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**Staying true to co-operative identity:
Diagnosing worker co-operatives for adherence to their values**

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ABSTRACT

The paper contributes to the discourse on the impact of employee participation in organizations. Using worker co-operatives

an appropriate framework to evaluate co-operative effectiveness, since the literature typically assesses this type of organization by the same efficiency standards as the investor owned, profit-maximizing enterprise (S. Zamagni and V. Zamagni 2010). However, only some of those ethical principles are easily measurable, or, for that matter, legally binding. Co-operatives often find it difficult to navigate through both their ‘cooperative identity’ and pressures of competition based on price signals. It is, thus, important to provide co-operative managers with tools fit for their values-based organizations as one of the ways to strengthen the social functions of co-operatives endangered by the adoption of management practices and performance indicators designed for investor-owned enterprises.

This paper draws on two literatures. The first shows that ownership and control by employees result in increased productivity, individual motivation, and organizational efficiency. The second focuses on co-operative firms as ethical businesses. Authors emphasise the need for effective communication and deliberation in co-operatives in light of their democratic character, as well as the importance of trust in soliciting ‘social exchange’ rather than incentive-based ‘market exchange’ (Zamagni and Zamagni, 2010). We conjecture that the theory of participation based solely on the concept of ownership, as is standard in economics literature, is not sufficient to capture the level of participation in

2. Employee participation

The literature on employee participation is vast and varied. The different treatments of participation depend on the field of research, the type of participation scheme(s), and the outcomes under study. In a detailed account of this literature, Heller et. al. 1998 assert the reasons for support of participation in organizations to range from humanistic (personal growth and satisfaction of employees), to power-sharing (redistribution of social power), and organizational efficiency (predominant concern in the economics and business literature). The authors categorize the main dimensions of participation to be ownership, degree of control, range of issues, and organizational level of employee influence (table 1.3. p. 19). In all four categories, worker co-operatives are placed at the extreme end of the spectrum: worker-members are full owners; they make

of transparency, inclusion of employee input in decisions and the like; but also psychological stemming from social relationships in the workplace.

Organizational psychologists recognize that, for employee ownership to exert influence on group and individual outcomes, formal ownership must lead to

that connection, and linking it to organizational success, has not been without its challenges. The fact that co-operatives belong to many subcategories³ of organizations did not help focus on what is specific to co-operatives and how they can best take advantage of their distinctiveness. Rather, the literature on co-operatives is dispersed across many fields of research, and among numerous categories of organizations, thereby impacting the disjoint approach to policies affecting the co-operative sector.

Co-operatives differ from other organizations in prioritizing the needs of their members and in subscribing to a focus on what is best for the members.

of publicly held stock (Dow 2003, Jones and Kalmi 2010). Empirical studies examining these issues found no evidence of comparative inefficiencies in co-operatives in the plywood industry in the USA (Craig and Pencavel 1992 and 1995), the dairy co-operatives (

This debate begs the question: how can co-operatives maintain their values-based identity, and compete in the market economy dominated by the investor-owned firms? How can they set their own performance standards to judge their success? It is becoming clear that besides the financial indicators of performance, worker cooperatives need a way to communicate group preferences, views, relations, and the application of human values to organizational design and functioning, to ensure their democratic character and personal development of their members.

4. Worker co-operatives and total participation

Worker co-operatives⁶ form a special case of democratically governed organizations, given their mandate of job provision and decent employment (Perotin, 2012), and their participative nature. Typically, member participation in decision-making is the highest in worker co-ops, because the stakes for employees are also very high. This type of co-operative fits the descriptions in the employee-participation literature, outlined above. While other types of co-ops may include various degrees of employee participation in decision-making (multiple-stakeholder co-ops, for example), this is less common, and it requires case-by-case assessment⁷.

Stocki and his colleagues have developed tools to measure participation in organizations (Open Index and Non-profit Index for investor owned and non-profit firms, respectively) based on the cognitive theory of total participation, described in Stocki et al 2010 and

in the processes, structures, and strategy of their organizations, and who perceive their workplaces as having freedom to act on their own, for a common purpose⁸.

Stocki's Open Index tool captures this 'labour-as-action' approach in a questionnaire whose focus is on employee perceptions, but it also includes researcher observations, data collection, and interviews within the organization. It therefore encompasses the 'perception' aspect, as well as the objective and subjective aspects of a

management is that there are no tools that clearly link the daily operations of the firm to its principles and values. Moreover, the understanding of incentives and motivations in economic theory as monetary and extrinsic, lead to marginalization of ethical values that motivate institutional design and guide business interactions. Co-operatives often find it difficult to effectively communicate and manage the appropriate information about competitive pressures, financial pressures, changing member preferences, or other influences that may affect their strategy, yet preserve and promote their co-operative identity at the same time.

The process of adapting the Open index for co-operative firms lead to the development of the CoopIndex tool which, like its predecessors, relies on the questionnaire for perceptual measures, observations and assessment of documentation for objective measures, and interviews for additional subjective accounts of the evidence of organizational effectiveness. The tool was created with input from practitioners and consultants in the co-operative sector, as well as researchers in various fields (management, sociology, economics, and organizational psychology; see Stocki, Prokopowicz and Novkovic 2012 for a description of the tool's development). The CoopIndex questionnaire contains close to 180 questions sorted into 30 dimensions, grouped into four categories (see

democratic governance and control, and other co-operative principles, while participatory practice in co-ops also includes learning through a continual process improvement, coupled with the implicit inclusion of all the stakeholders¹⁵. Lastly, compared to the Open Inde

strict – with only the “agree” and “strongly agree” treated as favourable responses. The questionnaire is administered online, and results analyzed according to the CoopIndex diagnostic model, consisting of 30 dimensions, and covering four vital areas of worker co-operatives’ activity (Table 1 in the Appendix). Some of the questions identified by experts –cooperative developers and members – demand positive responses as an indication of organizational maturity. Responses to these select questions form the Organizational Maturity Index (OMI) presented on a scale from 0-100, reflecting the extent to which a co-operative embodies the key features of ‘successful co-operatives’¹⁶. The maturity level given by the value of OMI determines the benchmark used to present the results, with higher performance expectations ascribed to more mature organizations.

Co-operatives taking part in the diagnostic process are evaluated for adherence to the co-operative values and principles; organizational maturity; and organizational trust. They are provided with in-depth analytical reports on their management systems, workplace values and employee satisfaction. In contrast to OMI, organizational Trust Index (OTI), provides an assessment on how secure the members and employees feel within the co-op. The report also includes indices¹⁷ measuring how co-op principles and values are embodied in everyday life of the organisation.

While playing the crucial role in the diagnostic process, the administering of the CoopIndex questionnaire and the analysis of results is only a part of the process. Data collected using the questionnaire has to be triangulated with data elicited with two other research techniques – interviews with key employees in the organization, and the on-site observation in the firm. These complementary techniques are aimed at both the initial screening of 1(n)](te)-7(c).17 TmTm{)4ETs0t

recommendations included in the diagnostic report provided to the organisation. The final report includes a detailed description of the measures used in the diagnosis; results for a given firm based on the described indicators; and a list of comprehensive recommendations aimed at furthering the development of a co-operative in line with the co-operative identity (or, self-described characteristics of an 'ideal worker co-operative').

While the practical implementation of the diagnostic results depends heavily on the willingness of a co-operative to implement the recommendations included in the report, the process itself provides the organisation with numerous opportunities to engage employees and members in a dialogue, and to improve their everyday operations.

The use of the report and its recommendations is in part similar to most methods proposing organizational change (eg. achieving a shared understanding of a firm's mission; reaching common ground when introducing organisational change; identifying strengths and weaknesses of an organisation with regards to its managerial systems and using presented information to improve them), but the particular added advantage of the described process for co-operatives is in creating links between the co-operative principles and values on the one hand, and organizational systems and strategy on the other. The co-

engagement of co-operative members and employees in all aspects of its operations,
rather than a piece-meal participation as typically

organizational systems

organizational climate

personal attitudes

outcomes

belonging, and co-operation with other co-operatives and the co-op sector more generally.

Looking closer at a particular dimension, one can understand what drives the results. The Remuneration dimension (Organizational Systems), for example, is drawn from the following questions and responses (Figure 2)

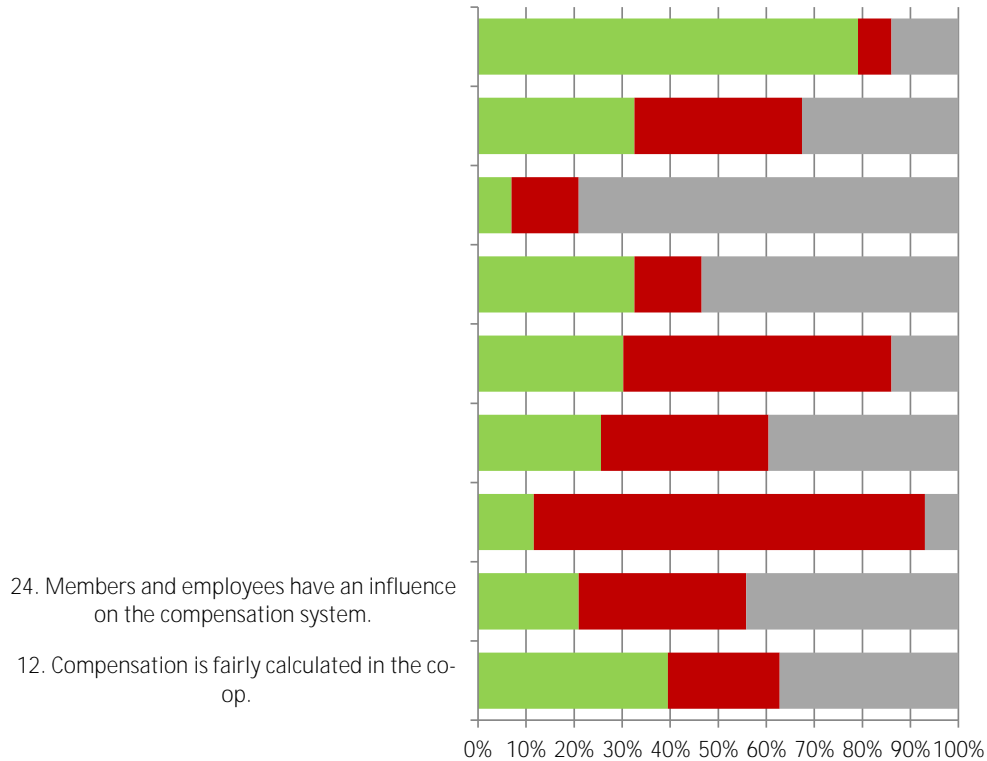


Figure 2. The Remuneration dimension (Organizational systems category). Individual responses. Careforce worker co-operative; pilot CoopIndex diagnostic report.

One can note that the largest number of negative responses – around 80% - for Remuneration relates to question 31 (‘The pay allows me to cover living expenses and also save’), indicating that the salary level is perceived to be too low. Question 139 (‘Our co-op makes a fair provision for retiring members’) uncovers that provisions for retirement are inadequate, judging by the majority of respondents choosing ‘don’t know’ or ‘does not apply’. From here, we can look further to uncover some demographic patterns. Often, there are differences in the way managers and non-managerial staff perceive the organization; employees in different locations (where applicable) may

perceive the business differently; gender or age differences are sometimes apparent; and in co-operatives member vs non-member differences are often behind some of the issues. Careforce in its early stages as a co-op faced the division between member and

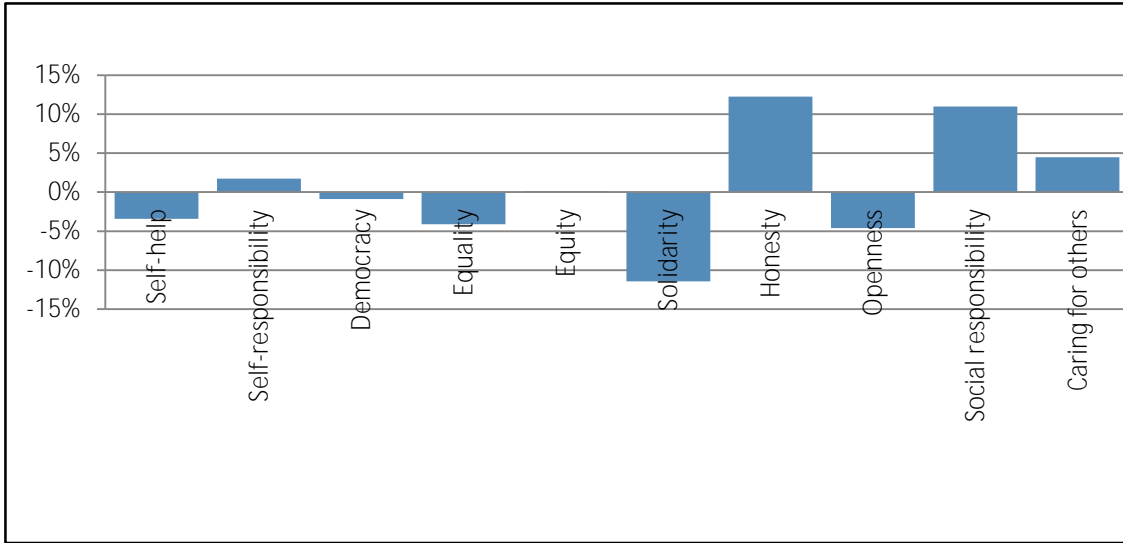


Figure 4. The Co-operative Values chart (relative to CVI=73.9). Careforce worker co-operative; pilot CoopIndex diagnostic report.

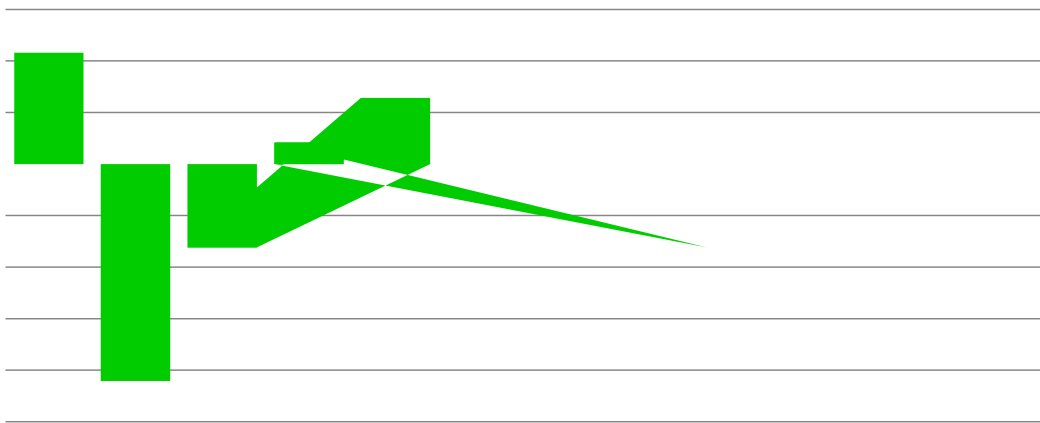


Figure 5. The Co-operative Principles chart (relative to CPI=74.5). Careforce worker co-operative; pilot CoopIndex diagnostic report.

While the overall level of adherence to co-operative values at Careforce is commendable given the short life span of this co-operative at the time of diagnosis, some areas need more work, such as the sense of democratic control, solidarity, equality, and co-operation among co-operatives. Looking a little further at particular areas, we can detect that strengthening the co-op'

improve the business structure, this has not yet been considered as a strategy. As we highlight below, co-op members appear to be more confident about the co-operative now, having been learning about the business and its operations, and seem to have a better understanding of the potential co-operative advantage in an increasingly competitive environment.

Recommendations (Hough 2009):

Organizational Systems

1. Have a clear approach to mentoring junior employees using caregiver members of the co-op. One option would be formally assign a mentor for the new employee who would make regular contact with the new employee.

2. Develop a comprehensive marketing plan with appropriate budget.

3. Formalize the customer complaint response system by creating a policy based upon the current approach and have it approved by the board. Include the policy in the orientation for new employees.

4. Consider a customer feedback form to be completed once or twice a year, which would be mailed directly to the management.

5. During the probationary period before membership is offered have the potential member participate in a mandatory orientation to learn more about the nature of the co-op and business.

6. As profitability increases and long term debt is reduced, increase the base pay rate by an amount which will not hinder or threaten the long term development and stability of the co-op and institute quarterly cash profit sharing.

7. Consider the options for a benefit package for long term employees and members, which would enhance remuneration regardless of (uncontrollable) fluctuations in hours.

8. Include member presenters (non-management) when providing the mandatory orientation sessions to potential members.

9. That an annual strategic planning session take place with a rolling 3 to 5-year vision and goals and that the process clearly outlines the key goals and success factors which must be addressed.

10. That cross-training be completed for all key administrative positions to ensure the operations are not compromised if a key manager is unavailable for an extended period.

11. That a semi-annual meeting take place outlining the progress on the year to date budget and strategic plan and if required that the session be held twice to ensure that all members and employees have the opportunity to attend.

Follow-up: Careforce co-operative has implemented a number of changes captured in the recommendations. They have launched a marketing campaign and re-branded their services; put in place a customer response and feedback system; they budget for professional development and training of new members. Increasing remuneration is the priority; they set up different categories of pay, increase wages annually and include bonuses. The co-op has engaged in cross-training of members – at this stage all members can handle accounting, scheduling and other managerial duties. The co-op has not yet engaged their members in strategic planning, but plans to start this year.

Organizational climate

12. Ensure annual training for all members' basic financial management.

13. Have the Board set some financial management targets around reserves and cash management that will ensure the long-term viability of the co-op to guide management decisions.

14. Provide tangible benefits tied to the co-operatives success for both members and employees and celebrate that success.

15. Consider having an “Employee of the Year” award based upon clear criteria and perhaps confidential members voting or scoring on a number of factors.

16. Encourage training and diversity in assignments for employees.

Follow-up: The co-operative is close to paying off all debt. They have invested in a Reserve fund, and continue to invest a part of their annual profit. The co-op is offering training to employees at the orientation stage, but also organizes more specialized professional development training.

Personal attitudes and actions

17. Refer to the co-op principles when thinking about and making a decision. The Chairperson could be asking “Do the co-op principles and values give us any direction on this issue?”

18. Have the co-op principles and values on a poster in the meeting room.

Follow-up: While Careforce showcases the principles and values of co-operation, the co-op has not engaged in deliberate use of the co-operative identity in decision-making. This idea (Recommendation 17), however, seems appealing to the manager.

Outcomes: individual, organizational, social

19. That significant reserves be retained to meet difficult financial times in order to ensure members wages are not threatened by a temporary downturn.

20. Investigate options for providing some form of retirement provision to members.

21. Provide training on the basic business issues and influences that face Careforce on a regular basis.

22. Ensure through training that all members and potential members understand the business model that is the basis of the Co-op's viability.

23. Ensure that co-op sector interactions get highlighted at board meeting. Encourage participation by members and potential members in co-op sector events, such as NS Co-op Council training events and the annual CWCF conference

24. Have a committee of the members determine how the budget for community contribution should be allocated.

Follow-up: As stated above, Careforce has built reserves to ensure viability of the business, and members continue to invest a part of annual profit.

The co-operative is increasingly involved with the larger co-operative sector; they actively participate in conferences and meetings of the Federation and the regional co-operative Council; the co-op has benefited from various funding opportunities offered through the co-operative sector (Cooperative Development Initiative; NS Co-op Council initiatives; the Co-operators); they contribute their story and experience to the co-operative movement and lead the efforts in building relationships with other co-operatives in their region.

Careforce has built confidence in their skills and accomplishments, and found a new commitment to the co-operative business model. This allows them to be innovative and to set themselves apart from other businesses in their industry. They recognize the need to continue to educate their staff members and increase their membership base to secure employee commitment.

Based on experiences of the pilot co-operatives, and a small number of co-operatives who used the diagnostic tool since, we believe that the process of CoopIndex diagnosis is a valuable tool for co-operatives who wish to increase member and employee participation. Engagement in the dialogue about the business structure and connections to the cooperative identity is critical for such democratic organizations. The Careforce worker co-operative we showcased in this paper would benefit from repeating the process now that it has put in place many of the systems it did not have at the time of initial

diagnosis, but also because it has experienced considerable growth. The wealth of information gathered through the diagnosis is invaluable for strategic management, and assurance of participatory management and democratic governance.

7. Conclusions

Employee participation is widespread in organizations. As a management strategy to improve organizational performance, it varies in degree and in type. In the economics of participation the stress is on ownership and control, and therefore the various degrees of returns and decision-making rights. In this context, co-operative firms lie at the extreme end because of their unique, value based characteristics. This paper argues that Total participation theory (Stocki et al 2010), rooted in organizational psychology, creates a better fit for co-operative firms in light of that difference.

common to both (based on the ICA 1995 statement of co-operative identity); and the inclusion of the impact on stakeholders.

In an example of the tool's application we highlight the link between the values and operations of the business, and stress the importance of using the values as a business strategy. This and similar efforts to capture the "co-operative difference" have to be made by the co-operative sector in order to measure and improve on their performance based on the co-operative identity. This element has the potential to add quality to the products and services offered by the sector, differentiate co-operatives as participatory democratic organizations, and identify co-operative social responsibility as an integral part of co-op long-term strategy and a *raison d'être* of co-operative firms.

Future directions, besides the efforts to promote wide-spread application of the diagnosis and analyse its longer term impacts, include discussions about the applications of similar tools to other types of co-operatives. For worker co-operatives the interpretation of the total participation framework is relatively straight-forward. It is less clear what that would mean for other types of co-operatives. Co-opIndex can be used with small modifications in consumer (including financial) co-operatives promoting employee participation. A more challenging approach is to develop a similar diagnostic process for other types of co-operatives, whose purpose and membership is different. This would require defining an ideal consumer co-operative that lives its values in relations with all its stakeholders, from consumers-members, through its worke

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APPENDIX

CoopIndex Dimensions

	Dimension	Content description	Impact/ categories
1	Communication systems	Questions relate to ease and efficiency of internaDIX	

17 Trust-members Trust among co-op members and employees.

18 **Participatory**