so a

secretariat was named consisting of one person from each country. This group was charged with steering the project and organizing the documentation. It was obvious that each organizations interest was to learn what others were doing and to have a learning experience for there managers and volunteers. All were also convinced that there are others which would want to want to share this learning so it was decided to develop a book in time for the ICA Congress in Manchester in September 1995. The action research approach was a logical choice.

The second meeting took place in early Sept. 1993 in Stockholm. In preparation each country was asked to develop a presentation on the current situation of the consumer co-operatives. This included an analysis of the socioeconomic circumstances as well as the strengths, weaknesses and problems faced by each of the organizations and what they were trying to do about them. Country reports were an attempt to communication the situation in each country as honestly and frankly as possible. Since it was held in Sweden, local leaders and managers not only sat in on the sessions but gave presentations.

The third meeting was held in Yokohama in April 1994 and moved the project along in several dimensions. Co-op Kanagawa invited the members of the secretariat plus two women volunteer leaders from each country. They spent three days touring and taking part in a variety of members' activities. They then spent one full day discussing what they had seen and learned with fellow women leaders in Japan. An audience of about 200 including other Co-op Kanagawa leaders, plus leaders from sister organizations and interested academics listened to the discussion, asked questions and gave their views on the topics under discussion. The project secretariat sat behind the delegates, made notes and periodically contributed to the discussion.

This was followed by a meeting of the secretariat that focused on the work plan but more importantly developed the conceptual framework outlined in chapter one in terms of themes and elaborated in the theory chapter seven. Each country then set about developing a case study using this

framework for the next meeting. Drafts were submitted in July and the first draft of our report was circulated to the entire group for discussion at the next meeting.

The fourth meeting was held in New Lanark Scotland in September 1994 for the entire project team. The meeting took place in the restored facilities originally built by Robert Owen and his father-in-law. This was the site of the famous social experiments involving work in the cotton mill, innovations in schools, workers housing and a co-operative store (1813). Co-op Scotland managers and members of their local advisory committees (about 60 people) attended. Following brief presentations of the country case studies a workshop took place involving all the participants focusing on questions central to the implementation of participatory democracy. These small group workshops provided feedback to presenters and assisted in the interpretation of our findings.

The Secretariat critically reviewed the draft manuscript and developed plans for the completion of the project. Considerable interest had emerged in our project and it was determined we would be involved in discussing our results in four settings.

- A presentation to the ICA Congress in Manchester September, 1995 to several thousand delegates from around the world.
- A one day symposium for delegates that wish to explore our findings in more detail at Co-op College in Loughborough.
- A presentation to the I.C.A. Researchers Forum to about 200 academics from around the world.
- A presentation to the ICA Consumer Co-operative Committee meeting also held in conjunction with the I.C.A. Congress.

The fifth meeting was held in late November 1994 in Moncton New Brunswick, Canada. The purpose was to get feedback from local managers and leaders about our research to date and to learn more about participatory democracy in the Co-op Atlantic system as well as meet with

local leaders and discuss some of their activities. One day was spent visiting several consumer co-operatives plus meeting with the Saint John Co-operative Development Council. This is a council comprised of representatives from all the co-operatives in the city. The council has a number of projects ongoing whose objective it is to developing different kinds of co-operatives to meet local needs. One day was used to give a first run of the presentation for the International symposium and the draft manuscript was reviewed. Completion of final drafts was discussed. The manuscript was again circulated in January 1995, feedback provided and circulated again in mid March.

The sixth meeting took place in Florence, Italy. The purpose was to finalize the report, meet local leaders. And to experience participatory democratic processes in Italy's largest co-operative.

This **book was published** and an executive summary prepared for each delegate coming to the ICA Congress in Manchester. The findings were discussed in four forums at International meetings held in Manchester. The research teams of practitioners and academics from each country had a rich learning experience. Several hundred local leaders of the co-operatives included in this study have also been involved in providing interpretation plus a learning experience.

Footnotes

¹ Examples of this growing literature on participatory action research in a development context see; Craig and Poerbo, 1988; Ekins, 1992; Rahman, 1985; Fals-Borda, 1982, 1985, 1986 and 1992; Stiles, 1987; Swantz and Vainio-Mattila, 1988; Uptoff, 1991; Verhagan, 1984, 1986 and Wanyande, 1987.

² Examples of this approach in terms of adult education in community development see; Florin and Wandersman, 1991 and Hall, 1975.

³ This is a vast literature but the following examples are from a range of disciplines and geographical areas. They provide an impressive picture of successful development and shows the importance the process. For example see: Stiles, 1987; Swantz and Vainio-Mattila, 1988; Uptoff, 1991; Verhagan, 1984, 1986 and 1987; Wanyande, 1987; Whyte, 1984; Wilber, & Jameson, 1984 and Woodward, 1986.

⁴For examples of this literature on using action research in organizational settings see: Amick and Terrence, 1984; Argyris, Putnam and Smith, 1985; Bildfell & MacDonald, 1984; Sommer and Amick, 1984.

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