CONFERENCE PAPER

**Canadian Association for Studies in Co-operation**
**Brock University, June 1996**
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# Co-operative structures and cultures: some lessons from organisation theory

At the 1995 CASC conference there was an interchange of ideas based on the following questions:

1. What are the patterns of structural change in co-ops?
2. How does structural change relate to continuity of organisational cultures?
3. How is change in co-ops related to change in society/ culture? Does change run in parallel to communities or divorced from them?[1]

In this paper I intend to provide some partial answers to these questions, drawing on some relevant theory and checking this against real life cases drawn mainly from the British experience. As often happens, in attempting to provide answers I will probably just make these questions a little more precise and come up with a whole set of new ones (this will be in a long tradition of co-operative thought, in which we do seem to be better at identifying good questions than finding useful answers). But first I want to try to define what we mean by structures and cultures.

## What do we mean by structure and culture?

The problem is that the subject is too large. We work on at least two levels in referring to structures/cultures, that of the co-operative and of its environment.

| | **A Co-operative** | **Its environment** |
|---|---|---|
| **Structures** | patterns of roles, rules | economic constraints/opps |
| **Cultures** | values, beliefs | ways of life |

**Fig 1: Two levels of structure/culture**

Level 1. The organisation

Structure can be defined as `the socially created pattern of rules, roles and relationships that exist within an organisation'. Culture can be defined as `the collection of values and beliefs which are found within it'[2]. To find out more about these we can draw on organisation theory

literature, which mainly deals with the management/workforce and is generally silent about the role of the owners. Except in a worker co-op (where the membership and workforce are the same), or a small consumer co-op or credit union (where the workforce consists of members working as volunteers) co-ops have an extra dimension - the member owners. Investor-businesses also have owners, but the literature is strangely uninterested about them and how they relate to the management[3]. In a co-op, the membership dimension has to be explicitly recognised and its structure and culture analysed.

Level 2. The wider society

The conventional way of moving from concern with the internal workings of organisations to the wider society is through the concept of an organisation's `environment'. We talk about whether the environment is conducive or hostile to co-operative development. The problem is that the environment is everything that is out there. As one management theorist puts it:

> environment is inevitably an arbitrary concept in that it embraces everything `outside' any particular organisation that is being focused on. It is composed of a large variety of individuals, groups and organisations who are regarded `collectively' simply because they share a linkage with whatever focal organisation is the object of interest[4]

Designation of the environment is idiosyncratic. We all do it, but we should not be surprised if the resulting discussion is rather disappointing. In the CASC discussion people mentioned co-ops and official corruption in India and the impact of economic integration with the USA in Canada. We could all add any number of environmental factors, but the list is potentially endless, and is difficult to theorise - global-isation; north and south; structural adjustment; privatisation; environmental degradation; post Fordism; postmodernism, gender and co-ops, all come into the discussion but it is difficult to know where to stop[5].

Can we be more specific in using these terms culture and structure? At the level of the wider society, the idea of culture is similar to that as applied in organisations - it is the values and beliefs held by people, and we can identify dominant cultures, sub-cultures, counter-cultures and so on. It is potentially very promising because we can measure the extent of similarity or difference between co-operative and wider cultures, and can suggest generalisations about what follows for co-operative development. The idea of structures is more difficult. Social structure is a key concept in social theory. It is usually contrasted with action, and seen as that aspect of human society which stands over against the people who at any time inhabit it. It is the visible pattern of society, located particularly in institutions, and it is seen as a constraint on action, and so is roughly similar in meaning to `organisational structure'. But it is much bigger than this. For traditional sociology, structure is the pattern of social relationships that results from action; it is whatever we see if we take a snapshot of society at any one moment. For Marxist structuralists it is a whole way of looking at society from the standpoint of historical laws which are working themselves out; it may be the influence of this view that makes us see structure as a constraint rather than an opportunity. Giddens puts action and structure in a dialectical relation, and through incorporating time into his analysis comes up with the idea of `structuration' - action is a continuous flow of conduct occurring mainly routinely, but also subject to reflexive monitoring of one's conduct. He sees structure as rules and resources; the `rules..that bind time' and that allow the reproduction of social systems[6]. Now all this is a long way from the concept of organisational structures,

though we can see the underlying similarity. The question is - what has this got to do with co-ops?

Structures can be seen as the rules of the game of life, which allow us to act in a way which is meaningful to us and to other people. In the context of a co-operative sector struggling to survive in the face of a changing game in which the economic rules are stacked against `people-centred' businesses (particularly in third world countries), the idea of structures as rules which allow some opportunities but act as constraints is a powerful one. Even more suggestive is Giddens' insight that we do not need to know the rules in detail in order to be able to act; often it is probably just as well we do not know what we are up against or co-operative development would never get started.

**Structure and culture at the level of the Co-op**

At Level 1, the key question is - can co-ops manage change? Can they change their structures and cultures in order to survive and provide a new sense of purpose in delivering member benefits? There are really two parts to this question, as there are to the structure of the co-ops: change management in relation to the managers and workforce, and in relation to owner-members.

Co-operative Management

Here we can draw on organisation theory developed in relation to investor-owned businesses, and then supplement this with Insights from specifically Co-operative management texts[7]. What does the literature tell us about organisational structures?

| STRUCTURE | ENVIRONMENT |
|---|---|
| Simple | Early years, low tech |
| Machine bureaucracy | Stable, simple |
| Professional bureaucracy | Complex knowledge based |
| Divisionalised | Mature, several markets |
| Adhocracy | Complex, dynamic |

**Figure 2: Types of organisational structure** (Mintzberg)[8]

Beyond the simple structure of a small organisation, there are several types. The literature is not very helpful because it is concerned with how to gain flexibility through decentral-isation while retaining control from the centre. Co-ops traditionally work the other way round, federating in order to allow smaller organisations to gain strengths in the market. However, amalgamations of consumer or farmer co-ops do lead to the same problems. But from a Co-

operative point of view they are not all that interesting, and it would be tempting just to let the managers decide on the appropriate form except that structural change does lead to problems at the next level, with member participation (see below). The tragedy of Western European consumer co-ops is that they have nearly all followed the investor-company model of takeovers and mergers, when a looser, federal structure of independent societies would have been more in line with co-operative culture, and might have succeeded. The options were (still are?)

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a. amalgamation/merger into one national organisation

b. retention of regional co-ops with strong integration where it is needed eg in buying, marketing strategies, advertising, member benefits.

c. national-level secondary societies to run specialist operations, leasing sites from the regionals

d. franchising of individual businesses to worker co-ops

**Figure 3: Options for achieving economies of scale in consumer co-ops**

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The irony is that the management gurus are trying to find a new loose-tight structure which looks very much like the old co-operative federation[9]. But the links between companies are much stronger, more co-operative than co-ops have been prepared to make. Co-ops in Britain were let down by their outdated structure, but also by a locally based, oligarchic and competitive culture. Structure and culture are the `glue' which holds an organisation together[10]. The tragedy of consumer co-operation was that this glue was too strong within each society, too weak within the movement as a whole. Perhaps Mondragon has the balance right, with independent co-ops but a central institution combining financial powers and a strategic role (much stronger than any Co-operative Union has ever had).

Another irony is that having failed, the Western European consumer co-ops (and agricultural co-ops?) are now following the management prescriptions for restructuring of twenty years ago; amalgamate and quickly close down unprofitable operations and strip out the assets[11]. Co-ops should be taking seriously the new insights of the theorists and have faith in the principle of federation, suitably adapted to today's increasingly competitive market and uncertain environment. The key is to decide what ought to be centralised and what ought to be decentralised. This is also a dilemma for managers of large investor-owned companies, but they do not then have to `bolt on' to the `right' structure a meaningful structure of member participation as co-ops do. Finally, we should take comfort from the fact that the academics have failed to identify a close fit between organisational structure, type of environment and performance. No one type of structure is bound to succeed or to fail. This must leave room for co-operative culture partly to determine the structure.

What does the literature tell us about organisational cultures? Handy provides probably the best typology, identifying four types:

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| | |
|---|---|
| POWER | Central power source, usually a founding individual (cf Migros, John Lewis Partnership) |
| ROLE | A bureaucracy, impersonal authority, rule and role based |
| TASK | Job or project orientated, a network of people concentrating on getting the job done |
| PERSON | A cluster of individuals, using the organisation to provide opportunities to exercise their skills |

**Figure 4: Types of organisational culture**[12]

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We can see how co-ops might fit into these four types. Firstly, some worker co-ops have a power culture, either because they are formed by a few dedicated individuals or out of the generosity of a founder who hands it over to the workforce; the Migros retail chain in Switzerland, the John Lewis Partnership and the Scott Bader Commonwealth in the UK are good examples[13]. Secondly, there are plenty of examples of role culture co-ops; bureaucracies which in a stable environment have in the past done a reasonable job of providing services to members, but which in `turbulent times' tend to put the survival of the organisation and rewards to managers before the needs of the members. Examples include the English and Scottish Co-operative Wholesale Societies, which were until quite recently massive departmentally-based and hierarchical bureaucracies[14]. Thirdly, I suspect we would like to identify most co-ops as having task cultures, in which the organisation serves the needs of the members in a dynamic and flexible way. Unfortunately, task cultures do not flourish in an environment of intense market competition and the need for cost-cutting; under pressure they tend to turn into role or power cultures. Examples include consumer co-ops which fall under the influence of a powerful chief officer, who begins to run the organisation as his personal `fiefdom'[15]. Finally, the person culture is found in many worker co-ops, particularly those set up by professionals such as architects or doctors[16].

Often co-ops have to make the transition from a type of culture which perhaps was once appropriate to one which is more suited to the current environment. The classic problem in `power' type co-ops is how to manage the transition from domination by one person to a role or task culture. Otherwise, when the founders leave the co-op will become weak at the centre, lacking authority and direction. The problem in `role' co-ops is how to move from bureaucracy to a more flexible `task' culture. In `person' cultures the move may be the other way, with organisational growth leading towards a more formal bureaucracy. The organisation and management literature is full of insights into how to affect such changes, especially that from the `mechanistic' role culture to the `organic' task culture[17]. Whether or not organisational culture can really be changed by conscious intervention is still an open question; because people are creatures of habit, and do not easily give up their existing `assumptive worlds', ultimately there may have to be a change of people if there is to be a change of culture[18].

Is there one natural type of co-operative culture? Charles Handy says `the kibbutz, the commune, the co-operative, are all striving after the person culture in organisational form'. Unfortunately, as he goes on to say, `On the whole, only their original creators achieve any

so on[25]. But it is important to evaluate not only the correctness but also the usefulness of theory; whether or not it allows us to act in the world. Peter Marris has identified what he calls `profoundly inhibiting and self-defeating metaphors' which `simplify and dramatise relationships which, when more fully described in different words, seem more open to change'[26]. He is criticising the Marxist determinists who see only structures and miss the potentiality in every situation for the oppressed to have (in Giddens words) `some degree of penetration of the social forms which oppress them'[27]. I want to suggest that, in developing a more open theory with a bias to action, three attitudes are of help. Firstly, we should use Giddens' idea of structuration, and see that the social, economic and political structures are constantly changing in the flow of time, and that people are needed to sustain and remake them. Actions taken by people to - say - develop new co-operatives can then be seen as being bound to have some effect on those structures. Secondly, we should develop a moral argument for right action and non-attachment to the end-results of that action which allows us to act without the constant fear of failure. Thirdly, the metaphor of entropy may be used to suggest that if some people do not act in the right way things will definitely get worse.

At a more mundane level, it is important for co-operatives to develop the capacity for business planning in which the `environment' is seen both as constraint and opportunity. This involves the use of techniques such as `PEST', the systematic mapping of political, economic, social and technological environments, in order to understand trends and to isolate those factors which will affect the organisation. Not all environments are turbulent, and not all are relevant to a particular co-operative[28]. Co-ops will vary in the amount of choice they have in getting into (and out of) market sectors on behalf of the members; a wheat co-op can hardly afford to get out of wheat, but it might be able to diversify when the price of wheat or the amount of government price support drops. In the UK, some critics have suggested that consumer co-ops give up trying to compete with the multiples and get out of superstore food retailing altogether.

## On culture

Is there such a thing as a specifically Co-operative culture? If there is, it has to do with a shared set of values and commitment to co-operative principles. But there is a wide range of Co-operative cultures - we know that the experience of being part of say the UK consumer co-operative movement is different from that of a worker co-operator, and vastly different from that of being farmer-member of an agricultural co-op. Politically they are, respectively, part of the old socialist `triple alliance' of trade unions, co-ops and the Labour Party; part of a consciously alternative culture which stresses direct democracy, environmentalism and alternatives to consumer society; and essentially conservative. In the case of worker co-ops, even this generalisation is too broad, because they have different cultures depending on how they were formed, on the market they are in and on their technology[29]. Put this way, they might seem to have one thing in common, that they are strong cultures. But this is only true of the more active members, who are usually a minority and so untypical. It may be more realistic to see Co-operative cultures as being strong at the centre, but like a stone dropped in a pond, weaker as the impulse to co-operate weakens among less active members.

What is the relationship between co-operatives and the wider culture? This, too, will vary according to how co-operative (in the wider sense of the word) societies are[30]. American co-ops will have a much more individualistic culture than Japanese, who will reflect the more solidary culture around them. Does this mean that co-ops flourish better in societies which are

themselves more co-operative? The British experience in the last century, of a rapidly growing consumer co-op sector flourishing within the first really individualistic, competitive society, would suggest not[31]. On the other hand, we can interpret this growth as being based not in the wider society, but in a conscious reaction against market individualism by a strongly solidary working class culture[32].

Obviously one of the reasons why agricultural co-operation has flourished in Denmark has to be the very co-operative nature of the wider culture[33]. But is this true of credit co-operation in Germany? Perhaps the approach here was more instrumental. As Co-operative theorists we are in something of a quandary here. On the one hand we would want to argue that it matters whether the wider society is co-operative; one of the identifiable conditions for growth of co-ops is a sympathetic `climate of opinion'[34]. On the other hand, we know that co-ops are an adaptable form, and that the very plasticity of co-operative structures and cultures is part of their attraction.

Attempts at generalisation are further complicated by the fact that Co-operative movements change over time; what was true may no longer be the case. So is there a cultural life cycle? Simplifying drastically, one can sketch out the following set of generalisations. During the development phase, co-ops are more likely to have an oppositional culture, at odds in some way with the mainstream. If successful, they gradually conform to the wider culture (and to some extent change that wider culture), and accept the rewards that come from being `mainstream'. Ever since the first world war, in Britain the chairmen and chief executives of the Co-operative Wholesale Society have expected at least a knighthood, and sometimes a Labour peerage, for their services to the nation[35]. The real impact of consumer co-operative culture in the UK must now be classed as marginal (even though most middle aged citizens can still recite their `divi' numbers). Does this hold for other Co-operative movements?

| | | CULTURAL | | |
|---|---|---|---|---|
| | | Oppositional | Mainstream | Marginal |
| ECONOMIC | Development | x | | |
| | Consolidation | | x | |
| | Decline | | | x |

**Figure 5: the cultural life cycle of Co-ops**

What about those rare cases where the co-operative culture has become for a time the wider culture? Analysis of the history of co-operatives in the English East Midlands (notably Kettering and Desborough) where the concentration of consumer, producer and other forms

of co-op reached almost saturation point in the local economy, suggest that they too follow this life cycle eventually[36]. The example of Mondragon may run counter to this trend, suggesting that a wider culture which is itself oppositional (the Basques to Spanish rule) may prolong the development stage. This may also explain why credit unions are so strong in Quebec, though obviously a one-dimensional explanation in terms of culture is not enough; otherwise there would by now be a Mondragon in Wales[37]. On the other hand, culture may still be the most important variable; the development of just one very successful worker-owned coal mine in Wales points up the extreme difficulty of turning round a culture based on working class militancy against the `bosses'.

Sometimes the very success of co-operative culture in changing the wider culture can, paradoxically, put the co-ops out of business. Wholefood co-ops, set up in Britain in the radical days of the 1970s, are now facing intense competition from individual owners and chains of wholefood restaurants, health food shops and so on. The need for co-operatives becomes less because others are also meeting the same need within the market[38].

If the life-cycle model of culture is accepted, one key question becomes - can co-ops ever return to their oppositional roots? If they can then, along with structural changes, cultural revitalisation might reverse economic decline. This question is one which exercises the leaders of the UK consumer co-operative sector, and there is at least one case which suggests that it can be done; that of the Co-operative Bank, which through building on its co-operative roots and a bold ethical policy has become the UK's fastest growing bank[39]. However, this has been a very `top-down' exercise, by a bank which is not itself a co-op but is wholly owned by the Co-operative Wholesale Society. It has not, therefore, been so much a cultural revitalisation as the building of a new identity, appealing to people as customers rather than members. But it raises an interesting possibility. It is easy to assume that the kind of wider culture which supports co-op development is one which is strong in its identity, and narrow in its appeal. This is true of much of the development going on at present: rural communities, environmental groups, women and ethnic minorities, tenants of public housing estates, developing co-ops from the `bottom-up' using whatever assistance there is to hand. Yet the experience of the UK Co-operative Bank and of some similar, if less dramatic, developments by large co-ops and mutuals, suggests that weaker and broader cultures can be appealed to in a top-down exercise which is based on marketing techniques. In the strategy of top management of UK building societies and consumer co-ops there is beginning to be a recognition that
there is serious potential for member-based marketing, loyalty schemes, and differentiation within the market. Such schemes may never lead to the development of a strong Co-operative culture, but they may, nevertheless, pose a serious threat to the dominant paradigm of the investor-owned capitalist company, at a level at which having a Co-operative alternative at all represents quite an achievement.

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**Endnotes**

1.. CASC Newsletter, Dec 1995
2.. Dawson (1992) p.107
3.. There is a real issue here about why pension funds and mutual insurance companies, which invest the deferred wages of a majority of working people, have such a lack of interest in what companies do with their money - they can be using it to take over firms and make some of the owners of the pension fund redundant.
4.. Dawson (1992) p.76
5.. See Laidlaw (1980) for such a discussion
6.. Giddens (1979) p.62
7.. eg Parnell (1995)
8.. Mintzberg (1979)
9.. See Peters and Waterman (1982)
10.. See Dawson (1992)
11.. Some regional co-ops are now stronger as property companies than as retailers.
12.. Handy (1985) Ch.7
13.. See Hasler (1985), Lewis 1954
14.. Richardson (1977)
15.. The male gender is appropriate here
16.. General practitioners have recently begun to set up medical co-ps in Britain, to organise out of hours cover for patients
17.. Burns and Stalker (1966)
18.. See Birchall (1989)
19.. Handy (1985) p.196
20.. See Birchall (1988) Ch.3 for such an approach
21.. eg the International Joint Project on Co-operative Democracy (1995)
22.. The work of the Co-operatives Research Unit at the UK Open University is notable here
23.. See Eccles (1981)
24.. As evidenced in a recent BBC documentary on the Partnership
25.. See The Commission on Global Governance (1995) Our Global Neighbourhood, New York: Oxford University Press
26.. Marris (1985) p.4)
27.. Quoted in Marris (1985) p.10
28.. A good example of this positive view of environmental analysis, adapted to social housing agencies, is found in Catterick (1995)
29.. Cornforth et al (1988) distinguish three types: commercially marginal, self-developing and capitalised co-ops. Though their respective cultures are not analysed, their `orientation' is.
30.. See Argyle (1991) Ch.4 for a review of the evidence. Argyle contrasts traditional and modern societies, and provides a quite critical review of the potential for worker co-ops, communes and kibbutzim to generate co-operative cultures within modern society
31.. See Perkins (1969) on the `triumph of the entrepreneurial ideal' in Britain
32.. See Hopkins (1995) for the origins of the co-operatives in earlier friendly societies
33.. See Manniche, P. (1969)
34.. At least in the model developed by Birchall (1988) to explain the development of housing co-ops and (1994) consumer co-ops.
35.. Visitors must find it strange to be introduced to leading co-operators who are lords, and who take their title from the co-ops to which they belong - hence Lord Jacques of Portsea Island, Lord Graham of Edmonton, and so on.
36.. Cf research yet to be published by the author on Desborough Co-operative Society
37.. Though the example of Wales shows that oppositional culture alone is not enough. Other factors are important, such as a

skilled workforce, a strong traditional of family savings, etc.
38.. The same has also been said of radical/feminist bookshops in the UK

39.. The history and current success of the Bank will be celebrated in a book commissioned from the author of this paper, and due out in May 1997 for the 125th anniversary of the Bank.

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RJB 18.5.96 (first draft)