

Patterns of Co-operative Management: Beyond the Degeneration Thesis

*(This is a pre-publication version of the paper: Cornforth, C. 'Patterns of Co-operative Management: Beyond the Degeneration Thesis' in *Economic and Industrial Democracy*, Vol 16, 487-523, 1995.)*

Chris Cornforth
Open University Business School
Walton Hall
Milton Keynes
MK7 6AA

February 1995

INTRODUCTION

Historically there has been a good deal of pessimism about the possibility of sustaining genuinely democratic forms of organisation. Michels (1949), based on his observation of political parties, formulated the ‘iron law of oligarchy’, which postulates that all democratic associations will become dominated by elites. Weber (1968) argued that the superior efficiency of bureaucratic forms of organisation would lead to the widespread growth of bureaucracy. While Marx saw the spread of bureaucracy as an inevitable outcome of capitalism (Abrahamsson, 1977).

Received wisdom on the possibility of worker co-operatives being able to maintain democratic forms of management has been especially pessimistic (Potter, 1891; Webb and Webb, 1914, 1921; Shirom, 1972; Meister, 1974, 1984; Mandel, 1975). This has become known as the ‘the degeneration thesis’. Essentially the degeneration thesis states that worker co-operatives will have to adopt the same organisational forms and priorities as capitalist business in order to survive. As a result co-operatives will gradually become dominated by a managerial elite who will effectively take decisions in the co-operative and so undermine democracy and the influence that other workers can exert. Since the mid 1970s various authors have challenged the degeneration thesis both on theoretical grounds (e.g. Tomlinson, 1981; Strijan, 1987) and on the basis of empirical studies (e.g. Jones, 1975; Rothschild-Whitt, 1976; Batstone, 1983; Hunt, 1992).

The first part of the paper critically reviews some of the main theories of degeneration. It argues that while both external and internal factors can severely constrain what is possible within co-operatives, they do not completely determine behaviour. As a result co-operators have some choice over the organisation and management of their co-operative. Nevertheless it recognises that co-operatives do face particular problems in developing structures and a division of labour that do not undermine democracy, and in maintaining an active and committed membership.

Empirical studies of co-operative and workplace democracy have tended to focus on the process of degeneration and the factors that precipitate it (e.g. Meister, 1974, 1984; Russell, 1985) or alternatively the

internal and external conditions which can help sustain democracy (Rothschild-Whitt, 1976; Bernstein, 1976). However as Hunt (1992) has observed different co-operatives are likely to face different combinations of conditions and may interpret and react to them in different ways. This paper reports the results of research which examines the different ways in which four co-operatives have attempted to cope with growth and the need to be efficient, which have often been seen as the causes of degeneration. All the co-operatives described started with a commitment to direct democracy and collective working, and with what we have called 'simple collective' structures. The paper focuses in particular on how, faced with the need to improve efficiency and growth, they have developed new management structures and divisions of labour, and how these have impacted on organizational democracy. A secondary theme is how changes in the recruitment, composition and socialisation of members has influenced democracy.

The results of the research provide more evidence against a simple degeneration thesis showing that processes of regeneration can also occur, and leaving open the possibility that democratic forms of management can be sustained. The paper concludes by identifying some of the different conditions and strategies which appear to support workplace democracy. In particular it highlights the need for co-operatives to pay careful attention to the way they maintain an active and committed membership through such things as recruitment and socialisation, and the importance of continually reviewing and adapting structures to give new expression to co-operative democracy as circumstances change.

THEORIES OF DEGENERATION

The degeneration thesis has its origins in Marxist and Socialist critiques of worker co-operatives (or 'associations of producers' as they were called) as a means of transforming capitalist relations of production. Writers in the Marxist tradition identify the cause of degeneration in worker co-operatives with external forces which have their origins in capitalist relations of production. Marx himself had mixed views on co-operatives. Whilst he acknowledged that co-operatives demonstrated the feasibility of certain aspects of a socialist mode of production, he also felt that while they operated in a capitalist system they were

doomed to reflect that system. This has been a recurring theme in subsequent Marxist analysis of worker co-operatives. For example, Mandel (1975) argues:

‘Not only is self-management limited to the level of the factory, workshop or assembly line, an illusion from an economic point of view, in that the workers cannot implement decisions against the operations of market laws, but, worse still, the decisions taken by the workers became more and more restricted to decisions about profits ... There have been many examples of workers’ co-operatives that went wrong; there have been some that ‘succeeded’ - in capitalist terms that is! All they have succeeded in, however, has been to transform themselves into profitable capitalist enterprises, operating in the same way as other capitalist firms.’

The main thrust of this Marxist analysis is that isolated worker co-operatives cannot change the wider forces and relations of production that have developed under capitalism, but will be subject to these forces. In particular the need to survive in a competitive market will force them to seek to maximise profit in the same way as other capitalist businesses, and to adopt the same forms of organisation.

Tomlinson (1981) has taken issue with this analysis arguing that management in co-operatives, or capitalist enterprises for that matter, is not entirely determined by external economic factors. Instead these wider economic factors are better regarded as constraints, which although they may be severe, do leave co-operatives some choices to develop more democratic forms of management.

The most sustained critique of worker co-operatives came from Beatrix Potter (1891) and later with her husband Sydney Webb (1941, 1921). They did not believe worker co-operatives to be a viable form of enterprise. Based on their observations of associations of producers in Britain and Europe they concluded:

‘The most enthusiastic believer in this form of democracy would be hard put to it to find, in all the range of industry and commerce, a single lasting success. In the relatively few cases in which such enterprises have not eventually succumbed as business concerns they have ceased to be

democracies of producers themselves managing their own work; and have become, in effect, associations of capitalists on a small scale...'

(Webb and Webb, 1921, p 463-4)

More recently Meister (1974, 1984), has presented a more detailed description of the process of degeneration. Based on his empirical studies of various democratic associations he suggests that they have a life-cycle of four distinct phases. The first phase is characterised by high idealism and commitment which enables the association to get off the ground. However, over time there are clashes 'between a direct democracy jealous of its prerogatives and an economic activity still badly established'. The need for greater efficiency leads to the establishment of full-time administrators or co-ordinators who come to be seen as directors. The second phase is a period of transition in which, if the enterprise survives, further economic consolidation takes place and conventional principles of organisation are increasingly adopted. These changes are not always accepted peacefully, and conflicts continue between idealists and managers. In the third phase co-operatives lose their radical ideals and market values are accepted. Democracy becomes restricted to a representative board, and the gap between managers and workers increases as the business develops and production is rationalised. During the fourth phase members and their representatives lose all effective power as control is assumed by managers because of their superior expertise and ability to control information.

In contrast to Marxist explanations, the Webbs argued that the main source of degeneration was the internal characteristics of worker co-operatives. They believed that associations of producers would suffer from indiscipline, lack of knowledge of the market and an unwillingness to adopt technical innovations, because they were democratically controlled by workers. As a result they would either fail or be forced to adopt more conventional forms of ownership and management, and hence degenerate. Whilst they realised the marginal position that many associations of producers occupied in the economy, they argued that this was not the main source of their failure as businesses or co-operatives, because in similar circumstances consumer co-operatives had been able to grow and prosper.

‘We cannot ascribe the failure of the Association of Producers to the fact that they have to depend on voluntary recruiting or that they were exposed to capitalist competition, or that they were made up of manual workers and were entirely dependent for ability on what the manual workers could supply. For all these considerations apply, as we shall see, to the great and growing Co-operative Movement of Associations of Consumers...’

(1914, p 20)

There are important weaknesses in the Webbs’ argument. Their analysis of the failure of associations of producers was never set against comparable failure rates of conventional small businesses – which must have been high given the frequent economic cycles of ‘boom and bust’. A comparison with consumer co-operatives is not that meaningful given the different sectors they operated in and their different structures. Their dismissal of external factors in explaining the problems of producer co-operatives contradicts much of their own analysis and ignores the possibility of external interventions to help overcome the problems co-operatives face. Finally, even if the Webbs’ conclusions were true at the time it is not inevitable that they hold true today. Constitutional safeguards make it more difficult for co-operatives to easily revert to capitalist forms of ownership. The education and experience of workers has changed. The establishment of support structures to assist co-operatives may help overcome internal problems and other external constraints. This is not to say that co-operatives never experience the internal problems identified by the Webbs, but to challenge the view that they inevitably lead to failure or degeneration.

Other writers have suggested what are perhaps more important internal pressures towards degeneration. Both Kirkham (1973), in her detailed study of three producer co-operatives, and Meister (1974, 1984), in various studies of small democratic associations including producer co-operatives, suggest that co-operatives are subject to Michels’ (1949) ‘iron law of oligarchy’.

Michels suggests that both psychological and organisational factors will lead to the emergence of a dominant elite in democratic associations. At a psychological level he suggests that members of an organisation experience a need for a leader, but once in post elected leaders tend to see the post as their

own, and the skills they possess become a powerful centralising force. The formation of elites is also necessitated by various organisational factors which make direct democracy inefficient: large size which makes meetings and other forms of communication difficult; the difficulty of resolving disputes in collectives; the degree of technical specialization which requires experts who because of their expertise acquire greater power; the difficulty of large collectives in making quick decisions; and the need for a stable leader in order to preserve continuity of direction.

Three important criticisms can be levelled at Michels' argument (Abrahamsson, 1977, p 78-79). First, Michels' analysis assumes that direct democracy is the standard against which other forms of organisation are judged. As a result any form of representative democracy or delegation is regarded as a sign of oligarchy. Given that beyond a certain size every organisation will need, for reasons of efficiency, some form of delegation, then all large organisations must be oligarchic. Second, he argues that leaders by virtue of their position will move in a different 'social world' to those they lead. As they become socialised in this new world they lose touch with the ordinary membership and their interests diverge from those of the members that elected them. It is possible that leaders in organisations can maintain good contact with the wider membership and try to act in their interests, particularly in organisations such as co-operatives which are much smaller than the trade unions and political parties studied by Michels. In addition, Michels' argument takes little account of the influence that 'public opinion' and the 'ballot box' can have on leaders. Finally, Michels' work largely ignores the historical processes that gave rise to the organisations he is studying. As a consequence he does not question the extent to which the processes that he observes might be influenced by wider economic, technological, social or political factors.

From a theoretical perspective, then, there are two main criticisms of the degeneration thesis (as formulated by the Webbs and others) and of Michels' 'iron law of oligarchy'. First, that they are too deterministic. They deny the possibility that co-operators have some choice about how their organization is structured and managed. Secondly they embody an idealised view of democracy which is unrealistic in all but the smallest organizations. However, this is not to deny, as a variety of empirical studies have shown,

that factors such as growth, the creation of specialist roles and pressures for greater efficiency can undermine democracy (Shirom, 1972; Kirkham, 1973; Meister, 1974, 1984; Russell, 1975).

In recent years a number of authors have carried out empirical studies which also question the determinism of the degeneration thesis. For example, Rothschild-Whitt (1976) has suggested that under certain conditions 'collectivist' organisations can retain direct democracy of organisation and pursue alternative goals. As well as factors such as small size and an appropriate technology, Rothschild-Whitt stresses the importance of a variety of conditions that can help maintain the alternative values and culture of these organisations such as links to wider social movements, economic marginality and an oppositional and transitory orientation. She also sees selection as one of the most important means of control that a collectivist organisation has for controlling its membership. Based on the secondary analysis of successful cases of workplace democracy Bernstein (1976) has derived a set of six conditions which he believes are necessary for developing workplace democratisation. The organisations studied by Bernstein were larger than those studied by Rothschild-Whitt. Perhaps as a result, Bernstein stresses the importance of formal rules and procedures in facilitating democratisation, such as guaranteed access to management information and individual rights to protect workers interests. Batstone (1983), based on a study of the annual returns of long established French producer co-operatives, has suggested that Meister's life-cycle model may be too pessimistic and that there are signs of a resurgence of representative democracy during the third stage in the life-cycle, which may prevent the further degeneration to the fourth stage. Batstone suggests that it may be the advent of a new leadership when founder members leave the co-operative and a growing recognition of a gap between the rhetoric and reality of democracy that may lead to a revival of democracy. Rosner (1984, p 147), drawing on his extensive experience of kibbutz research, suggests that kibbutzim have gone through cycles of degeneration and regeneration. He suggests that periods of 'decline' are usually related to difficulties in adapting to new economic, social and political conditions. However, these periods are followed by periods of 'resurgence', characterised by correction of deviations, when attempts are made to find new organisational forms which are compatible with the kibbutz's ideals, but are suitable for new conditions.

A theoretical framework which no longer accepts degeneration as inevitable is necessary. An important alternative theoretical approach has been offered by Strjyan (1987, 1994), which he has called a reproduction perspective. Drawing in particular on Giddens' (1984) theory of structuration, it emphasises the way in which organisational actors, through their every day actions, draw upon and reproduce the structural features of their organisation. As Strjyan sees it, the primary feature of democratic or self-managed organisations, such as co-operatives, is that they are membership organisations. Hence the core process of a self-managed organisation is the *reproduction of an active membership*. Within this perspective, degeneration is just one pathway that a co-operative may go down and is due to a failure of reproduction, which may result from things like member turnover or the mis-management of member involvement. The aim of our study was to examine how four contemporary worker co-operatives had managed to deal with the often conflicting pressures of democracy and efficiency. In particular how they had managed to adapt to growth. However, before outlining these cases and the reasons for their choice it is important to say a few words about the empirical problems in studying 'life-cycle' phenomena in organisations like processes of degeneration and regeneration.

PROBLEMS OF STUDYING 'DEGENERATION' AND METHODOLOGY

The problem with studying organisational processes such as degeneration is that they take place over what might be considerable spans of time. The Webbs did not specify a particular time-span over which they expected degeneration to occur, although many of the examples they quote suggest that co-operatives were likely to degenerate or fail within a matter of a few years. However, Meister's studies of 'work communities', as he calls them, after the second world war suggests this process may take much longer, with the first phase lasting 3–5 years, the second phase up to 10 years, and the third stage another 3 or more years. Clearly few researchers have the time or the resources to engage in the direct observation of such long term organisational processes.

As a result a variety of different approaches have been adopted to study the process of organisational transformation in co-operatives. The Webbs based their findings on the secondary analysis of

cases described by other researchers and cross-sectional study of contemporary co-operatives. Meister's conclusions were based on studies of a variety of types of democratic associations, including worker co-operatives that he was involved with in a range of different studies. He likens his approach to that used in developmental psychology, arguing that 'The study of numerous groups at different stages of development can replace that of a certain number of groups considered longitudinally.' (1984, p. 139). Kirkham (1975) uses the analysis of historical records of long established producer co-operatives, combined with contemporary accounts of the development of the co-operatives by long serving members. Jones (1975) and Batstone (1983), using formal measures of worker participation, namely the proportion of workers' representatives on the board of co-operatives, have studied how this varies over time using data from secondary sources such as the annual returns of co-operatives.

Each method has its strengths and weaknesses. The problem with studies that rely solely on formal measures of participation like those used by Jones and Batstone is that they only reveal changes in the proportion of workers participating in decision-making and do not reveal whether worker representatives are able to exercise any real influence over decisions. In addition they do not reveal the processes that lead to change. The observation of many cases at different stages of development is only likely to identify broad patterns of change and will not be good at showing the detailed dynamics of change. In depth historical studies are likely to be better at detailing the dynamics of change, but are of uncertain generalisability.

The focus of the part of our study reported here was on uncovering the detailed dynamics of change in co-operatives, in particular how they had responded to competition and growth which are frequently seen as important pressures towards degeneration. As a result we decided to focus on a small number of case studies. (The relatively recent revival of worker co-operatives in the UK also meant that it wasn't feasible to examine a large number of co-operatives of widely different ages.)

A number of criteria guided our choice of cases. We wanted to include:

- 1) Co-operatives that started out with a clear commitment to co-operative principles. (Some co-operatives are started for primarily pragmatic reasons, often without their members having a widespread

commitment to co-operative principles. As a result it seems inappropriate to look for processes of degeneration in these co-operatives.)

- 2 Co-operatives that were commercially successful, and had been trading for a relatively long time.
- 3 Co-operatives that had experienced rapid growth.
- 4 Co-operatives that had already been the subject of detailed empirical studies. (The motivation for this was to improve the chances of being able to obtain good longitudinal data.)

Given these criteria, four co-operatives were chosen. Their main characteristics are summarised in Table 1.

Table 1: The Four Case Studies

Name	Sector	Date started	Period studied	Maximum size during period	Previously studied
Suma	Wholefood wholesaling	1974	1974–85	35	Yes
‘Wholegrain Foods’ ²	Wholefood retailing, wholesaling and bakery	1971	1971–85	20	Yes
Lake	Language school	1978	1978–85	8	No
‘Recycles’ ²	Bicycle shop and hire	1977	1977–83	7	Yes

2: The names of the co-operatives have been disguised to preserve confidentiality.

Suma and Wholegrain met all our criteria and were two of the largest and most successful of the ‘new wave’ of worker co-operatives in the UK. Both Lake and Recycles had not experienced the same level of growth as Suma and Wholegrain, but both were relatively successful commercially. In addition Lake had not been studied previously. However, it was chosen because we had good access and were able to interview a number of the founder members. In the three cases that had been previously studied, we were able to contract the original researchers to update their studies, gather missing information and reinterpret the data that they had gathered in terms of our conceptual framework.

Data on the 'new' case study (and 'missing' or updating information on the other case studies) was gathered in three main ways: through semi-structured interviews; the analysis of historical records, for example minutes of meetings, and the co-operative's accounts; and the observation of the co-operative's meetings. Interviews lasted approximately 2 hours using a semi-structured interview schedule. Questions were grouped to cover the following broad topics: the origins of the co-operative; its development as a business; its development as a co-operative including its structure and decision-making processes; important issues and problems the co-operative had faced in its development; and individual's experiences of co-operative working. Special attention was given to interviewing founder and long-standing members of the co-operatives, in some cases with people who had left the co-operative, in order to get information about the co-operative's development over time. Drafts of the case studies were fed back to co-operative members for criticism and comment.

MANAGEMENT AND THE DIVISION OF LABOUR IN SIMPLE COLLECTIVES

The inspiration behind many of the new worker co-operatives formed in the 1970s was the alternative and counter culture movements of the late 1960s and early 1970s (Mellor *et al*, 1988, pp 39-41). Essentially libertarian in orientation, these movements rejected formal bureaucratic structures which they saw as representing and perpetuating existing inequalities of power. Instead they advocated small scale organisation, direct democracy and the value of informal networks and groupings. The 'collective' was the form of organisation advocated by the movement in which hierarchy, specialisation and the division of labour were rejected in favour of collective decision-making, job rotation and skill sharing. (See Rothschild-Whitt (1979) for a more detailed discussion of the ideal-typical features of collective organisations.)

They were also critical of what they saw as many of the wasteful and damaging aspects of capitalist production. Instead they advocated producing for social need and products that would promote human well-being and not be environmentally damaging. These ideas influenced all four co-operatives to a greater or lesser degree. This is perhaps most apparent at Wholegrain and Suma.

All four co-operatives started with a pattern of organisation and management that closely approximated the ideal model of a collective. Lake and Recycles have remained closest to this model. However, they have made changes to their division of labour in order to ensure greater efficiency and continuity; we will examine these changes and their impacts first. Suma and Wholegrain have grown much more than the other two co-operatives. As a result they have had to develop much more complex structures. We will examine these changes next.

Lake School of English is a co-operative teaching English as a foreign language. It was formed by some staff from a tutorial college when their department was threatened with closure. Establishing the business as a co-operative reflected their desire to avoid the exploitation of staff and students which they

felt was too common in the world of EFL teaching. The co-operative started on a 'shoe string' with £200 of capital and running courses in a hired hall. During the first three years it was very much a hand to mouth existence, with members taking low wages and the co-operation struggling to survive. In 1981, the co-operative moved to more suitable premises. Over the next three years, the co-operative was able to consolidate its business increasing its turnover substantially each year and building up working capital. By the end of 1984, this enabled it to lease and refurbish much better premises in a central location and pay wages at about the market rate. (See Cornforth (1989) for a detailed account of the case study.)

At Lake, the main division of labour is between teaching and administration. When the co-operative was established it was agreed that the job of administrator should be rotated on an annual basis among the teaching staff. This situation lasted for about 4 years, but problems arose when the old head of department became administrator. Conflicts arose over the amount of discretion the administrator had to make decisions. Other members felt that she was taking decisions with insufficient consultation and there were disagreements over strategy. The problem was exacerbated by the fact that, for some of the time, the school was operating from split sites with the administrator separated from these during the teaching. Eventually the immediate problems were resolved when she decided to leave the co-operative. However there was also a growing awareness among members of the co-operative that they needed greater continuity and expertise to improve the efficiency of administration. After the old head of department left the co-operative, it was decided to employ someone with greater administrative experience. A full-time administrator was employed at the beginning of 1983. All the members who had experienced both systems believed this was an important factor in increasing the efficiency and success of the co-operative. but that it was not at the expense of democracy within the co-operative.

One member commented about the new administrator: 'She had a lot of experience in business administration ... the others were not exactly dilettantes but it has made us a better organization, much more professional.'

Appointing a full-time administrator did not mean that the co-operative abandoned the principle that all teaching staff should have some involvement with administrative work. New members were expected over time to become involved in administration and to learn how to do some of the tasks. There was some degree of specialisation among members according to their particular skills and inclinations. Over time, the way administrative work was divided up among teaching staff continued to evolve to meet particular problems and needs. For a period, the system was that two members would work half-time in the office and half-time as teachers. However, combining roles in this way was found to be stressful. As a result, a new system was tried where each member, in rotation, worked for a term in administration.

The other specialist role in the co-operative is Director of Studies, who is responsible for such things as the course programme, reports on students, examination entries, the social programme for students. Originally, this job was rotated on a termly basis between the teaching members of the co-operative. Again, to improve efficiency and continuity, it was decided to move to an annual system of rotation.

Since the beginning the main decision-making body and authority in the co-operative was the weekly meeting, which was normally held on a Friday afternoon when teaching was scheduled. All members and probationary members could attend but not temporary workers. Anyone could place an item on the agenda by writing it on a sheet in the minute book during the preceding week. The jobs of chair and minute taker were rotated on an informal basis at meetings.

Decision-making was by consensus except occasionally on minor issues. Participation at meetings was high and all members interviewed felt that they were able to have a say in making decisions. One member described the process as follows:

‘A mutual exchange of ideas. Someone will throw in an idea, there will be mutual criticism and counter proposals put forward – there is a sort of evolution. It’s rather like a scientific hypothesis: it is subjected to constructive criticism, ideas are bounced around, and hopefully, a solution presents itself.’

The move to more specialisation within the co-operative was not at the expense of democracy. Meetings remained open, with everyone free to have their say. A new member of the co-operative commented at the time:

‘It seems to me that everyone has equal influence. When I have something to say it has been treated seriously from the start.’

Two factors appeared particularly important in avoiding a concentration of power with the administrator. First, the decision that teaching staff should still be involved with administrative work meant that expertise was quite widely dispersed in the co-operative. Secondly, there was a self-conscious awareness about the dangers of domination among teaching members and the administrator herself. As the administrator explained:

‘I have to be careful how I present information so as not to influence things too much. I try to present sets of alternatives, then say what I think rather than give a one-sided view.’

The Webbs suggested that as co-operatives became successful they would want to exclude new workers from becoming members of the co-operative in order to maximise their own economic returns. This has not been the case at Lake; in contrast they have had difficulty attracting suitable members. They have always had to employ a few temporary workers in busy months because of the seasonal nature of EFL work. However, as the business has expanded they have tried to attract suitable workers to stay on as members. This has proved difficult – some people only want part-time or seasonal work, others do not want the added responsibility of membership.

Recycles began trading in 1977 after the three founder members, all keen on cycling and active in the city’s cycling community, decided to pool their talents and meagre resources to make a living repairing bikes (Oliver, 1987). Between 1977 and 1983, the development of the business can be divided roughly into three phases (Oliver, 1987:5). The first 18 months were very much a struggle for survival. It was realised that repair work was not profitable enough to support a viable business. With outside help from the Scottish

Co-operative Development Committee (SCDC) and a loan from Industrial Common Ownership Finance (ICOF), the co-operative decided to move into cycle hire and eventually retailing. However, overstocking during the Christmas of 1978, leading to a cash flow crisis, nearly led to the failure of the business, which was only saved after a further loan from ICOF.

The period between 1979 and 1981 were characterised by the establishment of a more viable business and expansion, with the co-operative employing 7 members for a time. There was a growing awareness of the need to develop more formalised business procedures and meetings after earlier problems. Labour turnover was at its highest during this period and gradually there was a move from employing members because of their sympathy for co-operative ideals to an interest and competence in dealing with bicycles and fitting in with other members.

Between 1982 and 1983 there was a consolidation of the business. At the end of 1981 the small repair shop had to close and the co-operative had reduced to 5 members who shared a strong cycling ethos. By 1983, Recycles had become one of the leading specialist cycle shops in the city. It had expanded again to 7 members and its financial position appeared sound.

During the period of study, Recycles had a structure where there were two main levels of authority; the individual and the collective. As at Lake, there were also disagreements in the early years about the degree of discretion that members could exercise in making individual decisions. One of the founders, Chris, and another member decided that the hire business was too seasonal. In order to counteract this decline in business during the winter months they decided to sell bikes during the Christmas period. They went ahead and acquired stock without getting collective agreement for the decision. Unfortunately trade was poor that year and the bikes did not sell, leading to a severe cash flow crisis. The ensuing conflict again led eventually to the member leaving the co-operative, as he explains:

‘So quite naturally, we – mainly me – got bollocked for that. To an extent it was personal, accusing me of doing things without authority, which was true. But I justified it by saying there were times

when I'd done things without which we would not be here today. I got fed up with it ... So I left, having totally wiped myself out.'

Another founder member decided to leave to take over childcare responsibilities. However he also was aware of the danger that founder members might dominate the co-operative.

'I felt I'd been there four years and was taking up more space than others.... You can crowd the new people out.'

As at Lake, it is partly through incidents like the one above that informal norms appear to have developed that govern what decisions can be made independently and what has to be agreed collectively.

The division of labour evolved at Recycles, with people taking on new functions as they were needed. By 1983, the main division of labour was between what were called 'shopwork', and 'paper work' or administration. Shopwork refers to three main activities: serving customers, repairing bicycles and setting up new bicycles. There was little specialization here and people rotate regularly between jobs. Paperwork on the other had was divided into six main areas, for example financial control, stock control and image and advertising. These more specialised jobs rotated more slowly. In 1983, the system was continuing to evolve. Members felt that both for ideological and commercial reasons, there was a need for more rotation and greater sharing of skills. From a commercial perspective, the main problem was that if a member left, they could take with them skills that are important to the success of the business. As a result the co-operative was taking two actions to help address this problem. First they made efforts to develop formal job descriptions for these specialist roles. Secondly, they introduced a system of doubling up, where two people share out particular administrative jobs and the experienced person acts as a mentor to the person new to the job. (As we will see later this strategy was also one employed at Suma.)

Although, as we have seen, there have been disagreements about the division of decision-making powers between the collective and the individual, the co-operative meeting has remained the main body for making decisions and sharing information. In 1983, the co-operative held weekly two-hour business

meetings. More informal 'horizon' meetings were held every 6 weeks in the evening to discuss longer-term issues facing the business. In addition, occasional extra meetings would be called if something had to be decided urgently. The importance placed on participation was emphasised by members (Oliver, 1987:45):

'It's not been written down, but it would be a big issue if someone did not turn up.'

'You can always tell when someone has left psychologically because they don't make it to the 8:00 am meeting ... that's when you think, "Aha, so and so's left." You can start scheduling them out of anything that is important until they actually leave, say a month later.'

Meister has suggested that during the first phase of life, such co-operatives should expect a clash between direct democracy and the need to establish the business on a better footing. The need for greater efficiency leads to the establishment of full-time administrators or co-ordinators who are eventually seen as directors. During the second phase, powers are more and more delegated to a central administrative group who gradually assume more power, and more conventional principles of organisation are introduced. While some of the conflicts and dilemmas outlined by Meister and others have been experienced at both Lake and Recycles, they do not conform to the pattern he describes.

Recycles, like Lake, has been able to achieve greater specialization and continuity without power being concentrated in the hands of a few specialists. In both cases they have avoided this because through job rotation and a commitment to sharing skills, specialist skills are widely distributed in both co-operatives. In addition there is a self-conscious awareness of the dangers of domination which had enabled the co-operatives to develop new strategies to meet problems as they arise. However, both Recycles and Lake have remain relatively small, which has long been regarded as an important condition if direct democracy is to be maintained.

Next we examine two co-operatives to see how they have responded to the pressures that can arise from growth.

MANAGEMENT AND THE DIVISION OF LABOUR IN COMPLEX COLLECTIVES

Suma was started in 1974 and converted into a co-operative in 1976. Its founder worked for a wholefood shop which belonged to the informal Federation of Northern Wholefood Collectives (FNWC). He set up the business to provide a delivery and then wholesale service to FNWC members. As the business grew he decided to leave and sold it to the workforce, who decided the business should be established formally as a collective. Suma's turnover grew steadily from £625,000 in 1977-78 to nearly £4 million in 1984-85. Adjusting for inflation the average increase in sales volume was 22% per annum over this period. The co-operative's membership also steadily increased to 17 in 1982, and then more rapidly doubling to 35 in 1985. Throughout its history Suma's members have had to adapt the organisation's structure and working practices to meet the challenges posed by growth. (See MacFarlane (1987) for a detailed write up of the case study.)

Like Lake and Recycles, Suma has had to develop a more complex division of labour as it has grown, but has maintained a strong commitment to job rotation to avoid the concentration of expertise and to ensure that everyone had a fair share of both the interesting and the mundane work. Since its early days, several principles have guided work organisation: all jobs (even key jobs) are rotated; specialist jobs are filled internally; and people do different jobs in their working week. In the early days, people rotated around all jobs fairly frequently. Again the system of work organisation has had to be changed over time to meet new demands. As the co-operative grew it became recognised that certain jobs required expertise that took time to acquire and greater continuity. These included: buying, sales, marketing, warehouse and transport co-ordination. As a result, some jobs are rotated much less quickly than others. Some jobs, like buying, may be done for a couple of years. Some of these expert jobs may be shared between two people, in others, such as sales, someone may work on it 3 days a week, doing other jobs on the other 2 days. Jobs that are less complex are still rotated frequently. A newcomer to the co-operative may become what is called a 'rotafloata' and do several different jobs in a week. A typical pattern would be 2 days order-picking, 1 day on warehouse work and 2 days in the front office. Although some co-operative members felt that this system

does have inefficiencies because people don't develop the level of skills they would if they did a job full time, it is also important to recognise that it has some long-run efficiency advantages. The monotony of repetitive work is reduced, and after a time all members have a broad appreciation of the business, which can give greater labour flexibility. Through procedures like these Suma has been able to achieve greater specialisation and continuity, without concentrating expertise exclusively in a few hands.

As Suma has grown the main problems have centred on the structure of decision-making. As Michels observed, two major costs of direct democracy in organisations are the inability to make decisions quickly and the problems of communication as size increases. While Michels ignored the benefits that democracy can have in improving the quality of decisions and the ease of implementation, these problems remain. The only way of decreasing these costs is to develop a structure in which not everyone is equally involved in all decisions. However, some alternative groups have been reluctant to introduce more structure because they feared that it would lead to inequality (see Landry *et al*, 1985, p10). What they failed to realise is that this process is likely to occur informally, and that informal elites may be more difficult to subject to democratic control than formal ones. Freeman (1972) was one of the first to challenge what she called 'the tyranny of structurelessness'. She argued that it was impossible to abolish structure. Power continued to be exercised in groups; the abolishment of a formal hierarchy usually meant that an informal hierarchy would emerge. As the power of informal elites is not explicitly recognised it is extremely difficult to place limits on their power or to hold them accountable.

At Suma, both the increasing costs of collective decision-making and the emergence of an informal élite became apparent in the early 1980s as the co-operative began to approach 20 members (Macfarlane, 1987:). By tradition, decision-making in the co-operative was by consensus. This was resolved by introducing the rule that decisions had to be ratified at a second meeting to give other members a chance to have their 'say' if they desired. One problem this raised was that it was not possible for members to attend all meetings because some would always be out delivering goods. More serious was the problem that minorities could veto decisions. The increase in size led to a diversity of opinions which made reaching decisions more difficult. Some members felt that it was not even worth discussing some issues because they

knew it would be impossible to reach a consensus. In 1983, the co-operative tackled the problem, introducing a system of majority voting, where a decision could be passed if it obtained a 75% majority.

A more difficult issue was the feeling among many members of the co-operative that meetings were not very effective and the co-operative was being run by an informal elite.

An outside observer of the general meeting during 1983 noted a number of problems (3). First, that about half the decisions taken at the meeting related to minor items that were of no greater importance than many taken by individuals. Secondly, and perhaps more importantly, preparation for the meetings was poor so that members were inadequately briefed and did not have enough information to participate properly in discussions. Items were often put on the agenda at the last minute and many reports and presentations were presented verbally or circulated at the last minute.

In these circumstances, many felt Suma was run by a group consisted of long serving (mainly male) members of the co-operative. Their dominance was built upon the expertise and knowledge that they had built up over time and their close association with each other. Clearly knowledge and expertise is likely to be an important power base in any organisation; however, this was exacerbated by the lack of structure and formal procedures in the co-operative. The co-operative lacked procedures to introduce new members effectively to its decisions-making structures. Many new members felt left '... on the outskirts, figuring what's going on.' There was a shortage of management information in the co-operative, and much of what was produced was held in people's heads rather than written down and circulated. As a result many members lacked the information necessary to make decisions. In addition the informality of meetings meant that it was easier for those with greater knowledge or stronger personalities to dominate.

The first response to these problems came in 1984, by which time the co-operative had over 20 members, with a proposal that a management committee should be established to create a decision-making group of a more manageable size than the general meeting. This proved a contentious issue and the proposal was eventually rejected, as some feared it would formalise the power of the 'elite' of long-standing members and increase the barriers to involving new people. Instead it was decided to create two sub-

committees of the general meeting, one to deal with finance and the other with personnel matters. The role of the sub-committees was to raise issues and prepare information for decision at the general meeting, and to carry out a number of executive functions delegated by the general meeting.

The composition and role of the sub-committees has evolved over time in response to particular problems. There was a feeling that the Finance Committee was dominated by experienced men again, while the Personnel Committee was dominated by women. A special general meeting, held in 1985, decided to change the composition of the committees to make them more representative of different interest groups within Suma. The membership of Suma was divided into seven 'representative groups', each of which put forward 2 candidates for election to the committees. The whole membership of Suma then could vote to choose between the ?ten? candidates. This helped to ensure the composition of the committee was more broadly based and that members were more accountable. In addition the co-operative has established the position of management accountant to work with the Finance Committee. Like other specialist posts this job is rotated after a few years. These developments have enabled the co-operative to undertake more detailed financial planning than was possible before. These committees have some delegated powers but on important issues were expected to prepare proposals for decision at the general meeting. This helped to improve the quality of general meetings, although problems still remained.

By 1986, there was a widespread feeling at Suma that the move to setting up sub-committees had improved democracy within the co-operative as well as improving efficiency. Inevitably some problems remained. There was still some dissatisfaction with the general meeting as a decision-making body. Some people felt that some, because of their particular job or experience, were still able to influence decisions more than others. However, although there were still inequalities in power, the new committee structure and the rotation of jobs meant many members felt that power was much less concentrated than in most firms, or than it had been in Suma.

Subsequent studies at Suma (Nuemann, 1988; Adkins and Walker, 1993) show that the co-operative has continued to adapt and change its democratic and decision-making structures as circumstances

have changed. During 1986 and 1987, growing dissatisfaction with the way the general meeting and decision-making structure operated within Suma resulted in an internal review. At this time, the co-operative employed about 40 people and it was felt that this was too many for meetings to be effective. After quite a lot of discussion and disagreement, this led, in 1988, to a restructuring based on a model which divided the co-operative into departments and sectors co-ordinated by a 'hub' (Neumann, 1988:5). The model has proved quite robust and was still in operation with minor adaptations in 1993, by which time the co-operative had grown to employing 60 people (Adkins and Walker, 1993:8)

The aim of the restructuring was to give departments more autonomy and to allow people to participate in decisions which affected the co-operative as a whole without having large general meetings. This latter aim was to be achieved through the sector-hub configuration. The account by Adkins and Walker describes the system working in the following way. The workforce were divided into three Sectors, with membership from across the different departments. Sectors met once a week to discuss issues facing the co-operative. Each then appointed a representative to take the Sector's views to the Hub meeting. Hub meetings consisted of the three representatives and the co-operative's Personnel Officer and Finance Officer (which were both elected posts). The Hub made any decisions (called Hub Sez), which were minuted. These decisions were then reported back to subsequent sector meetings. Decisions were not put into effect until the following week. This meant if anyone missed a meeting, or sectors was unhappy with decisions, they could ask for a decision to be reconsidered.

As well as these changes, Departments were given more autonomy through their own budgets. Co-ordination was achieved in a number of ways: through a business plan, which set targets for departments, and through Sector and Hub meetings. In addition, each department elected a co-ordinator, whose job was to help ensure co-ordination both within and between departments. There was a regular co-ordinators meeting to improve co-ordination between departments. The personnel committee was retained to make recommendations on personnel matters. From time to time other ad hoc committees were established to make recommendations on key issues, such as the restructuring or to improve co-ordination. The system of extensive job rotation was also retained.

The Suma case study is particularly interesting from the point of view of 'organisational' degeneration. It shows that as the co-operative grew and the business required more specialist knowledge there was a tendency towards the development of an informal oligarchy. However, the membership were aware of this trend and acted to deal with it. The development of other representative committees, and the Sector–Hub structure to supplement the general meeting has increased democratic accountability and control, rather than being another sign of oligarchy. 'Regeneration' as well as degeneration is possible, at least in the short term. The case also shows that co-operatives will need to adapt and develop their democratic structures and practices as they grow and change.

Wholegrain Foods

Wholegrain Foods started as a partnership of three people running a wholefood restaurant in 1971. Although founded as a partnership, there was a commitment to collective working. In 1973 the business changed to selling wholefoods from a shop. The founders of the business were keen to promote a healthier and more ecologically sound life-style. They were also set up in opposition to health food shops which they believed were selling many products of dubious value and charging exorbitant prices. In the year after the shop was opened the co-operative moved to larger premises. Shortly after moving, the premises of the adjoining shop were acquired with the intention of establishing a bakery. Further expansion took place in the same year, with the establishment of a small cash and carry operation at the back of the shop premises. By 1984-5, the co-operative had a turnover of £1.2 million and employed 20 people. (See Woolhan (1984, 1987) for a detailed account of the case study.)

In 1978, the co-operative faced two difficult problems. A stocktake revealed that a substantial loss of stock. Although never proved, it was strongly suspected that a member of staff had taken it. Later the same year, the newly opened and stocked warehouse was burned down in a fire. It was during this period that it was decided to convert the partnership into a co-operative. Woolham (1987:14) suggests three reasons for this decision: it limited the liability of the existing partners; it marked a commitment of all the workers to

overcome the problems facing the business and it helped to formalise the existing co-operative working arrangement while help guard against abuse by any individuals.

Between 1979 and 1984 the business continued to expand. During this period a wholesaling business was established on separate premises about five miles away from the shop site. The shop site was also redeveloped, so the shop was enlarged and a new purpose built bakery was established in part of the former warehouse area at the back of the shop.

Wholegrain Foods provides a number of interesting contrasts with Suma. In many ways it has experienced more problems in maintaining co-operatives principles and practices. Wholegrain's business has become more diverse than Suma's and it operates from two geographically separate sites. It has five departments, the shop, office and bakery on one site and the warehouse and packing room on the other site. As a result, Wholegrain has a more differentiated structure than Suma. Lacking mechanisms to develop shared objectives and to create some degree of common culture, different orientations have developed in Wholegrain. This has been most apparent in the two largest departments – the shop and the warehouse. Partly as a result the objectives emphasised by the two departments have diverged and they have developed different styles of management. Co-operative practices in the warehouse have undergone a process of degeneration, whereas in the shop they have gone through processes of degeneration and regeneration. These differences have led to conflict between the two departments. Another problem experienced by the co-operative centred on how to reconcile the entrepreneurial role of Simon, one of the founder members, with co-operative principles. We will examine these issues in turn.

When Wholegrain became a co-operative in 1978, the main decision-making body was the general meeting. As the co-operative grew, a more complex structure evolved. the main departments came to hold regular weekly or fortnightly meetings. The co-operative also elected a management committee with representatives from each department, which normally met fortnightly to deal with financial and other affairs that affected the co-operative as a whole. Finally, general meetings continued, usually once a month, to discuss, and vote upon, recommendations of the management committee. One of the founder members,

‘Simon’, had a special entrepreneurial role in charge of new business developments, and was formally accountable to the management committee, although, as we shall see later, it proved difficult for the committee to exercise meaningful supervision of Simon’s activities.

Problems developing acceptable management structures and practices that reconcile democracy and efficiency have been apparent in both the shop and the warehouse, the largest departments of the co-operative. The management of the shop has gone through a number of phases. The shop meeting has formally remained the main decision-making body throughout. Initially there was a strong commitment to collective management and job rotation in the shop. Over time, partly due to high staff turnover and poor efficiency, one of the workers, ‘Mandy’, began to take more responsibility for the administrative functions concerning the shop. Eventually, Mandy asked that her role and responsibilities be formally recognised and that she become the shop manager. This led to an important conflict in the co-operative. Some members felt that it was just recognition for the work she did, others felt that it would undermine the egalitarian nature of the co-operative. After she threatened to leave the co-operative, and it was discovered just how dependent the success of the shop was upon her, Mandy was made manager. However, the legitimacy of this position was never fully established. A subsequent manager, ‘Sarah’, encouraged collective working in the shop through the delegation of managerial tasks and when she left the co-operative members of the shop decided to return to a more collective form of management. ‘Clare’ took over most of Sarah’s administrative duties when Sarah left, but increasingly other members of the shop and bakery took responsibility for particular areas of office work. (Basic shop work has always been rotated.) Clare commented on this change as follows:

‘Since Sarah left, there’s been talk of ... do we need someone with special skills. I changed my mind on this one... if people were paid more (for having special skills) how would it be after a year? Would it block the chances of other workers to do more? Most are graduates and quite intelligent!’

The warehouse was established later than the shop and grew around 'Ian', who, due to his length of service, age and detailed knowledge of the warehouse's business, assumed an informal managerial role as the numbers in the warehouse increased. Ian was less interested in collective working than many of the shop members and saw his role as increasing the efficiency of the business. He said:

'I don't think that most members of the warehouse ... would mind one way or another whether it was a co-op or not ... I saw the main aim as to make it a success ... so my objective was to get a good living wage for myself and for everyone else that worked there and to make the place a successful business.'

Ian was largely responsible for recruitment to the warehouse so it is perhaps not surprising that this view predominated there. This more instrumental attitude to work may have been partly due to the fact that Ian was older than many of the shop workers, and had a family, which meant that he had greater financial commitments than the others. Having said that, responsibilities for specialist activities such as book-keeping and vehicle maintenance were distributed among a number of members, and the warehouse still maintained regular meetings of all members. The different cultures and structures that developed in the shop and the warehouse led to conflict. After a poor trading performance by the shop the warehouse accused them of inefficiency and poor management. The shop on the other had thought that the warehouse was not run co-operatively.

A number of factors help to account for the different patterns of development in the co-operative. From its early days the co-operative pursued a range of objectives, with different people giving different weight to different objectives. The founders of Wholegrain were primarily concerned with promoting the use of wholefoods and stopping what they saw as the dubious practices of many healthfood shops (Woolham, 1987). Co-operative working was seen as a good way of achieving these ends, but over time others came to see co-operative working as more important. Simon reflected on these changes:

‘The principal objectives in my opinion were to do with food and health and so on. Being a co-op was a nice way of doing it.... Over the years the socialist concept of the co-operative has come to the fore, especially in the shop’

As we have seen there was also a growth of instrumental goals and values, particularly in the warehouse. The co-operative found it difficult to achieve an agreed balance of objectives. The co-operative lacked integrating mechanisms which might have helped to reduce the divergence of views, particularly regarding recruitment, socialisation and training. Unlike Suma, selection was carried out by each department independently of each other. There were no formal attempts to introduce new workers to the co-operative’s different departments or to its objectives. As a result, new members were socialised into the values and cultures of their own departments.

Wholegrain also experienced problems over Simon’s role. While it was commonly acknowledged that the success of the business owed much to his entrepreneurial ability, some members felt that he had taken over important areas of decision-making but was not really accountable for his actions. As Sara, one of the shop managers, put it:

‘Simon was off making all the decision ... Simon was terribly excited about the whole thing and everyone else was uninterested ... it wasn’t until I got involved ... right at the end, that I realised ... he’s taken control away from everyone else and everyone else was really bored with it and he couldn’t understand why’

Over time and a competence gap had developed between Simon and even the longest serving members. Comparison with Suma suggests a number of reasons why this competence gap had developed. The separation off of Simon’s role meant that other members had little opportunity to learn informally what he was doing. Because his role was often largely invisible to most members of the co-operative it was also difficult to hold him accountable. Lack of training in the co-operative and lack of commitment to the rotation of key jobs also meant that other members did not have the chance to learn the skills necessary to

do Simon's job, or indeed what the job entailed. These problems were also reinforced by Simon's own personal style. Sarah suggested:

'He didn't take or keep control deliberately. He's always been delighted when someone else wants to take on management but most people can't do that, they're not confident enough. They need training and Simon doesn't know the meaning of the word and doesn't realise... that most people aren't like him... He's always said he is not keeping control ... it's just that no one will come up and join him, if you like, ... but that is very difficult because he's in such a rush to get on with things. He's not got time ... even to report back, let alone to nurture people.'

CONCLUSIONS

Degeneration and Regeneration

The case studies examined in this paper show that, at least in the short and medium term (6–14 years), the degeneration of democratic forms of organisation and management as postulated by the Webbs and elaborated by Meister is not inevitable. This is not to say that there are not pressures towards degeneration, and we have identified some of them. For example, the need for efficiency requires some specialisation and continuity, reducing the scope for job rotation and the sharing of management tasks. Growth increases the costs of collective decision-making, forcing the adoption of other forms of decision-making. However, where the co-operatives (or parts of co-operatives) have maintained a commitment to co-operative principles and ideals, then the case studies show that they have often been able to find ways of constructively dealing with the threat of degeneration. As a result, processes of regeneration have followed periods of degeneration. A similar phenomenon has been observed by Rosner in his study of kibbutzim (Rosner, 1984: 197). The co-operatives described here were still relatively young and small, and of course may eventually succumb to degenerative forces. However, Batstone's (1987) study of French producer co-operatives suggests that older co-operatives which only have limited forms of worker representation may

also experience a revitalisation of these representative mechanisms later in their life cycle rather than further degeneration.

Comparisons between the case studies and with other studies suggest some of the conditions and strategies that are important if co-operatives are to successfully maintain democratic forms of management. In particular, we will attempt to draw out lessons in two areas. First, how co-operatives can 'reproduce' (Strjyan, 1987, 1994) an active, committed membership. Second, how they can introduce greater specialisation and division of labour without undermining democracy.

Maintaining an active membership

As Lodahl and Mitchell (1980: 186) have observed, the creation of organisations is an exercise in the 'creation and maintenance of meaning'. The problem facing co-operatives is how can they develop and maintain among their members a commitment to co-operative principles and ideals in a society where these principles and ideals are not dominant. Rothschild-Whitt (1976) has suggested that links with broader social movements that share similar values and the provision of oppositional services or values are important factors. These views are supported by the four case studies presented here. Both Suma and Wholegrain were part of the wider wholefood movement. Suma arose out of, and helped to service, the Federation of Northern Wholefood Collectives. Wholegrain was explicitly opposed to healthfood shops, which it saw as charging high prices for products of dubious value. Recycles was connected with the alternative cycling scene in Edinburgh. Lake's connections with wider social movements was more tenuous, although one member was active in the ecology movement. However, the co-operative was set up in opposition to what members saw as the exploitative conditions and poor quality of many EFL schools.

As Strjyan (1987) has argued, a core process of any self-managed co-operative is the reproduction of an active membership. Two important factors in maintaining a committed active membership are careful selection and socialisation (Lodahl and Mitchell, 1980, pp. 191-197). Comparisons between the departments at Wholegrain and with the other three co-operatives reinforces this view. In the wholesaling department at Wholegrain, where commitment to co-operative values was not seen as an important criteria

for recruitment, there was a decline in co-operative working practices. The divisions between departments at Wholegrain were reinforced by structural factors (which will be discussed in more detail later) – the geographical separation between sites; the division of labour, which meant that there was little rotation of jobs between the warehouse and other departments; and the lack of co-operative wide induction and training processes that could have helped develop a shared understanding and commitment to the co-operatives objectives among people working on different sites. In contrast at Lake and Recycles the small size of the co-operative, the frequent informal discussions and consultations, and regular meetings all helped to develop a shared understanding of the co-operative's aims and objectives. In the largest co-operative, Suma, this process was assisted by the widespread rotation of people between departments and jobs. It had also been recognised at Suma that some form of common induction was necessary for new members as the co-operative became larger. It is important then for co-operatives to develop working practices which aim to develop a shared meaning and commitment to the co-operative's aims and practices, through, for example, common recruitment and induction procedures, training, and the periodic rotation of at least some staff between departments and jobs. This is likely to be particularly important as co-operatives grow and a begin to work from geographically separate sites.

People's propensity to participate is likely to increase with the importance to them of the issues they are being asked to participate in. Lipset *et al* (1956) observed that one of the factors underlying democracy in the International Typographers Union was the high degree of identification that print workers had with their craft. Many of the workers in the four co-operatives identified strongly with the wider social goals of their organisation. For them work was more than just a job. At Suma and Wholegrain selling wholefoods was seen as part of a way of promoting a new form of lifestyle based on more democratic and ecologically sound principles. At Recycles many of the members were cycling enthusiasts, keen to promote cycling and provide a high quality service. At Lake members were deeply committed to providing a good quality service to students and a good working environment for staff.

Interestingly, a specific commitment to co-operative principles may not be a necessary condition for participation. At Recycles, when the co-operative's selection policy changed to recruiting people more

for the competence and commitment to cycling rather than their commitment to co-operatives, people's propensity to participate in the co-operative did not decline.

Openness to opposition and criticism is an important condition of a healthy democracy. Rothschild-Whitt (1976) has suggested that openness to mutual self-criticism is an important condition for the maintenance of collective decision-making. Lipset *et al* (1956) have suggested that the most important guarantee of union democracy is the operation of a legitimate two-party system in the union. Nicholson *et al* (1981, p 223) in their study of white collar unionism in the UK suggest that the tolerance of factionalism may be a sufficient channel for political activities in the union rather than a two-party system. There is evidence from the case studies to support both the propositions by Rothschild-Whitt and Nicholson *et al*. Open criticism and discussion was a feature of all the co-operatives studied. At Suma it is also interesting to note that there were various informal groupings within the organisation, which could act as the organising ground for new initiatives or opposition. In fact some of the awareness of and opposition to the emergence of an informal hierarchy at Suma arose out of discussions of women's group within the organisation.

The division of labour and organisational structure

All the co-operatives in this study experienced problems and pressures which led, over time, to a greater division of labour and role specialisation. Growth and the need for greater efficiency seem to underlie these changes. There was a recognition in all the co-operatives that some jobs required greater specialist knowledge, experience and continuity if they were to be performed efficiently. Growth and the establishment of new areas of business also led to a horizontal division of labour at Suma and Wholegrain in particular. Hunt (1992) observed similar processes in his study of the division of labour in three co-operatives in Canada.

The move to greater role specialisation and differentiation was not seen necessarily as being at the expense of democracy. In particular, Lake, Recycles and Suma maintained a strong commitment to job rotation and the sharing of expertise. However, each devised different ways to tackle the particular

problems and circumstances they faced. At Lake, a decision was made to appoint a full-time administrator in order to improve efficiency and continuity. However, some administrative work was still rotated among teaching staff and the Director of Studies post was rotated. At Recycles, administrative tasks were divided up quite widely among staff, and a system of teaming up was employed to try to ensure that skills and experience could be shared; shop work was rotated much more frequently. Similarly, Suma had developed quite a complex system of job rotation. Less complex jobs were rotated quite often, so that a person would do a mix of jobs in any week. Other more complex jobs, such as in marketing, purchasing or management accounts, would be held for much longer time periods before being rotated.

At Wholegrain, the division of labour and specialisation went further. The degree of job rotation varied between different departments and over time. Wholegrain had moved furthest towards developing a divisional structure, with the wholesale business operating rather separately from the rest of the co-operative. This was probably reinforced by the physical separation of this part of the co-operative. Evidence from the case study lends support to Hunt's (1992: 41) observation that divisional structures pose particular difficulties for worker co-operatives:

'The case studies here indicate, however, that a divisional design has even more inherent disadvantages for co-operatives since it creates a situation in which subgroups operate in a more isolated manner, requiring even more attention to co-ordinating and integrating mechanisms.'

I have argued earlier that it was partly this lack of integrating mechanisms which led to a divergence of views and practices at Wholegrain.

The relationship between the division of labour and democracy is complex – it may affect the expertise, experience and information available to different workers as well as where decisions are taken. Michels argued that technical specialisation and the need for continuity would lead to a gap between leaders and led. Various contemporary theorists have suggested that strategies to share expertise and information will be necessary if these oligarchic pressures are to be resisted.

Bernstein (1976) suggests that the sharing of management information and increasingly expertise is a necessary condition for workplace democracy. Rothschild-Whitt (1976) identifies the diffusion of knowledge and appropriate technology (i.e. one that does not demand a rigid division of labour) as a condition for the maintenance of collective democracy. Comparison between the case studies again supports these views and suggests that job rotation can be used as a way of spreading expertise and experience widely within the workplace. It was at Wholegrain, where the development worker role was largely isolated from the rest of the co-operative and not rotated, that there was poor diffusion of knowledge and information about activities the co-operative experienced difficulty in holding the worker accountable in a meaningful way. This contrasts with the other three co-operatives, where key skills and knowledge were quite widely diffused through such activities as job rotations 'doubling up' on key jobs and the dispersion of specialist tasks. However, it is important to recognise that a balance must be struck between sharing knowledge and skills and efficiency. For example, too much job rotation can reduce competency and continuity, and hence efficiency, as was the experience at Lake and Suma. It is also important to recognise that different types of jobs may require different forms of job rotation and skill sharing.

There was some evidence to suggest that job rotation alone may not be enough to prevent those in important positions acquiring a good deal of power and acting in ways which others felt were largely unaccountable. The attitudes and way those in key positions interpreted their roles also appeared to be important. For example, both the administrator at Lake and the management accountant at Suma felt that an important part of their role was to help develop the skills of other staff and to present information that allowed others to make informed judgements. In contrast, it was suggested that the development worker at Wholegrain found it difficult to train and develop other members of the co-operative, and enjoyed acting independently.

Any move away from direct democracy has often been regarded as a sign of growing inequality and degeneration. Yet paradoxically, as Freeman (1972) has argued, a lack of formal structure and too strict an adherence to direct democracy can lead to the emergence of an informal élite, which they were designed

to guard against. Evidence from Suma supports Freeman's argument. The experience of Suma suggests that once a co-operative reaches 15–20 members, a high degree of democratic involvement and influence can only be maintained by developing a more complex democratic structure, combining representative and direct forms of democracy, so that they reinforce each other. This view is supported by Greenberg (1984: 212), in his study of the plywood co-operatives in the USA: 'If this study of the governance of producer co-operatives reveals anything about some of the central issues in democratic theory, then it is that under certain conditions direct and representative democracy can not only exist together but can also enrich each other.' Gunn (1984) also comes to similar conclusions in his study of Hoedads re-afforestation co-operatives in the USA. With Greenberg and Gunn we conclude that some combination of the two forms of democracy will be necessary in any sizeable organisation that is committed to workplace democracy.

Finally and perhaps most importantly, the case studies suggest that co-operatives need to regularly review their performance both as co-operatives and businesses if they are to avoid degeneration. Lodahl and Mitchel (1980, pp 204-7) have suggested that innovative organisations in particular need to maintain a 'cycle of vigilance' if they are not to drift away from their innovative principles and goals. One of the striking features of Suma, Lake and Recycles has been their ability to regularly review their structures and procedures both from the point of view of efficiency and how well they meet co-operative principles, and to make changes which achieve a workable balance between these different objectives. As circumstances change, different ways need to be found to give renewed expression to co-operative ideals.

Notes

- 1 The research reported here was part of a larger three year research project aimed at examining the factors and processes affecting the successful development of worker co-operatives. The results of the research are presented in the book Cornforth, C.; Thomas, A.; Lewis, J. and Spear, R. 'Developing Successful Worker Co-operatives', London: Sage Publications, published in Autumn 1988. The project was funded by the Leverhulme Trust whose support is gratefully acknowledged. My fellow collaborators Alan Thomas, Jenny Lewis and Roger Spear also greatly influenced the thinking which underlies this paper and I would like to acknowledge my debt to them. I would also like to thank Richard MacFarlane, Nick Oliver and John Woolham, who worked as consultants to the project and were involved in preparing three of the case studies.
- 2.1 This research was part of a larger project which aimed to identify and examine the factors affecting the successful development of worker co-operatives, and reported in California et. al., (1988).
- 3 These observations come from an interview with Harold Pollard, who observed the co-operatives meetings over a number of months in 1983 as part of his research for a Phd thesis.

References

- Abrahamsson, B. (1977) Bureaucracy or Participation: The Logic of Organization. Beverly Hills and London: Sage Publications.
- Batstone, E. (1983) 'Organization and Orientation: A Life Cycle Model of French Co-operatives'. Economic and Industrial Democracy Vol. 4 No 2: 139-161.
- Bernstein, P. (1976) Workplace Democratization: Its Internal Dynamics. New Jersey: Transaction Books, 1980 edn.
- Cornforth, C. (1989) 'Lake School of English' in Thomas A. and Thornley, J. (eds.) Co-ops to the Rescue. London: ICOM Copublications.
- Cornforth, C. Thomas, A., Lewis, J., and R. Spear (1988) Developing Successful Worker Co-operatives. London: Sage.
- Freeman, J. (1972). 'The Tyranny of Structurelessness'. Berkeley Journal of Sociology 17: 151-164.
- Greenberg, E. (1984) 'Producer co-operatives and democratic theory: the case of the plywood co-operatives' in Jackall, R. and Levin, H. (eds.) Worker Co-operatives in America. Berkeley: University of California Press.
- Gunn, C. 1984) 'Hoedad co-ops: democracy and co-operation at work' in Jackall, R. and Levin, H. (eds.) Worker Co-operatives in America. Berkeley: University of California Press.
- Jones, D.C. (1975) 'British producer co-operatives and the views of the Webbs on participation and their ability to survive', Annals of Public and Co-operative Economy, Vol 46, No 1 pp24-44.
- Kirkham, M. (1973) Industrial Producer Co-operation in Britain: Three Case Studies. Unpublished MA Thesis, University of Sheffield.
- Landry, C., Morely, D., Southwood R. and Wright P. (1985) What a Way to Run a Railroad: An Analysis of Radical Failure. London: Comedia.
- Lipset, S., Trow, M. and Coleman, J. (1951) Union Democracy: The Internal Politics of the International Typographical Union. New York: Free Press.
- Lodahl, T. and Mitchell, S. (1980) 'Drift in the development of innovative organizations' in Kimberley, J. and Miles, R. (eds.) The Organizational Life-Cycle. San Francisco: Jossey-Bass.
- MacFarlane, R. (1987) Collective Management Under Growth: A Case Study of Suma Wholefoods. Milton Keynes: Co-operatives Research Unit.
- Mandel, E. (1975) 'Self-Management Dangers and Possibilities'. International 2/3: 3-9.
- Meister A. (1974). La Participation dans les Associations. Paris: Editions Ouvrieres.
- Meister A. (1984) Participation, Associations, Development and Change. New Brunswick: Transaction Inc.

- Michels R. (1949) Political Parties: A Sociological Study of - Oligarchical Tendencies of Modern Democracy. New York: Free Press.
- Nicholson, N., Ursell, G. and Blyton, P. (1981) The Dynamics of White Collar Unionism: A Study of Local Union Participation. London: Academic Press.
- Oliver, N. (1987) The Evolution of Recycles. Milton Keynes: Co-operatives Research Unit, Open University.
- Potter, B. (1891) The Co-operative Movement in Great Britain, London: Swann Sonnenschein and Co.
- Rosner, M. (1984) 'Search for 'coping strategies' or forecasts of co-operative 'degeneration'?''. *Economic and Industrial Democracy*. London: Sage Publications.
- Rothschild-Whitt, J. (1976) 'Conditions facilitating participatory democratic organisation', Sociological Inquiry, 46, pp 75-86.
- Rothschild-Whitt, J. (1979) 'The collectivist organisation: an alternative to rational bureaucratic models', *American Sociological Review*, 44, pp 509-27.
- Shirom, A. (1972) 'The Industrial Relations system of Industrial Co-operatives in the United States: 1890-1985.' Labour History, Fall: 533-551.
- Webb, S. and B. Webb (1921) Consumers' Co operative Movement. Published by the Authors.
- Webb, S. and B. Webb, (1914) 'Co-operative Production and Profit Sharing'. New Statesman (Special Supplement).
- Weber, M. (1968) Economy and Society Vol. I, II, III, Gunther Roth and Claus Wittich (eds). New York: Bedminster Press.
- Woolham, J. (1984) Organisational Problems and Worker Co-operation: A Comparative Analysis of Two Cases. Unpublished PhD theses, University of Sussex.
- Woolham, J. (1987) Wholegrain Foods and The Bean Shop. Milton Keynes: Co-operatives Research Unit, Open University.