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Human Resource Management in Cooperatives

by Dr. Peter Davis

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Preface

The author would like to acknowledge the patience and perseverance of Mark Levin of the ILO in facilitating the production of this book, and to Peter Barnes and Chris Smith of the Cooperative Bank for the time and support they gave the author at different stages in the development of the Cooperative Bank Case Study in Chapter 11. The author would also like to acknowledge the earlier sponsorship by the Society for Cooperative Studies, which enabled him to develop, with the help of John Donaldson, and John Butler with other colleagues from Cooperatives United Kingdom and the SCS research group, the Questionnaires in Appendix 1 and Appendix 2 of this book. The author alone remains responsible for all errors and omissions that may remain.

This volume is a sequel to Dr. Davis’ previous book published by the ILO, “Managing the Cooperative Difference” (1999), which explored the application of modern management practices in the cooperative context. The central thesis of “Managing the Cooperative Difference” was that the cooperative values, principles and structures provide cooperatives with their competitive advantage, and that enterprises based on mutuality and community are better placed than other types of enterprise to apply modern management concepts.

The current study takes this approach a step further by examining in considerable depth and detail how the distinctive cooperative identity and purpose impact on human resource management (HRM) through the mobilization of all the cooperative’s human resources including customers, employees, suppliers, elected leaders, general membership and other stakeholders. The author argues that in conventionally owned companies the pressure of balancing customer quality requirements with investor expectations can leave company human resource strategies with demands that put the quality of employment relations into jeopardy and with it the strategic programme of the company. Traditional approaches to HRM, such as personnel management and the “hard” (Michigan) and “soft” (Harvard) approaches, may serve to either justify exploitative and insecure employment or emphasize the stakeholder, developmental and cultural aspects. However sophisticated the techniques, if there is a mismatch between rhetoric at the strategic level and reality at the operational level there will be a failure to realize expectations.

The book employs a unique approach to the management of human resources based on a cooperative value-driven framework that seeks to avoid the pitfalls of traditional approaches to HRM that make no reference to the purpose or ownership of the business or at least assume an investor led model. Dr. Davis argues that whilst cooperatives do not eliminate conflict in the employment terrain, cooperative values and ownership structures do dilute the potential for employment/industrial relations to degenerate into adversarial cultures. Creating a community is both a means, through association, and an end, as a human good in itself. It is important to the strategic development of all cooperatives that they invest in developing the human capital that makes up the whole cooperative and its supporting communities and networks. The author takes the view that human capital led strategies to people management will become widespread throughout the cooperative and private sectors as knowledge based industries and approaches to the conduct of business grow in importance. Such an approach, however, has a unique synergy with cooperative purpose, ownership structure and values.

On 20 June 2002, the 90th Session of the International Labour Conference adopted a new Recommendation on the Promotion of Cooperatives (No. 193). This new Recommendation serves as a policy guide to member States and contains a number of key provisions reaffirming the cooperative identity, defining government’s role in creating a supportive policy and legal framework for cooperative development, and proposing an active promotional role for employers’, workers’ and cooperative organizations. The Recommendation clearly recognizes that support to cooperative human resource development (HRD) is a key prerequisite for cooperative
development. In a number of places in the text of the new Recommendation, cooperative success is attributed to the success of comprehensive HRD programmes for all stakeholders in cooperatives - members, workers and managers. Specific measures are proposed to develop human resources and knowledge of the values, advantages and benefits of the cooperative movement, and national policies are expected to develop technical and vocational skills, entrepreneurial and managerial abilities, knowledge of business potential and general economic and social policy skills of cooperative members, workers and managers and improve their access to information and communication technologies. The promotion of education and training in cooperative principles and practices at all appropriate levels of the national education and training systems, and indeed throughout society, is further encouraged.

It is in this context that this volume is particularly timely, since it builds on some of the key elements of Recommendation No. 193 and explores in depth, in the words of the author, “a strategic model of cooperative people management and development that will help cooperatives respond effectively to the immediate challenges of the global market whilst retaining their identity and mission”. In addition, the book is intended to serve as a conceptual and practical contribution to ongoing debates about socially responsible human resource policies in business organizations, and in particular in cooperative enterprises. While its focus is the cooperative, the relevance of cooperative approaches to other types of enterprise is also explored. Human resource managers in both cooperative and other private businesses will, it is hoped, benefit from reflection on the central themes of this study. Academicians and students in the fields of management and business administration will also find the book innovative and instructive.

The Cooperative Branch is grateful to Mr. M. Levin for supervising this publication and reviewing the text and to Ms. R. Beattie for her comments on earlier versions. Thanks are also due to Ms. A-B. Nippierd and Ms. Claire Piper for finalizing and preparing it for publication. The author expresses his own views, which do not necessarily correspond to official ILO policy.

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There are two strands of analysis influencing the content in this book. There is firstly, an attempt to think through a strategic model of cooperative people management and development that will help cooperatives respond effectively to the immediate challenges of the global market whilst retaining their identity and mission. Secondly, there is the need to ensure a basic understanding of the principles and processes of the professional management of people in the context of business organizations. This is an area often found lacking in small and medium-sized enterprises. As the vast majority of modern cooperatives fall into this category, this fundamental issue must be addressed. What integrates these two strands is the recognition that change management - change in culture and structure - are at the core of the challenges facing all cooperatives. This remains true despite the diversity of their specific industries, national and regional contexts. In part, there is a need to raise management standards concerning cooperative human resource administration but of equal importance is the need to release potential and improve the utilization and performance of cooperative human resources.

This book is written, therefore, for all cooperative managers, board members and those concerned to advise and develop the cooperative sector. The author attempts to discuss the needs of all sectors and sizes of cooperative and tries to indicate when he is making a point that relates to one particular size or sector. Otherwise the reader may assume the comment is intended for general application. The view presented in this book is that the key to success in the process of change management, no matter what the size or sector of the cooperative, is how well the cooperative manages its human resources. The more speculative element in this book is the author’s suggestion that cooperatives of all types have a potential competitive advantage if they can go beyond the standard Human Resource Management (HRM) framework (reviewed in Chapter 1) to adapt the developing concepts of Intellectual Capital Management and Learning Organization Theory (defined and discussed in Chapter 2).

Implementing structural and cultural change will be the central strategic task in the foreseeable future for cooperative human resource managers, CEOs and those lay Boards that are still formulating and directing their cooperative’s strategy. Recruitment, selection, performance management and managing culture change will, therefore, form a core of the HRM tools explored in this book. The aim of this book is to show where theory and practice meet in formulating HRM strategies and concepts enabling cooperatives to make better use of, and to develop all their potential human resources. Without a strategic perspective cooperatives will fail to understand and respond effectively to their business environment. This is the first book that discusses HRM both from the perspective of a distinctive cooperative identity and purpose and that attempts to introduce into this analysis ideas drawn from Leif Edvinsson’s work on Intellectual Capital Theory to suggest a strategy for people mobilization and intellectual capital management in the modern cooperative.

The author takes a radically different focus to existing Intellectual Capital Theory by incorporating these ideas in a cooperative value-driven framework. The author challenges what he believes to be a fundamental “fiction” in the intellectual capital approach - namely that human capital’s contribution cannot be measured and that it
must conceptually be confined to within the organization. What brings the idea of the learning community to life in practice, he argues, is an understanding of the social dimension to human capital development. For cooperatives, creating a community is both a means, through association, and an end, as a human good in itself. The analysis here assumes the idea of community to be central to cooperative identity. Intellectual Capital Theory and ideas about creating a Learning Organization have been around for a long time (Bob Garret, 1995, pp. 25-28) and are being adapted in many of the large blue chip, capital-based corporations today with lessons that are important for cooperatives.

Defining and understanding the idea of a learning community may be an opportunity for evolving methodologies for the development and utilization of human resources in cooperatives. The author argues that a primary strategic objective of cooperative human resource management is to establish a work culture that reflects and unites the cooperatives associational (membership) culture and its customer culture. This is necessary, he suggests, in order to achieve the best possible inter-relationships and responsiveness within cooperatives between their customers, employees, suppliers, volunteers, general membership and other stakeholders. It is important to the strategic development of all cooperatives that they invest in developing the human capital that makes up the whole cooperative and its supporting communities and networks. In doing so cooperatives can position themselves uniquely to respond to, and to develop, their respective markets. The book also addresses the critical role of leadership and membership development and utilization of people in the cooperative context. The book explores the critical importance of cooperative values as a benchmark for professional cooperative managers and as a cultural glue motivating and uniting professional managers, staff, lay activists, customers and suppliers and other stakeholders into a “high performance” cooperative learning community.
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Abbreviations

ACCU ............................................................... Asian Council of Credit Unions
CEO ........................................................................ Chief Executive Officer
CIS ........................................................................ Cooperative Insurance Society
CSCM ............................................................... Cooperative Social Capital Management
CTQM ............................................................... Cooperative Total Quality Management
EVA ........................................................................ Economic Value Added
HRM ............................................................... Human Resource Management
IC ........................................................................ Intellectual Capital
ICA ................................................................. International Co-operative Alliance
ILO ................................................................. International Labour Organization
IS........................................................................ Initiating Structure
JIT ........................................................................ Just in Time
MBO ............................................................... Management by Objectives
PM ......................................................................... Performance Management
PRP ......................................................................... Performance-Related Pay
R & D ............................................................... Research and development
TQM ............................................................... Total Quality Management
WOCCU .......................................................... World Council of Credit Unions
Part One
Theory
Two perspectives: Personnel management and human resource management

This Chapter provides an overview of the development of modern personnel management and human resource management (HRM) and the forces that are shaping them. The Chapter starts by pointing to the contribution both approaches can make to improving the standards of people management in the cooperative context. The Chapter reviews the whole HRM process drawing out the key principles that need to be emphasized by cooperative management.

Historical overview

Personnel management: Its growth and philosophy

The personnel function first evolved in the United Kingdom at the end of the nineteenth century. The approach began with an emphasis on employee welfare, pioneered by non-conformist and paternalistic industrialists like Jesse Boot. By the inter-war years, the emphasis shifted amongst the larger employers towards collective bargaining. In the 1950s and 1960s, the need for radical improvements in Britain’s labour productivity led the profession to incorporate, through techniques such as manpower planning, more of the ethos and focus of the scientific management approach but without abandoning its commitment to employee welfare or industrial relations. The tight labour markets of these years and the growth of trade union membership led to increasing specialization within the personnel function, with the development of recruitment and selection and industrial relations specialists as having particular importance. Training and management development became evident preoccupations from the 1960s. By the 1970s the increasing regulation of employment and a tougher industrial relations climate often meant industrial relations becoming a Board level appointment in many European countries. Employee and industrial relations became focused on the terms of the employment contract with remuneration being fixed by job and grade on an hourly rate or by piece rate.

The emergence of Human Resource Management

Since the 1970s the centralized European personnel departments and their collectivist and pluralistic approaches have been increasingly challenged first in the United States of America and subsequently globally by the new and, some have argued, rival concept of Human Resource Management. HRM was seen to be more focused on the organization’s strategic needs for greater flexibility, higher labour utilization and much of the function became devolved to line management. HRM became a facilitating function closely paralleling total quality management (TQM) and ‘just in time’ (JIT) strategies. It challenged the role of contracts of employment based on negotiations with trade unions to determine rates of pay and terms of employment. Instead HRM emphasizes management’s role to determine remuneration on the basis of individual performance. HRM’s ambivalence towards trade union organization has made the...
approach more acceptable in those regions where independent trade unions have not been so readily incorporated into the prevailing political or industrial cultures.

Differences within the HRM approach

HRM has itself some internal tensions. For example ‘hard’ and ‘soft’ models of Human Resource Management have been identified by a number of writers, for example, Guest (1987) and Storey (1989).

Hard version of HRM

What has been characterized as its ‘hard’ version is based on the approach developed at the University of Michigan in the United States of America. Here the emphasis is on the role of HRM to match the organization’s human resources to its needs. The functions’ focus here is on the need for flexibility in the use of labour and for development strategies that are driven by the organization’s own developmental needs. Maintaining employability through updating and upgrading skills to keep oneself marketable are the key individual development goals recognized in this model.

Soft version of HRM

The Harvard Business School is the other leading American centre developing ideas on HRM, sometimes characterized as the ‘soft’ approach. The Harvard writers do not really deny the importance of flexibility and devolution of responsibility that are emphasized in the ‘hard’ version, but point out that management has to take note of, and manage through, its major stakeholders. The Harvard model recognizes the importance of the contexts for the management of HRM. This suggests a closer affinity to the pluralistic emphasis of the European Personnel Management approach, but with greater emphasis on the strategic role of the function, recognizing HRM’s need to be more integrated with other organizational functions.

Distinctions between Personnel and HRM approaches

The HRM practice has a more instrumental emphasis on human resource utilization. It is here that issues of normative values in respect of the treatment of individuals comes to the surface. Just as it does in terms of the HRM emphasis on the individual rather than the collective in its employee relations policies (Guest, 1989). Whilst HRM emphasizes the individual, with greater concern for individual development and autonomy, at the same time it denies the individual any collective security or identity of interests beyond those of the employers. In this area it may be argued that some schools of HRM are philosophically opposed to cooperative social and economic goals and to their democratic organizing principles.

The important point to note is that the Personnel approach recognizes an external authority (possibly a professional institute’s code of best practice or the state and/or other international regulatory framework) for the establishment of employment standards. This is not acknowledged in the HRM framework where standards are set entirely from within the organization. The pluralism of personnel is replaced by a unitary perspective in HRM where the organizational needs are the only legitimate framework for the development of strategies and policies. Whilst HRM has become
the dominant approach in most of the world, Personnel still remains influential in Europe where collectivism remains strongly entrenched.

**The HRM approach**

The HRM approach can be summarized in the following points:

- HRM attempts to operate by devolving the responsibility for the implementation of employment policies and strategies to line management.
- HRM as a separate entity within the organization is kept slim and primarily concerned with the evolution of HRM strategies to facilitate corporate strategy as a whole. Beyond that small numbers of head office staff monitor HRM performance and try to ensure consistent and comprehensive implementation of HRM strategy and policy by line management.
- HRM is primarily responsible in consultation with the CEO for facilitating senior management succession planning and recruitment.
- HRM remains the focus for ensuring regulatory compliance with all employment legislation such as minimum wages, equal opportunities, termination of employment, health and safety.
- HRM is responsible for drawing up employment budgets, head counts and remuneration strategy in consultation with line management. HRM emphasizes remuneration strategies based on individual performance rather than collective bargaining.
- HRM emphasizes a unitary model of the organization, which implies no (or very limited) roles for trade unions or for employment standards derived from external labour market regulation.
- HRM emphasizes the management of culture and communications as important levers for performance management.
- HRM sees motivation arising primarily as a result of intrinsic elements in the tasks being undertaken and emphasizes strategies such as job enrichment through multi-skilling and multi-tasking.
- HRM emphasizes greater flexibility in, and dilution of, the employment contract. It makes greater use of part-time workers, annual hours contracts, flexible working, shift working, job sharing, temporary and fixed term contracts and outsourcing.
- HRM attempts to ensure a high degree of functional integration around the realization of the overall corporate mission in the development of its strategies and policies.

**The Personnel Management approach**

Even more traditional and centralised personnel management departments have come to adopt many of the above points but still retain a distinct approach along the following dimensions:
- Personnel started as recognition of the employer’s responsibility for the welfare of their staff. Some strong ethos of care still exists in the professional ethics of many personnel practitioners.

- Personnel Managers in the United Kingdom form the countries largest management professional institute. By operating through a professional institute’s code of conduct, the Personnel Manager implies a recognition that employment standards cannot be solely the prerogative of the organization but should be subject to external standards.

- Personnel still adopts a broadly pluralist model of the organization that recognizes the legitimacy of trade unions to represent employees’ interests and sees its own role as that of ensuring that management recognizes and responds positively to employees’ concerns and needs arising from management decision making. Ensuring the employee’s viewpoint is considered by line management as part of the personnel function’s role.

**Lessons for the cooperative practice of HRM today**

What are the lessons that cooperatives can draw from these two approaches? There are a number of general points that should be considered:

- Cooperatives can categorically accept that employees are critical stakeholders in cooperatives, and should be involved, through recognized trade unions, in agreeing standards of employment, as is recognized in the Personnel Management approach.

- Cooperative Management cannot but accept responsibility for considering employee welfare, although it does so from a different philosophical basis to that of Personnel Management.

- Achieving agreed standards should be easier for cooperatives because of their membership base and service orientation which, whilst not eliminating differences and disputes, will greatly reduce the potential for these disputes to degenerate into conflict.

- From both HRM and Personnel Management the emphasis on the need for high standards and consistency in the management of employment (best practice) clearly needs to be emulated by cooperatives.

- From HRM the greater emphasis on individual performance, employee utilization and flexibility, and devolution of responsibility are areas that cooperatives cannot afford to neglect if they wish to retain or achieve a competitive position.

- Greater attention in cooperative HRM to management development and to supporting an organizational culture that reflects responsiveness to the marketplace are further important measures and culture changes the cooperative sector needs to adopt.

- One particular area of emphasis in the Personnel and HRM approaches that has great significance is that of management recruitment and selection. Cooperatives must ensure the best possible fit between the top and middle management it recruits and cooperative organizational identity, mission and
culture. Attracting executives capable of coming into cooperatives and initiating the radical restructuring that many require whilst retaining cooperative identity is a challenge for all sectors of the movement.

Building the HRM function in the cooperative

There are a number of key areas that need to be charted for the establishment of integrative objectives, processes and monitoring programmes for the HRM function in any cooperative. Below we set out somewhat schematically ten steps that inform the HRM process in serving organizational needs. For identification and definitional purposes we present them as a series of steps but in practice they will all be operating in a much more integrated fashion than the ten activities below might suggest.

The HRM Process: Key activities

1. Identify tasks that cannot be met internally

The cooperative needs to be clear as to its business focus and what new business developments it is going to enter upon. This will arise from an analysis of the cooperative’s business environment and its own internal strengths and weaknesses responding to identified threats and opportunities. How far can the cooperative respond to these challenges on the basis of its existing human resources profile? Where are the people with transferable skills to move into new areas of activity? Where are the people with the knowledge and motivation to be developed in ways that match the cooperative’s organizational development needs? What gaps exist between the resource and the resource needs that the cooperative has identified? Are there redundant resources that will need to be eliminated? Over what time periods does the cooperative have to implement/complete the identified changes in its human resources profile?

*Note*: Cooperatives need to consider how they define their business environment very carefully. Traditional models emphasize market-based issues like supplier and customer leverage, ease of access by competitors, competitor behaviour and the possibility of substitution. Others tend to reflect a more systems-based approach with focus on labour markets, customer behaviour, technological systems, political and regulatory systems, social and cultural systems and economic systems. Still other approaches emphasize supply chain and logistics management. Cooperatives cannot fail to ignore any of these areas but must in addition consider their impact upon all their recognized key partners and stakeholders, in particular their customers, members and employees in the context of cooperative purpose and values.

2. Define job and person specifications

In addition to new knowledge and skills gaps that might be identified as a result of step 1, there are the changes to existing employee roles and tasks. We need to be aware of the demand and contextual changes identified for existing job profiles, including their technological dimension. In consultation with the appropriate staff or line manager, the function needs to identify those critical factors impacting on the performance requirements of the job and its function in meeting the strategic needs of the cooperative. Beyond the recognition of the changes needed in the job description, there
is the need to specify the appropriate person to fit the job. Job specifications must be drawn up defining skills, knowledge, experience, aptitudes and attitudinal factors and other relevant issues that are appropriate for a given job description. These form a statement of ideal requirements in candidates and those that represent the minimum acceptable standards for the successful conduct of the job. Care must be exercised to ensure the cooperative meets both regulatory standards and its own cooperative values and ethics concerning equal opportunities when determining the job description and person specification.

3. Draw up the contract of employment

In determining the contract of employment, regulatory standards and cooperative values and ethical principles are an essential starting point together with the nature of the job and its place in the organizational structure. Contracts need to provide the basic terms and conditions that govern the employment relationship in its structural/reporting, core task, and key outcomes/results and in its social and psychological contexts. The contract will provide the fundamental framework within which the job may evolve its goals and tasks. Benefits packages, particularly in the context of senior managers and professional staff may need to reflect market conditions that can sometimes challenge and even undermine cooperative strategies aiming at reducing or containing differentials. The competitive need to attract and retain skilled labour must always be given priority, because without the right skilled people the cooperative will fall behind. But at the same time cooperatives that attempt to attract candidates without reference to the cooperative social purpose and unique identity, are risking inappropriate appointments to crucial areas of the cooperatives’ operational and governance systems. Such managers may be unable or unwilling to work out a unique cooperative style and mission for the business.

4. Determine and initiate the recruitment and selection programme

The key issue here is to identify the likely markets for the applicants. It should be borne in mind that the recruitment strategy should be carefully devised to attract the right calibre of applicant, but at the same time attract applicants from under-represented groups of applicants in an effort to ensure equal opportunities and non-discriminatory practices in the employment field. The selection process should be conducted by involving as far as possible those staff with which the successful applicant will be working. Training people in interview skills and developing a range of selection procedures that will enable a rounded view of the applicant’s capabilities, competencies, attitudes and values is essential. It is important to avoid stereotyping, and to ensure that levels of cultural diversity are appropriate to the cooperative’s socio-cultural environment. The identification of appropriate and inappropriate attitudes that might affect receptivity to cooperative values, identity and social as well as commercial goals should be identified and incorporated in the cooperative’s selection processes. The methodology of psychometric testing is well developed and should be adapted to cooperative needs.

5. Induction

All new employees need some initial orientation. Induction is initially driven by the job description. The new manager and staff need the opportunity to access important
information and resources to get them orientated into the job quickly and effectively. This needs to be thought through and planned. Orientation may need to involve aspects outside of the immediate working environment. For example where relocation is involved in taking up the new job, information will be required about housing, schools, social/cultural amenities and shopping facilities etc. Employees distracted by housing problems and difficulties in getting settled into their new environment themselves or by their partners and children will not be as effective in the performance of their new job.

The cooperative context, values and purpose will need to be given emphasis in the induction of recruits from outside the movement. Understanding the cooperative mission and its key stakeholder relationships is essential at all levels of induction into the cooperative structure. Encouraging a culture of cooperative and community spirit in the organization can be a great aid to the smooth induction of newcomers.

6. Monitoring and appraisal

Emphasis should always be an objective and quantifiable measurement of staff performance. These should be based on agreed and achievable targets. Ensuring the appraised staff member takes ownership of the appraisal, and getting the appraiser to prepare adequately and to communicate a supportive commitment to the process, are crucial for the success of the appraisal stage in the HRM process. Experiments with alternative or additional appraisal processes, including peer assessment and subordinate reviews of superiors, may be helpful as part of a wider culture change strategy. As with traditional appraisal, preparation and training in the goals and methodology of any additional appraisal methodology will be essential to its success. Succession opportunities and other development opportunities arise in the context of appraisal reviews. Although often rightly based upon appraisal, remuneration reviews and promotion, or other upgrading interviews, should be at a distance from the appraisal process itself otherwise candour and objectivity are going to be hard to establish and the objectives of appraisal will not be realized.

7. Rewarding and motivating

Rewards should be based as far as possible on performance, but with the recognition that the context may affect the accuracy of the individual performance measures being applied. Increased responsibility, challenges, esteem and authority are at least as important in motivating performance as the desire to earn more at any given job level in the cooperative. Cooperatives that are able to define clear, solid social/environmental goals and implement them for the benefit of their members, staff, suppliers and community will have provided an important intrinsic motivator. Recognition of the cooperative as a leader in such standards can be an important factor in attracting the right people to cooperative employment assisting at the recruitment and selection stage. Inflation and internal and external labour markets will impact in different degrees, at different levels of staff, in determining remuneration strategy. The total value of all the benefits as well as the direct compensation package needs to be assessed. The motivational impact of permitting the individual to determine how that given total value of remuneration is compiled may also need to be considered. Many management writers emphasise the importance of intrinsic job-focused factors in determining individual motivation. Matching well-designed jobs (stage 3) with the
right person (stage 4) will make the objective of motivated performance much more readily achievable.

8. Career/succession planning, training and development

Staff should be encouraged to be ambitious concerning their opportunities and prospects within the cooperative, and about their chances of moving to bigger cooperatives elsewhere. Cooperatives need to give their employees careers rather than just jobs, at whatever level they work in the cooperative. These are important goals in the cooperative’s motivation strategy. The opportunity to develop must be available to every member of staff, both to get increased value added or efficiency out of their existing jobs, and to prepare the most promising for increased roles and contributions to their cooperative and possibly to the wider cooperative movement’s development in the future. Training and development are both rewards and vehicles for further motivation. They should always have measurable outcomes in terms of behavioural goals, and outcomes that address real needs within the cooperative. Ensuring staff have balanced and fulfilling lives will also be a part of the training and development agenda. In a cooperative there will certainly be required a balance between vocational skill and cultural development opportunities that are made available to staff and which may provide some valuable synergies with the activities of the membership development function. For cooperatives, membership development activities can lead to the identification of persons suitable for further development in order to fill important paid and unpaid functions within the cooperative. Positive encouragement to undertake training by people from backgrounds that are under-represented in key functions in the cooperative will be an important goal in both employee and member based training and development processes.

9. Redundant resources, processes and tasks

The product/service life cycle analysis will play an important role here, as will such tools as business process re-engineering. Obsolescence of products and services and processes may be driven by technological change, changes in tastes and fashions, or changes in competitive strategies. Staff development in cooperatives must always have a concern for the continued employability of its staff. This is to ensure their continuing usefulness as part of the cooperative’s human capital and also to ensure their personal ability to survive in the event that a compulsory redundancy situation does arise. Strategic planning based on sophisticated and accurate forecasting can help to ensure the cooperative largely avoids or reduces the unexpected crisis driven redundancies that can be tough to manage in a caring and constructive manner. A positive attitude towards life long learning and development needs to be encouraged as a key strategy for mitigating the impact of rapid change on individual employees and to constantly keep the cooperative’s human capital relevant for its needs.

10. Managing transfers/terminations

Transfers require accurate records of vacancies and a clear succession plan covering the key leadership and professional roles in the cooperative. Sometimes a sideways move or even a demotion to avoid redundancy is a realistic and desirable option for staff members. Nobody should be promoted unless their performance clearly indicates the potential to meet the requirements of the new role. Attention needs to be paid to
regulatory requirements and the terms of the contract, as well as to the impact on staff morale that might be involved in a termination that was not a voluntary matter. Early retirement can sometimes be a means to avoid redundancy and outplacement packages provide ways of softening the blow of compulsory redundancy. Co-operation between cooperatives may help underpin outplacement strategies. ‘Last in first out’ formulae, although often seen as fair and remaining quite popular, are not always appropriate, particularly as the last in may be the very people with the up-to-date skills to carry the cooperative into the next phase of its development. Such a broad-brush formula may also result in inadvertent indirect discrimination on the grounds of gender or ethnicity.

The strategic and cultural context for HRM

To work effectively, these ten HRM activities need to be focused within a cooperative HRM strategy rooted in delivering the objectives of the business as it responds to its competitive environment. HRM is more than simply matching human resources in numerical and quality terms to organizational needs. In a modern HRM-focused organization, the objective of delivering the highest quality standards has been recognized as requiring a devolved decision making system based on a flexible, motivated customer-focused staff that exhibits the appropriate skills, knowledge and behaviour. Thus HRM has moved over the years to a much greater emphasis on cultural issues aiming to encourage autonomy and devolved decision making, personal/organizational development and learning to be responsive to changing customer needs.

Thus it is important to develop HRM policies for establishing a learning culture. Such a culture will encourage all staff to continuously learn in order to improve standards in terms of product and service quality to match customer requirements. At the same time, staff are required to achieve this within a framework of constantly seeking the ‘least cost’ solution for the organization. For cooperatives, however, least cost solutions may be understood differently as being linked to value-added to service delivery rather than value-added to capital/shareholders. Although the latter remains a significant goal for all cooperatives to ensure survival and development and is an entirely correct goal for cooperatives, whose function is capital accumulation for social objectives such as meeting health or education charges.

Cooperative organizational culture will have standards clearly derived from the International Co-operative Alliance (ICA) Statement on the Cooperative Identity (see Appendix 3). Even a cursory glance at this Identity Statement tells us that a cooperative organizational culture will be one encouraging learning and development in the context of an open community based on tolerance of diversity, transparency in management and governance. Cooperative culture will also exhibit participatory styles of management with devolved responsibility and teamwork as key operational principles. It will be a culture rooted in ethical and socially responsible policies. For the cooperative HRM function the maintenance of high quality membership, customer, supplier and community relationships will be key result areas for all staff to contribute to and will themselves be grounded in positive employee relationships within their cooperative. A sense of identity and ownership stake in the cooperative will be essential for all the stakeholders, not just members. Such a situation is necessary for the enhancement and delivery of sustainable and relevant services to the membership. It is not a question of diluting member control but a recognition of the mutual inter-
dependence of members and the other stakeholders if cooperative purpose and values are to be realized in practice.

The achievement of such a culture requires the highest levels of professionalism from within the management team as a whole and the full commitment, understanding and support of the Board. It is a culture, however that gives cooperatives a chance to move beyond the standard Personnel and HRM approaches to embrace the Human Capital approach to people management. This approach emphasises the idea of people as a focus for investment and a measure of value in the organization rather than simply a set of resources to be consumed. It could be fairly argued that adding value to human capital has always been one of co-operations historic missions. The next Chapter will examine the theories that are leading the way forward for this approach in the private sector and suggest how the adaptation of these ideas to the cooperative context could provide the movement with an improved competitive advantage.
Action points

1. Establish the overall strategic goals of the cooperative, and draw up a statement of the HRM role in achieving these goals.

2. Are the staff levels and skills, knowledge and value profiles ideal for your needs? Where are the gaps? What are the internal development possibilities? Are there roles where recruitment from outside is desirable?

3. Draw up a list of your current people management activities and fit them into the HRM process outlined above. Are there any areas that you are missing? How would you rate your cooperative’s performance at each of the 10 activities?

4. How often is business strategy formulated and or reviewed in your cooperative? What role has HRM played in (a) the discussion and formulation of the strategy itself, and (b) the planning and implementation of the strategy?

5. Identify areas of functional development for HRM in your cooperative, i.e. selection and recruitment, training and development, employee relations, salary and benefits administration, communications, etc. (Look back at the 10 activities in the HRM process for more ideas.)
From HRM to Intellectual Capital and beyond: A cooperative critique

In this Chapter we explore the limitations of the Personnel and HRM approaches as they are emerging both for the mainstream investor led company and from the perspective of cooperative organization, mission and values. We reflect on the growing interest in the concept of Intellectual Capital (IC) as a methodology to identify and utilize human resource capacity. The Intellectual Capital focus agrees with HRM in its emphasis on creating value in the organization. Intellectual Capital also reflects on the continuous development of human resources’ potential for adding value. We argue that the cooperative’s ownership structure and identity give them an ideal framework to adapt and utilize these new ideas for their own management and organizational development that will not only improve their competitiveness but also strengthen their and society’s recognition of the value of the cooperative identity.

Intellectual Capital – the Skandia approach

The knowledge of a company’s employees is one increasingly significant intangible asset. Concerned with identifying and managing the growing intangible assets in the Skandia financial services corporation, Leif Edvinsson and his team in Skandia have developed a methodology for measuring what they define as the organization’s Intellectual Capital. The existence of this important source of value added had long been recognized in the wide variation between market valuation of companies and their traditional accountant's book valuation. In his book, *Intellectual Capital*, (Piaticus, London, 1997), co-authored by Michael Malone, Edvinsson defines the components of Intellectual Capital, the processes by which it is generated, and most significantly in the Skandia “Navigator”, a method for the measurement of Intellectual Capital. In this Chapter and the next, we discuss these ideas and draw heavily on Edvinsson’s pioneering work to inform our own analysis.

The limitations of HRM and Personnel from a cooperative perspective

There are a number of negative factors that cooperatives need to recognize and guard against when they embark on an HRM strategy or even a simple upgrading of their Personnel function. This is not to be read as an argument for not introducing an HRM strategy in the cooperative context. It is simply a warning of some of the issues that need to be addressed in the development of this strategy.

Instrumentalism

We have already noted that HRM fails to provide a standard for the treatment of people independent of the organization. HRM has no requirement for clear standards of professional conduct beyond that arising from stakeholder influence. Because labour is often in a weak market situation there are opportunities for professional standards to slip, and the argument that it is simply self-interest to treat people well because it is good for business, leaves
workers with no defence from the further statement "…and if it is not good for business, we shall not treat them well." For cooperatives the well-being of people is an end not a means.

**Paternalism**

The paternalism of Personnel, although at least more compatible with cooperative ethics in its caring aspect, fails to capture the self-help and self-management ethos of the community and small artisan worker cooperatives. Nor does it reflect the key cooperative management principles of mutuality and social justice (Davis and Donaldson, 1998). Labour in whatever form of cooperative has a rather bigger stake in the business than is implied by the paternalism of the old style Personnel. Paternalism cannot be the basis of welfare under economic democracy nor under a genuine stakeholder relationship based on mutuality.

**Human resource utilization**

The least cost option in the delivery of quality is a standard goal in the modern business. It is adopted in order to satisfy capital market expectations for the best possible return on capital investment. Such expectations create a significant and effective driver for organizational efficiency. HRM is seen as a key methodology to raise standards, monitor performance and reduce costs. Cooperatives cannot expect to compete in a market economy without a similar concern. The well being of labour, however, cannot be neglected in favour of the cooperative focus on the delivery of member and community benefits. The pragmatic explanation for this is that such neglect would reduce the service quality to members. There is, however, a more significant point. Employees form a part of the community in which the cooperative functions. The economic well being of that community will to some extent be determined by the level of wages and benefits paid to employees. The well being of employees and their families will impact positively on the wider community the cooperative serves. Human resource utilization for cooperatives can never become exploitation.

**The cooperative advantage in HRM**

Cooperative ownership and identity gives legitimacy to cooperative management to harness the total human capital connected to its business (its staff, suppliers, customers, community stakeholders and members). This range and depth of human capital could hardly be matched and certainly not surpassed by any other organization of comparable size to the cooperative. It provides a unique and potentially powerful competitive advantage. Cooperatives can facilitate partnerships of stakeholders uniting supplier and consumer in a networked marketplace where information is shared and developed for mutual benefit. Cooperative HRM function’s overriding goal is the facilitation of these relationships into a coherent market and community led strategy.
Some criticisms of HRM from the mainstream literature

The tension between the conflicting claims of customer and shareholder results in putting the squeeze on employment conditions

The gap between HRM and Personnel rhetoric and practice directly stems from the need to satisfy investor requirements or expectations, on the one hand, and the customer requirements on the other. This puts undue pressure on staff who are often the weakest represented stakeholder in the organization. Thus HRM often finds itself unable to really identify and capitalise on its staff talent and drives (Sisson, 1994, p. 41). HRM practice based on promoting individual based employment policies creating greater flexibility in working and a performance focus on remuneration (Storey, 1992, p. 276) has had negative impacts on employment standards and led to greater insecurity and stress at work (Legge, 1995, pp. 47-48). Reducing employment standards and increasing the intensity of work are unlikely to release employee creativity or motivate them to be responsive to customer or member needs.

Inappropriate focus on functional specialisms

Another criticism of both Personnel and HRM is their focus on specific practices such as employee relations, recruitment and selection, training and development and so on, which has led to their both failing to see the bigger picture. The strategic importance of people for the organization and its competitiveness and value creating processes in a knowledge-driven economy is generally missing in HRM/Personnel practice (Chatzkel, 2000, p. 106).

Another criticism of HRM is the latter’s concept of labour as a resource to be matched to needs, rather than as an asset to be enhanced. The Intellectual Capital analysis commences with the case for the upgrading of the valuation of staff as Human Capital, which adds value to the real market value of the organization.

Defining Intellectual Capital

Writers developing the idea of the Intellectual Capital note that business valuations are based increasingly on assumptions about the business’s “intellectual” capital. That the business valuation is far in excess of the book valuation in traditional accounting terms points to the real source of value added in the modern knowledge-based economy. In accounting practice “good will” was the catch-all for referring to intangible assets which would be written off over time. In fact today intangible assets are the growth area in the real valuation of a business’s wealth creating capacity. Edvinsson and Malone (1997) give the case of the Virgin Group as an example of the importance of Intellectual Capital as the critical intangible asset:

In 1986 Virgin went public and was valued at £240 million. Two years later, however, the company's value had slumped to £150 million... Branson (the owner of the company) felt the city did not understand him and the company's intangible assets and had therefore undervalued the company. He promptly bought up the shares in the market, not for the market price of 85p per share but for the 1986 price of 140p. In effect Branson was valuing Virgin at its floatation
value of £258 million, £100 million more than its market value. In 1992, he sold the music side of the business for £510 million.

The difference between the city figure and the value Branson earned was, Edvinsson claimed, determined by the valuation of the Intellectual Capital in the business. This general interpretation of the Virgin case above has been reinforced by the research of Professor Keith Bradley of the Open University Business School (United Kingdom). This is quoted by Edvinsson and Malone to the effect that there is a gap of roughly 40 per cent between the market valuation and the balance sheet valuation of the median US corporation (Edvinsson and Malone, 1997, p. 5). The explanation for this gap is the market’s expectation of the value added by the organizations Intellectual Capital.

Intellectual Capital has been defined as being made up of three factors:

- Human Capital
- Structural Capital
- Consumer Capital

**Human Capital**

Human Capital, which as we shall see later in this Chapter is the one active element in Edvinsson’s framework is defined as “All the individual capabilities, the knowledge, skills and experience of the company’s employees and managers” (Edvinsson and Malone, 1997, p. 34).

Human Capital cannot just be considered as a sum of individual human capital as its effectiveness depends on the social dynamics, the culture, communications, teamwork, empowerment and commitment to learning and transferring of learning into doing. Human Capital valuation “must capture the dynamics of an intelligent organization in a changing environment” (Edvinsson and Malone, 1997, p. 34).

Human Capital is dynamic. When individuals are brought together in organizations and networks sharing their learning, they increase the sum total of what is known. To be able to manage and translate this growing sum of knowledge into a financial return, is the aim of Intellectual Capital writers. Much of this accumulating knowledge transfers into what Edvinsson calls Structural Capital (see below).

In the cooperative context, Human Capital may have scope to include a wider constituency than employees by including membership as a part of the cooperative Human Capital. If cooperatives are able to value their human asset base in terms of Intellectual Capital by incorporating membership as a part of their Human Capital, the opportunity for raising external loan capital at reasonable rates of interest may be enhanced.

Individual Human Capital can only be hired by organizations or associations. It cannot be owned by anyone other than the individuals to whom it belongs. From the pioneering works of people like Harry Braverman and indeed the whole Total Quality Management literature, we must accept that the distinction between intellectual labour and physical labour is one that is in practice not so easy to make. All labour requires intellectual action, prior knowledge, skills, problem solving, flexibility and responsiveness to external conditions affecting application and so on. Human Capital is not solely to be found in the hands of “knowledge workers”, i.e. professionals,
managers, technicians. Shop assistants and process workers are also knowledge workers in the Customer and Quality focused business (Nancy Dixon, 2000, pp. 34-39, Lucy Carrington, 2000, pp. 16-17). The entire workforce contributes to the Human Capital in an organization.

**Structural Capital**

Structural Capital, the second element in the concept of Intellectual Capital, can be owned by shareholders or members. Structural Capital is made up of the management information systems, the patents, intellectual property rights and processes such as quality assurance and customer care. Structural Capital “grows out of Human Capital” (Edvinsson and Malone, 1997, p. 46).

Structural Capital is knowledge that is copyrighted or patented so that it cannot be used without the owner’s permission/charges. Customer lists are part of an organization’s structural capital and today more and more detailed and restrictive clauses are being placed into contracts of employment to prevent ex-employees from utilizing Structural Capital once they have left the organization’s employ. Sales directors to hairdressers can find themselves constrained by such clauses in their contracts.

**Customer Capital**

The third element of Intellectual Capital is known as Customer Capital. The relationships with customers are seen as part of structural capital by Edvinsson and, certainly in terms of customer data lists and purchasing records, this seems appropriate. Customer Capital, however, refers to more than records. Customer Capital speaks to the value of the relationships the organization has with its customers. Unlike “good will”, the accounting concept with which it overlaps, Customer Capital as part of Intellectual Capital is not treated as a depreciating one-off asset. Customer Capital is a dynamic value-generating element when linked to Structural and Human Capital. Customer loyalty, however, cannot be copyright. The knowledge that the customer has when shared with the organization gives vital knowledge for developing the business.

In Edvinsson Consumer Capital is subsumed under structural capital (see Edvinsson and Malone’s Fig. 3 below) along with Organizational Assets, but Consumer Capital will be treated separately here. The Customer is a key stakeholder and retains critical knowledge required for the successful development of the business. This viewpoint was developed first by Hubert Saint-Onge at CBIC (Edvinsson and Malone, 1997, p. 36). The Saint-Onge approach is particularly useful for membership-based organizations like cooperatives and mutual societies. Particularly when customers actually are owners through membership as in consumer, agricultural and many service and financial services cooperatives such as credit unions.

*The impact of members and community on Intellectual Capital*

Edvinsson and Malone (1997, p. 37), referring to Intellectual Capital, Human Capital and Structural Capital write, “Together these three new forms of capital measurement capture a company in motion as it transforms its skills and knowledge into competitiveness and wealth”. Taken as a whole, “Intellectual Capital is a debt issue not
an asset issue. Intellectual Capital is like Equity - it is borrowed from its stakeholders, Customers, Employees and Suppliers” (Edvinsson and Malone, 1997, p. 43). This statement might equally apply to a definition including alongside Customer Capital Member Capital as we present it here.

In cooperative terms we must add two more stakeholders contributing to Structural Capital, namely members and their wider community. They provide separate but networked sources of knowledge in their own right that can have a major impact on business effectiveness. These additional sources of human capital located in the knowledge held by members and their families, friends and neighbours might become a dynamic source of added value for the cooperative.

The community dimension to Intellectual Capital: Cooperative association as a source of added value

Having a properly managed, community-based cooperative association networked with the cooperatives employed Human Capital might provide an important source of competitive advantage. Some writers have already pointed to the potential for IC to provide a link from the organization’s Human Capital to the wider community for the organization’s own benefit. Allee (2000, pp. 20-21), for example, explains that “Enterprises and organizations are not only the fabric of a larger society, they are in turn dependent on that larger social system for employees as well as direct customers and a larger consumer community.”

It may be this general relevance of community to business performance that enables the community to be a source of competitive advantage for cooperatives. Their membership, values and purposes are closely grounded in a community that has significant overlaps with the competitive market in which they trade or on which they draw for members and/or employees.

“An example of this interdependency is a recent concern expressed by Silicon Valley companies that the poor quality of the school system is beginning to severely impact their businesses. Not only can they not get qualified workers they need, people are leaving the Valley because they do not want to raise their children there.” (Allee, 2000, p. 21)

As the Silicon Valley experience shows, the Labour Market is rooted in and interacts with the wider community. The development of the cooperative association and its role in community development is an important performance measure for the effectiveness of the cooperative’s concern for community.

The Intellectual Capital methodology: “Navigating” the search for IC in the organization

The Intellectual Capital (IC) framework for understanding the sources of IC in Market Valuation and as a management tool is reproduced below from Edvinsson and Malone (1997). They provide the building blocks for the integrated view of the role of IC in the organization and its contribution to market valuation.

In the Fig 1 below we can see the building blocks leading to market valuation. Innovation capital becomes part of a developmental process concerned with
establishing and clarifying the vision, which drives forward the company’s initial investment – process capital.

These two form the initial organizational capital, which when linked to customer capital makes up the organization’s structural capital. When structural capital is combined with human capital, the sum adds up to the total intellectual capital in the organization, which contributes along with finance capital to the total market valuation of the company. (Edvinsson and Malone, 1997, pp. 53-56).

From the cooperative perspective what stands out in this formulation is just how important the inputs of labour and inputs from the wider society have been to the overall success of the enterprise. Not just at the human capital stage but much earlier at the innovation capital stage. Here research, vision, creativity and entrepreneurial drive predominate. Customer capital as an external society-based source of knowledge also makes an important contribution to intellectual capital. So what is preventing cooperatives, whose structure, ownership and values should be encouraging this linking of Customer Capital and Human Capital for enhanced Innovation and Intellectual Capital from achieving more? The answer may be the lack of a cooperative value based strategic framework for its HRM activities. We shall return to this issue in the next Chapter 3.

Human Capital in Edvinsson and Malone’s scheme is not a mere appendage to the machine to be used up as a resource in a value generation process dominated by capital investment. In the knowledge economy, Labour once again is presented as the primary dynamic source of value added as was first recognized by Adam Smith.

In Edvinsson and Malone’s Fig. 2 below, we come to the core framework for understanding management processes and goals from within the IC framework. What is important here is to note that the external market dimension is played down by
Edvinsson and Malone. Customer Capital is hidden within the heading of Structural Capital whilst Organizational Assets, Tangible Assets and Physical Assets are highlighted.

The importance of Customer Capital (the external market dimension for the effectiveness of the IC framework is clear. One of the key sources of knowledge input into Human Capital in an organization is, as TQM suggests, a matter of learning continuously from the customer. Learning Organization Theory has also evolved very much out of the recognition that one of the crucial areas of organizational learning is information coming in from the organization’s environment. A key feature of the Learning Organization is the existence of boundary workers constantly scanning the environment for threats and opportunities (Burgoyne, 1995, pp. 22-25, Garret, 1995, pp. 25-28).

Figure 2. Edvinsson and Malone’s Model of Intellectual Capital Management (p. 59)

Edvinsson’s focus here is one of searching for the hidden values directed towards improved Economic Value Added (EVA) for the organization. Human Capital is seen as interacting with the structural capital portrayed as organizational and tangible assets. This framework seems almost to exclude external partners or stakeholders from the process of EVA. This is not perhaps surprising because for the private sector share-based company, these external stakeholders, if mobilized, may be able to threaten the profitability of the organization, and this might undermine the process of delivering maximum shareholder EVA. For the cooperative, however, such external stakeholder mobilization can only be an advantage by strengthening mutual relationships and increasing the capacity for value-added across their community of shared interests.

In Fig. 3 from Edvinsson and Malone, we see the basic Navigator framework. There are five areas of focus: Customer, Process, Financial, Renewal and Development and Human Capital. Edvinsson has human capital as the central element interacting with the other four at the heart of the model.
Figure 3. Edvinsson and Malone’s Navigational Framework for the Identification and Utilization of Intellectual Capital

Let us look at each level of the Navigator in turn starting with the top. The Financial Focus is concerned with History in the sense that the accountant’s figures are summing up past performance. The triangular manner by which it is portrayed at the top of the navigator, however, clearly implies that at the heart of the IC agenda is the translation of IC into a financial return to the company. A cooperative would want to include “service focus” alongside financial focus as the goal in realizing IC. There is no question that the value added would still be present even though its method of calculation and the form it took would be very different. In the cooperative, Edvinssons and Malone’s Navigator framework would recognize the Human focus as operating dynamically in the external relationships with customers (Customer Focus); with suppliers (Process Focus) and with membership (Operating Environment + Customer Focus and/or Process Focus or both depending on the form of cooperative). Human Capital would be transforming the knowledge received through these relationships into services, revenues, and investment in renewal and development.

History

Cooperatives will continue to need a strong focus on sound financial development to underpin their business, but history for cooperatives includes much more prominently an element of social history alongside its financial history. It is history that informs the current situation and inspires cooperative aspirations and development for tomorrow. It is this powerful history that has embedded cooperatives in their respective communities and gives the social dimension such power as a management tool in the context of the modern economy. Accountants tell us about the financial past performance of the company, but customer and supplier goodwill also derive from past performance as well as public relations. Value added can be in shareholder value, but it can equally be presented as improved member services or community benefits.
Today

The cooperative’s human-centred purpose fits very well with Edvinssons’ Human Focus at the centre of the Navigator framework. The human focus has to serve capital based purposes in the Skandia context. In the cooperative context, the human capital focus is on human-centred ends rooted in its membership and their wider community. There should be a competitive advantage in such a synergy when it is explored by a management that is conscious and committed to those ends.

We have in this framework presented by Edvinsson and Malone, the methodology by which the wider society through the mechanism of the market, contributes to the organization’s Human Capital capability. This is apparent from the different elements in the Navigator.

Firstly, the customer focus leads to the expansion of Human Capital inside the organization by external inputs from its Customer Capital coming as a collection or flow of information gathered from customers individually but analysed collectively. The action of Human Capital given this increased knowledge translates into larger sales revenues through, for example, improved quality, new products and services.

Secondly, the process focus inevitably leads us to receive inputs from the organization’s external Human Capital along its supply chain. Such data enables costs to be paired down and for improved specifications closer to customer expectations to be achieved. Improved quality specifications at least cost options are found by the action of the organization’s Human Capital. Customer Capital and the Human Capital based in supplier organizations both making significant contributions in practice.

Thirdly, there is renewal and development. This is concerned with the future, which itself is in part a vision established within the organization’s Human Capital, of the future shape of society and the types of markets that the future will give rise to. Membership in many cooperatives may add a new source for Human Capital not available to its private sector rivals that could be critical for renewal and development.

Tomorrow

Clearly one of the central reasons why knowledge is significant is that it gives us the possibility to make forecasts for the future. What to invest in? What skills to develop? What product and service developments and modifications to introduce? All this information is of course concerned with the changing social conditions values, trends and needs, which may reflect economic, technological and environmental change. To some extent this will be a response to external change in the competitive environment. Social change can itself result from prior learning – producing a process of social maturation, which is impossible unless there is an individual maturation and learning process underpinning it. Cooperatives as organizations seeking changes to improve social and economic conditions, have always emphasized education as a key operating principle and as a good in itself.

Cooperatives do not merely have to respond to change either. Like the organization depicted in the Skandia Navigator, they can generate a vision for change just as entrepreneurial activity does in the private sector. This cooperative vision, however, is
for change that has been identified as desirable at the level of community and society rather than the vision shaped by the needs of shareholder interests or an individual entrepreneur. The question is whose vision will have the strongest pull in the competitive marketplace? The answer plausibly will be the vision that best reflects the real needs expressed by the consumer or members in their communities. Where the information has been gathered by professionals and their analysis is informed by cooperative purpose and values, then cooperative members should be a critical resource for competitive advantage.

The limitations of the IC model for cooperative and other membership based businesses

The three diagrams discussed above demonstrate a remarkable intellectual achievement and suggest the grounds of the limits within the HRM/Personnel approaches to people management. Whilst the application of IC is directed towards the capital based firm, the emphasis it gives to the role of Human Capital should be a great encouragement to all labour based organizations such as trade unions, whose fundamental goal is the protection and valuation of human labour. Edvinsson and Malone’s emphasis is on the uses of the Navigator as an organizational tool to encourage measurement of detailed particulars and as a measure of the generalized summary of IC in the organization and the value added it has, or can potentially create, for the benefit of shareholders.

"It follows then that the value of Intellectual Capital was the extent to which these intangible assets could be converted into financial returns for the company" (Edvinsson and Malone, 1997, p. 44).

This is of course a perfectly valid and proper use of IC, but it is far from the only way the IC approach can be applied. It also provides the clearest formulation yet for measuring the added value from Labour. Although perhaps not deliberately, Edvinsson presents the critical importance of the social context for the formation of Human Capital.

Environmental sustainability and social justice need to be brought into the discussion. How we translate the intangible human capital within organizations into added-value for society needs to be emphasized alongside shareholder value. This is particularly legitimate given the importance of society for the enhancing of human and structural capital in the first place. Secondly, the changing relationship and significance of human capital relative to finance capital in the process of value creation in the knowledge economy, needs further research. Edvinsson and Malone have opened a door for a possible critique for the continuation of the priority of shareholder over other stakeholders.

We have argued in Chapter 1 that Personnel and HRM provide many valuable tools necessary to manage and develop Human Resources in the organization. They need to be applied critically and carefully in the cooperative context. Intellectual Capital theory allows us to move the HRM focus to a more holistic knowledge-based approach to utilizing human resources. It does so by its emphasis on understanding the relationship between Human, Structural and Customer Capital in the generation of Intellectual Capital. In the next Chapter we speculate as to a cooperative framework for the utilization of HRM activities rooted in a community and human centred focus rather than a shareholder focus.
**Action points**

Consider the three components of Intellectual Capital in turn:

1. Consider your cooperatives associational and community context from the Human Capital perspective.
   
a) Is there Human Capital in the associational context that could be tapped for the benefit of developing the cooperatives business and/or association?

b) Does the cooperative know its members and what they are capable of?

c) Is the cooperative making the best use of women’s skills and talents?

d) What energy and skills lie untapped amongst the youth?

e) Are we ignoring redundant and retired people with skills and experience to offer?

f) Can we help develop the association’s human capital lying latent in these additional human resources for their benefit, and for that of the cooperative organization and its members, and the competitiveness of the business?

2. Next consider the Structural Capital in your cooperative organization.

   a) Audit your information system. What information do you keep records of?

   b) What information would you like to have records of?

   c) Who are your suppliers and customers and how much information do they give you and how much do you give them?

   d) Which members of staff have responsibilities for supplier and customer relations?

   e) How regularly do you meet your suppliers and customers?

   f) Do you monitor quality standards?

   g) Are you making enough use of the experience and information at your disposal?

   h) Do you need much more information?

   i) Do you own patents or intellectual property rights, customer lists, marketing data?

   j) Are you making the best use of them?
**Action points (Cont.)**

3. Now consider your Customer Capital.
   a) How much do you really know about your customers and, where relevant, their customers?
   b) What further knowledge might they share to help you improve your level of service and product quality?
   c) What do you need to know to help you discern how your cooperative can increase the level of business your customer does with you?

4. How well are your Human Capital and Customer Capital reinforcing each other?
   a) How well do your staff and members understand your customers and relate to them and their needs?
   b) Are there any training or development needs emerging as a result of the answers to all these questions?

5. Write up a report on your findings concerning the three areas of Human, Structural and Customer Capital for discussion by the Board.
Towards Cooperative Social Capital Management for enhanced human resource performance

This Chapter defines a new framework referred to as Cooperative Social Capital Management (CSCM) for the cooperative application of those elements drawn from Personnel Management, Human Resources Management, Intellectual Capital Theory and Learning Organization Theory (defined later in this Chapter) that can support the strategic mobilization of people for competitive advantage and the realization of cooperative objectives.

Whilst drawing heavily on mainstream management theory and the newer literature concerned with Intellectual Capital and the Learning Organization, the Chapter clearly distinguishes the HRM and IC approaches from that proposed by the CSCM framework. The Chapter provides a strategic framework for managing knowledge and human capital along four key dimensions (organization, association, supply chain and customers) impacting on the improvement of cooperatives competitive capacity and on the maintenance of the integrity of their governance, identity, values and purpose. The suggestion is that at the nexus of the four dimensions lies a cooperative community of interests that will provide for an enhancement of the intellectual capital formation for the cooperative and its stakeholders.

What is cooperative social capital management?

CSCM is a framework that aims at enhancing value added within and without the cooperative. CSCM aims to facilitate value added both in the cooperative’s commercial and social activities for the benefit of its members and their communities. It is a framework providing for the integration of commercial and social processes in the cooperative to better access and enrich the cooperative’s intellectual capital and knowledge management. The framework achieves this by drawing attention to the synergies between the stakeholders in the cooperative context and the interrelationship between the attainment of its social and commercial goals. In all other respects, the framework relies on the application of standard management techniques in HRM and other functions on the basis of cooperative value-based management’s seven principles (Davis and Donaldson, 1997). Below, in Fig. 4, we present a diagrammatic representation of the approach.

The CSCM framework focuses HRM and other management techniques on two processes essential for the framework to achieve results. The first process is the management of the interaction between the cooperatives formal and informal networks. This process needs to operate across the cooperative’s membership association, the community from which it is drawn, and the cooperative’s formal business structures. The aim is two-fold. Firstly, the aim is to provide enhanced intelligence concerning developments in the market place and the wider community.
that could assist the cooperative’s business strategy. Secondly, the aim is to assist in developing a greater solidarity within the community and between the community and the cooperative. In both these regards, the cooperative’s members and their families are a key and currently largely under utilized resource.

The second process involves the management and development of the cooperative’s Human Capital and that of its suppliers, members and customers. The aim here is to enhance service quality, develop new services, support the cooperative’s key sustaining environmental networks and to provide further sources of added value to both its commercial and social activities. Both processes are seen as mutually supporting and interacting. At their nexus is the identification and mutual recognition of a community of shared interests. It is the sharing of knowledge by this community that has the potential to enhance the cooperative’s access to its intellectual capital and to enrich that intellectual capital to a degree that will not be easy for its capital-based commercial rivals to replicate.

CSCM is effectively setting IC theory into a cooperative setting and adapting IC theory to meet with the different goals, agenda and identity of cooperative organizations and associations. The emphasis on the social processes developing IC that discernable in the work of Edvinsson and Malone is situated, some might say expropriated, inside the organization. In the CSCM framework the IC is “owned” by a cooperative community of stakeholders for their mutual advantage. The advantage to the commercial organization that forms a part of this community lies in the fact that through the community the IC can be more accessible, richer in substance, and more immediately utilized for the benefit of the commercial economic and social needs of all the stakeholders.

The particular advantage for cooperative enterprises lies in the closeness of their goals to that of their other stakeholders, namely their suppliers, their customers and their members. Depending on the nature of the cooperative enterprise (consumer, agricultural, credit, housing, services or worker) there will be overlaps in stakeholder memberships. These may be between organization and association – through all forms of cooperative membership-based ownership but in addition between association, organization and market, as with consumer cooperatives and credit societies, and between association and suppliers in the case of agricultural cooperatives. In worker cooperatives the overlap is between associational membership, ownership of the business enterprise, and its employees.

CSCM can for most forms of cooperative, link the management of paid and volunteer work in the cooperative. It will produce intellectual capital for the cooperative through formal structures and contracts and through associational and community networks in which the cooperative organization is embedded. One of the key advantages of the CSCM framework may lie in its ability to support a strategy of “embedding” the cooperative in its surrounding communities. This may produce very positive commercial gains as well as fulfil the cooperative’s social goals.
Thus we can say that CSCM seeks to facilitate the development of Human Capital in all its stakeholders (employees, suppliers, members, customers and other stakeholders). CSCM becomes a methodology for maximizing knowledge inputs into the cooperative business in terms of its operations management, market intelligence, risk management, research and development, and organizational and community social and human capital growth. It achieves this through a process of focused relationship management which looks at the commercial product/services development needs of its customers both from the standpoint of the competitive and mega-environments. It recognizes that its customers, suppliers, employees and other stakeholders share common goals and much else in terms of the wider environmental and social contexts.

It is by bringing into the product/service specifications and delivery processes both the immediate market and the wider environmental factors, which are of concern to the customers and other stakeholders, that maximum solidarity is achieved and close cooperation operating without the support of this rich text of market, supplier and social knowledge. By investing in Human Capital in the organization, association supply chain and market place, and Social Capital (understood in terms of the shared access to knowledge and resources and at the heart of the CSCM framework), the cooperative can establish the vital human resource capacity to ensure commercial success. By establishing a strong relationship and solidarity with its suppliers, customers and the community, the cooperative creates the conditions to anticipate, shape and respond effectively to changes in its chosen markets.
The CSCM framework accepts as fundamental that which the existing state of IC theory is not concerned to stress or even acknowledge, namely the external relationships sourcing the organization’s IC. That the IC available to an organization is more than merely the sum of its individual employees’ knowledge, is acknowledged. What challenges the share-based business, but not its cooperative competitor, is the recognition that intellectual capital is the result of learning that transcends the boundaries of the organization and requires a high level of co-operation between stakeholders. The methodology is essentially one that recognized the critical role within the cooperatives business organization, of an HRM strategy incorporating the development and utilization of the cooperative’s IC. The cooperative’s immediate purpose of providing member benefits cannot be properly understood outside the wider community to which members belong. To enable this wider learning community (defined in a later section in this Chapter) to evolve, requires a completely integrated management team where HRM and public relations and marketing, on the one hand, are working not only closely together but also closely with the membership development function.

Below in Table 1, we seek to summarize the main differences between the IC and CSCM approaches.

**Table 1. Differences in approach between Intellectual Capital theory and CSCM**

<table>
<thead>
<tr>
<th>Intellectual Capital</th>
<th>CSCM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expropriation of knowledge for the organization</td>
<td>The catalyst for the gathering and dispersion of knowledge in the community</td>
</tr>
<tr>
<td>Organizational focus on shareholder value</td>
<td>Organizational focus on stakeholder value</td>
</tr>
<tr>
<td>Human Capital vital dynamic instrument of the process</td>
<td>Human Capital the subject of the process</td>
</tr>
<tr>
<td>Customer a source of value for the organization</td>
<td>Organization the source of value for the customer/member and their community</td>
</tr>
<tr>
<td>IC is the dynamic within the intelligent organization</td>
<td>IC is the dynamic within the intelligent community</td>
</tr>
</tbody>
</table>

The motivation for the dialogue between the four stakeholders and their wider communities is their social integration (shared goals and values) and economic interdependence (a shared supply chain and mutuality of economic benefits). This community of interests can only be based on perceived self-interest in the context of a shared understanding of the wider good. IC arises in a form best suited to achieve distributive justice and sustainable development when rooted in the CSCM framework for community development in the context of the free market. Intelligent organizations are rooted in an intelligent community which they sustain and from which they receive sustenance.
The critical preliminary stages for cooperative organizational and human resource development towards facilitating the CSCM approach

The full support of the Board and the leadership and commitment of the Executive Management Team led by the CEO is always essential for any organizational development project. In the cooperative context, once this is achieved, there will need to be a special set of programmes of consultation and discussions with employees, members, suppliers and customers and possibly other affected stakeholders. Stakeholder understanding and ownership of organizational development is critical for success and the CSCM approach makes this clearer and suggests new channels of communications to ensure success.

The foundations of any cooperative business must include the following three areas:

a) Personnel administrative systems are effectively implemented.

b) Management Information Systems are functioning effectively.

c) Marketing, member relations, public relations functions are established.

Following the establishment of the above, the cooperative may embark on the development of the following programmes in this order:

d) HRM

e) TQM

f) CSCM

Size is not the issue. Whether large or small, cooperatives must have the basic “abc” functions listed above in place. If they are too small to have functioning professional departments, then volunteers must conduct these functional activities as a preliminary strategy for growth and development and then an HRM and TQM development becomes possible. CSCM framework may finally be adopted.

Whatever the stage in organizational development that the cooperative has reached, it is imperative that, in the implementation of these preliminary stages, the leadership has the bigger picture and ultimate objective of CSCM in mind. CSCM recognizes the distinctive cooperative identity, values and purposes that form the context for the cooperative’s evolving organizational and management development. The CSCM framework applied in the cooperative could help to reduce problems of bureaucratic dysfunction, managerialism and member apathy and loss of direction and identity, which are all risks as cooperatives grow or meet reverses and try to respond in an ad hoc manner to the competitive pressures in the market economy.

What are the specific HRM components of the CSCM methodology?

We have suggested that CSCM directs the cooperative outwards towards the wider community. It does this, firstly, to ensure that the HRM process serves human-centred cooperative goals; secondly, to ensure the effectiveness of cooperative’s human capital; and finally, to achieve economic sustainability and competitiveness in the market context. CSCM lays great emphasis on communication flows between the cooperative’s staff and the environment, customers, suppliers and members. It sees the
development and management of these flows as requiring a significant HRM input to ensure maximum benefits to the organization.

CSCM also places great importance on member development; recognizing members to be a critically important component of the cooperative’s human capital and as a critical link and network providing the cooperative with access to the wider community. In table 2 below we identify both the specific HRM strategies employed in the CSCM approach but also indicate the changed emphasis that the CSCM approach produces in their focus and application.

Table 2. Differences of focus and approach between HRM/general management methodologies and CSCM

<table>
<thead>
<tr>
<th>HRM and general management</th>
<th>CSCM</th>
</tr>
</thead>
<tbody>
<tr>
<td>The learning organization</td>
<td>The learning community</td>
</tr>
<tr>
<td>Organization led strategy</td>
<td>Human development led strategy</td>
</tr>
<tr>
<td>Capital added value</td>
<td>Social capital + capital added value</td>
</tr>
<tr>
<td>Performance management</td>
<td>Performance enhancement</td>
</tr>
<tr>
<td>Strong CEO led culture</td>
<td>Strong cooperative value based culture</td>
</tr>
<tr>
<td>TQM</td>
<td>Cooperative TQM</td>
</tr>
<tr>
<td>Developing competencies</td>
<td>Investing in human capital</td>
</tr>
<tr>
<td>Matching resource to need</td>
<td>Growing human capital</td>
</tr>
<tr>
<td>Customer retention</td>
<td>Customer development</td>
</tr>
<tr>
<td>Organization serving the market</td>
<td>Market serving society</td>
</tr>
</tbody>
</table>

In the sections below, the above distinctions in the elements of CSCM methodology are discussed in more detail.

**From the learning organization to the learning community**

The learning organization is a concept that every cooperative can usefully adopt. It essentially proposes an organizational culture encouraging continuous learning focusing on the customer’s needs and organizational processes. Individual learning is transferred to others enabling organizational development to occur that ensures the organization’s outputs match the requirements of its markets at the *least cost solutions* to the organization. It ensures that everybody who is associated with the organization has a learning and development agenda geared to that end. It is, however, a learning based on *creating* an environment not simply adapting to it. Prof. John Burgoyne, one of the leading exponents of the learning organization concept, sees it as a matter of recognition of a different level of learning in an organization that goes beyond the dynamic adaptive model of learning in organizations.

“Higher levels of learning are, after all, more about finding ways of changing the world and the interaction with it to maintain core values rather than to being swept along, if one is lucky and skilful, by adapting to externally driven change.”

(Burgoyne, 1995, p. 23)
For such “creation” of the environment to be legitimate and in the public interest, it must be transparent and based on core values that are human and community based. The Cooperative Identity Statement and ownership structure provides one such possible basis upon which the Burgoyne’s Learning Organization level of learning can be seen as legitimate. Indeed many will see Burgoyne’s characterization of the goals of a learning organization as particularly relevant to modern cooperatives.

The learning community concept, when taken in a cooperative context, recognizes that organizational learning is based on the wider society and should serve social goals. The basis of the learning community is its shared values and goals. Customers, members, suppliers and employees are part of a community that involves transactions but is not limited by them. The cooperatives that form part of a learning community help their customers to identify their needs and not simply respond to them. The cooperative and its customers are not so much linked by brand loyalty or customer satisfaction as by a long-term relationship where the cooperative’s role, as a sustaining and empowering resource for its customers and their community, has achieved general recognition. The learning community concept enables the cooperative to anticipate changes in product/service mix and to evolve product service provisions in ways that meet the holistic needs of the customer/member in their community (Market Serves Community). It is their potential to achieve this that makes the cooperative form of business so relevant and important to the global economy in the twenty-first century.

Another advantage of the learning community concept is that it makes the cooperative management information system strive for greater sensitivity to the community as well as to the standard business environment. By gaining greater insight into the social context of the customer, the cooperative has enhanced its potential to identify innovative products and services that will further enrich their customers and their communities. By stressing the learning community, the organizational culture of the cooperative will be able to more easily integrate the Statement on the Cooperative Identity into its operations (Strong cooperative value-based culture). In turn the cooperative will be better able to relate itself to its significant stakeholders by providing a framework of shared values and culture.

The learning community provides a bigger fund of human and social capital from which the cooperative may draw and in turn contribute to. It is by the use of sophisticated market intelligence gathering to identify customers’ needs and understanding the possibilities of product/service developments, that the learning community can assist members to respond effectively to their markets. By increasing the members’ own human and social capital, members recognize further benefits of being part of the cooperative. Members are recognized as a crucial element in the learning community concept. The development of the members’ human and social capital is a key responsibility for the cooperative and provides a critical component part of its total human capital asset base.

From organization led strategy to human development led strategy

The CSCM emphasis on human development is not an altruistic commitment to an unlimited staff development budget. It is a recognition that organizational development requires more than processes and technology. It is a commitment to facilitate the
members’, suppliers’ and employees’ growth in ways that ensure their continuing support for the cooperative and its goals.

The greater the knowledge, skills and competence of staff/members and suppliers, the greater their flexibility and creativity. The more robust will be the cooperative’s anticipation and responsiveness to change, even in some cases enabling it to become a proactive agent of change itself. The cooperative is not only developing its capacity to respond to the environment, it is also developing the environment’s capacity to sustain the cooperative. This arises because human development is taking place in the context of the CSCM framework, i.e. human capital development inside the cooperative is also linked to human capital growth outside the cooperative.

**From capital added value to social capital + capital added value**

Cooperatives need to grow the value of their capital investment at a competitive rate as do all businesses. Finance capital in cooperatives is there to serve cooperatives’ business development and the community, in terms of growth in member capital and the growth in resources to support members’ development and the development of their communities. Social capital is that mix of human skills, knowledge, material and technical resources, which enhances the autonomy and development of communities and their members. CSCM, therefore, aims to maximise social capital growth without sacrificing the priority of ensuring the retention of sufficient capital to maintain the cooperative’s business performance, growth and competitive potential.

Cooperative social capital management supports this by pointing to non- or low-cost resources based in the cooperative’s volunteering activists, to build capacity in the community. Such activities building social capital and community also play a part in supporting the cooperative’s ongoing marketing, HRM, membership development and public relations activities. A part of CSCM focus is on enriching all the stakeholders’ human capital, including volunteer labour drawn from employees, members and other stakeholders, as an additional motor for social capital and human capital growth outside the cooperative’s business activities. It encourages these developments because (a) it fulfils the cooperative mission, (b) it supports the cooperative’s business strategy at many levels, and (c) it provides an additional opportunity for membership and employee involvement that may lead to greater overall involvement in both the cooperative’s governance and business activities.

The capital collectively owned by the cooperative may well be a substantial element in the cumulative social capital available to the community. Human capital *when mobilized* as a cooperative activity covering all cooperative stakeholders, can supplement the individual wealth generated by members’ economic participation in their cooperative. When taken together both individual member wealth, social capital and social solidarity contributes substantially to the autonomy and sustainability of the community. The social capital of any community can be defined, therefore, as those collectively owned capital assets + social relationships within the community (networked to the wider society) + the sum total of human capital available within the community (including cooperative paid and volunteer workers).

The investment of finance capital for the development of community based social capital should only arise in the context of dividend paid out of existing surpluses.
earned from previously conducted commercial activities. Such investment should never affect the reserves nor be a drain on the cooperative’s needs for commercial investment, which must be the priority before any dividend (to members or the wider community) is contemplated. When money is put into social capital projects it is a return, or social dividend, out of surpluses already earned resulting from the financial strength of the cooperative.

**From performance management to performance enhancement**

Cooperatives need to introduce Performance Management (PM) strategies that seek to integrate training, remuneration, job design (to increase efficiency and enhance intrinsic motivators), and appraisal, monitoring and other management control systems, all to ensure optimum performance by individual and teams of employees (See Chapters 5, 6 and 7). Without these basic HRM and PM standards in place, there is no foundation for the more sophisticated IC dimension to enhanced performance, nor to the potential motivation of social esteem and recognition of working in and for the community. Managing the enhancement of performance within the CSCM framework does takes us further in the recognition of the significance for individual and team performance of the IC in the cooperative social context. The human capital concept takes us from control to development of employees. Beyond this, the cooperative social solidarity can help enhance individual and team performance through the increased social esteem and self-fulfilment motivators. The CSCM can also provide the framework for this increased social solidarity.

The cooperative has a unique opportunity to seek additional performance enhancing resources through the solidarity from within the wider community of members, suppliers and customers. This is brought about due to the opening up of networks to establish more effective information flows building into new projects and teams linking employees with customers, suppliers and members and a greater sense in all the participants of social purpose and relevance.

**From strong CEO led culture to cooperative value-based management culture**

The cooperative movement needs to ensure that a genuine management career ladder can emerge and needs to establish the appropriate value and attitudinal profile for a cooperative manager as well as the technical profile of the cooperative needs. The argument has already been developed elsewhere (Davis, 1995, 1997, 1998) for a vocational based professional “Servant-Leader” model of management founded on a commitment to the defence and development of the Cooperative Identity Statement. Without such professional leaders/managers/CEOs being identified, encouraged to join cooperatives, and be developed within them, it is unlikely that many small and medium sized cooperatives will be able to succeed in the current highly competitive environment.

The strong community profile that a CSCM approach produces can only enhance the public image of the cooperative and encourage people, whose values have the closest synergy to cooperative values, to seek employment in the sector. For many cooperatives at present, the external image and the Statement on the Cooperative Identity are not in alignment in the public’s perception. This is particularly a problem
in transition economies. There is no shortage of good quality managers for the voluntary sector. Some of these “Theory Y+ managers” could and should be being recruited into cooperative management (see box).

Reflection
Theory Y+ is taken from Douglas McGregor's Theory X and Theory Y Manager concept. The Theory Y managers in McGregor's definition, believe in their workforce's integrity, commitment and skill, whilst the Y+ manager in addition believes there to be greater potential in mobilizing that commitment in the context of a socially-responsible and community-grounded employment context. For a fuller description of Theory X and Theory Y Managers and more on Theory Y+ see Chapter 5.

Cooperative Boards along with the whole membership, represents a huge resource for cooperative managers to mobilize. That resource cannot be fully realized in the long run in the context of the idea of the lay Board being responsible for the management and leadership of their cooperative. Boards are critical for the effective governance of the cooperative and they make a significant contribution to the cooperative’s fund of human capital. The CSCM framework, however, requires a full-time committed professional management team to achieve its full potential. For small cooperatives without professional management, the CSCM framework will provide a useful guide, but the strategic goal in this case should be growth to the point where a full time manager can be appointed. Professional Cooperative Value Based Management is essential given the context of the increased size and complexity of cooperative business as they confront the challenges of intensified competition and transition due to deregulation and globalization.

From Total Quality Management (TQM) to Cooperative Total Quality Management (CTQM)

TQM requires a culture that is committed to learning and listening to the customer and responding to the customer needs with a product or service that as nearly as possible matches those needs. The solution must represent the least cost to the organization. CTQM understands and enables the customer to define and redefine those needs in terms of the individual’s environment, as he or she perceives it. It builds in additional standards to those intrinsic to the customer’s personal use for the product or service. These may be called Social Added Values, which relate to the customer’s social and environmental needs as the customer, when given the opportunity, will define them. The cooperative’s task in the application of CTQM is to identify ways of relating these additional environmental and social needs to the cooperatives product or service or to the processes along its supply chain.

CTQM is another essential supporting methodology for CSCM. The argument for placing the Social Value Added concept at the heart of CTQM has been developed elsewhere (Davis, 1999). It provides a unique additional quality standard and/or feature that cooperatives can add to their product or services giving them competitive advantage in the marketplace. The knowledge of what constitutes Social Value Added for members and customers will be easier to identify as well as to implement in the context of a CSCM framework.
From developing competencies to investing in human capital

Cooperative training and development will necessarily focus on ensuring the right competency level for all staff and volunteers for the successful conduct of the tasks and roles currently operational and planned to be introduced in the cooperative. By competency we refer to the attainment and application in practice of the necessary skills and knowledge to fulfil the tasks and roles required. All cooperatives must invest in ensuring that staff have the up-to-date competencies required for the conduct of the business and the governance of the cooperative.

CSCM will take the cooperative employee and volunteer beyond this minimum requirement to a level of mastery of the task/role context that enables intelligent reflection on development, goals and fundamental methodologies. Employee and volunteer knowledge, skills and attitudes are being developed for promotion or greater levels of responsibility. This is a critical investment in them as human capital whose enrichment enriches their cooperative, its association and beyond to the wider community. The emphasis on culture and attitudes is central to the CSCM approach, as the realization of human capital in IC requires people to positively want to transfer their knowledge and insight to benefit the cooperative. This requires a cooperative that is seen to be working for them. Cooperative Managers who use CSCM are people with ideas and enthusiasm who encourage and enjoy responding to the ideas of others whether superiors, peers or subordinates and who see cooperatives as vehicles for the delivery of added value to members and their community.

From matching resource to need to growing human capital

Cooperatives must keep their costs competitive but can bring all their potential additional human resources from membership and customers to bear to assist in the management of these costs. The cooperative emphasis on the development of human capital should ensure a better response from employees. In market conditions Cooperatives cannot ensure lifetime employment for all. The cooperative’s commitment to a human-development led strategy will, however, ensure greater employability for staff, longer-life contracts with key suppliers and greater levels of member development.

The support of the community, often utilizing volunteers, can be a tangible benefit at early stages in the development of some cooperatives. Volunteers have quite a tradition in the credit union and housing sectors, for example. The development of producer members can result in real cost reductions for agricultural and supply cooperatives. The investment in cooperative human and social capital will enhance the solidarity and level of cooperation which itself reduces the pressure on employees. The CSCM framework will help in attracting the right people and the positive outplacement of redundant staff and retiring staff into re-employment or new roles in the community. The potential of the CSCM framework to provide a better home-work balance for staff may be an added benefit giving both flexibility to the cooperative and its employees to match their respective needs in these areas (see Davis, 2000).

The emphasis of CSCM encouraging cooperative human capital growth will release the creative energies of all people. Cooperatives are likely to be in a process of regularly assessing newly identified opportunities for growth and development. Whilst
not all the ideas will fit into the cooperative’s strategic plan, those that do are likely to generate the kind of development that will reduce the need for involuntary termination of employment.

**From customer retention to customer development**

Customer retention has to be the starting point for customer development. Customer relations depend on building closer links to ensure a level of customer satisfaction that is positive rather than merely “satisfactory” for the product or service provided. Customer development requires the cooperative to enter into a collaboration from which the customer is helped to identify where to go next in terms of his or her needs. The criteria for what represents a good (changed/new) product/service development for the customer is customer-driven. In the case of the CSCM framework, the customer is approached from the standpoint of individual needs as they are rooted in their community context and development. The customer is recognized not simply as a consumer of a given product or service but as a person with many inter-related roles. The consumer is also a producer (including a producer of given domestic services and products), and as someone affected upon by many social and environmental factors. In the consumer cooperative context it is literally the customer’s business. Whatever form of cooperative, customer involvement in the business is highly desirable both as a social goal and as a competitive strategy.

**From the organization serving the market to the market serving society**

Markets are free only to the extent that they allow real open access to all people. Such access is very dependent on cooperative business organizations being available to mobilize all sections of society from, for example, large farmer businesses in North America to women in the rural areas of Africa. Such cooperative business organizations, particularly when managed based cooperative values and principles, are critical in ensuring markets are the expression of the needs to be found in society as a whole, and not just those with the wealth to register demand as individual consumers or proprietors.

Cooperatives in part exist to ensure that these markets operate effectively on behalf of the poorest and weakest sectors of the community either as suppliers or as consumers. The CSCM framework recognizes the importance of human skills and knowledge, as well as the community and solidarity, in ensuring that effective market leverage and responsiveness are achieved by cooperative members.

In their community embeddedness, cooperatives try to ensure that the market fairly reflects the community rather than manipulates the community in the interests of narrow but powerful vested interests. Such a role provides the cooperative with a powerful legitimization for its presence and a higher level of trust and loyalty from its stakeholders. It also provides a powerful recruitment advantage and positive motivational force in its employment and supplier relationships. CSCM enables cooperatives to assist formerly marginalized and disadvantaged communities to improve the effectiveness of their intervention in the market economy. In so doing, cooperatives can provide an important macro socio-economic service as well as develop the prospect of more business opportunities for themselves.
The potential commercial advantages of CSCM

1. Closer mutual ties with all stakeholders leading to:
   a) Greater understanding of roles, standards and change in the provision of customer satisfaction and development.
   b) Improved information exchange and market and community intelligence.
   c) Collaborative rather than confrontational change management processes.
   d) Trust, teamwork, development and service-led culture ensuring optimum implementation of operational techniques, processes, policies and strategies.

2. Solidarity across the supply chain ensuring cost economies, sustainable growth and quality maintained, and fast effective implementation of innovation.

3. Greater synergy between micro organizational and macro socio-economic goals can enable the cooperative to support a sustainable business environment in terms of markets, environmental impact and distributive justice.

4. Greater rates of growth and a stronger position in the marketplace plus a stronger defensive position based on better local competencies to fight off transnational based competition.

5. A richer Intellectual Capital fund and improved knowledge management process. The more knowledge becomes the key to commercial success the more human labour in its social context will be seen as the critical source of value added and the more relevant becomes the cooperative business model for sustainable economic development.

Overleaf we suggest some action points for cooperative managers and Boards to consider as they seek to evaluate the usefulness of the approach advocated in this Chapter.
**Action points**

1. Consider the definition of CSCM in terms of your cooperative’s HRM strategy or the development of its strategy.
   
a) Identify the potential networks that exist for linking product and/or service development to your customers and members.

b) How can you gather and share this information with the rest of the cooperative?

c) How can you share this information with your key suppliers?

2. Consider CSCM in respect of your membership development function.
   
a) Can existing volunteer networks be linked to marketing or service provision in ways that enhance their effectiveness?

b) Can opportunities be identified for volunteer networks to establish community-based projects representing the cooperatives involvement?
   
i. To provide added value for the membership.
   
ii. To provide added value to the wider community.

3. Draw up a new Mission Statement that attempts to incorporate the goals of CSCM.

4. On the basis of the new Mission Statement draw up a strategy for its achievement and submit the strategy and the mission for the Board to discuss.

5. Hold a conference to discuss the use of the Fig. 4 framework in managing the relationship and establishing goals between your cooperative and its stakeholders.
Part Two

Process
The cooperative organization’s need for human capital: Identifying deficits, recruitment, selection and induction processes

This Chapter deals with the recruitment and selection process. It touches on the key issues and pitfalls that are encountered in this process and considers the recruitment needs of the cooperative movement.

The cooperative context with its distinct purpose, values, democratic structure and institutional framework and identity are considered in the context of recruitment and selection of staff. Recruitment and selection should be viewed as an important process adding value to the stock of the human capital available to the cooperative.

Aptitude and motivation can quickly make up for deficits in skills, knowledge and experience. Changing the fundamental attitudes of employees and management is a much harder and more problematic task than increasing skills and knowledge. Thus this issue is best dealt with at the stage of recruitment and selection.

Introduction

Recruitment is dependent on four factors: (a) the state of the labour market, (b) the image of the cooperative, (c) the attractiveness of the job and the remuneration and benefits being offered, (d) the attractiveness of the location of the job in terms of living and lifestyle conditions/circumstances.

Without effective recruitment the selection process ending in the successful selection of the right candidate cannot be affected. There must be a good pool of strong candidates to avoid the situation of being forced into taking the only applicant who fitted the minimum person specification for the job. If the quality of the cooperative’s recruitment is flawed then it is unlikely that the cooperative will attract people capable of the kind of personal growth, energy and motivation necessary for the cooperative to achieve the realization of its identity and its social and commercial goals.

Problems of recruitment for cooperatives

Location

One of the first problems a cooperative may face relates to its location. Some cooperatives are based in impoverished rural areas with declining populations and limited infrastructure; others may be situated in marginal and run down urban areas. Recruitment of quality staff may be difficult in these circumstances. Local people may staff the operational and administrative positions, but cooperatives that recognize the need to grow will want managers and professional staff with experience of a wider business context.
Offering competitive employment packages

The second problem cooperatives face is being outbid for the best people by bigger and better resourced rival businesses. Closely associated with the problem of being outbid for the best staff is that of not being able to offer such attractive career prospects to potential recruits. Big cooperatives often find themselves in an isolated situation. Most countries will only have one big cooperative bank and one big cooperative insurance company and in many other activities the cooperative’s relative low density may be a handicap. Such a situation may make potential recruits consider whether it would not be better to stay with a private sector company as the choice of alternative careers is much wider.

Limited promotional prospects

The majority of cooperatives are small to medium-sized businesses and offer limited internal career structures.

Poor public image

In some countries for historical reasons, a poor public image related to manipulation of the cooperative by the former political establishment and the top down origins of cooperatives in transition economies, can make them appear unattractive to a new generation of managers.

Lack of professionalism in human resource management

Many small and medium sized cooperatives do not have the expertise or management resources to recruit staff in a professional manner. This is partly due to size and their irregular need to recruit.

Recruiting for the cooperative difference

There are, however, some good and positive advantages that cooperatives have and can capitalize on if they understand sufficiently how to do so.

Reputation

Cooperatives in many parts for the world have a good reputation for fair and secure employment for their staff.

Identity

Cooperatives have values and objectives that can be attractive to many people in terms of their focus of service, community and their democratic ownership base.
Globalization and internationalization of business

With greater numbers of people working abroad or seeking periods of work experience abroad, the cooperative movement with its world wide network of cooperatives covering three quarters of a billion members might be able to operate a very valuable placement and management and professional development programme involving the transfer of employment on a temporary or permanent basis. At present the infrastructure does not exist for this to be realistic. Membership of the international movement however might be something for small local cooperatives to emphasise in order to demonstrate that globalization does not only benefit larger enterprises.

Poor local infrastructures can therefore have commercial and HRM implications for the cooperative and thus needs to be addressed as part of the cooperative’s business strategy. Members, employees and suppliers in partnership with other local agencies and businesses need to be mobilized to identify and engage local groups, women, young people, unemployed on local projects aiming to improve local amenities and infrastructure. Board members and/or managers can be seconded on a volunteer basis to advise and encourage the organization of such initiatives whose goal is to mobilize under-utilized resources in the community not to insert existing over stretched cooperative business resources.

Important preliminaries to the recruitment and selection process

The starting point is to determine who is responsible for the recruitment and selection process. If it is a General Manager appointment, then it must be the cooperative Board. If it is senior management then it is likely to be the General Manager/CEO supported by a sub-committee comprising two or three members of the Board. Junior staff will be recruited by line managers supported either by a functional HRM specialist or the General Manager depending on the size of the cooperative.

Key questions

1. Have we provided all those with responsibilities in this area with the right training in recruitment and selection procedures?
2. Have we identified the key personnel to be involved?
3. Have we implemented the correct procedures?
4. Have we ensured equality of opportunity through sensitivity training in areas of gender, race, religion and age?
5. Have we instituted procedures and rules to ensure that friends and family are eliminated from the applicant’s selection processes?
6. Have we thought through the issues concerning the job and tasks it represents in terms of the six key stages listed and then discussed in greater detail below? These stages are:
   a) Justification
   b) Analysis
c) Specification  
d) Recruitment  
e) Selection  
f) Induction

In the remainder of the Chapter we shall look at the various stages in the recruitment and selection process.

Stage One: Can we justify recruiting a new person?

Whenever a vacancy occurs ask the question “Do we need this job?” Over time the needs of the organization change. New services, products, tasks, technologies, processes develop and although we adapt jobs as these changes take place, the fact that existing personnel are in post at the time of the changes may have meant that the rational options may have only been partially implemented. Some people may have become underemployed in the meantime. The rational move might be to re-deploy the tasks across the remaining staff or simply to abolish the job altogether and replace it, if necessary, with a quite different but more relevant set of tasks.

If we are to come to a correct decision on this, we need to understand the job itself and consult those likely to be most affected by any changes. Changing a job, or eliminating it, or adapting it will almost always have consequences that go beyond the job itself, affecting other job-holders in the cooperative and possibly some people outside the cooperative’s formal structure.

We need therefore to ask some important questions:

1. What are the existing key results required of this job?
2. Are these results duplicated elsewhere and is this duplication justified?
3. How do these results meet current member/customer/supplier and operational needs and for how long do we expect them to continue to do so?
4. Do we need to keep this job for any other significant reason?
5. What does this job cost to maintain?
6. Could/should we do this job in whole or part differently?
7. What are our options for redeployment and/or relocation?
8. What is the best optimum mix between people and technology for this job?

It can be a good idea to ask the person retiring, or leaving, to write a description of all that the job entails and compare it with (a) the job description on file and (b) with the line manager’s understanding of the job. In small cooperatives the job descriptions are probably all in the General Manager’s head. If so, the manager will need to write them down and think about whether, with some redesign of processes and tasks, others could take on the work. A job description should exist for each employee up to and
including the General Manager or CEO. Job descriptions, however, cannot be done properly without stage two (below) being implemented.

**Stage Two: Analysing the job**

This is really part of asking the questions in stage one but can be thought of as a separate stage once the decision has been taken that the job is necessary and cannot be redistributed. We may still want to amend the job description from the original. We need to systematically analyse the job.

**Key analytic questions**

1. What are the purpose and outcomes arising from the job? What are its key result areas?
2. What are the task and duties that make up the work to achieve the above purpose and results?
3. What are the boundaries of authority and reporting for this job?
4. What are the special responsibilities for stock, equipment and people involved in this job?
5. At what times is the job required to be undertaken?
6. What level of job is it in terms of the organizational structure and management information system?
7. What are the main environmental contexts under which the job is undertaken?
8. What are the key relationships involved in undertaking the job, either with others doing the same work, other departments, members, customers, suppliers, communities?
9. What are the employment factors, opportunities for promotion, grading transfer possibilities, general terms and conditions of employment?
10. What are the technological configurations and constraints relating to the job?

There are many other follow-up questions to put concerning the job under review. Is this a chance to automate? Have we an opportunity to enrich the job and go for a higher grade? How have the key tasks and important result areas and relationships changed since the job was last examined? Are we expecting any changes due to market or competitor activity or technological innovation? Could the job be better undertaken as a subcontracted activity? Do we need to think about relocating the job to a different area or region? Should the newly amended job be in the old department or would it be better elsewhere? These are all important questions to ask before the start of the recruitment exercise.

It is only when we have clear answers to all the above questions that we can then explore the changing needs of the organization and determine what changes we need to make, if any, to the job in question. Any change we make may have repercussions for
the terms and conditions we may want to attach to the job and whether or not we need to re-grade the job. If we get the grade and conditions of employment wrong for the nature of the job, many negative consequences may follow. We may get a few poor candidates or none at all. Perhaps the worst outcome is an overpaid new employee whose presence will cause resentment and claims for pay enhancements from our existing employees.

Once we have successfully analysed the job we are in a position to write up a new job description. This provides the basis for stage three below.

**Stage Three: Determining the kind of person we seek to recruit**

The *Person Specification* should be drawn up to match the *Job Description* we developed in Stages one and two. The most important point to this analysis is to be clear about who cannot be permitted to be recruited. What are the minimum attributes the absence of which would eliminate a particular candidate? The need here is to establish the essential attributes for the job. These are the core bottom line attributes without which a given candidate could not carry out the job satisfactorily. Secondly, there are the desirable attributes, which would make a candidate the obvious choice.

Given the nature of the job:

a) What if any are the necessary physical attributes for undertaking this work? Is this a job that would suit a disabled person, for example?

b) What are the necessary intelligence levels needed for the job? What skills (like communications) and prior knowledge, qualifications and attainments are necessary for undertaking this job?

c) What background/past experience would be necessary to undertake this job?

d) What values and attitudes would be necessary to undertake this job in its social as well as employment context within the cooperative and its membership and other interacting communities and stakeholders with whom the cooperative has relations?

e) What sort of character would a person need to work successfully in the technical, social and cooperative context of the job? How self-motivating, for example? How extroverted and easy with social interaction does the candidate need to be? How conscientious does a person doing this job need to be? How scrupulous about details and how concerned about people?

f) How close a fit are the person’s values and attitudes to those implied in the ICA Statement on the Cooperative Identity?

**Stage Four: Recruitment process**

The recruitment process is about attracting the right candidates to apply. This means that potential applicants must recognize the type of person you are looking for from the job specification. It means placing the right information about the job at the right place and time to reach the right people. This means thinking hard about where to find the people with the profile you need. Different media will attract different people.
Appropriate papers and journals, and sometimes local radio and employment agencies, can help. Some papers have special jobs supplements that are well known and much used by job seekers. The higher up the management ladder and the more specialized the professional or technical requirements of the job, the more likely the cooperative is to use an external recruitment consultant.

In all cooperatives, a policy that ensures that all vacancies are open to internal and external applications based on an open advertisement of the vacancy is the best policy, in order to avoid discrimination and nepotism in the recruitment and selection process.

Different levels of staff have different access points to the recruitment process:

a) Young people may be sought straight from school or from youth employment agencies.

b) Operational staff may be attracted by “factory gate” notices at the establishment in question, or in local shop windows or notice boards, including your own staff notice board, as word of mouth can be a useful medium for staff at this level.

c) Administrative and secretarial members of staff are generally found through advertisements in local newspapers and from employment agencies, but the senior staff may well be recruited from a specialized agency.

d) Professional positions and junior or middle management positions can generally be advertised in specialized journals or in the quality press.

e) Graduate recruitment is not much practiced in the cooperative sector beyond the larger cooperatives because graduates generally expect fast track development and support with postgraduate study when they are taken on. Universities generally have employment facilities, which cooperatives can contact when they have suitable vacancies.

f) General Managers and CEOs really need to be short-listed using a professional management consultant who specializes in executive recruitment. In a given region it may be sensible for cooperatives to cooperate together and identify a single highly professional recruitment consultant dealing with the entire region’s cooperative executive and professional recruitment business. In this way an agency with expertise in the cooperative’s needs can be established.

Reflection

The recruitment problem for cooperatives is generally that few executives exist who have a real knowledge of cooperative needs or cooperative experience.

Cooperative value-based management development and recruiting from other non-cooperative not-for-profit organizations are two possible responses to this problem.
Recruitment advertisement

The recruitment advertisement is a very important document. Get it wrong and you will waste a lot of time and money, or worse still, make a bad appointment. The aim of the recruitment advertisement is to achieve the following:

- Produce a response only from those your job specification identifies as suitable.
- Keep your costs down to acceptable levels given the level of appointment.
- Support the development of your public image. Being a cooperative is one of the advantages you have of attracting people who are committed to sustainable development and justice. This last point is very important for cooperatives that need to present a very positive image and one that emphasizes their mission and the culture of the cooperative.

The advertisement will generally need to include the name of the organization but not always in the case of very senior appointments where secrecy may be desirable in some circumstances. The advert will of course always state where the application may be made or where further details concerning the appointment can be acquired. Advertising the job title and salary range is one way of ensuring inappropriate applications are kept to a minimum. Another is providing brief details as to the levels of experience and qualifications required. Something about the opportunities and challenges might be appropriate for many posts in the current business environment.

What information should the application contain might also be included in the advertisement. Most applications would require a covering letter, a Curriculum Vitae (CV), copies of qualifications (never ask for original certificates to be sent through the post – the applicant can always be requested to bring the originals to the interview if necessary to check authenticity), addresses of two professional referees and a contact telephone number or e-mail. The advertisement should give a deadline for submitting the application.

Stage Five: Selection process

When sifting applications, always acknowledge all enquiries thanking the applicant for his/her interest. It may be worth keeping a record of the ones that you liked but were not suitable, nor amongst the best candidates for the job in question. There may be other more suitable vacancies that they could be invited to apply for. When you have made a list you will need to decide how to proceed and what will be the final selection process once you have sifted and short-listed from the applications.

You then arrange a series of selection events for the candidates and arrange with them suitable dates and times to attend. Ideally behind your shortlist of three of four of the best candidates, there will be a further one or two in reserve on hold with a “thank you for your application, which is under consideration, and thank you for your patience…”
type letter, in case some of your first choice applicants drop out or perform poorly at the selection procedure.

There are a number of tools to assist the evaluation of candidates to help select the right candidate. For all but the most junior positions, selection should involve more than a single individual.

Selection tools:

- Selection interviews
- Meetings with other members of staff and getting their feedback on individual candidates
- Practical tests of competence
- Group activities
- Psychological tests

Below we briefly discuss each in turn.

Selection interviews

a) Preparation

There needs to be proper preparation. Suitable people need to be involved and given time to prepare. Applicants’ forms, CVs and other materials need to be thoroughly examined and understood. Suitable questions need to be formulated and the order of questioning and who is to field them agreed by the interview panel before the interview. Preparation as to what the candidates need to know and to be sure someone is on hand with the right information is an important task in the preparation. A quiet venue with no possibility of interruptions needs to be identified and booked when necessary. If candidates are coming from a distance, then refreshments and a period to gather themselves for what is for them a stressful occasion should be allowed for. If a series of activities are planned then the initial meeting should be used to explain the agenda for the day/half-day and an opportunity for any questions arising from the briefing.

b) Questioning the candidates

The interview itself is an opportunity for the candidate to reveal themselves to the panel, so make sure your questions include mostly questions that avoid yes or no type answers. Questions to ask candidates could include what attracts them to your organization, what attracts them to this job and what they would do or how they would react in situations that you have contrived as being close to the real life problems they might face in doing the job. Give the candidates plenty of questions about themselves and their past experience. It is often helpful to find out what they most liked or disliked in their past employment, or at school or college etc. What do they consider to be their main achievements in their last job is often a useful question. Do not put them under unnecessary
pressure but at the same time be prepared to have some tough or challenging questions ready.

c) Evaluating candidates

When evaluating the candidates’ performance at the interview, the panel members need to be very aware of any halo effects left as a result of bias of prejudice towards any of the candidates. Gender and racial prejudice are unacceptable in any organization. In cooperatives such prejudice breaches cooperative values and principles. Prejudice, however, can also work in favour of a candidate too. We must always be careful in interviews not to let our prejudices cloud our judgement either positively or negatively towards a candidate.

Meetings with other members of staff and getting their feedback on individual candidates

In the modern organization where teamwork, good communications across disciplines and processes, and flexibility are key levers for success getting feedback on individual candidates from their peers is a good idea and enables everyone to feel that they have been able to have a input on a new appointment. It also gives the candidates a sense of the style and culture of the organization and the kind of relationships they must be comfortable with if they decide to take the job when it is offered.

Meeting with potential colleagues can be time consuming. It needs to be timed so that the feedback from the existing staff concerning the applicants can get to the selection panel members before the interviews. A member of the panel can be delegated to go round and gather in any feedback to report to the rest of the panel. The content of the meetings is often fairly shallow as time may not allow for more than “first impressions”. But it can be helpful for orientating the candidates and getting a range of other opinions on the candidates.

Practical tests of competence

These are generally useful skill-based exercises allowing candidates to demonstrate competence in a range of areas like making presentations to the use of computers. They are valuable in checking out the validity of references, certificates of competence and alleged experience.

Group activities

Usually group discussions are only useful for supervisory posts or above and for graduate intakes as they are likely to be to intimidating for operatives and young school leavers. They can give an insight into how different personalities amongst the candidates relate to each other and manage the situation and indicate the relative knowledge and understanding with the parties to the discussion. Again, like the meetings with peers, it’s another useful opportunity to observe the candidates and allow them to reveal something about their true nature.
Psychological tests

These tests are valuable tools for determining deeply held attitudes and values and can be most valuable as aids to selecting very senior people or people who are destined to become senior if their development plans work out for them. Skills can be developed and knowledge acquired but new attitudes are very tough to instil and cooperatives need to have people in senior management positions with the right attitudes and values to support their distinctive mission and identity. At present there are no validated psychological tests aimed at determining suitability for leading/managing cooperatives. This is probably because those who devise such tests do not identify the cooperative sector as a potentially very big market. This, like the specialist recruitment consultant, requires some initiative to be taken from within the cooperative movement, to commission it to be done on its behalf.

Key issue: Avoid nepotism and discrimination in selection

- Selection must be based on an impartial evaluation to ensure the appointment of the best person for the job.
- Procedures must ensure that family and friends of the applicants play no part in the selection process.
- Sensitivity training is vital to ensure that gender, racial, age or religious/cultural discrimination is eliminated from the selection process.

Stage Six: Induction. Getting the new recruit started

Induction started during the selection procedure. Who is going to undertake, or at least coordinate, the task of induction? The immediate superior must be the person most centrally involved, but peers will also have to be involved and in some cases membership involvement will be helpful. Induction should ensure the new person has all they need to do their job.

Making sure the candidate understands their terms and conditions and is given a copy of all the necessary documents concerning their contract, remuneration, pension arrangements, car schemes and the rules and regulations incorporated into the contract is a fundamental part of induction.

New staff will need to be introduced to any relevant administrative and other support services available to them and meet all their clients, customers and suppliers and so on, and have an opportunity to be introduced to the members, particularly the Board of Directors. Meeting a Board member can be very valuable in getting the new employee orientated to the cooperative’s membership base. Any induction training should be arranged as quickly as possible otherwise it loses impact. Induction should be staged over the first two to four weeks so that the various materials can be assimilated easily and acted upon.

For people new to the cooperative movement, there should be suitable training concerning the movement covering its history, purpose and identity. This should be longer and subject to some sort of review with a superior the higher up the management ladder the new recruit is. The recruit needs to understand how the
cooperative dimension impacts on their job and the relationships that surround the conduct of the job.

If there are relocation problems, help and finance should be provided by people with local knowledge concerning housing and schools who have been co-opted to help and advise. Wives and husbands as appropriate can also be drafted in to make partners of newcomers to the area feel welcome and help them get to know their way around. Cooperatives should make families, not just employees, part of their induction programmes. This depends on the strength of community spirit within the cooperative itself.

Once the employee has the measure of his or her new environment and the new job, ideally within one month of starting, they should be invited to an appraisal of the job and its challenges with their immediate superior. This is an opportunity to review the key tasks and results/outputs or goals in the light of the first four weeks’ experience, and for objectives to be identified and agreed upon so that work on achieving them can begin.

**A final overall perspective on who cooperatives are trying to attract and select?**

Essentially the cooperative needs to consider a range of issues from ability, motivation, values and character to development potential and to ensuring the cooperative is operating fairly and providing equal opportunities at all levels and grades of its employment.

**a) Balancing strengths and weaknesses**

Candidates will all have some strengths and some weaknesses. The question is which one is the best all-rounder given the requirements of the job? The second question is who has the best potential for further development? It may be that recruitment for future development might tip the scales against someone who was rather ahead on experience and skill at the time but may have already reached his or her peak. Here, however, we need to guard against age discrimination. Greying temples does not necessarily indicate a mind closed to new ideas or someone not likely to provide enough years of service to make their appointment worthwhile. Getting the balance between youth and experience can be an important matter in the construction of teams and in enabling proper succession planning.

**b) Cooperative values and commitment**

Cooperatives need to recruit people who understand and are sympathetic to cooperative forms of business or have the attitudes and values to be motivated to learn about cooperatives. Cooperatives need people who want to serve an ideal and a community beyond their own inner circle and self-interest. People need at the selection process to be reminded at whatever level they are being recruited that serving the membership, the customers and the community is why the cooperative exists. Cooperative employees at all levels need to have attitudes and values consistent with the ownership base, purpose and values of
the cooperative. Cooperatives in particular need to employ staff and management with attitudes and values likely to lead them to be persons who are:

- Committed to their communities;
- able to work alone or be a strong team player depending on the circumstances;
- committed to social and community service;
- concerned to perform effectively and responsibly in whatever task they undertake;
- committed to democracy;
- committed to social justice; and
- committed to their personal development.

**c) Character and capacity**

Honesty and integrity and pride in their work are the most precious assets any worker employed in whatever capacity can bring to their organization whatever its ownership structure. The selected person must be able to do the job they are employed for almost immediately in the modern organization. There is less slack in employment than ever before so there is less time to bring someone up to speed during a lengthy induction.

**d) Motivation**

Cooperatives in today’s competitive environments need staff who can be self-starters. Employees must be self-motivating, self-confident communicators who are helpful and understanding of others needs, particularly other employees, members, customers and suppliers and who find satisfaction and fulfilment from serving others. People who find they can identify with the cooperatives overall mission and values are likely to be motivated employees.

**e) Human Capital**

The cooperative is looking for people not just good enough to employ but good enough to invest in for the long term. Human Capital is made up of the skills, knowledge and experience from all sources of people employed, contracted (suppliers) and volunteer (membership). We need to recruit people with the disposition to be involved and to learn and for whom self-improvement and development is a personal goal.
Reflection

- To attract the right people we have to have cooperative organizations worthy of them. That is cooperatives that operate according to their values and not just pay lip service to them. Cooperatives need clearly articulated missions that are well understood and carried through.

- There is a large constituency of talent located in people who are more comfortable to serve rather than making money for investors, more orientated to community and who have the capacity and desire to grow professionally and are still innovative and competitive.

- Are cooperatives projecting their values sufficiently to attract them?
Action points

1. Review the most recent appointments in the cooperative and reflect on how far you are operating a systematic recruitment and selection process.

2. Consider whether you are giving enough emphasis in your employment advertisements to the fact that your organization is a cooperative.

3. Identify a selection interviewing skills training programme and identify people who would benefit the cooperative if they attended.

4. Review the support and infrastructure to help the identification and recruitment of cooperative management in your district or region. Suggest a conference be convened to determine how to develop improved specialized infrastructure for cooperative recruitment.

5. If you do not have up to date job descriptions and job specifications request that each employee write their own job description and get them to discuss it with their superior and have them adapt or approve it.

6. Develop your employment records. Check how frequently they are updated. Do they include all the data you might require relating to social and community interests and involvement, experience, skills and interests of your employees? Do your records comply with any existing data protection regulations in force in your country?
Managing individual and team performance in the cooperative context

This Chapter reflects on cooperative employees’ contribution to the maintenance of cooperative competitiveness and identity. Employees and other stakeholders need encouragement to formulate and communicate new ideas. These ideas should be focused primarily but not exclusively on what they do and why and how they are doing it. Good ideas must be appropriately rewarded for they are the cornerstones of good performance in the cooperative. Performance Management is a complex mix of factors which taken together ensure that good ideas (innovation) move swiftly from conception to implementation. Performance management requires:

- good selection choices fitting the right person for the technical and social tasks involved in the job (see Chapter 4);
- a good psychological contract between organizational values and employee values (see below);
- appropriate training and development programmes (see Chapter 8);
- the right mix of job-related motivators (see below);
- performance related remunerative inducements (see Chapter 6);
- the right levels of resource support and supervision (see Chapter 7);
- good quality communications and feedback (see below);
- clear tasks and specific goals (see below); and
- teamwork and a strong culture of cooperative relationships (see Chapters 7 and 10).

The overall unifying perspective bringing these factors together is provided by orientating individual performance within the sets of relationships encouraged in the CSCM framework. Individual performance is measured in part by its contribution to IC and is in part dependent on its access to IC. IC itself is quintessentially a product of team working in the context of a clear identity with the organization as a community and with its wider stakeholders. Establishing a clear sense of belonging, identity and solidarity is the foundation of performance management in the cooperative context.

A holistic approach to performance management

Performance management is not simply a matter of identifying a list of factors relating to performance management and giving line management support in the development and monitoring processes. Rather there has to be a model into which various factors should fit as part of the whole. Training and remuneration must facilitate the
achievement of performance standards set by line management. Setting objectives and the establishment of the right psychological contract (see section below) to ensure motivated behaviour is a central task for the management of performance. Although we have treated many aspects of performance management as separate Chapters in their own right, it is important to recognize their interdependence for the overall achievement of individual effectiveness in supporting cooperative goals and mission.

The performance management model as presented in much of the HRM literature, assumes we are focusing on individual employees within the organization. From a TQM and IC perspective this is inadequate because in the TQM perspective performance relies on collaboration and on the inputs of suppliers and is measured by levels of customer satisfaction and costs. The focus shifts in the IC framework to explore the impact of hidden human capital and structural capital elements on performance with customer capital providing increased opportunities for enhanced learning. The CSCM framework builds on both of these approaches in the context of cooperative purpose, ownership and outreach into the wider community to enrich the fund of available IC.

The IC impact upon individual performance in the cooperative depends on a culture where the individual recognizes of his/her responsibility to their peers and other stakeholders and their dependence upon these stakeholders for their own performance. All organizations need to establish a performance culture where everyone has a responsibility to improve their own performance and at the same time enhance their subordinates’, co-workers’ and fellow team members’ performance. For cooperatives there is the added dimension of performance within the community. This gives an additional dimension in the measurement of performance by measuring the added value to stakeholders and their communities. This is in addition to the added value retained by the cooperative for growth and which is distributed to members as dividends and benefits.

**Performance objectives in the cooperative context**

Performance objectives in a cooperative involve the achievement of sets of task-related goals based upon the business and social dimensions of the cooperative enterprise. These goals can be defined as falling into one of the following three key result areas:

- Financial
- Social
- Environmental

CSCM is different in approach from HRM and IC not by its inclusion of social goals but by its inclusion of society as an active resource. It is crucial to recognize that CSCM emphasis of the social is not to detract from the financial and environmental key result areas. Rather it is a methodology for optimising all three key result areas to the competitive advantage of the cooperative and to the fulfilment of its purpose and identity. The foundation for cooperatives to develop this capacity lies in the identification and development of social human capital (activists, processes and collective knowledge held within the community) and the social context of customer capital (those sets of relationships and knowledge that inform customer attitudes, values and priorities). Working closely with both community activists and customers
in their social context can contribute to a significant degree to the IC available to the cooperative.

The difference between the standard performance management model and what is proposed here for cooperatives is not large. There are social and environmental performance indicators already in place in some leading-edge private sector firms (Shell, for example). The performance enhancing advantage comes from the potential additional knowledge inputs to the IC gained from the wider learning community (Chapter 3).

Figure 5 (below) illustrates four areas of analysis: Dimensions, processes, outputs and monitoring. In the first two boxes at the top of the diagram we have both the economic (formal business organization) and social (associational and community networks) dimensions of the cooperative presented along side each other suggesting a parallel approach where each can mutually reinforce the other. One challenge facing cooperatives is to find strategies and processes for creating and realizing the added values created through the interaction of these dimensions.

The learning community can be a framework for these processes as represented by the boxes in the middle section of Fig. 5. The central box marked “learning community” elaborates each of the major stakeholders in the cooperative. At the sides we have identified some of the inputs and outputs of the social and economic dimensions of the various stakeholders. Another challenge facing cooperatives is to find objective and verifiable standards of measurement for all three key result areas. In the final boxes at the bottom of Fig. 5 some of the outputs that can be the basis for measuring value added in the three key result areas listed above, namely, Social, Financial, and Environmental are identified. An illustration of some possible performance indicators for each of these key result areas is given in the case study in Chapter 11. The final boxes marked “Audits” are included to underline the fundamental importance of accurate, independent, regular and professional monitoring and assessment of cooperative performance being placed in the public domain.

The CSCM approach helps to provide a framework to manage performance and improve the collective added value. By creating more open channels of communication based upon cooperative values and purpose CSCM leads to a closer and more transparent working relationship between the various stakeholders. In addition to facilitating employee human capital growth, this process also adds directly to the human capital available to both the cooperative and the wider community by adding membership and customer capital to the sum total of the community’s available human capital.

By spelling out goals at the level of the cooperative’s overall performance, we can have a clear set of goals in the social and environmental boxes (see under measures in Fig. 5) that will demonstrate the commitment and relevance of the cooperative to the wider society. This is the key to establishing that sense of identity, belonging and solidarity that is the foundation for the achievement of optimum performance in the cooperative context.
Human capital performance appraisal

Cooperative appraisal systems are one of the key processes in facilitating the investment and development of cooperative human and social capital. The appraisal is also a factor in the maintenance of the motivationally critical psychological contract between the employee and the cooperative (discussed in a section below). Although this will generally focus upon employees, there should be the possibility of a form of appraisal being extended to volunteer activists among the cooperative membership and its stakeholders in the wider community.

We have identified members and the wider community as falling within the definition a learning community that provides the source for the creation of the IC available to the cooperative (see Fig. 5 below). Thus the idea of extending HRM strategies and techniques like appraisal beyond those who are employed within the cooperative, becomes more appropriate as we seek to build up the mutually reinforcing knowledge, teams, networks and competencies that supports the development of the cooperative.
Figure 5: CSCM: Dimensions, processes, outputs and monitoring

Economic
- Mobilized human/other capital-
- Knowledge
- Skills structures, operations
- Experience

Social
- Sharing Knowledge within Learning Community-
- Stakeholder Relationships
- Membership Association
- Communications

Access to Structural Resources
- Land
- Equipment
- Buildings
- Information
- Finance

Learning Community
- Customers
  - Segments
    - Regular
    - Occasional
- Suppliers
  - Carriers
    - Immediate
    - Upstream
- Employees
  - Management
    - Professional
    - Admin
    - Operational
  - Directors
  - Volunteers
  - Active
  - Economic
  - Dormant
- Members
  - Wider Community
    - Interest groups
    - Women
    - Youth
    - Unemployed men
    - Occupational groups
    - Retired
    - Minority communities

Measures
- Financial Bottom Line
  - Surplus
  - Return on Capital Employed
  - Assets
  - Turnover
  - Market Share
  - Unit Costs
  - Product and Service Quality
  - Customer satisfaction
  - Customer care

- Human Capital and Community
  - Educational & Skill Levels attained
  - Domestic Products & Service; Culture, Sport, Leisure
  - Solidarity - Family, Societies, Clubs, Groups
  - Range of Choices
  - Standard of Living including Health
  - Ratio of included to excluded; Persons and Groups

Environmental Bottom Line
- Sustainability
- Conservation
- Pollution Control

AUDITS
Performance Appraisal has five functions in the cooperative context:

1. To evaluate current and past performance.
2. To identify development opportunities to improve performance or to allow for further growth into new opportunities.
3. To motivate and gain the commitment of the employee and members to take responsibility for their job or role and the definition of the key result areas involved in its effective execution.
4. To cement superior and subordinate relationships in a positive manner whilst enabling the manager to exercise control where necessary over the subordinate’s performance.
5. To measure the individual’s contribution to the development of the cooperative’s goals, both commercial and social.

There are several difficulties in practical terms with the operation of any employment appraisal scheme. These difficulties can be found in:

1. Allocating sufficient management time in terms not only of the interview but in training management to gain the appropriate skills and in the collection and analysis of the individual performance data.
2. Measuring the quality of each individual’s performance and identifying and allowing in the appraisal for those factors beyond the individual’s control influencing their performance.
3. Integrating performance appraisal processes and outcomes with the management of change and the need for rapid responses to the market.
4. The administration of performance appraisal in terms of:
   a) over-elaborate paperwork;
   b) lack of prior involvement with key stakeholders like managers and trade unions;
   c) lack of management commitment;
   d) lack of follow-up;
   e) lack of consistency in the application of standards of appraisal; and
   f) the increasing formality in the process where managers simply ‘go through the motions’.

**Identification of goals**

Some performance appraisal systems will have rating valuations along key characteristics or traits for the conduct of the job such as time-management and personal organization, initiative and technical knowledge and so on. The challenge is to develop characteristics that cover all three of the key result areas (financial, social and environmental) as they impact on the employee’s job or, where appropriate, members’ role.
A popular and effective method of appraisal is that of management by objectives (MBO) particularly if the objectives themselves can be quantified. This leaves the appraised with a clear idea of what he/she must achieve and the appraiser with a clear objective criterion with which to measure performance. Objectives will always be needed in the key result areas for the various tasks and elements in an individual’s job or role. The problem with MBO is that it can induce a manager to become so focused on the achievement of a narrow range of objectives that other important aspects get overlooked.

Building into the appraisal the contribution and interaction with the social and community goals of the cooperative will need a lot of management and staff commitment. If by reaching out in this direction, however, we achieve not only our social goals but strengthen our competitive advantage, the effort will have been worth it.

**Culture of effective appraisal**

It is most important to encourage candour and openness in the appraisal scheme. To ensure this happens there needs to be a distance set between the appraisal and the review of rewards even though, in practice, performance in organizations is often tied to remuneration through management and staff bonus incentives and other performance related payment schemes.

Individual employees must take ownership of the appraisal. This is why self-appraisal by the employee should, if possible, form the basis of the final report that goes forward to a more senior level of management. The self-assessment report can be the basis for a discussion with the line manager concerned and out of which an agreed consensus can emerge. Such a report should deal with the following areas:

- the main tasks involved in his/her operation;
- how well the tasks were dealt with and the key results attained;
- problems that have arisen;
- learning and sharing new information;
- assessment of future needs;
- identification of the future direction the individual would like his/her career to take;
- identification of the teamwork and relational objectives within the cooperatives business relating to the individual’s main tasks;
- the quality of important relationships with key stakeholders such as suppliers, members and customers;
- identification of the wider community impact of these task; and
- the individual’s social and family goals (within limits dictated by the individual right to privacy).
A note on membership appraisal

We need to upgrade the membership development manager’s role to include some use of HRM techniques to assist member development and governance. The appraisal of activists (members who volunteer to serve the cooperative in some capacity) and the provision of follow-up development is one important approach. We also need to recognize member development and involvement as a necessary characteristic by which to measure staff performance. The idea that in a cooperative staff are as concerned with member development as they are with customer and supplier development, will be a new departure in many cooperatives. It is based on a recognition of the members’ potential contribution to the cooperative’s total human capital and IC.

Member development should, therefore, no longer be seen as solely the responsibility of member development specialists. This is not a reason for abandoning membership development but on the contrary, for up-grading its importance as a professional service function to line management. The benefits are perhaps clearest in the context of agricultural and worker cooperatives but should also be evident in terms of improved consumer knowledge and discernment for consumer, financial and other service cooperatives.

The psychological contract and motivating the individual and the group

One point of contact between the commercial and the social is through the establishment of a strong psychological contract. The psychological contract contains the ethical, emotional and social “feel good factors” accompanying the job itself. The validity of the jobs’ social and economic goals, the intrinsic skill and other points of satisfaction strengthen or weaken the degree of satisfaction and identity the individual feels for the job and for the environment within which the job is conducted.

Every employee needs areas in which to excel and which give an opportunity for his or her creativity and social skills to be exercised. Not all available jobs permit this, even though cooperatives need, at the design stage, to enrich every job as far as possible. The development of community-based objectives, even if not always directly related to employment tasks but recognized as a service to the cooperative and/or the cooperative association in the community, can increase the sense of meaning and identity for the individual in the employment relationship itself. The social performance of the cooperative and individual employees’ contribution to this, could make for positive public relations, improved member relations, contribute to team building and satisfy employee esteem needs.

Theories of human motivation

Motivation is the feeling of commitment and belief in the purpose and value of what one is doing. There are a wide variety of theories proposed to explain human motivation and suggest how managers can improve the motivation of their workforce. Motivation can be seen as the determination to achieve. As the pressures rise to achieve even higher standards of quality so managers need a committed and motivated workforce and management team to achieve cooperative goals. To be highly motivated is recognized as an essential condition for the optimum performance of any task.
In this section we shall briefly review some of the more famous and influential theories of motivation. The influence of these theorists has been substantial on HRM and Performance Management practice in general. It is important to recognize their particular relevance in terms of cooperative employment. Modern theories of motivation relate well to cooperative identity, values and ownership structure. The fact that many stress non-monetary factors influencing high performance should be an added encouragement to smaller cooperatives operating in marginal and difficult economic circumstances.

The first leading theorist in the area of employee motivation we shall consider is Abraham Maslow (1970). Maslow argued that people are motivated by their needs which can be categorized and prioritized into a hierarchy. The hierarchy has at its base physiological needs (shelter, food and comfort) followed by safety needs (security from dangers), followed by social needs (companionship and a sense of belonging), followed by esteem needs (recognition of ones value by peers) and finally self actualisation (the realization of ones ultimate goals in activities that satisfy ones sense of who one is).

In some ways Maslow’s approach is quite applicable to the idea of the psychological contract with its concerns that the contract reflects the range of psychological needs of the individual. Maslow’s hierarchy, although it has appeal and does help us recognize those important areas of human psychological need, is not borne out by research or observation of motivated human behaviour. Many people forego safety and physiological needs to achieve esteem and self-actualisation. However, whether a real hierarchy of needs can be established or not, Maslow’s categories are universal and helpful. His emphasis on social and esteem needs are particularly encouraging for the strategy within the CSCM framework of rewarding some performance in its social context in non-monetary terms (see Chapter 6).

When we design jobs and consider the job’s physiological context and then the ergonomic, social and intellectual content, we could do well to think it through in terms of Maslow’s hierarchy and ask the following questions. How comfortable and safe is the environment? What are the opportunities for social interaction and to achieve recognition provided by the job? We have to recognize that for most people work is unlikely to provide real opportunities for Maslow’s self-actualization need to be satisfied. Here the cooperative’s social goals may be particularly significant for employee motivation. In so far as people have fundamental needs for distributive justice, service to the community, freedom and autonomy etc, we can see the motivational potential for volunteer employees together with member activists working as a team supporting the development of the cooperatives community and commercial goals. Such social interaction does not guarantee extra sales to the cooperative, but it creates a very much more conducive climate to develop extra business as long as the cooperative’s commercial offer in product and service quality and price are in line with their market and are professionally promoted and supported.
Douglas McGregor (1960). The important insight of McGregor was to recognize that the way management treated employees was based on management expectations as to employee attitudes. McGregor went on to forecast that people will tend to respond or react in ways that confirm such expectations for good or ill. Thus it is important that management adopt a positive view of human nature. McGregor’s Theory X and Theory Y tried to encapsulate two polarities in management expectations of their employees’ human nature.

Theory X expectations were that employees:

- had an inherent dislike of work;
- had a need to be coerced to work;
- shirk responsibility and seek formal direction; and
- have little ambition and seek security above all else.

Theory Y expectations were that:

- people enjoy work and find it a natural activity;
- people who participated in decision making feel commitment and, under such circumstances, are self-directing to achieve agreed goals;
- the average person wants to be given at least some responsibility and can learn to accept increased responsibility if taught and given the opportunity; and
- creativity is widely dispersed throughout the community and is not the sole prerogative of management.

Organizations where management operated on the basis of theory X would be characterized by conflict and mistrust. In Theory Y companies, there would be greater trust, less conflict and lower supervision costs. This in turn would lead to greater profit arising from improved efficiency and productivity.

Again there is much wisdom in this idea. But the reality is far more complicated. People have various tolerance levels for responsibility, pressure and different attitudes to work - from a very instrumental attitude to one that shows considerable self-identification with the job and the job’s goals. Management needs to recognize and respect each employee’s contribution and encourage them to take more responsibility whilst recognizing individual differences.

Cooperatives need “Theory Y +” managers if they are to apply the CSCM framework fully. A “Theory Y+” manager is one who, in addition to holding theory Y beliefs in their subordinates, also recognizes the importance of service to community as a legitimate business goal and organizational principle. That such service fulfils some basic human needs to feel identity and solidarity and acceptance in a community to which they belong, is a basic assumption of a “Theory Y+” manager.
David McClelland (1961) saw that societies at different times exhibited different levels of achievement. For McClelland people have three needs: achievement, affiliation and power. Individuals differ in their need profiles. From the cooperative standpoint, McClelland’s most significant insight was his recognition that the level of achievement motivation in a population was a key factor determining individual motivation. Culture management will have a big influence on individual performance and motivation. A culture that values the goals of the cooperative, personal growth and development, identity, fraternity and solidarity with the association and community, is likely to generate motivated performance by employees and volunteers.

Fred Herzberg (1966) reduced motivational factors down to two main categories. First hygiene factors that include things like:

- Salary
- Peer and boss relationships
- Job security
- Status
- Company policies
- Working conditions

Such factors were important and should be addressed properly by the employer, but whilst their absence might de-motivate, their fulfilment could never motivate according to Herzberg.

Motivators were those factors that related in an intrinsic way to the job, such as:

- Degree of interest in the job
- Feeling of significant achievement in the job
- Sense of personal growth arising from doing the job
- Sense of worth inherent in the job’s activities
- Opportunity for recognition and promotion

Herzberg’s work had a big impact on the demand to enrich jobs and he became an important figure for the “quality of working life movement”. In the harsher labour market environment of the 1990s, these 1960s ideas became less fashionable and have lost ground. There is little doubt that money can be an important motivator. Performance-related pay, given that it is clearly related to performance criteria that can be measured and are achievable, will motivate people to try harder than they might otherwise. To be fair, Herzberg did not say money was not important but that getting remuneration right did not guarantee motivated performance in the long run. Whilst the research used by Herzberg to prove his theory was inconclusive it must be sensible to take note of the motivating factors Herzberg advocated when considering any given job’s design.

One form of helping to ensure self-actualisation (Maslow) or intrinsic satisfiers (Herzberg), is through training and giving other opportunities for individual development. Thus cooperatives can feel justified by Herzberg’s analysis as with the
case of Maslow, that their culture and purpose should be able to facilitate motivated performance from their employees.

Victor Vroom (1964). Most theories of motivation are humanistic and essentially positive. Only Vroom discusses the “dark-side” of motivated behaviour/fear. Fear of lost promotion, fear of the public recognition of failure, fear of poverty/unemployment. His expectancy/instrumentality theory assumes that different objects or states of affairs have different values, attractiveness or valence. Valence can be positive, neutral or negative. Valence is a function of the differing levels of expectancy and instrumentality a person feels. A person’s motivation will be influenced by his or her expectancy that their behaviour will lead to the desired outcome and instrumentality refers to the strength of that belief. Vroom argues we will act if we expect we can achieve a particular result and we believe that the result will lead to a desired outcome. If correct, the positive consequences for organizations of Vroom’s ideas are that they need to:

- provide rewards to employees value;
- provide strong correlation between performance and reward
- make clear the relations between effort, performance and reward.

Equity theory

The equity theory developed by J. Stacey Adams in the 1960s suggests that people are motivated to perform by the degree to which they recognize that they are being treated fairly or equitably. This is measured by an individual input/output ratio taken in comparison to that of their peers. In everyday language we refer to this as fair treatment. Fairness is an important element in the equation involving any collective bargaining situation and all relationships with stakeholders. It should also be seen as essentially an ethical end that all organizations have processes and outputs that are “fair”. The general measure of what is fair is itself a socially determined standard that is felt to be fair within the group or community to which it is being applied.

HRM and CSCM motivational strategies

All these motivational theories and frameworks can be applied to advantage within cooperative employment as in other organizational contexts. The interesting question is, however, to what extent the cooperative context provides additional motivational potential through the following:

- Ownership base
- Identity, values and principles
- Links to community
- Human centred purposes
- Developmental agenda for our human capital
- Greater social solidarity

Whether people are motivated to perform well when they recognize fair treatment or whether this is rather one of Herzberg’s hygiene factors, is difficult to establish. It is
certainly the case, however, that when people feel unfairly treated their performance generally deteriorates, unless there is some overriding professional ethic that enables them to continue despite the feeling of exploitation. If the reward equals the effort, Vroom suggests, positive valence will be experienced. If people identify with the ends and gain a sense of esteem or self-realization in their achievement, then such ends may overcome the negative de-motivating impact of poor hygiene factors at least in the short-term. Community, member services, development and justice are all fundamental ends for cooperatives that are potential motivators in terms of Maslow’s and Herzberg’s theories. Thus for cooperatives, their potential for motivating employees and member-activists appears encouraging.

Reflection
Do you agree that:

1. The cooperative identity and purpose are economically valuable by underpinning the social meaningfulness of the tasks cooperative employees are asked to do?

2. A high positive social profile leads to good public relations for the cooperative that will motivate its staff and encourage customer loyalty?

3. The level of voluntary activity by cooperative staff and members in the community is a one valid measure of employee motivation and membership identification with the cooperative?

Performance management relies on four essential elements:

- Clear tasks and targets
- Proper resources and appropriate skills and knowledge
- A sense of significance and meaning in the tasks and goals themselves
- A supportive social context

There is no excuse for cooperatives not to have clearly defined tasks and targets or goals. Many cooperatives do, however, have a resource deficit in human, financial and material assets due to circumstances beyond their immediate control. Cooperatives that use their values and principles properly will have a clear sense of the importance of their mission and a strong supportive social context. Human capital can grow, given the incentive and opportunity, and with that growth, the deficit in human financial and material assets can be overcome. This is not mere wishful thinking. Cooperatives have a hundred and fifty years of growth from modest beginnings to attest to this.
**Action points**

1. Establish a performance management strategy for your cooperative into which all line managers should make a contribution under headings using the three key result areas: Financial, Social, and Environmental, as organizing headers for the targets being set for the cooperative.

2. Establish a regular appraisal programme for staff and member activists and establish their individual goals towards delivery of the cooperatives overall targets.

3. Establish regular consultation programmes with separate stakeholders; particularly members, employees, suppliers and customers.

4. Ensure that quality management is introduced into all aspects of the cooperative’s activities.

5. Identify individual, group and organizational performance criteria for the cooperative focused on:
   a) product/service quality;
   b) customer, employee, member and supplier relationships;
   c) environmental impact; and
   d) social informal/domestic criteria for added values in the wider community.

   Involve all functional and operational line management, staff and other stakeholders in trying to identify these criteria.

6. Consider communications strategies that directly link the cooperative difference and values to the goals and tasks for the cooperative, as defined across functions and activities covering staff and members. This should be seen as a multi-disciplinary task involving a project team drawn from HRM, membership development, public relations and marketing departments. The aim is to improve awareness of cooperative values and mission as a methodology for motivation and team building across stakeholder groups.
Rewarding solidarity: Role of compensation in the cooperative community

This Chapter commences with a discussion of the principles of compensation as might be understood within the framework of cooperative social capital management. The network of stakeholders creates a variety of forms of value. This variety gives cooperatives a wider range of options in the development of compensations packages, providing a mix of financial and social opportunities that is relevant and commensurate with their individual differences, relationships and needs.

For cooperatives, compensation strategy is about developing inclusive relationships between the cooperative organization for business and its wider association of members and stakeholder communities. These relationships exist between the money economy and the cooperative membership association, on the one hand, and the wider community and the domestic economy on the other (see below section entitled Domestic Economy).

CSCM approach to compensation strategy: Families and labour markets

The term compensation covers more than wages and salaries. It includes the total range of benefits that are offered forming a part of the contract of employment covering a range of benefit possibilities from hours, working conditions, catering facilities, training and development, company cars, pensions, holidays, school fees, social, sports facilities and so on. They will often be tailored benefits for individual circumstances covering such items as relocation expenses and help with housing.

Cooperative compensation strategies are built on a mixture of two factors: the traditional money and benefits package that meets the expectations and needs of the given labour market context, and access to services and products that have been facilitated and enriched by the cooperative association’s mobilization of volunteer labour in the domestic economy. In a global economy where half of the working population earns less than two dollars per day, cooperative compensation strategies cannot rely on employment alone to sustain the welfare and effectiveness of their employees, members and their families.

The volunteer labour of members of the cooperative association can provide additional benefits through social added values outside the money economy of the cooperative business. This social added value can provide additional resources supporting employees and members operating in cooperatives in those circumstances where cooperators are living and working in economically and socially marginal and impoverished communities, where the money economy has failed to provide sustainable incomes for the workers or their families and where the business realities prevent even the cooperatives from producing sufficient incomes.
For those cooperators living and working in developed economies there may be possibilities for the reduction of income and development of lifestyle options. The levels of discretionary income amongst the lower and middle-income groups in the industrialized countries can be exaggerated. These “affluent” workers may require a supporting social context in which, as members of lower and middle income groups, they may still be able to enhance their family and community life and personal development by working less.

The CSCM approach encourages cooperatives operating in both high wage and low wage labour markets to support a balanced strategy towards employment and compensation. This takes into account lifestyle, life cycle and relative income to cost of living needs in a given community. The CSCM framework may suggest new strategies to support today’s greater demand for flexible working and the changing attitudes to retirement. The need for pre-retirement or staged retirement and the demand for a more balanced life-style between family and work are steadily rising up the employment agenda in some OECD countries.

The role and emphasis of individuals who participate as members, workers, or family/community stakeholders in the cooperative’s community of human resources, may be expected to go through a number of transformations during their lifetime. There cannot be a hard and fast pattern overall because of the great range of human need including levels of disability. In all people there are enormous variations in levels of income-earning ability simply based on the human life cycle. By the integration of community volunteer labour by employees and members, in partnership with other stakeholders, a range of added values enriching community life and supporting the more vulnerable segments in society, may be produced without costing the cooperative business precious funds needed to develop the business.

One example of community volunteer labour could be a crèche run by volunteers to support parents working part time for the cooperative or other employers. Another example might be a day centre for retired employees or elderly members. A further example could be the provision of sports or youth club facilities or home-work centres for the children of members. The mix of income from paid labour and community based voluntary inputs when mobilized collectively, can combine to enrich the community and embed the cooperative within the community. In high income societies, “day centres” may not be required but there could be a high demand for other affordable facilities such as a golf or fishing club.

**Domestic economy: Paid work can never provide a total answer to well-being**

Domestic economy here means all value-adding activities undertaken on the basis of family, friendship or neighbourly exchange of goods or services or due to a socially recognized obligation, but excluding any payment of wages or fees.

**Domestic economy and the poor**

For many workers the under-utilization of their labour, or the failure to provide employment of any sort, has forced them into “marginal” activities in order to survive. For many, the labour market provides very little in the way of
remuneration or decent work. In these contexts, the domestic economy provides access to the possibility of existing without wages or with very low wages. The domestic economy for such people is a significant provider of value added and well being for themselves and their families.

Cooperatives operating in the world’s poorest communities often use members’ domestic labour as an important means of fundraising for the cooperative. Craft products made for sale to raise funds for micro-finance and credit union projects, are familiar strategies in countries like Thailand. What the cooperative associations need to consider is ways in which cooperative principles can help mobilize members’ domestic activity to improve the quality of their lives and create a more viable community economy from which the cooperative itself can grow.

A richer and more rewarding life style in the domestic economy becomes possible through the creation of social capital in terms of skills, knowledge, networks, exchange of products and services which are based not on monetary values but on ability, need and solidarity and ultimately on the spirit of volunteerism.

**Domestic economy and the affluent worker**

The opportunity to spend less time at work when there is a family to raise, is a particular benefit for many parents. In contexts where two incomes is the norm, the financial viability of one, or both partners, working less than full time is possible if a supportive and enriching domestic context exists which avoids the social isolation that blights so many people’s experience of being “cut off” from paid employment. At other stages there may be elderly parents needing increasing attention and support. For some it is simply a case of wanting to do less paid employment in order to develop skills and interests in other areas while the individual has health and strength to do so. Money enables us to enrich greatly the domestic environment and create opportunities for creativity and leisure in the home that would not have been considered by earlier generations. For many, entering the world of paid employment is motivated primarily by the need for a social life. Cooperative associations led by their volunteer activists are best placed to develop communities in semi-detached suburbia and other urban socially impoverished housing developments such as high rise estates.

**General benefits of strengthening the domestic economy through association**

The strengthening of the domestic economy’s ability to generate added social values will feed back positively into the organization and society at large in a number of ways.

- The development of a vibrant domestic economy will reduce the fear of unemployment and create real options and viable variations in the forms of
employment contract. It will enable a variety of lifestyle choices. Transitions to and from employment will be made smoother and less traumatic.

- Enhancing the domestic economy for members and employees will facilitate the better utilization of their money incomes arising from the cooperative employment or membership by the substitution of available domestic production for commodity production. This frees resources for the purchase of commodities not easily produced in the domestic economy. For example, reducing dependence on pre-packaged and pre-prepared food could save enough on the domestic food bill to enable a saving that could go towards an extra pair of shoes or an item such as a child’s electronic toy or money for a family outing. Knitting and clothing repairs and various forms of restoration and DIY done in the home can release money for items that otherwise could not be afforded.

- Linking employment and the domestic economy, CSCM can provide for greater flexibility and continuous utilization of labour with less social and family dislocation and stress. Losing a paid job does not have to mean stopping work or ceasing to create value, or ceasing to add to one’s human capital - another good reason to encourage membership in cooperative associations.

- The opportunity for transferable skills to be utilized in both economies leads to greater social inclusion, optimum utilization of human resources and individual development.

- The development of the domestic economy through cooperative association network will reduce a wide range of social/welfare costs that currently arise through rising levels of poverty and social exclusion.

At the level of the organization:

- Any organization that has close community links is strengthened in terms of its customer and public relations, employee relations and strong brand recognition.

- The recognition of the mutual importance of volunteer and paid employment in the cooperative business and association will increase the sense of belonging and community in the cooperative.

- Continuity and retention will be improved reducing recruitment and induction training costs and increasing cohesion and team spirit in the organization.

- Lower stress, lower absenteeism and higher productivity due to greater employee satisfaction and motivation and a sense of the broader significance of cooperative employment.

- Increased flexibility to ensure the cooperative business uses labour resources effectively in any given business environment with a reduction in the conflicts and resentments that often arise in insecure employment or contexts where employment is marginal in its direct rewards or satisfaction.

The last two points can be expected to lead to lower unit labour costs.
Nothing in this discussion obviates the need for fair, just and equitable remuneration within the ability of the cooperative business to pay in terms of prevailing labour market contexts.

**Methods of remunerating employees**

This section considers the importance of payment systems for the management of employee cooperation. Industrial relations can be liberated from conflict through clear and transparent cooperative rewards based on the cooperative principle of rewards linked to economic participation. This section discusses how cooperatives can help employees make the connection between the increased economic participation by members and increases in their own financial rewards. We reflect on the critical role of staff in the encouragement of member economic participation. Finally, this section reflects on whether the evolution of member benefit policies can be usefully integrated into the cooperative HRM strategy to improve membership involvement and participation to reinforce economic and domestic value-creation in both the cooperative business and the cooperative association.

It is important at the outset of this section of the Chapter to provide some definitions of the alternative levels of analysis, namely:

- **Pay system**: Mechanism by which pay is generated and allocated
- **Pay structure**: The ordering of the hierarchy of grades
- **Pay levels**: The ‘going-rates’ paid by agreement or the levels of earnings actually paid.

All reward systems have a large non-rational component in their makeup. It has more to do with culture and history than labour markets, although in the long-run market forces, driven by technological change, will move differentials and change the status of various occupational groups. Perhaps the best example is that of barbers and doctors in Britain who, about three centuries ago, were part of the same professional grouping. Changing differentials can cause industrial and employment relations problems that can be very hard to resolve.

Some of the main culture shifts that have affected payment structures and systems have been towards the employment of women. The injustice of paying women less than men for the same work has led, in the United Kingdom, to the abolition of the family wage and to tax advantages to encourage one partner not to work. At the same time, concern over creating employment has blunted the demand for a minimum standard of wages. In many parts of the world, job creation has been the excuse for oppressive and exploitative employment of adults and children.

The other big culture change in the labour market had been as a result of the decline in the power of trade unions and the reduction in collective bargaining. This has led to a shift in emphasis from determining remuneration in terms of the job characteristics towards the idea of remuneration on the basis of individual performance. The argument for job-based remuneration is simply that any job requires a standard performance rate and management should ensure all employees meet this rate. As such there should be a rate for the job. To try to determine pay individually, it is argued, will lead to subjective elements creeping in and allow management too much
discretion and the possibility of victimisation. Productivity is determined by collective effort, not just from the efforts of a given individual, and therefore should be rewarded collectively. In one sense, this last argument fits the TQM approach with its emphasis on the whole organization’s role in delivering quality. Teamwork is a crucial factor in ensuring individual effectiveness.

Such traditional attitudes towards payment systems have been under great pressure from the following factors:

- Increased competition and deregulation in the labour market
- Increased technological change
- Rise in culture-based approaches to quality management
- Demand for increasing levels of flexibility and the erosion of demarcation between occupational groups
- Pressures to harmonize and eliminate the distinctions between staff and the hourly-paid
- Producing increasing flatness in organizational hierarchies
- Increasing mobility among unskilled labour
- Increasing polarity in labour markets between highest paid and the ‘working poor’

The emphasis on individual performance and rewarding increased productivity in individuals has focused attention on performance-related pay. Ever since Taylor’s paper on the *Principles of Scientific Management* (1911), writers in that tradition have emphasized the need to link pay to results as the best means to control labour productivity and labour costs. Piece rate systems are the earliest forms of performance-related pay (PRP).

On the other hand, pay has been seen more of a ‘hygiene’ factor to use Herzberg’s terminology. In this tradition pay is important as being the condition of perceived fairness on which the employment contract has to be based, but performance in the job will depend on job– not remuneration-based factors. Implicit in both these approaches is the idea that different types of employment will need different forms of remuneration as part of the overall management of that individual’s performance. Thus payment systems may be contingent on a number of factors such as:

- Structural and technological issues
- Skill and knowledge levels
- Internal and external labour market and institutional characteristics
- The specific goals of the management of an enterprise
Whatever choices managers make, their intentions are to motivate employees, control unit labour costs and reduce them beneath that of competitors, control quality standards and performance, and increasingly, to reward flexibility and innovation. Restructuring payment systems and neutralising trade unions are other goals that encourage some private sector managements to develop PRP systems. The selection criteria for measuring performance, however defined, will always be based on employees’ inputs or outputs.

**Standard forms of remuneration**

1. **Time rates**

Time rates are simple to administer and are easily understood. They need to be fair and operated in the context not of a fixed working day, but rather on a ‘job and finish basis’ so that overtime may be a regular element in a service-orientated process, where rigidly defined finish and start times would lead to poor service and lack of flexibility. The problem comes with lower-paid staff seeking overtime to enhance salary in inappropriate contexts. Providing the overall package of benefits and social added value is properly secured, the advantages of marginal increases in salary versus free-time involving one’s family and wider community activities will deter such actions.

Time rates are generally criticised for offering no incentive to perform, but this is where, for the cooperative the culture and mission, enhancing the job in itself becomes the crucial motivator, together with the solidarity in performance and development of any given job. The cooperative context can provide intrinsic cultural rewards or value based motivators giving genuine meaning and significance to all the roles in the cooperative.

2. **Measured day rates**

These are used frequently in production contexts where a standard output that should be regularly achievable is measured, and pay is made against the actual performance against the measured standard. In a worker-owned producer cooperative such a system, and the standard generated, would have the added advantage of a democratic determination and endorsement.

3. **Profit sharing**

This may be seen as a preferred option in some worker cooperatives and some other forms of cooperative as well. A cooperative operating the principle of mutuality will want to ensure stakeholders get a fair return for their labour or other participation, as members, employees and/or suppliers. However, profit or surplus (as it is more accurately defined in the cooperative context) will need to be reinvested in the growth of the cooperative business. For most cooperatives capital retention (not dispersal) is the most important priority as they try to build up their reserves for sustainable growth and community development.

4. **Salary**

This is a fixed amount paid as a result of the given grade and generally paid at varying levels according to a predetermined scale. Merit rises, which enable
high achievers or good performers to gain additional increments along the scale, may provide an incentive to improve performance. In some structures incremental increases from the bottom of the scale are automatic and based on service

5. Performance-related pay

From within the HRM tradition, PRP represents a drive towards the elimination of collective bargaining and the individualization of the employment relationship. Thus performance-related pay is part of an individually tailored package of benefits to fit the individual employees’ needs and their station within the organization. The aim of PRP is to reward by directly linking remuneration to achievement of predetermined targets, which could be defined in terms of sales, production output, facilities utilization, or some other agreed criteria.

<table>
<thead>
<tr>
<th>Types of performance-related pay</th>
<th>Mode of assessment</th>
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<tbody>
<tr>
<td>Piece-rate</td>
<td>Work-study-based</td>
</tr>
<tr>
<td>Commission-based</td>
<td>Expected sales and rewards for over-performance</td>
</tr>
<tr>
<td>Merit pay</td>
<td>Job characteristics and traits-based—generally very subjective</td>
</tr>
<tr>
<td>Profit-sharing</td>
<td>Again, not always straightforward, as it depends on choice of measures. Sometimes share-based, value-added-based, sometimes based on declared net profits. Often restricted to top executives.</td>
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Stages in establishing PRP

Identify individual performance criteria

To what results should performance criteria be applied? Organizational objectives (senior management) or job-related objectives (middle management and below).

Objective measurable linkages should be directly related to individual actions and competence as far as is practical. Avoid vague and difficult-to-measure terminology to describe performance. What are the key result areas in the employee’s job? These probably provide the best criteria to link pay to performance.
Develop the assessment process

Involvement of the individual and an opportunity for the individual to make an input is probably the most important issue in process design, after determining how to measure the performance levels identified. Linking assessment to budgeted funds available for improvements in remuneration can also lead to difficult choices when market conditions have required increased efforts, and yet have produced diminished reward. Communicating the outcomes in a way that will not disappoint and de-motivate those whose performance was around the average (the ‘acceptable but not outstanding’ band). PRP that highly rewards the few and de-motivates the many is unlikely to meet any meaningful strategic goals the organization might set.

Problems in the administration of PRP

Firstly, the biggest danger in the attempt to sell PRP management is a rise in expectations beyond that which can be reasonably attained.

Secondly, because management generally determines performance criteria, it is important to establish the sense that this is a fair reward system. This is not always easy to achieve where subjective evaluations of subordinate performance enter into the equation.

Thirdly, the system places considerable responsibility on the line manager and can put a strain on manager/subordinate relations, as well as giving considerable extra work to the line manager.

The biggest problem with the individual-focused PRP system from the cooperative context is that, not only might it weaken the association’s solidarity, which is so crucial for the achievement of their wider goals, but also it may well act as a barrier to achieving the social learning. This process of social learning is essential for bringing about the community of learning that generates intellectual capital. This is not to argue that PRP has no place in the cooperative, but simply that to work effectively within any given cooperative, the criteria need to identify the individual employee’s contribution to the social capital and intellectual capital of the organization.

Effective performance by an individual, in the cooperative context, is not just about achieving individual results. It is also about supporting and facilitating others’ achievements, and contributing to the collective development of human and intellectual capita in the cooperatives learning organization and wider learning community.

One of the most important areas for a cooperative to recognize and reward staff is in the area of membership growth and improved economic and social participation in the cooperative by customers/members. Another is customer/membership retention, through high quality service and care. Relationship management and customer care are two other areas under the broad banner of solidarity, where criteria for incentives to improve performance
need to be thought through. It may be better to think in terms of group incentives for the encouragement of solidarity because in any one department the individual contribution is not always easy to assess.

Finally, we have all witnessed the dangers of corruption to falsify company results in order to achieve undeserved and unearned bonus and maintain share prices at artificially high levels, leading to disastrous consequences for market, consumer and employee confidence.

Benefits

Other components in the total compensation package include holidays, pensions, health care, children’s education, car schemes, access to ‘high tech’ equipment and training and development. Cooperatives will not be able to afford many of these items for more than a few senior professionals whom they need to attract into service in the cooperative. It is in the development and social added values that cooperatives operating in poor communities can enhance most effectively their staff and/or members’ rewards for working in the cooperative. These are essentially participatory benefits that need to be worked out, using extensive consultations and market research. Areas of most likely action to develop participatory benefits include leisure, educational and developmental activities, health and sport. Some cooperatives provide insurance-based benefits, enabling employees to attend holiday camps and convalescent centres, or provide educational or training grants, or access friendly society type benefits to support staff and members in times of particular hardship brought on by long term illness or bereavement.

Collective bargaining

The drive to ensure maximum flexibility in the utilization of labour to ensure competitive parity of advantage for the organization does not mean abandoning collective bargaining and individual pay settlements. Bargaining with trade unions is valuable to cooperative management for a number of reasons.

a) Collective bargaining ensures broad consistency across the whole cooperative in terms of the average level of increases and the determination of differentials that will support the sense of solidarity within the cooperative.

b) Collective bargaining keeps the organization in touch with relevant labour market conditions and movements in salaries and hence ensures solidarity between the cooperative and the wider community.

c) Collective bargaining provides employees with independent representation and a source of independent expertise for an evaluation of their compensation packages, and a democratic process, which ensures that their interests are discussed and determined through an agreed procedure.

d) Collective bargaining processes can assist in the introduction of planned change in a variety of situations affecting the cooperative’s employees. In particular, these include the evolution of grading structures, arising from changes in process and technology that influence the value of a given job and its relative position in the ranking of employment, either using analytic or non-analytic methods.
e) Collective bargaining enables the individual cooperative associations, together with their employees, to show their solidarity with the wider community of organized labour.

f) Collective bargaining through genuinely independent trade unions remains a fundamental human right and such trade unions provide one of the most important forms of association along with cooperatives ensuring a robust civil society. Trade unions should therefore be supported by cooperatives because cooperatives must respect the maintenance of fundamental human rights, and because many of their principles are shared and in many cases their memberships overlap.

The key principles governing cooperative remuneration policy

1. Fairness in remuneration policy. The important point for everyone is to recognize that the remuneration is at a fair rate for the work being undertaken and the results obtained. All vacancies should be advertised internally and externally to ensure the cooperative gets a good cross-section of their community applying, including minorities, women, young and older workers. Job evaluation can ensure that gender bias is eliminated from wage structures as long as it is eliminated from the job evaluation methodology itself. These methods sometimes known as analytic job evaluation methods, attempt to identify gender bias in the weighing of values for the various job characteristics. Its aim is to ensure that work undertaken primarily by women is not undervalued in a grading structure. In short, that work of equal value, as well as in circumstances where women undertake the same work as men, are equally remunerated. Despite, however, the use of the term used, analytic job evaluation cannot be claimed to be an exact science. Changing relativities across grades can be a delicate and controversial matter and there should be a lot of discussion and consultation with all the parties before change is introduced. At the same time cooperatives must bite the bullet to eliminate injustices where these are found to exist in their payment systems.

2. Collective bargaining to ensure both consultation and negotiation with free independent trade unions, which remains a fundamental protection and human right, in order to ensure justice for individuals and distributive justice without dependency. Collective bargaining also provides a balanced and democratic process for dispute resolution and a key channel of communication.

3. Competitive rates and structures and general terms of compensation. Without this the cooperative may be seen either as uncompetitive because of higher wages or have to settle for poor quality staff due to uncompetitive compensation packages.

4. Salary and wages structures must make an objective linkage to differences in skill, experience and responsibility in addition to the physical demands of the job.

5. Performance standards need to be set to achievable criteria and proper training and other resources provided to ensure the system is properly understood.

We saw in Chapter 5 that there are many aspects intrinsic to the job and the job context that encourage motivated performance by employees. Remuneration has an important
role to play but it is perhaps more, as Herzberg suggests, a hygiene factor than a motivator. If cooperatives can attract the right people and live up to their promise as community builders and forces for justice in the markets, they may find that salary is only one of the factors influencing performance. It would be a mistake however to ignore the significance of linking income levels to individual, group and/or organizational level performance. Getting the monetary and benefit package right in conventional terms is as important as ever. However, what CSCM does is to open up additional measures of performance and to suggest that there may well be additional means of rewarding employees and members that may reflect the closer meshing together of the cooperative business with the associations of stakeholders and their communities.

Cooperative compensation will always be based on five key factors in the following order of priority:

- The cooperative business and community resources available.
- The competitive needs of the cooperative driven by its business environment.
- The demands of distributive justice.
- The value of the individual or group contribution.
- The balance of welfare of the individual, group and wider stakeholders.

The overall quality of life for all the cooperative stakeholders, however, does not depend on money alone but on relationships and the sense of meaning and balance between the domestic and monetary economies. The cooperative’s role here under the principle of ‘concern for community’ needs much greater exploration. The relationship between solidarity in the wider community and the performance of employees in organizations based in those communities, needs more systematic research from those concerned with the development of cooperatives. The early co-operators recognized that having the means to live was not enough unless we also learn how to live. Remuneration is the foundation of cooperative reward strategy but it should not be seen as its end.
Action points

1. Have you eliminated gender inequality by providing an analytic job evaluation programme to determine the real relative worth of all the occupations within the cooperative?

2. Does your grading and remuneration strategy recognize the value of solidarity within the cooperative and encourage staff to practice solidarity?

3. Draw up a set of individual and group based incentives to encourage membership service and development.

4. Do your staff/members ‘go the extra mile’ for you in their working relationships in the cooperative?

5. How satisfied are you with the integration of remuneration strategy, recruitment strategy and performance management in your cooperative?

6. Have you started to consider the measurement and reward for cooperative social added value within your cooperative?

7. Is your cooperative really exploring the potential of social added value to provide a critical part of the cooperatives total compensation package?
Leadership

In this Chapter we argue that leadership in cooperatives is in crisis owing to the inappropriate nature of the two competing models of democratic leadership (the collective model and the model of delegation to elected Boards). These have traditionally dominated cooperative literature and thinking on the subject. Whilst the former collective model remains a practical option for certain forms of relatively small cooperatives, the delegated leadership of the elected Board has been under severe pressure as the size and complexity of cooperative business has given rise to ever increasing authority being assumed by the CEO. This creeping managerialism and loss of identity that accompanied it was challenged by the ICA, which after an extensive four-year period of consultation with its members adopted a new Cooperative Identity Statement.

The reconciliation of stakeholder interests, democratic process and the need to heed technical and skill-based authority can be reconciled. This reconciliation can be achieved by recognizing that cooperative management needs to be incorporated as a cooperative practice, with its own professional human-centred ethic at its core, and with cooperative purpose and values as integral to its practice. Cooperative managers must recognize their leadership role as one of “servant-leader”, whose source of legitimization comes not from their institutional position or superior knowledge and skill but from the cooperative purpose for which their leadership is exercised.

Introduction: The roots of leadership

There has been a great deal of discussion and research on leadership by management writers. Beyond the cooperative sector, virtually all the business literature accepts that leadership is exercised in business, not by the shareholders or their elected Boards, but by the CEOs and their line management. The mainstream literature has tried to define the elements that go to make leaders, but has not successfully delineated leadership. The most convincing statements have come from those who have recognized that the success of leadership is contingent on a combination of the individual qualities and the context in which leadership is exercised.

All the various schools of management theory have implicitly sought to legitimate leadership by managers in terms of their skills and knowledge, ignoring or assuming the purpose for which their knowledge and skills were exercised. Human relations theories have identified leadership as an important motivational tool, requiring important social skills to be acquired by management. Contingency theories of management have also ignored or refused to discuss the purpose of leadership in terms of ends preferring to concentrate on the constraints and means of leadership. HRM has more recently stressed the importance of leadership both for its own effectiveness and to ensure the overall cohesion and effectiveness of the organization.
The latest models for the management/leadership of people have stressed management/leadership of people as being based on ethical considerations acknowledging that people are more than simple resources and that employers have a responsibility for employee welfare based on enlightened self-interest. These writers look to a value-based culture management that stresses the organizational mission and the customer. They often fail because of the incompatibility between the objectives publicly espoused by the corporate leaders and the behaviour of the leaders as they try to reconcile conflicting stakeholder interests with those of the company’s investors and the self-interest of the top management.

Leadership is essentially the exercise of power and authority, which directs the actions, and or ideas of followers. The power and authority of Leadership may be based on a number of sources:

- **Charismatic** (the moral or personal authority and charisma of the individual).
- **Traditional** (the socially-determined authority, based on cultural mores and accepted traditions in the community).
- **Meritocratic** (authority based on acknowledged superiority of skills, knowledge, and qualifications).
- **Prophetic** (based on visionary warnings or other futuristic statements).
- **Democratic** (the will of the majority determined in some form of free and open election).
- **Wealth and institutional** (the use of one’s wealth and position to give and take favours and sponsorship in return for compliance or support).

Very often, these different sources for leadership authority find themselves mixed together in various ways. A traditional religious leader may also have a charismatic personality. Democratically elected politicians are often lobbied and sponsored by the wealthy business leaders. Managers and civil servants in positions due to meritocratic reasons of ability and knowledge may, on occasions, invoke moral values to support their professional positions.

**Leadership qualities and styles**

Over the last 60 years theories of leadership have progressed from *trait theories* (a search for ‘leadership qualities’ in individuals sometimes called ‘the great man’ theory) to *style theories* which emphasis essentially two broad categories of leadership style.

- Consideration (C): trust, respect for subordinates’ ideas and feelings; and
- Initiating Structure (IS): the extent that leaders define their own roles and those of their subordinates towards particular goals (aims, objectives, tasks).

*Contingency theories* of leadership arose in the late 1960s and the 1970s, as researchers began to focus on the idea that leaders are those who are able to adopt the leadership style most suitable to the situation in which they find themselves.
Expectancy theories can be seen as extension to contingency theories. The former sought to identify a limited number of contingencies whereas later versions sought to provide a complex map of possible influences.

The consensus view in the literature at the time became that there are so many possible influences or ‘contingencies’ that an attempt to map leadership in its various contexts becomes too complex to be of much practical application. Leaders in the 1990s came to be seen as value-driven leaders who adopt a range of strategies to meet changing circumstances. They are also seen as able to facilitate the self-leadership of others, but all of the studies appear to focus on capital-based or hierarchical organizations and businesses.

The ultimate effectiveness of any leadership is based on the acceptance of or legitimization of the authority the leader has over his/her followers. Acquiescence can depend on many factors, including ignorance, greed and fear, but positive support and identity only arise where there are deeply-held convictions by the followers of the correctness of the values in the objectives being set. Most will accept that the leader whose values are in agreement with those of the followers will have the best chance of optimising the followers’ co-operation and focusing their energies on the goals adopted by the leader.

These values to be effective in the cooperative context need to stress management of people based on ethical considerations, acknowledging that people are more than simple resources, and that employers have a principled responsibility for employee welfare that goes beyond mere enlightened self interest. The first such approach was offered by Robert Owen the founder of the British cooperative movement. Owen was the most successful manager of his day, who operated the latest technologies and production methods of his time at a factory in New Lanark. Owens’ enlightened policies towards his workers and their children were ignored by the majority of his peers. However, Owens example remained an inspiration for many of the nonconformist British nineteenth century industrialists, like Cadbury and Fry, and later evolved under the leadership of Jessie Boot (another nonconformist industrialist) into the Association of Welfare Workers (See Chapter 1).

Nevertheless, enlightened self-interest, as opposed to the intrinsic value of people, still informs much of the argument for the human and ethical treatment for workers (Carmichael and Drummond, 1989). However, in Robert Owen, a different possibility is presented. Owen’s human-centred view sees humankind as the subject, rather than the object, of economic and business activity and organization. This view provides a very different philosophical basis for the development of a theory of management and leadership. Today’s cooperative principles on human-centred business need a human-centred management to operate effectively in accordance with the cooperative identity.

The lack of cooperative leadership/management in cooperatives

Unfortunately, the cooperative movement is far from immune to managerial abuse and the failure of leadership. Managerialism and unrepresentative boards have on occasions produced a failed leadership that destroys the unity and solidarity that are so essential to achieving the cooperative purpose. The results of thirty years or more training and development inputs in the improvement of lay boards by highly skilled
trainers with strong and successful cooperative backgrounds behind them have been disappointing. In 1994, Daman Prakash, Director of the Agricultural Cooperative Management Training Project for Asia, wrote a pamphlet drawing attention to some problems of cooperative organization and leadership. In the Foreword, the former Regional Director of the ICA, Mr. G. K. Sharma, agreeing with the Mr. Prakash’s analysis, noted, “There is a need now to provide for education and training of leaders, providing them with some models of Conduct/Ethics so that they can achieve a higher degree of accountability and transparency in their work and in their relations with their cooperatives.”

Prakash noted that these ethical qualities were not always present (Prakash, 1994, pp. 24-25). He included examples of:

- use of vehicles for own personal comforts;
- using cooperatives as launching pads for political careers;
- subordinating themselves and their cooperatives to the wishes of governments;
- injecting religious, caste and creed influences in cooperatives;
- decisions taken based not on facts and figures, but on whims and fancies;
- dominating the discussion at meetings;
- spending lavishly on unwanted equipment and machines in order to collect ‘kick-backs’;
- not attending meetings but collecting the sitting fees, and claiming travel expenses which were never actually incurred;
- audits not carried out.

There is also a noticeable lack of entrepreneurial spirit in cooperatives that also is indicative of poor leadership. The crisis of cooperative leadership cannot be remedied by simply more training. Cooperatives need a new model of leadership based on a set of principles that can articulate and implement the ICA Statement on the Cooperative Identity, coupled with institutional reform where the CEO is seen as leading the cooperative’s elected Board. In reaching this conclusion, we need first to examine the alternative models of leadership that can be found operating in the cooperative movement.

**Sources for the legitimization of cooperative leadership**

Cooperatives tend to emphasize collective leadership in contrast to the mainstream management literature that emphasizes the individual. Not that the individual has been insignificant in practice in the growth of cooperatives. *Charismatic leaders*, such as Robert Owen, Raiffiesen, Desjardins and others have a key place in cooperative history and a strong hold on the cooperative movement’s collective memory. In many individual cooperatives, on a smaller scale, there have been strong charismatic individuals whose influence caused people to join them in the building of their vision. This “great man” reality of cooperative leadership sits uncomfortably alongside the democratic and self-help values normally associated with cooperatives.
In some cooperatives, particularly in the developing world, leadership is often exercised by those holding traditional leadership authority, like village headmen, running the cooperative within a veneer of a democratic framework. Dominating individuals, or small elite groups based on traditional or institutional sources of power, are as likely to prevent participation, as they are to encourage it. That such sources of real power exist in cooperatives can hardly be denied and has led to many of the abuses identified by Daman Prakesh (quoted above). If charismatic, traditional and institutional factors are de facto sources of illegitimate power and authority in cooperative leadership today, there are also two dominant theories of what constitutes legitimate cooperative leadership.

a) The civil service model

The claim is that the Board makes policy, and management executes policy. Alongside this concept of lay directors providing policy and leadership, with management responsible for the day to day running of the business, is the notion that cooperatives have two parts: the business that makes the money and the social side that spends it. This dualistic approach found in the cooperative literature goes back a long way. It is partly responsible for the idea of the separation of functions between management and leadership. Draheim (1955) sums up the concept as cooperatives being on the one hand “the associations of persons” and, on the other, an “economic under-taking” to be managed like any other business (Dülfer, 1986, p. 132). Edgar Parnell (1995) and Hans Münkner (1998) are modern advocates of this approach, which lays great emphasis on the need to control or police management. As a result there is much concentration on procedure, governance and structure.

Whilst this division between management and leadership is important for a discussion of the concepts, in practice, it would be dysfunctional in the modern business environment. No CEO can manage a business without exercising leadership and no line manager can execute managerial functions without exercising leadership within the conduct of his or her team. Whilst all management must be audited and accountable, it is not lack of control that is the real problem. From Roberto Michel’s studies of managerial subversion of the German Social Democratic Party at the turn of the twentieth century, to the Enron case at the turn of the twenty-first century, the record shows that corrupt cultures can subvert audited and other institutional controls and governance mechanisms. If the culture is corrupt, the control mechanisms will fail. Lack of cooperative value-based managers and lack of cooperative organizational culture, direction and vision, are factors that all too often undermine cooperatives today.

Cooperatives need managers who have the professional values and understanding of cooperative purpose to lead lay Boards in the development of cooperative business strategy. By separating management from Board, and the economic and social sides of the movement, an important potential advantage is being missed, and the opportunity to unite employees and members, managers and directors in a single cooperative culture is being lost. The social side of the movement gives the cooperative business added meaning and legitimization and an important access to additional human resources in the lay membership.
The social side must inform the organizational culture of the business side of the cooperative to ensure added value to the quality of customer care and member relations and to remind staff and management what the cooperative business mission as a whole is for.

If such a culture existed there would still be the need for democratic governance in cooperatives, but getting the cooperation of those in power, i.e. managers and board members, and ensuring greater transparency in communications and decision-making, would all be so much easier. The civil service model of cooperative management and leadership can lead to an exclusive and secretive management that distrusts the Board and the membership and keeps both at arms length. In most cases, lay boards lack the ability or confidence to challenge management successfully in large cooperatives. In smaller cooperatives, on the other hand, lay boards often dominate and interfere with management to such an extent that management becomes ineffective and demoralised. In other cases, managers are appointed in name only and are in reality mere administrators. The truth is that lay members of cooperative boards in general, lack the time and often the competence to exercise leadership in policy formulation.

**b) Collective management**

The workers’ control model remains a legitimate cooperative management methodology when it is applied to small-scale artisan cooperatives and the workers are committed to cooperative values and purposes. It can never be effective in a large-scale business. It is also divisive when raised to an ideological principle supposedly determining cooperative purity.

Any approach that calls for the internal autonomy of the work group ignores technology and the need to determine acceptable levels of unit costs in terms of the organization and its competitive position (see Walker, 1991, p. 33). It also either assumes a static position for the configuration of operations, or assumes that the operating unit itself will be in a position to transform even to the point of self-elimination. Devolved responsibility to the work group, and the attendant benefits of flexibility, are not the same as unit-level autonomy within organizations. Autonomous work groups that are truly autonomous in this form of direct worker control, run the risk of transferring “them and us” attitudes across lines of demarcation rather than hierarchical lines of managerial authority.

The development of policy, it is suggested, in a large worker cooperative could be determined at a yearly meeting of members, as opposed to a traditional company, where it was suggested that shareholders or owners develop policy (Walker, 1991, pp. 56-57). In fact, in both cases it is professional managers that really determine policies that, if successful, will get the support of the shareholders, whether capital-based or member-based. This has been understood ever since the managerial revolution thesis was first proposed between World War I and II. It has only been seriously challenged by the work of Zeitlin (1974, pp. 437-464) and Scott (1988, pp. 452-453, 461-462). In neither of these two cases do the authors suggest, however, that the
shareholders make policy, but they do argue that ownership provides the power and sanction to depose a poor management that does not operate in the shareholders’ interests. This is practically the same situation for shareholders in membership-based organizations.

Self-management skills including “cooperative working”, through group-based processes for decision-making, are important for operational effectiveness. This is true for the success of all empowered work groups in both smaller and larger organizations, particularly in the cooperative context. What the worker control and civil service approach appears to accept as given is a socially static view of management as a segment of intellectual labour that is essentially hostile to the shop floor and to real cooperative purposes. Such a view does not appear able to detach management as intellectual labour from the context and values of private ownership of capital. Because capital-based organizations dominate the economy, they have dominated the values and content of management development. Cooperative management development need not perpetuate this situation.

Managers in a membership-based organization have the potential to operate as leading the association of labour as a whole, and indeed being recognized as part of that association. Recruitment and management development programmes are needed that find the right types of people who want to become cooperative managers. (Not types in terms of traits but types in terms of attitudes and values). Those managers then need to be developed to enable them to provide the leadership, direction and innovation that cooperatives in all their manifestations, so desperately need. Such a view of management can only arise on the basis of values and purpose derived from the cooperative programme and operated within the cooperative context.

This clearly requires a specific cooperative management culture and values to inform the content of cooperative management development. Cooperative ownership and structure will be in danger of being subverted if not supported by a cooperative culture. This is not a new problem it was first highlighted by Robert Michels in his book, Political Parties, at the beginning of the last century. Michels noted that rank-and-file members lacked knowledge and skills and had less direct involvement in their organization, and hence, had less commitment to it and were more likely to behave in an apathetic manner.

This meant real control rested in the leadership. An elected collective leadership arising from the general pool of members will often reflect their general level of competence which, for the majority of cooperatives is not going to be adequate without professional support to provide the leadership to run the business (Davis, 1999). This is not a criticism of lay Boards. Private sector Boards are not expected to act in a leadership role either. This is left to the CEO. The focus on policy making and democratic leadership in lay Boards and collective democratic worker control type models has both overburdened cooperative lay members and worker members and ignored cooperative aspirations for a much wider level of participation in decision-making by the overall membership and related stakeholders. Such lay member Board level posts are mostly part-time. The leadership of multi-million dollar businesses cannot be left to part-time lay
Boards. At the same time they cannot be entrusted to senior executives recruited from outside the cooperative movement trained in values and techniques more appropriate to the private sector.

This discussion demonstrates the need for an alternative model of cooperative management that can provide leadership, which can operate at all levels in the cooperative including the level most important for the initiation of change in policy and strategy at the executive level.

The value-based servant-leader model of cooperative management

The servant-leader model has a long and honourable tradition in mainstream business but manifests as an essentially exceptional practice of management - an example of an ideal. In the cooperative movement too, many of the founders would probably, -if examined closely - fit into the servant-leader model to a large degree. Richard L. Daft in his book, *Leadership: Theory and Practice* (1999), provides an example of a modern management writer who clearly wants to emphasize the ethical significance of business leadership with a strong reference to the servant – leader model. Not only does Richard Daft provide examples of the servant-leader model in practice, but also dedicates a number of chapters in his book to discussing leadership implicitly from this perspective.¹

Daft defines servant-leadership thus:

> "Servant-leadership is leadership upside down. Servant-leaders transcend self-interest to serve the needs of others, help others grow and develop, and provide opportunity for others to gain materially and emotionally. The fulfilment of others is the servant-leader's principal aim."
> (Daft, 1999, p. 374)

In the cooperative context this model appears ideal. Cooperatives are after all there to serve their membership. We desperately need managers who have the qualities to take responsibility for leading and building the whole community of members and employees into a social and value-based business, seeking the fulfilment of the cooperative purpose.

This is the essential goal for cooperative management and organizational development today. Value-based, professional management, drawn from people with a vocation to serve the cooperative, based on their commitment to cooperative values such as distributive justice, community, democracy and so on, can counter abuses of the cooperative and encourage more widespread involvement and understanding of the cooperative’s affairs by the rank-and-file, on whose behalf the cooperative manager acts.

The term ‘professional’ is here used meaning a technical/knowledge worker whose practice is governed by a human-centred or creation-centred ethic. Without the development of such a distinct professionalism, based on individual vocation for service, cooperatives may always be vulnerable to subversion and mismanagement and

¹ See Chapter 12, “Leadership Mind and Heart”, Chapter 13, “Courage of Moral Leadership” and Chapter 14, “Followership”.
their great potential and significance may not properly be realized. To this end, in the spirit of the servant-leader model, the formulation below could be an appropriate statement of cooperative management:

"Cooperative management is conducted by men and women responsible for the stewardship of the cooperative community, values and assets. They provide leadership and policy development options for the cooperative association, based upon professional training and cooperative vocation and service. Cooperative management is that part of the cooperative community professionally engaged to support the whole cooperative membership in the achievement of the cooperative purpose." (Davis, 1995, p. 16)

Cooperative management is based on the ethical values of community, quality, service, stewardship, honesty, openness and social responsibility. Its prime function is to lead the cooperative’s lay-members and elected leaders in the development of policies and strategies that will empower the association in pursuit of the realization of the cooperative purpose. It is by the incorporation of cooperative management as part of our cooperative community, and as representing an important principle of cooperation itself, that we can work out the tension produced through increasing scale, between management and democracy within the cooperative enterprise.

The establishment of a principle of cooperative management enables the cooperative enterprise to be managed professionally and cooperatively in such a way that democracy and involvement will remain key aspects of cooperative practice. By having the principle of cooperative management we also lay the basis for a criterion upon which cooperative management training and development can be developed, and a criterion by which management performance in the cooperative context can itself be judged.

From the standpoint of cooperative HRM such a development in the professional leadership is critical if we are to achieve the integration of membership development, marketing, quality, stakeholder management and HRM that could deliver the cooperative advantage. Cooperative management development is a key strategic objective for cooperative HRD and central to the realization of CSCM in practice.

Directly elected boards of lay members must be the right grounding for cooperative governance and management, but boards need a mix of skills. The co-option principle used by many company boards should re-enforce the elected board by the inclusion of two or three of the top management team including the CEO as a full board member. The possibility should remain open of one or two further co-opted appointments from outside the organization but only when a real need is identified, otherwise the appointment will be open to abuse and manipulation. Without this restructuring of the board, the movement will not achieve the modern dispensation for the cooperative business that “managers lead and members govern”. There does need to be a safeguard in the rules that the board is always inquorate without a majority of lay, elected members present. It might even be desirable to extend the rule to state that no motion may be passed without a majority in favour from the lay elected members. There is always a democratic mandate through such a rule and whilst professional leadership would still be in place, it would always have to lead by persuasion not simply the power of numbers of co-opted board members. In the United Kingdom, over the last decade, two independent commissions both initiated at the request of the movement itself have found it necessary to recommend that the CEO be appointed as a full
member of the board. It was felt that too many cooperative chief executives *de facto* wield the authority but so far escape the responsibility for the cooperatives business, which falls on the board.

Cooperatives need to have solidarity of purpose to be effective. A unified board led by a professional manager whose leadership is inspired by the servant-leader model would be best placed to mobilize the memberships’ economic and social participation in their cooperative. It was the late Will Watkins who wrote that for cooperatives, the principle of unity is more important than democracy (Watkins, 1986, p. 19). In fact it might be said that the greater the unity of purpose, the better the quality of democratic participation is likely to be. However, for the simple restructuring of the board a reform of the concept of management is required. Without the right concept and philosophy of cooperative management, this board restructuring might do no more than legitimize an illegitimate style and approach in management that is currently operating underground in many large cooperatives. On the other hand, it is also true that by placing the CEO at the helm of the cooperative and not just the cooperative business, might produce a change in perspective for the CEO encouraging the latter to rethink old positions in a new light.

**Leadership and CSCM**

Lay activists, community leaders, family members, stakeholders in the business and social environment of the cooperative all need to understand the social service aspect of the exercise of leadership as much as the professional managers. They are just as much servants of their communities as are the cooperative CEOs in the cooperative organization. The encouragement of sharing and involving, which is at the root of the effective management of cooperative social capital, itself requires the widespread exercise of leadership at all levels in the network of cooperative communities. Without the example of an empowering servant-leader ‘at the top’ it is doubtful that such a culture will emerge easily.

In the exercise of leadership, structures, culture and contexts are all important, but the individual temperament, values and competency will always be the critical factor. To support individual development and practice cooperative management within the contemporary hostile institutional and social/economic environments requires the establishment of cooperative management associations. The role of professional cooperative management associations is to ensure the proper investment in cooperative management development and in the evolution of its standards and codes of practice. The achievement of a *cooperative management* remains the toughest and the most crucial strategic challenge facing human resource development in the cooperative movement. It is the essential key to the crisis of leadership in cooperatives today. Cooperative leadership needs:

- **Clear Mission** ICA Statement on the Cooperative Identity
- **Clear Vision** Integrating social and business cultures to empower people
- **Clear Principles** The seven principles of cooperative management
Below, in summary form, is a presentation of the essential role of the seven principles of cooperative management (Davis and Donaldson, 1998, pp. 87-132). These are presented as operational principles guiding management’s day-to-day actions and decisions in the cooperative context, in particular, and the servant-leader model of management, in general. They are important principles in guiding the implementation of the CSCM strategy as it seeks to use social values to envision business practice and professional management techniques to enhance associational effectiveness.

Table 3: The seven principles framework for servant-leader management

<table>
<thead>
<tr>
<th>Principle</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>Pluralism</strong></td>
<td>supports diversity, stakeholder relations, management and genuine democracy.</td>
</tr>
<tr>
<td><strong>Mutuality</strong></td>
<td>reduces conflict, ensures fair treatment, transparency and equity in business and social transactions.</td>
</tr>
<tr>
<td><strong>Individual autonomy</strong></td>
<td>ensures devolved responsibility and empowerment and supports a genuinely democratic culture where innovation is encouraged.</td>
</tr>
<tr>
<td><strong>Distributive justice</strong></td>
<td>ensures proper distribution of surplus based on economic participation and fair trade across the supply chain.</td>
</tr>
<tr>
<td><strong>Natural justice</strong></td>
<td>ensures elimination of nepotism, abuse of authority, fair treatment, transparency in process and procedure.</td>
</tr>
<tr>
<td><strong>People-centeredness</strong></td>
<td>people in community are the subject not the object of cooperative management, organization and association.</td>
</tr>
<tr>
<td><strong>Multiple role of work and labour</strong></td>
<td>all work and labour must always be managed and organized bearing in mind its personal, social, economic, environmental and cultural dimensions.</td>
</tr>
</tbody>
</table>

These principles are not meant to replace the accepted operating principles established by the science of management. They are meant to guide and govern their application. They are meant to ensure that managers who work by their precepts will run businesses that profit people rather than profiteer from people.

2 See Davis P. and Donaldson J. (1998) in the Bibliography. Davis and Donaldson developed these principles as a framework for the cooperative application of management techniques in general. Here Davis suggests they provide an ideal basis for the practice of Richard Daft's model of Servant-Leader (Daft, 1999).
Action points

1. Change the cooperative rules to enable the CEO and one or two members of the top management team to sit on the Board as full members, but with the rule that the Board is always inquorate without a majority of lay, elected members present.

2. Call a conference of cooperatives to establish a regionally based graduate recruitment and development programme.

3. Move that a national cooperative executive recruitment consultancy be set up to ‘head hunt’ appropriate senior managers.

4. Consider distance-learning-based management development and qualification programmes as part of the tools for management development in your cooperative.

5. Insist that all new cooperative management and general staff undertake a programme that explains both the local history of their cooperative(s) and the national or regional cooperative movement, and are fully briefed on the terms of the ICA Statement on the Cooperative Identity.

6. Develop leadership training programmes for all levels of management and lay activists, and try to encourage joint training sessions aimed at team-building with elected Board members and executive management, to build unified Boards.

7. Refer back in this Chapter to the paragraph entitled “Statement of Cooperative Management” and to table 3. Encourage discussion on whether the formation of professional associations of cooperative managers could be based on these ‘seven principles of cooperative management’ (Davis and Donaldson, 1998), and on the Statement of Cooperative Management (Davis, 1995).
Managing change in the cooperative context

This Chapter covers the process of change management for cooperatives, with a particular emphasis on the important role of leadership in the creation of a community of activists. Developing a culture of commitment and activism will represent a major culture change in cooperative business and association that will require a shift in thinking and strategy. The changes called for are, however, in line both with the cooperative identity statement and the latest management thinking concerning leadership, change management and strategic human resource management. For cooperatives the aim is to reinvigorate the cooperative business and association to help empower their people to generate innovation and rebuild community. In the context of this discussion the Chapter reviews the following issues.

Areas for change. The Chapter identifies those areas where change is most pressing in the case of a wide cross-section of cooperatives.

A holistic and inclusive approach to fast-track change management. An exploration of the possibility of creating committed activists out of employees and members and the use of the Large Group Intervention model to facilitate the servant-leader model and its impact on cooperative culture and pace of innovation.

The strategic focus for change. In this section the Chapter suggests how management needs to focus on innovation, quality, costs, solidarity and society as key themes crossing all the key areas for change management.

The levers of and barriers for change in the cooperative context. Analysing levers for change and barriers to change is essential in order to develop strategy, identify milestones and mobilize resources for change. The Chapter explores some of the principal levers and barriers in the cooperative context.

Areas for change

The pace of change for all forms of business has been increasing as a direct result of technological innovation and globalization. In addition, the dramatic collapse of communism opened whole new markets and created radically different economic and political contexts for the conduct of business. Pressures arising from these processes have been particularly acute on the cooperative movement, which had often found itself closely regulated and, to some extent, protected in many parts of the world. Adjusting to the free market economy is proving to be a difficult transition for many cooperatives in former communist states and in the Far East and southern hemispheres. It requires a major culture change and, in the next section, we devote more detailed attention to this question. For the purposes of this section, however, the following critical areas for development in the cooperative movement are identified:
1) *The recruitment and development of professional cooperative management* capable of providing leadership and technical know-how to implement the necessary cultural and structural change for cooperatives. The worst possible case would be for a lay board to identify the issues and then try to handle the merger, acquisition or joint venture themselves. Such an attempt would almost certainly fail without professional support and leadership. Once the board has identified the needs it must identify the skills, knowledge and experience necessary to manage the change.

2) *Merger and acquisition.* Cooperatives cannot afford to stay small scale except in very specific conditions. Smaller cooperatives, particularly in financial services but in most other areas too, will not be able to keep up with the competition without growth in size. The quickest way to achieve this is by merger. However, mergers create immediate HRM issues: communication, rationalization, location and relocation of functions and service provision and the staffing thereof. There is immediate pressure on planning, marketing, logistics and re-engineering of systems, managing issues of governance, employee and member relations, customer relations and supplier relations. Timing mergers, gaining democratic consent, handling the reconstruction of new boards and assessing the financial standing of the respective merging cooperatives, all create enormous demands on various aspects of management. The problem is that most small and medium sized cooperatives that need to merge often lack the quality of professional management to successfully manage the transition. This is not a reason for avoiding the merger but it does suggest that a step-by-step approach be adopted where cooperatives start working together and gradually build towards the merger over a period. Team building between the respective managements and functional groupings where such exist is a start. Joint Board meetings or conferences should also be held to discuss management plans for merger and the stages and steps towards full merger with critical paths and key milestones established. Fears, losses (perceived or real), rivalries and so on must be openly discussed not swept under the carpet. Full and constructive discussion of the issues raised will undoubtedly lead to a stronger merger. Not everyone opposing change is a dinosaur clinging to the past. Dealing openly and in the spirit of mutuality with problems is the way to build unity and trust.

3) *Joint ventures and outsourcing* are two innovations that need to be actively considered by cooperatives in transition economies or where competition is increasingly intense due to the globalization of markets. Candidates for reviewing one or both of these options are importing and exporting activities; contexts where the introduction of new systems requires specialized managerial expertise; large capital investment and substantial upgrading in logistics capacity. Employing expensive human resources must be shown to be cost effective. In the case of outsourcing it is also a case of evaluating whether the function to be outsourced is core to the cooperative business. Outsourcing core elements is effectively handing control of your business to somebody else.
The key HRM development is in the relationship management expertise that is required to control standards and ensure the right outcomes. There are also considerable project management skills involved in the transfer of operations or to the establishment of a new joint venture. Key at the outset are the negotiating skills to ensure that the right deal is struck giving the parties mutual benefits which cement the relationship as a win-win contract in which team spirit and a problem solving culture informs operations.

Merger, acquisition, joint venture and outsourcing are alternative methodologies for gaining leverage of capital, management and logistical capacity and, in some cases, directly gaining access to increased market share and reductions in overheads and unit costs. Detailed cost benefits analysis on a case-by-case approach is required to determine the optimum choice between these options for any given set of cooperatives and between cooperatives and potential private sector partners.

4) **Higher value added positioning along the supply chain.** For many agricultural cooperatives, the cooperative activity is stopping at the point where it ought to be starting. In agriculture at the preparation, packaging and distribution stages, much vital added value is going to private sector investors. Cooperatives often lack the technical expertise to acquire and manage abattoirs, processing and packaging, curing (fish and ham) and roasting (coffee etc), bottling and canning plants and logistical and exporting facilities. Many federals could act as catalysts to create new businesses in these areas if they had a more entrepreneurial leadership and better governance to ensure real value added went back to the primary societies. They also need to develop the managerial and technical capacity to act as facilitators of joint ventures and focal points for bids to win business development grants that lead to greater value added business opportunities for new and existing cooperatives.

5) **Culture change.** Cooperative managers and members must stop being content with the status quo and start looking for new business opportunities, new products new services, new partnerships and acquisitions. We need to ask where are the social entrepreneurs and why is it that more of them are not attracted to serve the cooperative movement? Part of the answer is the closed inward looking culture manifested by many cooperatives. Why are employees not vocal advocates for the cooperative idea? Why are not more cooperative members taking the lead in their local communities activities? Where are the new ideas? Where is the debate and discussion about quality improvement? In short where is the sense of community purpose and dynamism in the cooperative culture?

Without the change in leadership culture, cooperative organizational and associational culture is unlikely to move in this direction. The answer to the lack of a dynamic culture is to be found in the dualism that afflicts cooperative culture today. Management is hierarchical often secretive and culturally separate from the board. Employees and top management in cooperatives are rarely any closer and sometimes less so than is the case in the private sector. Cooperative boards are often unrepresentative and most members, particularly
in the consumer sector, are often non-participators in the social and often not very loyal participators in the economic dimensions of their cooperative.

The following section discusses the need for culture change to adopt a holistic approach taking in the whole cooperative system not a piecemeal traditional OD approach focusing just on the a single function or operation within the organization. In terms of objectives, the transformation of “cultures” in the cooperative system is viewed as a unified culture of *activism*. Activism is the natural outcome of the introduction of the servant-leader model of leadership discussed in the last chapter. A culture based on activism is like the culture of the “courageous followership model” as discussed in Daft (1999) and outlined in the following section. This is the appropriate model to apply in the context of transformational change, which the cooperative movement needs. Transformational change is required to apply effectively the learning organization and CSCM approaches to people management and organizational development.

**Changing culture – a holistic approach**

Culture is made of a number of elements, including history, values, attitudes, symbols, language, rituals, and leadership. Leaders maintain or reinforce the culture (priests) or renew, change, adapt and redirect (prophets). Cooperative leadership needs to have a large element of the prophetic if it is to adapt to the changing environment. Becoming market-driven organizations is not about jettisoning traditional cooperative values but rather restating them. By reaffirming and extending their value-based culture as a key component in their HRM strategy, cooperatives can support both the growth of the learning organization and learning community concepts in their business and associational dimensions.

From a CSCM perspective we would like to see the end of employee culture and membership culture as distinct ideas, attitudes and behaviours. In there place we believe there should be a single culture of “activism”. This is not to claim that in skill, role, or functional terms there are not significant differences between members and employees (as the level of activism increases for the individual member but there are often overlaps). Where we are aiming for cultural unity, however, is in the shared values, shared vision and shared mission of members and employees. In short a shared commitment to the cooperative.

Followership, as Richard Daft defines it, may be something that *connects* employees and the most involved members (sometimes referred to as activists or volunteers). Although the latter are generally rather distinct and different from the average member, nevertheless the goal we should always be aiming for is to turn all our employees and all our members into followers. What are the values and culture that go to make for followership? Richard Daft explains as follows:

> “The role of followership includes responsibility, service, challenging authority, participating in change and knowing when it is time to leave an organization. All these components require courage. A courageous follower derives a sense of personal responsibility from the acknowledgement of ownership in the organization and the mission that the organization serves. By assuming...”

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responsibility for their own behaviour and its impact on the organization, courageous followers do not presume the leader or organization will provide them with security, permission to act or personnel growth. Instead courageous followers initiate the opportunities through which they can achieve personal fulfilment, exercise their potential and provide the organization with the fullest extent of their capabilities."
(Daft, 1999. p. 400)

Daft’s quote above defines closely to what in the cooperative movement would ideally be referred to as an activist. Daft in pointing at those with the “courage to go” is referring in this context to individuals in conflict with fundamental values and goals of their organization. The application of this idea in the cooperative context, however, is much more about handing over the reigns of power or position. How often have cooperatives suffered by having great leaders and sometimes great boards that hang on when really it was time to pass on the reigns to other people or even to another cooperative?

In the cooperative context, given the cooperative values and traditions, the term “activist” more appropriately expresses the same idea as Daft’s “courageous followership”. Apart from being briefer, “activist” perhaps expresses a more democratic root than is implied in followership. The activist whether a member or an employee, or both, is someone committed to the values and the vision of the leadership and their organization/community. In cooperative terms they are committed to the implementation of the cooperative identity statement in the context of the specific cooperative business conducted within the CSCM framework. Activists contribute to and utilize the available IC in creative and innovative ways in order to achieve the goals of the cooperative community.

Activists are loyal and committed followers according to Richard Daft’s reasoning. They are also capable of exercising leadership themselves in their own context and for preparing to assume leadership. The development of activism is also in part the development of volunteerism. Activists who are lay members volunteer themselves to serve the cooperative and its association. Employee activists volunteer themselves to go the extra mile in their pursuit of quality, customer care, relationship management and community solidarity. The goal of creating activists can unite professional, employed and volunteer elements into a unified cooperative culture.

Creating an activist culture

So how do we achieve the development of activists (or “courageous followers” as Daft describes them)? In the first place they can be seen as the outcome of a successful application of the servant-leader model of management utilizing the 7 principles of cooperative management outlined in the previous chapter. In specific terms of changing the management strategy and organizational culture in cooperatives courageous followers are created by:

a) Using the cooperative HRM function and its policies, techniques, procedures and approach as the main driver for managing member relations and member development.

b) Identifying for recruitment a specification of the ideal profile(s) for the cooperative member as well as cooperative employees.
c) Using the CSCM approach to encourage individual innovators to identify value added opportunities across both employment and membership activities throughout the cooperatives’ learning community.

d) Encouraging the cross fertilization of ideas recognizing that ideas supporting product and service development in the cooperative business may emerge from the membership and wider community stakeholders as well as from employees.

e) Identifying segments of the community for whom these kinds of activism will appeal and whose culture and focus is firmly rooted in the community of customers and other of the cooperatives stakeholders. Innovation in a cooperative is people centred, market focused and undertaken in the context of community.

f) Communicating the mission and the vision consistently and continuously targeting as appropriate all segments of the cooperative community with appropriate and regular messages utilizing the Large Group Intervention Model (discussed below).

g) Living the mission and the vision from the top down inside the business and inside the association. This is done most effectively through the cooperative servant-leader model of management supporting cooperative total quality management programmes, training programmes, and teambuilding across functional divides. Particularly cooperatives must break down barriers to cross-fertilization and build a unified culture linking marketing, HRM, and member development. Empowering people to look for innovation and to reward people for its successful application is central to the HRM strategy.

**Large Group Intervention Model**

There is a full discussion and case studies of this model’s application in the large-scale corporate sector in Richard Daft’s book, *Leadership, Theory and Practice*. (1999, pp. 444-446.) Daft acknowledges the originators of his materials as Dannemiller and Jacobs (1992), and Bunker and Alban (1992). The model’s application is seen by the corporate sector as a fast track approach to culture change and one that addresses the whole organization, including those external stakeholders whose actions and behaviours can have a major impact on the organization. This makes it a relevant approach to the cooperatives whose structures and philosophy incline them to seek the broadest possible participation by stakeholders in the process of change management and decision-making, and because of the urgency with which some cooperatives need to transform their thinking and culture.

For these reasons it seems like an approach to culture change is worthy of serious discussion in the cooperative movement. The most important point about this approach is its conference style. It takes the focus of change and brings together in a conference over several days, large numbers of people representing all the various stakeholder interests to get their feedback and to help them take ownership of the change agenda as well as shaping it. Without clear leadership and vision the whole process could easily disintegrate and fragment. However, with clearly defined themes and goals must also come the broadest basis of access to information, and discussion and opinion forming from all stakeholders. In the CSCM framework the Large Group Intervention Model
needs clear purpose and structure and the courage of openness and transparency across stakeholder boundaries. Only a cooperative organization (led by cooperative value-based managers committed to developing the cooperative’s membership in their community in a partnership of mutual benefits with the cooperative’s other stakeholders), can fully utilize this methodology. It is the CSCM framework that enables cooperatives to gain the quality of information, the stakeholder commitment and unity of vision to gain real advantages in the cooperative’s market that such a widespread consultative and participatory approach to change management provides.

The advantages of this approach are that it:

a) forces the CEO and his/her team to consider the whole cooperative context when introducing change;

b) represents a democratic and consultative approach recognizing the pluralism inherent in cooperative systems;

c) brings members and community interest into the process of decision making;

d) enables the early warning of change and the opportunity for stakeholders to input into that change right along the cooperatives’ supply chain;

e) ensures all the various parties have a realistic understanding of each other’s perspectives and needs; and

f) can lead to consensus and commitment to implementation coupled with a clearer understanding of the issues actions and goals/outcomes required of the change.

The disadvantages of the approach may be that:

a) it is expensive and cumbersome to organize;

b) ensuring a fully representative large group can create tensions and resentment from those excluded directly from participation for whatever reason;

c) it can take time and prevent a speedy action on particular programmes, projects or policy initiatives;

d) it clearly is inappropriate for specific business projects that may need to be conducted under conditions of secrecy to maintain commercial advantage.

However, the Large Group Model for culture change looking at the broad issues of changing attitudes, priorities, behaviours, building new networks, extending greater understanding and sense of solidarity across the whole cooperative system, looks like a winner for the cooperative context. The model fits closely into our identity, principles and purposes as membership based organizations with clear priorities towards membership service and community development. It would also ideally fit the inclusive community approach in the CSCM framework.
Unfortunately, the tradition of conferences in the cooperative sector seem to be more celebratory and confirming, rather than participatory and transforming. Getting the conference format of the large group process to work will itself require a major change of style and in participant expectations. However, with new elements introduced by inclusion of stakeholders not normally invited to cooperative conferences, and given sound preparation and the right leadership steering the event(s) with practice, the large group format could prove an invigorating methodology to enhance a genuine participatory culture in cooperatives.

Owing to the fact that the cooperative system is genuinely rooted in the people in their communities, it is not going to work at the same speed as in a much more focused group of stakeholders led by shareholders in the private sector context. But it can potentially speed up the rate of change in cooperatives. In the cooperative context there will still be lags as well as leaps in the process of culture change. The key is to close the gap between change by the leaders and change by the laggards. Success here is a function of the level of activism that is manifest in the various stakeholder groups. Nurturing local leaders and champions for the new innovations in each stakeholder group is a key HRD objective.

Those representing groups most peripheral to the core business activities will respond to change at a slower pace. However, one of the key strategies of the CSCM approach is to try to direct and reflect the communications and focus of the cooperative’s core business more and more securely mediated in the wider community’s need for change. If successful in this, there may be a shorter lag at the organizations periphery to the adoption of changes taking place at its core, and a greater appreciation of the changes themselves.

Change as the implementation of strategy needs to focus on qualitative issues as well as technical, process and other regulatory changes impacting on standards of quality. Below we explore the strategic focus for change in the cooperative sector. All the techniques, philosophies we have discussed: HRM, Learning Organization, CSCM, Servant-Leadership and Activists are designed to ensure the success of cooperative strategy. In all of the areas of priority for change in cooperatives, there needs to be manifest some common themes or focus in the change itself that is also strategic for cooperatives.

**The strategic focus for change**

There are broadly six strategic themes crossing the areas for the change discussed above. These are: *innovation, quality enhancement, cost, solidarity and society*. These themes are of great importance as standards or registers for success. They are not all specific to cooperatives. Even in private sector thinking, society is increasingly figuring as a result of corporate social responsibility programmes. Solidarity, however, is specific to cooperatives when it is being applied in situations that do not relate directly to business development, but rather to the increased social solidarity of cooperative stakeholders and to their community and its domestic economy. Without addressing the fundamental areas of culture, economies of scale and management development cooperatives will lack the resources to leverage their wider social agenda. At the same time, addressing these areas without reference to these six themes in the
context of cooperative values runs the risk of ending up with cooperatives looking like ordinary investor-led businesses.

Thus in all the areas of change proposed, cooperative stakeholders need to ask themselves the following questions: Where is the innovation? What are the quality improvements or added features? What costs have been reduced or eliminated? How has solidarity been increased? What has been the impact on the wider society?

**Innovation**

Product and service development are critical areas of change, where innovation should be the focus: Innovation in widening the range of opportunities for members and customers to purchase from the cooperative; innovation to ensure a better rate of value-added overall from the cooperative’s economic activities; innovation to get the most out of the human and material resources available to the cooperative. Innovation is needed, above all, in finding new ways to involve members in the governance and social and economic activities of the cooperatives.

In HRM terms, we need to recruit people with the expertise and experience to manage the innovations we have identified. Training and development have an important part to play in the implementation of innovations but the innovations, and the leadership to bring them into being, require a champion or prime mover. Once the need for change in a particular direction has been identified, the important next step is to recognize the existing deficiencies and then develop or recruit to overcome them. The existence of educated and committed activists will ensure intelligent incremental adaptation that supports rather than subverts the overall goals throughout both the organization, the association and the wider community.

**Quality**

Cooperatives have a built-in advantage in the application of TQM (Davis, 1999, pp. 55-60), and an opportunity to use it in innovative ways to give important social added value to its customers. As service-led businesses, cooperatives must know what their customers really want in terms of the quality of their goods and in the types of services on offer. To date very few cooperatives are involved in the application or even the introduction of a TQM or cooperative version of TQM (*Cooperative Total Quality Management and World Class Cooperative Quality*, Davis, 1999, pp. 93-109) The lack of TQM in cooperatives is derived from fundamental weaknesses in marketing and membership development that can be found in most small to medium sized cooperatives. HRM inputs need to be in terms of improved communications, team-building activities, training in the use of quality circles and customer care programmes, and in the devolution of responsibility and decision-making. (Davis, 1999, pp. 70-76) Using the case of the British Cooperative Bank, Davis (1999) suggests that by treating the customer in his or her values, social, economic and environmental contexts, social value added can be identified in addition to product/service quality standards to provide a new and highly competitive dimension to TQM namely CTQM that it is very hard for private
sector rivals to compete with, due to their need to achieve the highest possible market led return on capital. When CTQM establishes a world-class standard it simply becomes WCCQ.

The CSCM framework linking closely customer human capital, supplier human capital and cooperative human capital in a cooperative community, will generate the IC capability to establish a developmental link with its customers and a close partnership with suppliers that it will be difficult for its rivals to match. The learning community becomes the perfect engine to drive the quality standard and product service development standard, in ways driven by the community as it searches for relevant innovation combining individual need, underpinning social solidarity and environmental sustainability in ways driven by the customer. In this case, however, the market is not being managed by a huge advertising budget but is rather reflecting stakeholder learning about their mutual needs and serving them in their real social context.

**Costs**

Cooperatives are not in the business of driving down costs at any price for shareholder advantage. In some cases, for social justice, the greater good of the community and the need to ensure economic and environmental sustainability, cooperatives may carry legitimately higher costs than their rivals. This is not an excuse for ignoring a cooperative’s responsibility to ensure its costs are justified by customer quality or social value-added. If they cannot be so justified, then the higher costs must be cut or they will lead to a competitive disadvantage for the cooperative and a failure by the cooperative to provide the best value for its customers and members. The aim is to achieve sustainability, customer delight and satisfaction as well as competitiveness, when decisions on costs are being made.

Cooperative HRM must ensure that fair rates of pay that reflect labour market realities are paid with additional remuneration for performance that gives the cooperative a competitive advantage in improved service, cost reduction, innovation or quality. Cooperatives do not need to have the lowest costs. They must provide the best value for money in terms of the intrinsic qualities and performance of the product or service being rendered. This includes the added social values of environmental sustainability and social and distributive justice to individuals and the community.

Costs are to be considered in social as well as organizational terms. Whilst the HRM function, as with the rest of the management team, must always be alert for savings and cost reductions, issues of mutuality, justice, health and safety and quality will always be a part of the decision-making process. Maintaining value for members, customers and community requires strong stakeholder relationships, built on transparency and mutuality.

**Solidarity**

All businesses hold to a version of solidarity, based on their need to be identified by their market. They link to their community of consumers through
powerful brands and the values they attach to these brands. Cooperatives also must develop a powerful global brand based on its core values and identity. But cooperatives are not simply about interpreting their customers’ needs, they are also about developing their customers. Community is an end as well as a means for cooperators. Strengthening community is a good in itself from the cooperative philosophical and human perspective. As was discussed in Chapter 3, increased solidarity with the community will almost certainly provide the basis for competitive advantage as long as the community has some overlap with the cooperative’s customer base. Some of the IC literature is beginning to recognize the need for this to occur in order to allow companies to invest in product development with a great deal more security.

The importance of developing an organizational culture that reflects the culture of the market (community) and can help identify the direction of community need(s) is obvious in the context of a competitive market. It should be easier to make this approach work in the cooperative context where mutuality governs stakeholder relationships. In effect, solidarity requires the cooperative HRM to build strong employee relations, with an organizational culture grounded in generating strong community relationships between members, suppliers and customers.

Solidarity is not just about relationship management and relationship development, it is also about the integration of relationships between the various networks. The cooperative operates to facilitate a learning community that generates social capital to provide resources and to give added value, in both money value and domestic value terms. The aim is to enrich the wealth-creating capacity of the whole network for the improved quality of life of all stakeholders. Education of customers, suppliers, employees and members has a critical role to play in ensuring that the cooperative’s customers have the necessary information to make informed choices, for example, between price and social/environmental issues. Customers need to recognize the importance of social capital in the domestic economy, alongside that of the money economy.

HRM, in the cooperative context, needs to provide the catalyst for the integration of marketing, advertising, training, education, customer and public relations and membership development. The aim is to ensure that the cooperative, through its staff and activities, delivers integrated and consistent messages and information that is on target and on time. Facilitating the networked communities of learning inside and outside the formal limits of the cooperative’s organization, is a core task for cooperative social capital management. The cooperative’s HRM function must be the lever to ensure the organizational development capacity to make it happen. In doing so we recognize the fifth theme within the areas of change that we have prioritised, namely social change.
Enriching the content of community: A strategic goal for social change and cooperative sustainability

The idea of human capital as a community asset has wider human resource implications than simply employment. It touches on the quality of member relations and of community resources and activities. It also provides the foundation stone for the development of the cooperative agenda concerning social change. Members and their partners, whether as workers or as customers, or as suppliers to the cooperative, through the cooperative management of social capital, have opportunities for development and employment as part of the learning community. This community links employees, members, suppliers and customers and their families and neighbours, even where the stakeholder does not have direct membership or employment in the cooperative.

This learning community also links different groups of stakeholders, crossing the boundaries and blurring them between the domestic and money economy. Such a networked community will enable greater participation than may otherwise be the case for women and younger people in the cooperative enterprise, and prepare/encourage them directly or indirectly to become more involved in the cooperative. It is a central purpose in the collaboration between the member development, HRM, marketing and PR functions, to create opportunities for crossovers of human and intellectual capital in appropriate ways to ensure the continued development of:

- the Community’s money and domestic economies;
- the continued competitive advantage of the cooperative as it develops, in partnership with its customers, the next generation of goods and services in the money economy; and
- the capacity of individual workers, suppliers, neighbours and members to contribute to both the money and domestic economies, and give them the opportunities to determine which or what mix of activities suit their particular life style, stage of personal development, capacity and inclination.

In short, the purpose is to unite the intellectual capital of the organization and its networks in the money economy with the intellectual capital of the domestic economy to their mutual enrichment. This is the ultimate goal that cooperative purpose and culture needs to be directed towards for both their competitive advantage and their social relevance into the twenty-first century.

Without linking social change to organizational and culture change, cooperatives will lose sight of their unique status and fail to make an authentic link between their services and the wider society. Yet this authentic link is one that cannot be equalled by their competitors. Such a link is critical for recruitment of the right people, motivation of all the persons involved in the delivery of the cooperatives’ services, and as a critical component in the determination of business strategy.

Levers and barriers for change in the cooperative context

To achieve the commitment of members, boards and management to achieving these changes will require some courageous leadership within the cooperative and outside,
from those representative institutions that support its development. The danger threatening the movement’s successful adaptation of its cooperative structures and businesses, and with it the reformation and renewal of its cooperative purpose and identity, comes from two quite distinct sources, both the more dangerous because they represent internal interests rather than external ones.

The first threat is the entrenched managerialism that is fundamentally hostile to member involvement, or to quality management programmes that give members or customers increased influence on decision-making, exposing management to possible criticism. In the largest cooperatives, the influence of managerialism has resulted in the evolution of organizational and management cultures indistinguishable from mainstream business. It has resulted in de-mutualisation and commercial failures. It has prevented cooperatives developing a powerful and distinctive market brand and undermined attempts of cooperation between cooperatives.

The second threat comes from within the smaller and medium-sized cooperatives, from Boards with too few skills, too narrow or parochial a vision, often representing entrenched local interests that may on occasions misuse their influence to practice nepotism and other illegitimate activities. Lay boards are often the main barrier to merger activity between cooperatives. For example, in the United Kingdom, it has taken almost half a century to achieve the target for the number of societies recommended as optimum in the 1950s!

The third barrier is the simple lack of professional staffing and management committed to and trained in providing the principled cooperative leadership so needed if the lay membership as a whole, and the employees and suppliers, are to be mobilized for the achievement of cooperative goals.

The most important lever for directing and managing change in the cooperative may turn out to be maverick but principled managers, who believe in the cooperative cause and have the ability, charisma and vision to drive through the necessary change. This source is not as hopeless as it may sound when one considers the sheer size of the cooperative movement with tens of thousands of businesses and three quarters of a billion members. Within such a pool, given the acute environmental threats, organizational challenges and social and economic need in the community, it may be more than a simple act of faith to expect such men and women to emerge.

Barriers represent the often-entrenched forces opposing change. Levers represent the resources available to overcome the barriers. As cooperators attempt to achieve the scale of cultural and structural change required to lift the movement into the new millennium, their efforts will be greatly enhanced by adopting a strategy of identifying and releasing the potential intellectual capital at their disposal inside the cooperative organization and its supporting networks of suppliers, customers and members. New technology and market forces may also provide a critical lever to force the pace of change in cooperatives as customers vote with their feet in the face of poor service levels and higher prices.
### Table 4. Levers and barriers for change in the cooperative context

<table>
<thead>
<tr>
<th>Levers</th>
<th>Barriers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperative Managers</td>
<td>Entrenched cooperative establishments</td>
</tr>
<tr>
<td>Competitive pressures</td>
<td>Lack of skilled human resources</td>
</tr>
<tr>
<td>Cooperative Values and Identity</td>
<td>Individualism and materialism</td>
</tr>
<tr>
<td>Environmental factors creating needs for cooperative solutions</td>
<td>Imploding political, environmental and economic systems</td>
</tr>
<tr>
<td>Cooperative HRD activists</td>
<td>Alienated and cynical employees and members</td>
</tr>
<tr>
<td>TQM/Learning organization</td>
<td>Lack of customer knowledge</td>
</tr>
<tr>
<td>Stakeholder led pressures for change</td>
<td>Complacency based on current success</td>
</tr>
</tbody>
</table>

Cooperative managers committed to the vision and principles outlined in Chapter 7 on Leadership, equipped with high levels of professionalism, knowledge and skills, will need to form the catalyst at the top to commence the extensive programme of change that the cooperative movement needs. Turning first employees and then members into activists will require the promotion of a clear understanding of the relevance and strength of the Cooperative Identity. No vision can be constructed in a vacuum. The vision must be a clear response to a careful strategic analysis of the cooperatives’ Strengths, Weaknesses, Opportunities and Threats (SWOT). Without this audit the cooperative will not have a clear factual basis for the development of strategy. It must above all be focused on what the customers want and building carefully back to what it is the suppliers need to deliver.

The first part is an analysis of what Porter (1980) defined as the competitive environment. This is made up of a range of factors such as competitor behaviour and strategies, suppliers and customers market power and relationships to the cooperative, potential substitution and ease of access and governmental regulatory factors. It is indeed a hostile and threatening place for the private sector firm but in terms of the CSCM framework this environment can be much less hostile once we recognize the importance of cooperation as much as that of competition in the economic process of value creation. Then there is the wider environmental audit looking at movements and changes in various environmental sub-systems such as political, economic, technological, social and natural. What such audits will throw up will certainly include grounds for conflicting interests between stakeholders. Nevertheless, at worst, such matters will have a more constructive forum for resolution within the CSCM framework. At best though, these audits will identify much common ground in terms of both threats and opportunities. Identifying strengths and overcoming weaknesses through a SWOT analysis in the CSCM framework will also be easier.

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3 See Chapter 8 in Daft (2003) for a good description of Porter’s theoretical framework.
Cooperatives must move away from the polarities of complacency or crisis to a mature recognition that markets are constantly changing and that to remain relevant to their members and their customers means the cooperative must develop a culture where innovation and participatory decision making and open communications exist. This must be a culture where activism is encouraged by a leadership that sees its main function as serving the best interests of its members in their communities. A culture where there is competition to serve on boards and other committees, where nobody can become entrenched because there never is an opportunity to avoid challenges or debate in the context of the continuing growth of intellectual capital within the CSCM framework.

Developing a cooperative HRM function will be critical, as part of the overall change management strategy. This will include, firstly utilizing the Large Group Intervention model to encourage and reinforce the changing culture. Secondly, by recruiting strategically the right ‘new blood’ to lead these necessary changes. Thirdly, customer-led change, ‘business process re-engineering’, and environmental factors such as competitors’ strategies and changing statutory regulations, are all bearing down to various degrees on all sectors of cooperative business activity, collectively promoting the idea that cooperatives must change or die.
Action points

1. Define the organization’s new mission, incorporating the cooperative difference and communicate this difference clearly to customers, suppliers, members, staff and the wider community.

2. Senior Executives and Board Members need to identify where a cooperative has failed to keep pace with its competitors and keep up with the market, and to work out what they can do to reverse the situation. This reversal needs to be achieved by looking at relationships, quality, costs, markets, innovation, image and leadership.

3. Develop a communications strategy based on gaining the commitment to change throughout the cooperative and its mix of stakeholders. Introducing the Large Group Intervention model is one important component of this strategy.

4. Bringing in consultants to identify the cooperative’s intellectual capital and the extent of its utilization in the modern context, could be important to get a fresh perspective but should be done only after very careful vetting and discussion of alternative bids.

5. Following a SWOT analysis (Strengths, Weaknesses, Opportunities and Threats), the recruitment and training and development priorities need to be determined. When cooperatives find themselves having difficulties attracting managers with the right experience for the tasks and roles identified, then the cooperative has received a clear signal that it is too small for its current environment.

6. Merger and joint projects may require additional resources in the form of external consultants. These should be drawn from the cooperative and mutual movements as far as possible.

7. Reward and develop those who take up the challenge and respond positively to the challenge of activism.

8. Move people to give them fresh challenges and opportunities within or between cooperatives. For many thousands of small cooperatives change and development will not be effectively resourced without cooperation between cooperatives to give opportunities for managers to grow.
Developing the cooperative’s human capital

This Chapter explores how change produces new needs and gaps in the organization’s match between the mix of skills, knowledge and experience retained and those required by the changed circumstances. This Chapter therefore examines the relationship between individual development and organizational and association development in the context of change management. In the first half this is considered at the level of the system and, in the second, at the level of the individual. There is an inevitable reference back to learning organization theory and change management and the role of education in cooperative organizational and membership development.

The analysis here raises the question of how the principle of education can inform employee development techniques, and how both these approaches might be combined and transferred to improve the effectiveness of volunteers in the governance of the whole cooperative enterprise and of all other aspects of the cooperative association. It is suggested that in HRD informed by the cooperative principle of education, we have not just a means for the cooperative enterprise to improve its effectiveness, but also an end for the cooperative association. A real measure of the cooperative’s effectiveness will be the level of development of human capital that it has achieved. We need to ensure that development is not just a matter for managers but for all stakeholders.

Limitations of training and development within the HRM framework

HRD has a strategic role within the organization in two ways. Firstly, HRD functions as a lever to assist in the performance of tasks and the realization of organizational goals. Secondly, training is an important mechanism for communicating and implementing strategic change in the organization. Top management needs to ensure (a) the right policies and procedures to implement the HRD programme and, (b) sufficient administrative support and financial resources to enable the effective implementation of the HRD programme, encouraging a culture that supports and values HRD, both formal and informal.

However, training without education is insufficient when we confront the essential need for building a cooperative culture as the basis for the cooperative business organization and its unity with the association and the business’ supply chain. Yet in cooperatives there has never been staff education but rather only staff training. Once there was such a thing as member education. Today the old member education departments can be found under the title of membership development or member relations. It is necessary to pause to make a case for a return to the idea of member education and to consider the relevance of the concept of education rather than merely training in the context of CSCM.
Table 5. Traditional differences between cooperative training and education

<table>
<thead>
<tr>
<th>Training</th>
<th>Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boards and employees</td>
<td>Members clubs</td>
</tr>
<tr>
<td>Skill based</td>
<td>Knowledge based</td>
</tr>
<tr>
<td>Employee focused</td>
<td>Members social and governance focus</td>
</tr>
<tr>
<td>Applications focused</td>
<td>Holistic</td>
</tr>
<tr>
<td>Competences</td>
<td>Developmental</td>
</tr>
<tr>
<td>Predictable and measurable</td>
<td>More variable</td>
</tr>
<tr>
<td>Consistent performance</td>
<td>Creative innovation</td>
</tr>
<tr>
<td>Vocational</td>
<td>Values/character</td>
</tr>
<tr>
<td>Behavioural/means</td>
<td>End in itself</td>
</tr>
</tbody>
</table>

Education is a more fundamental holistic concept that informs the culture and spirituality of the person as well as knowledge and competence (training focus). Education has been identified as a key operating value in the ICA Statement on the Cooperative Identity. Training focuses on individual specialization, education implies individual flexibility through recognition through the application of general analytic abilities as a result of the successful transfer of knowledge and skills to solve or explain novel problems/contexts. Without training in basic skills education is stunted. With education, the application of skills will be more flexible and intelligent and wide ranging. Thus both are essential for the effective and developed human capital formation. Education takes the matter further by informing character. It is character that ensures the level of morality (both human and creation centred) in the objectives and standards of application of human capital by the individual concerned.

Establishing cooperative values in the characters of the organization and association’s human capital is the goal of cooperative education at the strategic level. We need to develop skills in both staff volunteers and members in general. Sometimes the skills training will be the same, sometimes it will vary due to context. The education for members and staff and managers and other stakeholders, however, will always be the same, i.e. trying to achieve the unity of character and cultural values across the whole cooperative and its network of stakeholders. This is a critical pre-requisite for the achievement of the learning community, which we have seen earlier, is both a means for the business and an ends for the association in the cooperative system.

There are many agencies seeking funds or donors willing to pay for cooperative education, development and training. This does the cooperatives a great disservice because the training is inevitably late due to slow progress of donor approval. Also the training must follow the donor’s agenda if it is to be approved. Cooperatives need to see both education and training as an integrated whole which they must address for both membership and employees. Training and education can be seen as both a membership benefit and as part of their cooperative HRM department’s wider human capital development strategy.
Education and training as tools for cooperative business development and change management

The proper starting point in the identification of cooperative educational and training needs is in the market place. Education and training programmes must address what it is that the customer needs and expects from the cooperative society. The customer has social and spiritual needs as well as material needs. These needs may find direct or indirect expression in the act of production and consumption and/or in the abstention from production and consumption. Having staff that are equipped to identify and respond to the needs of people in their social or community context makes for a staff better able to contribute to product and service development.

The staff will make for more intelligent boundary workers at the limits of the organization’s interaction with its environment. They will combine more easily to build the learning organization culture within the cooperative and will, given a membership that is also educated (and therefore responsive as “activists”), be able to unite with the association to form a cooperative learning community. The notion of customer needs and expectations thus take on some additional (not alternative) dimensions in the cooperative context. Firstly, there is the prospect that these customers are also suppliers and members (multipurpose agricultural cooperatives) or at least customers, (consumer, community and financial and other service provider cooperatives). Secondly, customers themselves are viewed from a more holistic perspective in the cooperative context.

Cooperative TQM is about identifying the customers’ needs from the standpoint of the consumers’ ethical, environmental and social perspectives, as well as those of the product or service specifications and price/quality ratio (Davis, 1999, pp. 57-59). Therefore, training and development to meet customers’ needs in the market place becomes a more extended concept, where the learning required includes a dimension rooted in the community and its development agenda. It is out of this agenda that a non-manipulative and non-exploitative sustainable product and service development programme can emerge. If this is to happen, education in addition to training will have to come into prominence in the cooperative HRM menu.

The learning community requires the development of both kinds of attainments to acquire knowledge and the ability to apply that knowledge. The process itself, of developing human capital, intellectual capital and social capital is primarily educational. This is because the whole purpose of the learning community in the cooperative context is creative innovation for both economic and social benefits, one of the perceived benefits being the acquisition of knowledge and skills as a good in itself. However, cooperatives also have, in both business and associational dimensions, a need for people who can collaborate, innovate and respond effectively to change to maintain the economic value, commercial competitiveness and social relevance of the cooperative system.

The process requires a free exchange of knowledge in variable configurations if true innovation and creativity are to be achieved. Training departments and member development departments need to develop joint projects. This would ensure that members have the skills and awareness to link into their cooperative’s learning community. It would also ensure that the staff gain the confidence and skills to link
into the learning community as well as being providers and receivers of knowledge. Marketing, PR and operations management also need to get into the picture to ensure that linkages are made to the customer base and the supplier base. The key to making this rather abstract concept of learning community work is in the word “relevance”.

**A model of an educational and training process**

Competitive advantage lies in the CSCM process of drawing community learning from the associational learning into the business learning cycles. Inserted inside each of these three learning cycles is the formal educational and training process. These are referred to as cycles because they continuously repeat. They are never totally smooth but rather discontinuous in places and continuous in others depending largely on the levels of social combustion being generated in the mega environment. It is as a methodology of development and as a response to the wider environmental context in each of these cycles that the process of training and educational needs identification takes place.

![Diagram of the three cycles of learning in the cooperative context](image)

**Figure 6. The three cycles of learning in the cooperative context**

All organizations and other social entities groups, such as families, learn about themselves and their environments. As the entity and its environment change so the learning process continues. Different forms of organizational cultures and structures and communities and associations will learn different lessons and at different times. Learning arises from the identification of a problem either as threat or opportunity. By speculation, testing and the application of reason, a cycle of learning is established. Identifying and developing learning processes in organizations is seen as an important approach to change management and organizational development.

In the CSCM framework these three cycles of learning reflect the three key dimensions to the cooperative. Its business, its association and its community. What the CSCM framework attempts is to bring into a closer sharing and synchronisation the cooperatives three learning cycles both between themselves and with those learning cycles in the cooperatives other external stakeholder organizations particularly their suppliers and customers.

Inside each of the three learning cycles above, and that of all other bodies, proceeds a formal educational or training process. This is outlined in Fig. 7 below. As far as the identification of educational, training and development needs is concerned, the important point here is that the model of training and development in the organization
must be seen as an integrated process, linking needs assessment to organizational needs for HRD. The organization’s needs should be driven by its strategic objectives. Needs assessment cannot, in the cooperative context, ignore either the marketplace or the community, because the organizational needs are driven by these two contexts. The second level of integration lies within the delivery process of the training and development being programmed. Needs lead to objective setting, which in turn influences the programme’s design process.

How the programme is implemented is itself a matter of design. Implementation must consider how the evaluation of the programme’s impact in realizing the needs identified at the outset should be done. The identification of training objectives should link directly to the criteria for evaluation. Training programmes within the CSCM approach need to be re-thought, to become education and training programmes, once the development of the learning community becomes an overarching strategic goal of the cooperative. Staff training remains essential, but its scope will be widened and enriched and extended into educational domains. This will provide understanding and access to the learning community as well as providing, the foundation stones of that community as a self-conscious entity.

In Fig. 7 below, the cycles of stages in the training needs assessment process continue clockwise from the original needs assessment. The arrows, however, indicate why this is an integrated process. Design and evaluation stages both feed into the needs assessment. Objective setting establishes the basis for evaluation. Staff training remains essential but it will be greatly strengthened by the inclusion of staff education along with member education to encourage the activist culture and raise sensitivity to the CSCM framework and the process of IC development and management.

Cooperatives should include in the employment contract an obligation for staff to undertake development on a regular basis with a shared time commitment whereby half take place in the cooperative’s time and half in their time. Emphasis on validated qualifications should be encouraged but general educational and cultural programmes should also be permitted particularly where the outcome will be an input into some form of community/cultural activity. New technology may provide powerful new tools to link with other stakeholders for training and mentoring and for the speedy dissemination of information, but ultimately it is the content that determines the value of the exercise not the delivery system.
Training and development will, for the most part, be led by needs assessment exercises arising out of such as activities as appraisals, market research and research and development, strategic management exercises, such as the SWOT analysis (see Chapter 8), and membership surveys. We need to build in some space for bottom up innovation opportunities for groups of staff or stakeholders to hold “events” that they determine arising out of their daily interactions. There are many ways such events could be configured and many different forms of incentive and payback for innovations that are adopted and deliver on one or more of the three bottom lines – economic – environmental – social.

**Example**

To qualify for holding an event, the convenor (person who has the original idea that s/he wants to develop) must be able to show that the outcome being sought is either a cost reduction, improved service or product quality, a new product or service or the development of a new market for an existing product or service. If the idea stands up under scrutiny of the group, it is passed to senior management for consideration and possible implementation. The event will take place outside working time but, if the report is adopted by the cooperative, the group will be paid their going rate for the time taken on the project and a share in the additional revenues or cost savings achieved for at least the first two years of the implementation. This should be divided between the group members on the basis of 40 per cent for the initiator and 60 per cent between the group. These figures and process are merely an illustration as there are various methods that could be adopted and various policies on reward systems.

### Skills of self-management

Much of management development has to be based on self-awareness and continuing reflection on personal performance, with a view to identification of areas where lessons may be learned and improvements achieved. This is also true for lay leaders and activists. Training and membership development functions must work together to ensure that lay leaders and activists all have the opportunity for self development through the acquisition of formal skills and the acquisition of knowledge through access to open learning possibilities. Libraries, distance learning programmes and Internet access can enhance this. Opportunities can be managed as community service, as a member benefit, as staff training, as customer relations, as part of the partnership arrangements with suppliers, and as part of the Management Information System.

For all managers, particularly when starting out on a management career, the development of self-management skills may be considered the foundation stone for all other development. Personal performance (including the individual’s ability to utilize fully HRD opportunities, formal or informal, will depend on our skills of self-management. The basis of all self-management, however, is the development of character. The skill of candid and objective self-examination and awareness is the foundation of character when coupled to a clear set of authoritative guiding moral values and ethics.

The key ideas for working on our self-management skills are outlined below.
Ethical values

As human beings, we establish a developed sense of right and wrong from our family environment. Later on experience may undermine or reinforce the basic standards of mutuality, care and love, which are found in the basic structure of all forms of family relationships not operating under dysfunctional conditions. There are, we must acknowledge, a critical number of families today in all parts of the world where dysfunctional conditions are “normal” (Davis, 2000). This represents a threat to society and to cooperation. Yet at the same time it may be seen as an opportunity for cooperation to re-establish the security and belonging that all human beings desire as the foundation for their assertion of individuality and autonomy.

The values of activism and servant-leadership located in the framework of the values and principles laid down in the Statement on the Cooperative Identity, gives the guidance reference point for ethical behaviour in a cooperative context. Based upon this reference point, cooperative education is seeking to model all individual behaviour inside the cooperative system and towards those the system interacts with.

Self-awareness

In order to begin to take personal responsibility for one’s own actions and for the need to care for others and the wider community (Cooperative Principle number 7), we must also develop self-awareness to manage character traits both positive and negative.

To practice critical self-examination of one’s actions and responses is therefore essential for all people as a key skill in all relationship management contexts. For those with responsibility of leadership it is an even more important faculty to develop. Self-awareness to be of any value to the cooperative, however, must be based on the acceptance of a strong ethical position rooted in cooperative values.

Critical self-evaluation also helps strengthen a manager’s (or leader’s) ability to identify mistakes and errors in all areas of their activity. This is a core skill to ensure positive developmental outcomes in the organizations HRM appraisal systems and in supporting training needs assessments. Self-awareness ensures that when mistakes are made they are not repeated as a result of denial and self-justification.

Handling situations

This is closely linked to self-awareness and dependent on it to some extent. It is important to develop empathy towards other parties. This empathy should lead to the ability to identify and analyse the key elements of a situation and reach a decision that is going to be achievable, fair to all parties and within the policy and ethical constraints of the cooperative’s standards.

Communications

Listening and responding to the needs of the person trying to communicate are fundamental skills without which no quality communication can be achieved. Understanding the need for clarity and timeliness in communication and sensitivity to
cultural issues, particularly in culturally diverse environments, are all important elements in good communication.

All those with leadership responsibilities, at whatever level, need to recognize that consciously or not, they are so significant to their subordinates and to other stakeholders that even their body language and mannerisms will be communicating either positively or negatively to those around them. The need to recognize the importance of informal communications within the organization is also important and therefore the need to intercept and respond to informal communication remains a valuable role played by line management in particular.

**Self-development**

This is an important responsibility for every individual involved with a cooperative. It is an ethical matter that self-development faces two ways. One is inwards towards the needs of the individual and the other is outwards towards the needs of the organization or the wider community. For most people, particularly managers, most self-development takes place in the job. But to be effective, individuals must be looking for the lessons and then thinking about the implications and applications of those lessons.

Spiritual growth remains fundamental to all self-development in the cooperative context because cooperatives have to be able to rely on the integrity of their leaders and other stakeholders in order to build up a culture that includes rather than excludes people. Integrity and sharing knowledge with others and the humility and willingness to learn from other people’s experience, are spiritual matters. Too often, the unwillingness to acknowledge others’ input and a desire to claim all the credit quickly can blight any learning community. Such unwillingness creates a culture based on secrecy and suspicion. That learning is effectively a social process is one of the fundamental assumptions of learning organization. It is also a fundamental assumption underlying the idea of Intellectual Capital.

**Learning domains**

There are six domains of learning important for training and development in the cooperative context (the first five are to be found in mainstream training and development literature). All will, in varying degrees, figure in cooperative training and development programmes. These are:

- **Motor skills.** Hand–eye co-ordination. These may vary widely in complexity from typing to brain surgery.

- **Verbal information.** Developing understanding and vocabulary concerning technical terms and general linguistic faculty.

- **Intellectual skills.** Memory, reasoning, analysis, summation, critiquing, testing and decision-making.

- **Cognitive strategies.** Identification of patterns and meanings.
Attitudes. Awareness of emotional responses triggered by people places and situations that may or may not be positive, ethical or congruent with the organizational culture and mission.

Social skills. Ability to interact and be supportive of individuals or groups in a social context. Making a positive impression within group interactions. Ability to exercise positive social leadership when the situation requires it.

Processes of learning

Apart from the domains of training and development that are to be addressed, there is also the process by which these areas of learning are to be acquired. There are three schools of thought concerning the learning process itself.

Behaviourist

Behaviourists concentrate on measuring learning in terms of changes in behaviour, and their strategies are all in terms of behaviour modification. Often we can evaluate the success or failure of training in behavioural terms by writing learning outcomes as behaviours, i.e. Learning outcome required: “…a sales assistant will always enquire from a customer whether there was anything he or she wanted that was not available on the shelf”. The idea that behaviour and character are essentially acquired characteristics is fundamental to the assumption that character can be educated. Recent genetic research supports the behaviourists, as it turns out that there is not the genetic diversity in humans distinct from other members of our species to account for human behaviour in terms of instinctual inherited characteristics.

Cognitive

This focuses on the development of insights and problem-solving processes in the mind. Cognitive theorists see learning as an experiential process, where action is supported by reflection leading to insight and new knowledge or skill. Training programmes certainly need to be structured to enable some learning by doing and some real opportunities for reflection and problem-solving within their framework. Discovery learning techniques are derived from cognitive approaches to learning. A very great deal of management development is based on the idea of experiential learning.

Humanist

This approach emphasizes the motivational and human context for successful learning. Training and development linked to career progression or to genuine intrinsic satisfaction will always be more successful than that based on compulsion. Not all motivational strategies are positive; fear too can be a great motive for learning. The need to change and develop should be positive ground, but on occasions we may need to point out the negative consequences of failure to learn, or to adapt existing skills. Belief in the beneficial results of cooperation have motivated millions of volunteers and leaders to work for and learn more about the cooperative movement and the application of cooperative principles. As far as possible the cooperative should ensure
a high level of motivation among its staff and activists, which is a central characteristic of a follower as we saw them defined by Daft in Chapter 7.

Styles of learning

People have various styles of learning and these styles need to be recognized in the strategies for members, employees and managers. Once recognized, these styles can be catered for particularly in the establishment of personal development plans, jointly agreed between line managers and their subordinates. The styles of learning we can consider are:

*Activists* are people who like to get deeply and personally involved in learning about new ideas or projects. They tend to be open to new concepts and do not prejudge. They may be inclined to act on hunches rather than wait until all the information is in.

*Reflectors* are more cautious individuals. They are watchful and slow to act before they feel confident of knowing the outcome. They are careful listeners and sometimes overly dependent on those about them for arriving at a decision.

*Theorists* are people who like to make connections and develop ideas rather than implement them. Good at seeing the overview or big picture they are less effective with detail and with implementation.

*Pragmatists* are less interested in ‘the how and the why’ than the fact that a thing works. They will try out new ideas readily, and just as readily discard an idea if it does not seem to work. They like to experiment but hate to have to develop conceptual frameworks and strategies based on a view of the bigger picture.

In any training session, individual course members need to become aware of their style with a view to modification of some of the negative consequences and the development/incorporation of some of the good points in the other styles. Different forms of personal development and accreditation programmes will suit different theories and personalities. In truth there will always be times and contexts where all the methodologies for delivering training and development will be appropriate.

Development methodologies

*Lectures* and formal development and accreditation programmes are more suitable in an academic environment. Management can sustain short, sharp presentations, but in cooperative education programmes, the lecture method has its place where the audience is made up of people who are highly motivated with considerable prior learning. The success of this methodology depends very much on the style and conviction of the lecturer.

*Projects* provide a useful methodology at all stages of learning and individual development that will vary in complexity and time scale, depending on the level of learning and on the stage of the individual’s development. For cooperatives
contemplating the introduction of new processes, products, services and technologies, such projects can feed straight into the organization giving an almost immediate pay back.

*Fieldwork* is a useful method at all stages of learning and individual development. It will vary in complexity and timescale, depending on the level of learning and the stage of the individual development. Fieldwork can often provide opportunities to learn about the context or position of your work *vis-à-vis* other people’s work, or it can lead to innovation by transferring best practice from one cooperative to others.

*On-the-job training* is a continuous process for all levels of employees and volunteers in any organization seeking to establish its credentials as a learning organization.

*Simulations and role play* are very important where people need to be trained in skills that it would be unfair, or otherwise inappropriate, to put them into training in a ‘real life’ situation as the results of mistakes could be damaging to themselves or to others.

*Case studies* provide a very important methodology for learning from real life experiences. This is especially so where people need to be trained in skills which it would be unfair or otherwise inappropriate to put them into training in a “real life” situation as the results of mistakes could be damaging to themselves or to others.

*Transfers*: Most cooperatives are too small to do very much development using this methodology from within their own resources, but with some regional collaboration, inter cooperative transfers could be a part of a graduate development programme to bring into the movement new young management trainees.

*Counselling and mentoring*: The higher up the line management hierarchy, or the greater the experience and length of service the volunteers have, the more significant is their role as mentors or as providers of sporadic counselling. No cooperative organization, which wants to develop itself as a learning organization, can fail to provide training and development to its managers and activists on how to give counselling, and on the important role and process of the mentor. Of course, not all employment is able to offer great opportunities for individual development, and not all employees want the opportunity when it is available. Individual workers who have become so demoralised that they do not want development, represent a challenge to cooperative management to help them to get back in touch with their creativity and self belief.

*When counselling and education fail*: In organizational terms, cooperatives under pressure to change and respond to new conditions, may need to find employment in retirement, or a mixture of paid and domestic employment that suits particular individual needs, for some of its employees, who find the new culture too challenging for their comfort.

The growth and fulfilment of individuals and the improvement in the quality of their relationships remain the ultimate ends of cooperatives. The most significant point, however, from the standpoint of cooperative business, is that organizational culture cannot be achieved without interior change in the individuals that go to make up the organization. Commitment, integrity, flexibility/adaptability, team spirit and an
innovative spirit are worth more than money in the struggle for competitiveness. With such character traits in leaders and followers within the cooperative system, we can be assured that cooperatives’ human capital will not only have the appropriate knowledge and skills, but the right attitudes, sense of identity, purposefulness and team spirit to use the CSCM framework to utilize and develop the IC available to enhance the competitiveness of the cooperative.
Action points

1. Survey customers and their community to identify your recognition and identification in the community and their needs and markets for membership and commercial product/service development that the cooperative can provide.

2. Survey staff and management as to their views on their personal and departmental training and development needs, and on their willingness to undertake training and development.

3. Survey the business environment; particularly examining competitors’ behaviour and the cooperatives’ supply chain relationships. Use this survey to define threats and opportunities and gaps in the human resources available to the cooperative.

4. Define the appropriate levels of financial, material, and human resources necessary to meet these needs and set priorities and plans for recruitment, education, training and development.

5. Establish development contracts with staff and lay activists concerning their commitment to the cooperative and the cooperative’s willingness to invest in the individual’s development programme.

6. Establish community development programmes, based on inputs from cooperative professionals and other stakeholders, in collaboration with lay or staff activists working on community needs and the needs of the domestic economy.

7. Develop stakeholder events including, when appropriate, cooperatives in the same region to discuss the development of collaboration for ‘managing cooperative social capital’.

8. Out-source specialist training. Don’t expect to do it all in-house.

9. Identify the learning and best practice that need to be disseminated around the community and to other cooperatives.

10. Define the boundaries of your learning community and develop measures for monitoring the effective operation of the learning community.

11. Conduct an annual audit of the learning community performance in terms of impact on commercial performance, impact on staff and members’ satisfaction, and impact on community development.
Implementing Cooperative Social Capital Management for strategic advantage

This Chapter focuses on the issues of implementation and measurement of CSCM, the strategic role of HRM in the implementation process and reflects on the strategic advantages for the cooperative implementing CSCM successfully. CSCM provides the crucial methodology for linking cooperatives via their communities to their wider social system. The social and economic systems meet and together form the marketplace for cooperative business. CSCM enables cooperatives to fine tune their competitive responses to the market and through competition achieve their social and economic objectives.

Cooperatives must continuously audit and update their HRM programmes with a focus on developing their cooperative businesses human capital and the cooperative system’s social capital. Developing and networking the human capital of the business with the social capital of the association and the community, creates the learning community that drives the cooperatives’ customer relationships, supply chain relationships, product/service standards and product development/diversification.

Introduction

This book commenced with the difficult task of facing in opposite directions. First, we had the task of outlining the importance of both Personnel and HRM practices for cooperatives, whilst discussing the two approaches’ quite substantial differences in theory and practice. Second, it was argued that both approaches remain inadequate for the strategic leverage of people to give cooperatives a competitive advantage and to meet the human-centred individual and social goals embodied in the Statement on the Cooperative Identity. We explored the further developments in management thinking in learning organization and intellectual capital theories in the light of cooperative experience and theory, and proposed the formulation of a new strategic framework entitled CSCM.

For a significant proportion of the cooperative movement, the most important immediate strategic need, however, is to upgrade their existing personnel/HRM function and to regularly audit the performance of this function. Below, the practical steps in introducing an initial audit of both the HRM and Membership Development functions in the cooperative are emphasized. This provides the fundamental foundation of management information required in order to develop the more advanced people management strategies discussed in this book. The information gained can be used for internal organizational development. It can also provide regional and national cooperative federal bodies with the information to help identify the development needs of their members.
Assessing Human Resource and Membership Development Management

HRM cannot be used as a tool of strategic management unless it is itself continuously audited, updated and professionally managed. There are three main components that must be the focus for a cooperative HRM audit. These are the key result areas, people data gathering and analysis and learning.

**HRM function’s key results**

This heading refers to what can be identified as the major activities within the function’s responsibilities. Of the list below five items, (a)–(e) can be identified as specialist activities within the traditional personnel function. The next three items, (f)–(i), are perhaps more generally associated as being part or complimentary to an HRM approach. The last item is generally distinctive to cooperative businesses. The potential of members to add value as part of the cooperative’s overall Human Capital has been a neglected topic within discussions of cooperative HRD.

Each of these activities below (a)–(e) fall inside a cooperative HRM function. There needs to be identified clear measures of performance. The assessment criteria need to be formulated to relate directly to the key result areas for all the functional activities listed and agreed with the key decision makers, who have overall responsibility. They, in turn, need to have discussed and agreed for the criteria with those people who have the ultimate operational responsibility for the implementation of tasks within the activities concerned, namely:

a) Selection and recruitment  
b) Training, development and human capital growth  
c) Compensation administration  
d) Performance management  
e) Career development, retirement and outplacement  
f) Organizational culture and learning  
g) Relationships management—employees, members, suppliers, customers, community  
h) TQM  
i) Member involvement and development

No matter how small the cooperative it should have targets, standards and procedures covering all these areas. Without careful professional standards of operation rooted in cooperative values and proper monitoring and recording and analysis of the data, cooperatives will not be in a position to move forward in the evolution towards a learning organization, or to reach out as part of a wider learning community.

The accurate measurement of HRM and Human Capital remains problematic as far as the mainstream literature is concerned. Cooperators should not be
surprised by this, as transparency in terms of human capital’s contribution to the bottom line in private companies might well be an embarrassment, not to say, cause of conflict. Cooperatives, however, can afford to be transparent on this and indeed need to be, as part of their principle of reward based on economic participation.

**Database management**

HRM and general data mining in organizations is fundamental to identify measures of performance. HRM data that can be analysed into management information is a key resource for the formulation of strategy and policy. This area relates to the basic collection and processing duties within the HRM function. Audit forms for consideration and modification as required to fit specific circumstances can be found in Appendix 1 and 2. However, data, once it has been identified and gathered, must be subject to analysis (i.e. become management information), stored, retrieved and used for decision-making.

Some of the questions all cooperatives need to ask about their data collection and management systems are:

- How up-to-date are the data in use?
- Does the cooperative frame new terms and conditions by using retrospective information?
- Conversely, are there planning mechanisms for human resource needs and associated costs projected forward?
- Does the database help inform training and development programmes?
- How does the data measure the growth of the human capital in the cooperative system?
- And, how well does the database support the cooperative’s social goals?

With regard to the last question, does the cooperative keep information for the effective management of equal opportunities, special needs, health and safety, human resource development, age profiles, membership profiles, volunteer records of activities, skills and knowledge?

Cooperatives will need to monitor relationships and network management processes very carefully. Data collection and analysis must ultimately focus on the cooperative human capital’s impact on the cooperative’s key result areas and, finally, on the three bottom lines of financial value added, social value added and environmental sustainability. Quantifiable measures will need to be developed for each. These measures will not be devised purely by the HRM function, but will be established by collaboration, consultation and research involving marketing, member development, operations, public relations and research and development, and external agencies where the internal expertise is missing.

There are a range of methodologies claiming to measure the human capital contribution to the bottom line operating in the private sector.
Table 6. Measuring human capital’s contribution to added value

<table>
<thead>
<tr>
<th>Method</th>
<th>Description</th>
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<tbody>
<tr>
<td>HRM benchmarking</td>
<td>Identifies industry accepted standards of performance and practice and compares organization across sector</td>
</tr>
<tr>
<td>HRM metrics</td>
<td>Develops internal measures of performance and then seeks to make industry-wide comparisons</td>
</tr>
<tr>
<td>Linked business performance Indicators</td>
<td>Maps HRM strategies, costs and performance and changes therein against the bottom line performance of the business</td>
</tr>
<tr>
<td>Accountants measure</td>
<td>Generally uses a cost based value for human capital against financial performance measures to calculate added value</td>
</tr>
<tr>
<td>Balanced scorecard</td>
<td>Attempts to measure qualitative and quantitative performance across the whole range of the business activity</td>
</tr>
<tr>
<td>Economic value-added</td>
<td>Total revenue after tax less the total cost of capital employed to provide added value</td>
</tr>
</tbody>
</table>

It should be noted that none of these measures links value added to human capital directly, nor do they in any way consider value created in the community or added to other stakeholders as a result of human capital. For private sector evaluation of human capital performance this is not relevant, but for cooperatives it is. Not only for cooperatives, of course, but also for their customers, employees, suppliers and the wider community, the measure of social value added (financial and qualitative) is an important measure of cooperative human capital performance.

Cooperatives need to develop their own metrics of human and social capital in order to identify their real performance and their real value. Research is needed and the issues to deal with go beyond the scope of this Chapter. That we do not always have a precise quantitative measure for human capital or social value added should not stop us using the concepts as part of our overall CSCM strategy. We do not have precise measures of the impact of training and development but we still recognize the significance for cooperatives of these activities. Social value added can be identified concretely and often measured in terms of all three bottom lines. It is a strategically important issue for cooperative business and cooperative social policy that through research we develop the clearest possible measures for the future. In the Cooperative Bank case study in the concluding Chapter, we shall see the extensive range of performance indicators that the Bank has developed to evaluate its success and impact.
Learning

The term ‘learning’ does not appear in the planning documents of many HRM functions, although many of the goals related to training and development are supportive of the notion. Learning is a central concern of the HRM philosophy underlying much of the material in this book. HRM, TQM and IC are all built upon a learning organization philosophy. CSCM tries to develop the learning organization into a learning community. If the social value added that we may help develop in our community is to feed back into commercial value added and competitive advantage for the cooperative, there must be real teamwork. Listening across disciplines requires member development, marketing, PR and HRM to collaborate, share information and jointly manage projects. All parts of the cooperative business need to be watchful for the opportunities that will arise and be ready to capitalize upon them.

All types of business develop their own distinctive fund of knowledge over time—a base for their activities. That ‘knowledge base’ contains both technical and social knowledge built on a mixture of technical information on markets, production processes, skills and values. There are also implicit standards by which such activities are governed. Learning, therefore, is not just the acquisition of new knowledge by individual employees; rather, it refers to how people within firms collectively alter their technical knowledge, standards and values. Learning does not preclude training; it simply goes further. Organizations must also shed outmoded knowledge and techniques before new ones can be deployed. Without such transformation, new strategies cannot be implemented effectively.

The more knowledge people have, the faster they acquire new knowledge. The cooperative Principle of Education ensures that cooperatives will want to be continually adding to their human capital in both associational and employment contexts. Again we can see how cooperative principles can add to their competitive potential. The social legitimacy of cooperative process and cooperative purpose is the bedrock of a shared cooperative culture that could lead to a coordinated learning community.

Cooperative human capital as the dynamic element in its IC will lead to new products and services or new markets for existing products and services, reduced costs, greater social solidarity and social value added in terms of membership participation and involvement. Firstly, all cooperative employees and activists need to listen more closely to customers, members, employees, suppliers and the community and then learn from what they hear.

Strategic HRM as facilitator of the cooperative learning community

The strategic advantage of the learning community for cooperatives derives from the link between product/service development for individual or business consumption and their social and environmental context. The degree to which intellectual capital is identified and utilized by the cooperative, and its networks of cooperative stakeholder organizations and communities, will be a function of the success of cooperative HRM as a facilitator of this learning community. The greater the depth of cooperative social capital, the closer to the surface will be the data concerning customer needs and the direction of change within the cooperative’s market place. In terms of cooperative
HRM the integration of social and economic goals in its HRD programme is recognized as a key management responsibility strengthening the cooperative’s business in its competitive environment. Thus the strategic priorities for cooperative HRD are:

- The development of strong leadership to establish clear goals and objectives built on the cooperative identity.
- The recruitment and development of cooperative management.
- The establishment and development of cooperative organizational culture.
- The recruitment, development and utilization of cooperative paid and volunteer human resources.
- The development of cooperative stakeholder relationships, across its supply chain and the wider community, to respond to market trends and social and economic needs of the cooperative’s customers.
- The growth of human capital to manage change, innovation and the expansion of cooperative commercial and social capital.
- Supporting the development of the learning organization, and strengthening the evolution of the learning community, as the means to achieve the cooperative’s ultimate goals of sustainable development for the cooperative individual members, other stakeholders and the community.

**Strategic questions for cooperatives**

There are a number of crucial questions that cooperatives must have clear answers to before they can apply a strategic approach to HRM policies that will lead their business and association in the direction of establishing both the learning organization and learning community. These questions are:

- What is the social and economic context that gave rise to the need for our cooperative, how has it changed, and what is the direction and impact of this change?
- What is our purpose or mission in the light of our new context?
- How do our core values and principles fit our context purpose and mission?
- Who are our principal stakeholders and their communities?
- What are the key barriers to realizing our purpose and values (including the lack in available intellectual and social capital)?
- What are the key levers to realizing our purpose and values in the answers to the questions:
  - What to produce?
  - For whom to produce?
  - When to produce it?
  - How to produce (including the issues of social and environmental standards)?
The role of cooperative HRM, the development of cooperative human capital, building cooperative learning organization and learning community interface, and finally the management of cooperative social capital, are of the utmost importance to ensure the right answers to the questions posed above. These answers lead to the effective generation and implementation of a sustainable strategic product and service development process for the cooperative system driven by its customers in their communities (the community as defined by the customer not the cooperative). CSCM framework facilitates information exchange between all the relevant stakeholders in this process on the basis of a cooperative mutual benefit. CSCM framework highlights the importance of both the economic, social, environmental and other dimensions impact on their customers. The market serves community and the wider society through this mechanism and the role of the cooperative in this process will ensure its competitive advantage and social relevance.

The HRM function can both develop and use to gain leverage: line management, training and development programmes, culture and the quality of relationships across the cooperative business. This in turn informs and qualifies the content of the structures and functions, role and task configurations and reconfigurations in the formal organization operating in a flexible framework based frequently on cross functional interdisciplinary project teams. The technical, plant, process and research resources further facilitate the effective cooperative human capital.

The market is where economy and society meet and interact. The private sector business tries to ensure that capital determines economic and social relationships. Through the cooperative sector, labour is trying to determine economic and social relationships. Capital represents the wealth of private individuals; labour represents the skills, knowledge, values and energies of people living and working in community. Communities are both the access points and transmission links within the wider society. Economic enterprises that are rooted in the community of labour will have a competitive advantage at two levels. First, by being better able to respond to the needs of end consumers in society and, second, by being able to better motivate and mobilize all workers both by hand and by brain. The private sector has historically, through the greater focus and flexibility of private wealth, had better access to science, technology and professional support.

For the cooperatives to bring their potential strengths to reality they must be better lead and better managed. They need to become conscious of where their strengths lie. Both private and cooperative models of ownership and enterprise need strong ethical management with close links to the end consumer and close relationships with their various stakeholders to remain competitive. The cooperative model has generally greater synergy with society than the private model but the failure of the cooperative model to operate better in economic and social terms can be found in two factors: firstly, the institutional failure to develop a cooperative model of management and leadership; secondly, a model of cooperative governance and an organizational culture that has sought to divide the social from the economic and hence failed to recognize either the cooperative mission or capitalize on its competitive strengths.

Solidarity of purpose requires consciousness of values and mission. Strong cultures are needed to mobilize communities. Strong leaders are needed to ensure strong cultures that nurture strong activists. Business leadership and social leadership have to be
united in the cooperative context. A central plank of cooperative HRD policy must therefore be the development of cooperative servant – leaders who can manage cooperative business, facilitate the cooperative learning organization and community, support the democratic governance process and provide the vision and leadership to inspire activists in employees and members throughout the cooperative system. In the section below we consider this strategic issue in more detail.

Management recruitment, management development and strategic choice

Strategic choices have a large behavioural component and reflect the idiosyncrasies of top management’s cognitive biases and values. Cognitive biases filter and distil decision-makers’ perceptions of the mass of information flowing to them. This influences strategic choice. The factors that influence cognitive biases include: age, level of educational background, total years of work experience, status, functional experience (such as marketing, finance, production), but most significant of all is life experience and the values it generates in a given character. Managers at different levels in the organization (status) tend to have different perceptions of the organization’s strengths and weaknesses and of environmental uncertainty. The type and amount of information available for strategic decisions varies by level in the organization. All leaders are also followers or have been followers before becoming leaders. Leaders can influence the values of followers and followership is an important part of a leader’s development.

The selection of appropriate types of persons to act as servant-leaders in the cooperative management context remains the central strategic issue for cooperatives. Cooperatives must grow so they must be professionally managed. Who can we recruit to a position of trust on behalf of the people except people motivated by an attitudinal and value framework based on the concept of servant-leader? It is not simply a case of hiring people of integrity to take positions of responsibility. All businesses recognize that not everyone has the right values and attitudes to work in any particular business sector or format. Some people are happier in small firms, some in big corporations; some prefer public service or voluntary sector employment.

Cooperatives have few specialized headhunting or recruitment consultants. There have been few studies attempting to measure dimensions for the psychometric profile of an ideal servant-leader type for working within the cooperative management values and principles framework. See Davis (1995), ICA Statement on the Cooperative Identity (1995) and Davis and Donaldson (1998). There are virtually no training and development programmes offering a cooperative management qualification providing cooperative value based management development, equivalent to one of the thousands of business school Masters programmes for voluntary, public and private sector management.

The key to breaking this situation and ensuring the liberation of cooperative business is to embark on a cooperative HRD and intellectual capital development campaign. The one level where real discussion and debate about cooperative development seems possible is at the institutional level. The ICA Global HRD Committee should hold a series of joint meetings with the ICA global sectoral committees to identify programmes that can integrate technical and knowledge based issues for sector
management and executive development with the values of cooperative management and the mission incorporated in the ICA Statement on the Cooperative Identity.

If this is to really engage the primary societies, as it must to be effective, the focus for action must be the sector meetings to increase their role and to evolve regional strategies for HRD and particularly management development. Thus the ICA should take the lead at the institutional level located at the global and regional sector committees, as this is where the business focus on the specific market conditions could be identified. The business focus must be the starting point of reference for defining the CSCM framework for any cooperative business.

**The key institutional-level actions to initiate the change process in cooperatives are:**

1. *Start an international programme of research and development*, looking at the interface between cooperative identity and purpose and commercial threats and opportunities in the sectors upon which management development in each sector of the ICA can be evolved.

2. *Establish funds* for the development of validated, postgraduate-level cooperative management development programmes in formats that are low-cost and accessible for practicing managers covering the major sectors, equivalent to an MBA but clearly distinctive from it.

3. *Develop cooperative professional and executive recruitment consultants* in the regions, capable of encouraging movement between the cooperative primary societies in the region, to encourage the development and extend the opportunities and career prospects for aspiring cooperative middle managers.

4. *Pursue discussion on the practical applications of cooperative social capital management* in seminars for CEOs across the ICA sectors.

5. *Establish a global professional association for cooperative managers*, with its own journal and professional examinations, and with codes of practice and supervision of professional conduct and development. The association should promote in institutions of higher and further education, the professional vocation of cooperative management as a worthwhile and rewarding career.

6. *A campaign to ensure the collaboration and support of all the national federal bodies*.

The major strategic level barrier to global HRD initiatives by ICA lies in the failure to always get full collaboration at the national federal level.

Without these steps, it is unlikely that primary societies will be able to find, in sufficient numbers and at the required level of competence of the cooperative, servant–leader managers to initiate the culture and other strategic changes needed for the cooperatives to reach their full potential as part of the cooperative learning community. In the meantime, all societies can take the further steps outlined overleaf.
Action points

1. All primary societies should conduct a periodic and comprehensive survey of membership and customer attitudes and opinions towards the service levels provided.

2. All primary societies should make a periodic study of the standard of HRM conducted currently in the cooperative society, and see what further contribution the function might be making towards the evolution and implementation of a strategic plan.

3. Larger primary societies should conduct an audit of the social capital formations within the stakeholders’ communities that are connected to the cooperative.

4. Larger primary societies should appoint consultants, qualified to discuss and measure the methods for identification, utilization and development of intellectual and cooperative social capital in the primary society and in its wider stakeholder relationships and communities.

5. Larger primary societies should identify cooperative institutions offering strategic management, strategy formulation and strategic planning and implementation.

6. Small and large societies should initiate joint, local or area, strategy meetings with their colleagues for the purpose of exploring possible synergies and potential for collaboration and the evolution of a local, area or regional strategy for the sector.
The United Kingdom Cooperative Bank plc is part of the Cooperative Group, which includes the world’s largest retail cooperative, the United Kingdom’s largest independent funeral and travel businesses, the United Kingdom’s largest domestic insurer and the United Kingdom’s largest farmer. In April 2002 CFS was formed as a new Industrial and Provident Society to bring the Cooperative Bank and the Cooperative Insurance Society (CIS) together under “common strategic leadership”.

The Cooperative Bank has pioneered ethical banking in the United Kingdom and has won many awards and commendations from independent bodies for its social responsibility programmes, equal opportunities programmes, and its world class independently audited business ethics standards. It has consistently improved profitability at record-breaking levels since the introduction of the values based development programme by former Managing Director Terry Thomas in the 1990s.

The development and continuity of the programme has been managed throughout by Simon Williams, the Bank’s Director of Corporate Affairs. The overall success of the programme has depended on the enthusiastic support of the whole management and staff working at the Bank. This support has never been taken for granted but rather is the result of detailed and continuing development programmes communicating the Bank’s leadership vision, strategy and policies. The Bank conducts regular and detailed surveys of staff opinion.

This case study contains an overview of the Bank’s holistic approach to its measures of performance, which covers reporting on its seven partnerships. The Bank’s performance is measured and independently audited. The Bank’s Partnership report is the world’s most advanced example of the impact of cooperative financial and social value added. Space constraints force us to focus on one aspect of this partnership, which in the context of this book, must be on the Bank’s partnership with its employees. Here we will examine the Employee Development Strategy as contributing to the Bank’s aspiration to evolve into a learning organization and the behavioural changes and developments the Bank is seeking from its staff to facilitate this as part of its Project Leo programme. First we briefly consider the Bank’s partnership strategy as a whole.

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4 Whilst the Bank has agreed to the inclusion of this case study, this does not imply the Bank accepts the author’s analysis as presented in this book. For an overview of the Cooperative Bank value-led approach to management, strategy and organizational development, see Davis (1999, pp.111-125).
Financial and social value added in the community context: Profiting through partnership

The Bank’s commitment to serve all its stakeholders is effectively the recognition that cooperatives are rooted in community and should never simply adopt a narrow focus on “primary stakeholders”. Such an approach misses the point. The interdependence of the various stakeholders ensures that the primary stakeholders’ interests, in the cooperative context of members and customers, are best served by integration of the business on the basis of a broad recognition of social responsiveness to communities and the wider society. This does not mean a dilution of focus on the customer. The latter certainly is the Bank’s focus. Rather this broader perspective leads to an enhancement of that focus by bringing into the picture the customers’ environmental context and relationships.

Mervyn Pedelty, Chief Executive, in the Introduction to the Cooperative Bank’s 2000 Partnership Report writes of “our firmly held business philosophy that sustainable success is best achieved by those organizations who take the broadest view of their responsibilities.”

The extent of this breadth in the Cooperative Bank’s approach can be demonstrated by listing its seven partners.

1) **Shareholders.** The Cooperative Group (CWS) Ltd. Owned by around 8 million British consumers.

2) **Customers.** The Bank holds around 2.5 million personal accounts and 88,000 corporate accounts.

3) **Staff and their families.** Over 4,000 employees of the Bank and their families.

4) **Suppliers.** Around 480 different businesses.

5) **Local communities.** The Bank has a special commitment to the Skelmersdale, Stockport and Salford and the Greater Manchester area where its headquarters and key administrative functions are located as well as the localities in which the Bank’s 100 branches are situated.

6) **National and international society.** “At the heart of the partnership approach lies a recognition of interdependence: The understanding that the Bank’s activities rely for their success, and have an impact upon, the natural world and the six billion people who inhabit it.”

7) **Past and future generations of cooperators.** In all about 700 million cooperators worldwide.
Reflection

To what extent can we see in the Cooperative Bank's definition of its seven partners, a grouping that provides specific content to the framework suggested in the CSCM approach?

The Cooperative Bank's Partnership approach places significance and builds links to the historical and international context of its business. In the modern economy the relevance of the Bank's internationalism is self-evident.

The significance of the past in helping to understand the present is also clear, but from the perspective of the people it may be that the lessons of the past need rehearsal if the social and economic gains of past generations are not to be lost.

To what extent is this debt to the past a distinctive and defining element in the cooperative identity?

The Cooperative Bank’s programme goes beyond good intentions and presents an impressive array of independently audited assessments of its achievements measured against targets covering each one of its seven stakeholders. The Bank publishes its failures as well as its successes in a frank assessment of performance. In terms of the wider international society the Cooperative Bank’s campaigns in partnership with Greenpeace, Royal Society for the Protection of Birds, Christian Aid and Fairtrade have been independently evaluated as have their campaigns on the issues of landmines, third world debt and refugees. In the Bank’s domestic competitive environment they conducted a successful campaign with the Nationwide Building Society (formally known as the Cooperative Permanent Building Society), against the big four United Kingdom commercial banks’ drive to charge for the use of ATMs. The Bank regularly seeks through consultation a clear mandate from its customers that they approve of its campaigns. Richard Evans, Director of Ethics etc. wrote in the Partnership Report 2000 of the Bank’s campaign on refugees, “My aim in analysing the campaigns is to establish whether the Bank’s primary interest is in marketing benefit or the campaign issues and whether its involvements are effective”. This open and critical tone marks the content of all the audit reports on the Bank’s relations and activities with its seven partners. That the Bank does not always get it absolutely right in the eyes of its auditors is clear from reading the reports. Nevertheless, the level of achievement is high across the Board and based on objective, if not always quantifiable, criteria.

Measuring success in the Cooperative Bank

There are three key measures used in the British Cooperative Bank’s Partnership Report to indicate the success or failure of the Bank’s performance. 

Financial bottom line. Profit before taxes, return on equity, operating income, operating costs, cost/income ratio, average retail balances.

Social bottom line. Financial contribution and numbers of community programmes and the numbers of people involved in programmes. Customer and other stakeholders’ opinions and perceptions also form important measures that the Bank reports on.

Environmental bottom line. Cooperative Bank measures among other things its waste disposal, energy use, paper and other materials consumption, levels of recycling including cans, paper and donations of furniture the Bank made to charitable causes. In
its 2000 report the Bank itemized 28 environmental measures and 13 social responsibility measures in addition to 21 indicators for measuring the Bank’s success in delivering value.

Reflection
Can we see in the establishment of a management information system capable of reporting on sixty-two separate measures of performance covering added value, social responsibility and environmental impact, impressive evidence of the richness and quality of the Intellectual Capital available to the Cooperative Bank?

How far can it be said that through the concept of partnership, the Bank has been able to enrich its intelligence of the environment beyond what would have been possible by simply adopting the Skandia approach to Intellectual Capital Management or by adopting a Learning Organization approach?

Clearly, cooperatives will require sophisticated management, technical and financial resources to conduct the level of programmes conducted by the Cooperative Bank, but the fact is that these programmes have most certainly added value to the Cooperative Bank’s bottom line business whilst providing substantial gains for the community and all its stakeholders. This is demonstrated by the rising profits of the Bank mapped against the introduction and development of the Bank’s ethical, environmental and social programmes. If we apply a mixture of balanced score card and economic value added methodologies the Bank’s independently audited all round performance year on year in terms of profitability, sales, customer satisfaction, employee relations, stakeholder relationships and environmental impact are very positive. In all this the Bank acknowledges the critical role of its staff in driving the whole strategy forward. So we now turn to review some of the HRM strategies and policies that the Bank has pursued in support of its business strategy commitment to its seven partners.

HRM as an integrated approach: Project Leo

The Cooperative Bank’s Project Leo was a response to the overall HRM philosophy applied by the Bank, which sees HRM as clearly integrated into the implementation of the Bank’s business and values. The HRM role is to facilitate the linkage between business strategy and values with the models of individual employee roles and behaviours. It is clear that the performance of the Bank depends on the employee understanding of his or her role and the required behaviours for successful performance. Project Leo was the Bank’s integrated approach to ensuring that all its employees and the Bank as an organization benefited from a “better and fairer way of understanding, planning and assessing performance” (Mervyn Pedelty, CEO, Letter to staff accompanying the Staff Survey 2000 questionnaire at the end of Project Leo).

In the HRM approach outlined in the Project Leo strategy, all people processes are inter-dependent, particularly performance management and recognition and reward, but also including employee benefits, recruitment and selection and succession management.
An overview of Project Leo

The project commenced in August of 1999 and completed its first phase in December 2001. A project team was formed with the project defined in terms of meeting the Bank’s business strategy. In September and October 1999 management workshops and focus groups were established covering all levels of staff in the organization and involving directly 118 persons including “business champions” appointed to represent the different divisions within the Bank to the project team and work with them for the duration of the project.

Across the project lifespan four streams of complementary activities unfolded. Stream one was planning and design, starting with the project itself and continuing in September 1999 with the designing of the frameworks for the behaviours and roles upon which performance could be measured. Having finalized behaviours in November between then and September 2000, roles design and the definition of benchmark roles was conducted and completed.

The second stream arose out of the establishment of the business requirements for performance management (identified by the workshops and focus groups during August and September 1999). The output by these workshops was used between October and December to develop a new performance management system together with the supporting launch plan and training materials. With the launch of the project came the involvement of the trade unions. This was important because the third stream, which also emerged out of the workshops and focus groups and had commenced in late October 1999, was to develop the “recognition and reward” proposals. These proposals were the focus of detailed negotiation and discussion across most of the following year to December 2000. The fourth stream was the employee development work stream delivering a new approach to development and training as described in the next section.

Across the life of the project the communication of goals and measurement of achievement within designated timeframes was emphasized, one of the key elements of which was the staff survey completed in July 2000. Some of the important findings of the survey are referred to in the last section of this case study.

The influence of Learning Organization theory within Project Leo

The project was clearly informed by a commitment to the Learning Organization strategy where Peter Senge (a leading theorist and developer of learning organization theory), is quoted in the Employee Development Strategy overview document summing up the relationship between this strategy and Project Leo. The direction of Employee Development in the Cooperative Bank is stated thus, “To create, develop and maintain a Learning Organization in which learning and knowledge is regarded as providing a competitive advantage.” (Internal document, Employee Development Strategy for the Cooperative Bank). The deliverables for employee development arising out of Project Leo are impressive and give a sense of the depth and breadth of the impact of this integrated HRM project on the Bank’s operations as a whole. They are drawn from section 4 of the above document. For the sake of brevity these deliverables are summarized in the box below, based on their original wording.
Cooperative Bank Project Leo Employee Development deliverables by end of 2001

- Integration of Behaviour Framework, leadership model and role methodology into the training process.
- Structured framework linking development activities to the Behaviour Framework and the performance potential and development process.
- Every employee has a personal development plan incorporating their development priorities and choices.
- Integration and understanding between Divisional Training Units and Employee Development Function.
- Managers meet in their planning their staff's development, identifying the technical training and skills necessary to achieve the Bank's business objectives.
- There are specific training interventions that define and develop the following areas: Customers First approach, flexible conceptual thinking, successful selling, bank-wide knowledge, leadership, strategic capability and first line management skills.
- Employee development interventions are valued by managers and enjoyed by participants.
- Clear policies are in place for employee development, further education and continuous development.
- Managers have been equipped and are confident to act as role models of the Bank's target behaviours in order to build up the excellence of their team.
- Employees are empowered to take appropriate risks and are confident to innovate and be creative.
- Employees work in an environment that supports collaboration and teamwork.
- Employees are educated for the challenge of a changing marketplace.

Clearly there are far too many areas covered in the above to discuss in detail. Therefore the following section will focus only on the Behaviour Framework that arose out of Project Leo. Four clusters of behaviours are identified: Personal effectiveness behaviours, problem solving and decision making behaviours, behaviours related to working with others, and finally, team management behaviours. Within each cluster are identified key behaviours. There are 13 in total across the four clusters. Each behaviour is defined at between three and five levels of effectiveness. Of these thirteen key behaviours four are considered to be core behaviours: Striving for Excellence, Ethics in Action, Flexibility in Thinking and Approach and Customer Focus. Again there is too much detail to discuss the whole behavioural framework for the Cooperative Bank’s employees. We therefore concentrate on the three behaviours outlined in the personal effectiveness cluster. These are: Striving for Excellence (core), Initiative and Ethics in Action (core). These three are defined below as follows (definitions taken from The Cooperative Bank, performance, potential and development. Behaviour Framework, undated).

**Behavioural cluster: Personal effectiveness**

**Striving for excellence (Core behaviour)**

*Definition*: The personal motivation and enthusiasm to improve performance and make a real difference to the business.
Level Descriptors
Level 1. Strives to meet agreed expectations
Level 2. Strives to exceed expectations and goals
Level 3. Makes small step performance improvements
Level 4. Achieves significant performance improvements
Level 5. Takes significant risks to optimize business performance

**Initiative**

*Definition:* Taking timely action to grasp opportunities and address issues. Proactively doing things and not simply thinking about possible options.

Level Descriptors
Level 1. Responds to immediate opportunities/issues which present themselves
Level 2. Identifies and responds to obvious opportunities/issues
Level 3. Thinks ahead and responds to less obvious opportunities and issues
Level 4. Acts on future opportunities or problems that are less obvious to others

**Ethics in action (core behaviour)**

*Definition:* The alignment of one’s behaviour and actions at work with the Bank’s values and standards and, at the highest level, the creation of a climate that supports these values.

Level Descriptors
Level 1. Applies the Bank’s standards and values in own work
Level 2. Builds others trust and respect
Level 3. Promotes an ethical climate

Each behaviour’s level descriptors of achievement are defined in terms of how the level itself is demonstrated behaviourally. Below are three levels of achievement to illustrate this, with regard to the Ethics in Action (a core behaviour).

Level 1. Applies the Bank’s standards and values in own work
- Understands the Bank’s values and standards and works in ways that are consistent with them
- Is open and honest with self and with others
- Protects others’ rights to confidentiality
- Accepts and shows tolerance/respect to all people
- Treats all people fairly, equally and consistently
- Seeks to deliver on commitments and promises
- Asks for help when does not know something.

Level 2. Builds others’ trust and respect
- Achieves own goals in ways that do not cause damage to others
• Considers own impact on others and asks for feedback
• Acknowledges others’ ideas and gives the credit to those who deserve it
• Takes responsibility for one’s own actions and mistakes
• Helps others to understand how the Bank’s values, policies and standards relate to them
• Remains open and ethical even when faced with difficult situations or periods.

Level 3. Promotes an ethical climate
• Treats staff, other parts of the Bank, customers and suppliers as partners
• Displays genuine understanding of the Bank’s values and leads by example
• Understands others’ values and beliefs and works to balance these with own/business needs
• Takes responsibility for the actions of others within own team/area
• Ensures people feel comfortable with what they are encouraged or expected to do
• Is an advocate of the Bank’s ethics (e.g. encourages customers and suppliers to be ethical)
• Takes a stand and continues to act ethically even when there is personal risk.

Reflection

1. To what extent do you feel these behaviours would benefit all cooperative businesses?
2. Are there any problems with identification of this Ethics in Action core behaviour and its measurement?
3. Does Ethics in Action in any way resemble the type of behaviour that Daft characterized as “courageous follower-ship” and is alternatively referred to as an “activist” in earlier sections of this book?
4. Could some of the behaviour levels referred to under this core behaviour also link the actions of the employee in respect to the Bank’s values and ethical policies to those of the Bank’s customers, particularly those showing a particular interest in the Bank’s “customers who care” programme?  
5. Those staff who take a lot of interest in the Bank’s ethical policies are made ethical champions in their departments and they receive more than the basic information on these aspects of the Bank’s work.
6. Can Ethics in Action support in a significant way the development and access to Intellectual Capital generated inside the CSCM framework?
What the Bank’s Project Leo achieved among many things was a coherent statement of key behaviours and benchmarks by which these behaviours could be made manifest and properly rewarded. It underpinned all this with an integrated training and development programme that delivered at three levels, employee development, further education and continuous professional development. The process itself was based on the values of consultation and involvement of staff and driven by a clear sense of business strategies and needs.

The behavioural aspect is only one of a range of factors through which individual performance at the Cooperative Bank is assessed including knowledge, skills, attitudes, personal styles and qualities. In combination they come together to define the individual employee’s level of capability in performance.

**How do the Cooperative Bank’s staff feel about working at the Bank?**

As part of the information gathering process and in part to evaluate the success of Project Leo itself, the Cooperative Bank undertook an independent and entirely confidential review of staff opinion in a survey conducted by consultants. The survey identified the department of the respondent but not the individual, whose identity was completely confidential. The survey asked over 70 questions on topics involving working at the Bank covering flexibility, responsibility, standards of performance, reward, clarity, teamwork, management, internal and external customers and overall feelings about working at the Bank.

In general there were improvements (measured by increased levels of agreement) in the survey findings (see Staff Survey 2001 overall Bank Results) on all but one question. Under Flexibility, Responsibility and Standards of Performance the staff views were in general positive and showing improvement over previous surveys. Over 70 per cent felt standards where maintained during periods of change and 76 per cent agreed that the Bank put a great deal of emphasis into improving performance. From the HRM perspective one of the best results was the 70 per cent who agreed that they were sufficiently involved in setting their own goals and objectives. The section on reward, whilst showing positive improvement in eight out of nine questions, did indicate a deal of dissatisfaction remaining in the areas of reward and recognition.

The Reward section showed generally lower levels of improvement in staff perceptions. Only 41 per cent thought they were paid fairly, although 49 per cent did think the overall pay package including bonuses was good, and 75 per cent agreed that the Bank’s pension, holidays and family friendly policies were good. There was, however, a fall from 41 per cent in the previous survey, to 33 per cent in the 2001 survey of employees responding that they agreed there are enough career opportunities for them. This and the dissatisfaction indicated over levels of pay, are two areas where all businesses may well expect dissatisfaction as “de-layering” of levels of management and the introduction of new technology negatively impact on wage levels and career prospects in a depressed labour market. The positive issue here being the very strong showing on pensions in the Cooperative Bank survey.

There has been widespread reduction in pension opportunities to new staff throughout the British financial services sector. The Cooperative Bank staff survey’s strongly positive showing on pensions provision will certainly be seen in the wider context of
the United Kingdom labour market as a very desirable benefit arising from employment with the Cooperative Bank. It is a tangible example that points to the cooperative difference in employment benefits.

The levels of staff understanding of the Bank’s strategy and plans showed a fairly static picture but at a very high level of agreement. The significance of this should be placed in the context of very positive response rates being between a low of 57 per cent, who agreed they were kept up to date about changes effecting them, to a high of 84 per cent, who agreed they understood how their team’s goals fitted into their department’s goals.

The Bank’s staff feel very positive about the quality of relationships in their teams and there is a very high level of agreement (71 per cent) that people in the Bank treat each other with respect. There is some room for improvement in overcoming interdepartmental barriers and to gain knowledge of other parts of the Bank’s activities. Service for internal customers was high in the staff survey respondents with 73 per cent knowing their internal customers and 63 per cent agreeing that teams work hard to keep their promises to internal customers. That teams may not be so good at listening to internal customers, however, came out in the rather low 46 per cent agreeing that teams use the ideas of internal customers to improve services or products. For external customers, 85 per cent responded that people and teams put themselves out to deliver on promises, and 75 per cent agreed that they knew how the Bank’s products and services meet the needs of its external customers.

Overall 88 per cent agreed that they understood the mission and core values of the Bank, 80 per cent agreed that they had developed valuable skills and behaviours whilst working for the Bank, 80 per cent agreed that they enjoyed a good working relationship with their line manager, and 95 per cent agreed they had good working relationships with their colleagues. Considering all factors, 69 per cent agreed they were satisfied with the Bank as a place to work, 65 per cent were proud to work for the Bank and 58 per cent felt their work gave them a sense of personal accomplishment.

These results indicate the benefits the Bank has gained in its emphasis on team working and general relationship management through its partnership approach. The Bank’s employees are integrated into an HRM strategy focused on performance, which seeks to identify soft as well as hard aspects of employee performance. The Cooperative Bank (in the year 2002) was ranked in the Sunday Times among the top 100 British employers and achieved record profits for the seventh year running.
Some final questions and ideas for review and reflection

1. Can you name all the seven partners recognized by the Bank? List each one and consider a potential item of information, which could be derived from each partnership that might be of either strategic, functional, operational or commercial value to the Bank?

2. Why not visit the Bank’s website at www.cooperativebank.co.uk and identify all the various performance measures the Bank uses to demonstrate the real added value it provides for its partners.

3. How is the purpose of Project Leo summed up by the Bank’s CEO, Mervyn Pedelty?

4. Identify the four streams of activities running throughout Project Leo’s first phase?

5. Can you identify the deliverable results for the employee development function that arose from Project Leo?

6. Which employee survey responses point particularly to the establishment of a learning organization culture in the Bank and why?

7. How important for the achievement of excellent performance levels, would you say the personal effectiveness cluster of behaviours are?

8. What aspects of the Ethics in Action behavioural definition are particularly important in supporting the organizational culture of the Bank?

9. Consider the detailed definitions of the three levels of Ethics in Action behaviour. How relevant are these behaviours for all cooperative staff and members?

10. Look at all three behaviours in the personal effectiveness cluster. Do you agree they make an individual (who is able to achieve at the Level Descriptor of performance of three or above) an “activist”, a “courageous follower” as referred to by Daft (1999)?
Conclusion

Intuitively one feels that the cooperative value model has much synergy with modern management ideas. The Cooperative Bank’s application of Corporate Social Responsibility, Business Ethics, Relationship Management, HRM and Learning Organization methodologies, along with other harder-edged management methodologies, has enabled a massive restructuring in the Bank’s activities, the development of new ways of delivering services, continuing product innovation and the development of internet banking and much greater use, in general, of new technology and outsourcing.

The case study does not refer to membership because the Bank is a public limited company as required to by British banking laws. The commitment cooperative values and particularly to community in this context is all the more surprising. Its success has been due in no small measure to the cooperative vision of Terry Thomas, the former Managing Director, who introduced the partnership and value-oriented policies in the first place, and to that of his successor and the management team he left behind him. This shows just how significant the role of a professional management committed to the application of cooperative values can be. The key for the commitment of top management in the Cooperative Bank is not ideological. It is just that the vision works and works well. The leadership that gave momentum to this vision, however, was undoubtedly rooted in the personal values and attitudes of Terry Thomas when he was the Bank’s Managing Director. His cooperative values led to the evolution of the Bank’s vision of delivering added value to all its partners. This is what drives business strategy at the Bank and it is the delivery of that vision’s strategy that drives the Bank’s HRM.

The partnership approach should not be seen as an alternative to membership. On the contrary, membership is undoubtedly a further opportunity for the application of partnership in ways that will strengthen cooperative identity, business and community. The cooperative member-owned structure remains an important alternative that needs to be developed, not discarded as we enter into the twenty-first century. With the ever-greater concentration and polarization of economic and political power in the world, an alternative cooperative model to investor-led business in the marketplace remains vital. By ensuring the option of an alternative view of economics, business and society, we can avoid a monolithic business culture and opt instead for one of genuine diversity in which the small family firms, farmers, fisher folk and workers together with a wide range of consumers, can use cooperative solutions to give themselves greater leverage in the market place and a fairer access to the worlds’ wealth.

The cooperative movement needs to develop and attract more managers that hold cooperative attitudes and values themselves and who want to inform their vision for the cooperative business with those values. The Cooperative Bank case study demonstrates how cooperative values, principles, philosophy and structure are so right
for the times. Cooperatives, in general, will be more effective in their competitive battles when they explore the cooperative difference and its use to deliver a competitive advantage. This and the earlier case study (Davis, 1999) of the Cooperative Bank by any objective analysis, demonstrates the high-level professionalism with which the Bank’s staff implement the Bank’s values, particularly in its partnership strategy. The British Cooperative Bank is showing cooperatives the world over what can be done even in hostile and highly competitive markets, when cooperatives use their cooperative difference as a management tool to reach out and serve their customers and work with their other stakeholders for mutual benefit.

The CSCM framework tries to support this cooperative difference with the added methodology of Intellectual Capital Management that such collaboration or partnerships make possible. The more collaboration and partnership in business and knowledge management comes to be seen as the key to competitiveness, the more the CSCM framework makes sense. In conclusion, the following propositions are presented to enable cooperatives operating in all sectors across the globe, to reflect constructively over the CSCM framework and to take appropriate action.

**Concluding propositions for action**

- The professional recruitment, selection, development and utilization of human resources provide an essential component in any business that intends to survive and prosper in the modern marketplace. Cooperatives must reach out to the wider labour market and help to develop a marketplace for cooperatively minded managers.

- Cooperatives must do more to develop the application of standard HRM procedures in their businesses. (To this end, see the HRM Audit Questionnaire in Appendix 1).

- Cooperative principles and values must be at the centre of cooperative management development. The investment in and delivery of such programmes must become an HRD priority for cooperatives.

- Cooperative membership is part of the human resources available to cooperatives and needs to be incorporated into HRM strategies by societies. To assist in the evaluation of existing member development/relations functions in cooperatives, readers may wish to consult the Membership Audit Questionnaire in Appendix 2.

- Unless Cooperative HRM functions are teamed up to the Membership Development and Marketing functions, the potential locked up within the cooperative model will not be fully identified or utilized.

- Performance management and the delivery of quality must come centre stage in any HRM strategy for primary cooperative societies if they are to compete effectively.

- Cooperatives will not succeed competitively without finding ways to apply the cooperative difference at all levels of corporate and business management, strategic, functional, operational and institutional. The concept of the Learning Organization is a natural one for application within a cooperative framework. We must do far more to learn from our stakeholders on how to
apply the cooperative difference in ways that are meaningful, exciting, empowering and commercially effective for them.

- We need to explore the possibilities of using our social values and roots in the community to commercial advantage, and to use our commercial gains to reinforce the communities we are rooted in and the values we seek to uphold.

- We need more primary societies to gather marketing information on their members, customers and communities.

- More consideration on how best to apply and develop the core ideas of learning community, human capital, intellectual capital and domestic and social capital in the cooperative context is needed.

- Professional leadership that is informed by cooperative values is the first step on the path to developing cooperative human resources, which as employees, members and cooperative communities will be the basis for competitive advantage and success in the future.

The cooperative movement must have a strategic lead at the institutional level to identify, through *inter-cooperative collaboration*, the organizational development resources to be applied within the primary societies.

HRM is only the first step to releasing the human potential that cooperation has, throughout its history, shown itself capable of doing in a variety of contexts. The HRM priority is for Cooperative Management Development at all levels and for the establishment of a market for cooperative management. The movement has not yet begun to explore the possibilities of value based management in the cooperative context. When we do, it is the firm belief of the author that we will find in its application, a release of social and economic energy that will surprise even our most faithful believers and perhaps, more importantly, confound our most ruthless competitors.

In the proposed CSCM framework lays the networks, the relationships, the logistics, the R&D, and access to the collective knowledge (Intellectual Capital) to put the cooperative business in the position to innovate and lead the market. To make this happen professional cooperative leadership is essential. Such leadership can only arise from individuals with attitudes and values rooted in the 7 principles of cooperative management, see Chapter 7, and Davis and Donaldson, (1998). The Cooperative Bank case study in Chapter 11 and in the earlier case study (Davis, 1999), demonstrates the critical importance of having a leadership fully committed to a partnership approach driven by cooperative values.

Leaders, however, need *activists* to implement the vision. Activists must be developed from within the ranks of the cooperatives employees and lay member volunteers. Ultimately it is the activists (sometimes referred to as champions), who have the commitment to achieve, to lead their peers, to listen, to learn and to cooperate in partnership with other stakeholders. It is the activists, or champions, who put real content into the concept of Intellectual Capital and who can most directly benefit from it. They alone can build the learning community that supports it. Rather than trying to “own and control” knowledge within the learning organization as standard IC management approaches suggest, cooperatives can help develop and then mine an IC
that develops within a learning community managed through a partnership approach. Instead of being merely learning organizations, cooperatives can put themselves at the heart of a learning community. CSCM is the framework that can assist cooperatives to achieve this. Being in such a close relationship with one’s customers and other stakeholders is what all leading edge businesses will strive to achieve in the twenty-first century, but no business has a more appropriate identity and ownership structure to take advantage of the coming opportunities than the cooperative.
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Appendix 1

Diagnostic Survey

HRM
COOPERATIVE SOCIETY NAME: __________________________
CONTACT PERSON: __________________________
TITLE: __________________________
TELEPHONE: __________________________

1.0 STAFFING, RECRUITMENT & INDUCTION

1.1 Please give below current levels of staffing for the years:

Year : ___________

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1.2 On a scale of 1 to 4 (1 = good, 4 = bad) rate your recruitment of managers and professional staff.

(Please circle)

1  2  3  4
1.3 In terms of key management grades where do you try to position yourselves in terms of pay and benefits packages? 
(Please circle) 

a) Among the market leaders  
b) Around the middle band of salaries and conditions  
c) Around the lower quartile of salaries and conditions

1.4 To what extent do cooperative ownership, values and principles play a role in the composition of the advertisement for managers and professional staff? 
(Please circle) 

Not at all  Only the word Cooperative used in Advert  We emphasize strongly our Co-op Difference

1.5 Has your Society any vacancy(ies) at present that you are finding particularly difficult to fill? 
(Please circle) 

Yes  No

If Yes, please specify the particular vacancy(ies)

1.6 What percentage of the overall HRM budget goes on your recruitment and selection costs? 

__________

1.7 Does your Society conduct exit interviews with those staff who have resigned from your employment? 
(Please circle) 

Yes  No

1.8 If you answered Yes to 1.7 above, indicate whether your Society: 
(Please circle) 

a) Bases the exit interview on a core set of questions  
b) Records the results of these interviews and produce summaries of the results over time  
c) Keeps no record

1.9 Does your Society utilize private recruitment agencies? 
(Please circle) 

Yes  No

If Yes, please specify the level of staff recruited

1.10 List below the personnel documents issued to new employees.
1.11 Does the Society have a Staff Handbook?  
Please circle
Yes  No
If Yes, does the Handbook mention the ICA Statement on the Cooperative Identity?  
Please circle
Yes  No

1.12 Do you have a formal induction programme?  
Please circle
Yes  No

1.13 If you answered Yes to 1.12 above does the induction programme mention the ICA Statement on the Cooperative Identity?  
Please circle
Yes  No

1.14 Does your induction programme have materials concerning any of the following areas?  
(Please circle)
- The Society mission and values
- Member relations
- Supplier / Carrier relations
- The Society’s other key stakeholders
(Please specify)

2.0 RECORDS AND PLANNING

2.1 Does the Society monitor staff on the basis of any of the following categories?  
(Please circle)
- Gender
- Race
- Disability
- Qualifications
- Length of service
- Succession planning
- Performance appraisal
- Voluntary / community work

2.2 Does the Society have a Human Resources Plan?  
Please circle
Yes  No
a) If Yes, over what time period does it cover?________ (years)
b) If Yes, does the plan combine with the payroll and personnel information system?
2.3 Does the Society keep the following? (Please circle)
   An Organization Chart
   An Establishment List
   A Succession Plan

2.4 Does the Society carry out periodic training need surveys? (Please circle)
   Yes  No

2.5 Are your employment records computerised? (Please circle)
   Yes  No

3.0 DISCIPLINE, DISMISSAL AND REDUNDANCY

3.1 Have you had to dismiss any staff in the past year? (Please circle)
   Yes  No

3.2 If you have answered Yes to 3.1 above, please indicate by a number in the boxes below how many staff have been dismissed due to:

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3.3 Does the Society have a written disciplinary procedure? (Please circle)
   Yes  No

3.4 What methods of monitoring disciplinary action does the Society employ? (Please circle)
   a) Diary informal warnings
   b) Records for formal verbal warnings
      a) Letter for 1st written warning
      b) Letter for 2nd written warning

3.5 How many employees currently have one or more warnings at the level between 3.4. b-d listed above?
   ________

3.6 How many employees currently have other types of disciplinary records listed against their name?
   ________
3.7 Has the Society had to be represented at any Employment Tribunals in the last two years?  
(Please circle)  
Yes  No  

3.8 If you answered Yes to question 3.7, what was the issue(s) to be determined by the Employment Tribunal?  
_________________________________________________________  
_________________________________________________________  

4.0 EMPLOYEE RELATIONS  

4.1 Does the Society recognize either,  

a) trade unions  
(Please circle)  
Yes  No  
If Yes, please give the name(s) of the union(s) involved  
_________________________________________________________  
_________________________________________________________  

b) staff association(s)  
(Please circle)  
Yes  No  
If Yes, please give the name(s) of the association(s) involved  
_________________________________________________________  
_________________________________________________________  

What, if any, areas of employment are not represented by trade unions?  
(Please circle)  
None  Some  

4.2 If None, leave blank and go straight to question 4.3, otherwise please indicate the grades / functions / locations below.  
_________________________________________________________  
_________________________________________________________  
_________________________________________________________
4.3 In communicating with employees, does the Society use any of the following methods? (Please circle)

a) Appraisal Interviews
b) Team Briefings
c) Quality Circles
d) Newsletters
e) Notice Boards
f) Special Training Programmes
g) Staff Suggestion Schemes
h) Consultative Committees
i) Collective Bargaining
j) Staff Surveys

4.4 List those issues raised by any of the methods you apply in question 4.3 and place a number indicating the frequency that the issue came up in the last 12 months.

__________________________

__________________________

__________________________

__________________________

4.5 Does your Society hold consultative meetings with recognized trade unions? (Please circle)

Never Rarely Once a year Twice a year More than twice a year

4.6 If you have a consultative structure (4.5) how many first line supervisors / managers are represented within the structure? ________

4.7 When was the last time your Society gathered its first line supervisors / managers together for any reason? (If appropriate circle “Never”)

Never Last Meeting Date ___________ Purpose ______________________
4.8 Has the Society faced a major issue involving organizational change in the last 12 months?
(Please circle)
Yes  No
If Yes, please state briefly the type of change(s) being introduced.

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

4.9 If you answered Yes to 4.8 above, has senior management discussed:
(Please circle)
   a) Implications of the change with employees
   b) Implications of the change with suppliers and carriers
   c) Implications of the change with members
   d) Implications of the change with other key stakeholders
      (Please specify)

________________________________________________________________________
________________________________________________________________________

5.0 REMUNERATION AND STAFF BENEFITS

5.1 How does the Society determine an appropriate level of basic pay and benefits?
(Please circle)
   a) Local collective bargaining
   b) Consultation
   c) Pay clubs with local employers
   d) Employers Association JIC agreements
   e) Subscription to salary surveys
   f) Other (Please specify)
5.2 Does the Society operate any performance related payments scheme? (Please circle)

Yes  No
If Yes, please enclose an overview of the scheme

5.3 Has your grading structure been subject to a job evaluation programme? (Please circle)

Yes  No
If you have answered Yes above, indicate below the level of coverage.

a) All or most employees  b) About half employees  c) A minority of operational management or clerical employees  d) A minority of middle or professional employees  e) None

If you circled any of the above a) to d), how long ago was the last review of the structure and scheme?

5.4 Have your wage costs been: (Please circle)

a) Rising sharply in the last two/three years  
b) Rising moderately in the last two/three years  
c) Increases vary notably between departments/functions  
d) Costs have been stable in the last two/three years  
e) Declining sharply in the last two/three years  
f) Declining moderately in the last two/three years

5.5 What steps has the Society taken to check whether the results in 5.4 reflect a similar position in the trade / industry as a whole?

5.6 What steps has your cooperative taken to check whether the results in 5.4 can be modified by managerial action?

5.7 When did you last review your senior and middle management remuneration and benefit packages?

___________
5.8 What other benefits do you provide to:

(Please circle)

<table>
<thead>
<tr>
<th></th>
<th>Senior Management</th>
<th>Middle Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car</td>
<td>Yes No</td>
<td>Yes No</td>
</tr>
<tr>
<td>Holidays</td>
<td>Yes No</td>
<td>Yes No</td>
</tr>
<tr>
<td>Pension</td>
<td>Yes No</td>
<td>Yes No</td>
</tr>
<tr>
<td>Health Insurance</td>
<td>Yes No</td>
<td>Yes No</td>
</tr>
<tr>
<td>School fees</td>
<td>Yes No</td>
<td>Yes No</td>
</tr>
<tr>
<td>Staff discount</td>
<td>Yes No</td>
<td>Yes No</td>
</tr>
<tr>
<td>Other (Please specify)</td>
<td>Yes No</td>
<td>Yes No</td>
</tr>
</tbody>
</table>

6.0 APPRAISAL AND DEVELOPMENT

6.1 Does the Society operate an appraisal scheme?

(Please circle)

Yes  No

If you answered Yes, above, does your scheme provide:

(Please circle)

a) Information feeding into a management succession plan
b) Evaluation sheets based on measurable objectives
c) Information feeding into training
d) Information feeding into performance / merit pay schemes
e) Recorded findings of appraisal interview on employee record
f) Other information (Please specify)

6.2 Please indicate the Society training and development budget for the years:

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

6.3 Does your Society have a written Staff Training and Management Development Plan?

(Please circle)

Yes  No

6.4 Does your Society require managers to prepare and have approved, their individual development plans?

(Please circle)

Yes  No

6.5 What training provisions (i.e. courses, etc.) are provided for first line supervisors?

____________________
____________________
6.6 How many hours of “quality management” related training took place in the last twelve months in the Society (hours computed by the length of the course(s) provided multiplied by the numbers of staff involved)?

__________________________

6.7 What % of your total staff were involved in quality management related training in the last twelve months? _____________%

6.8 What significant new Training and / or Management Development needs have been identified within the Society?

Next to each item rate on a scale of 1 (=very little) to 5(=completely resolved) the level of success the Society has had in meeting these training and development needs.

a) in the last two years

__________________________

__________________________

__________________________

b) in the last five years

__________________________

__________________________

__________________________

6.9 How important do you believe Co-operative identity and values to be as a component of:

<table>
<thead>
<tr>
<th></th>
<th>Little Importance</th>
<th>Some Importance</th>
<th>Central Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Staff Training</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>b) Management Development</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

7.0 MOTIVATION AND CULTURE

7.1 Does the Society engage in formal team building programmes?  
(Please circle)

Yes  No

If you answered Yes to the above question list below the groups and grades involved.

__________________________

__________________________

__________________________
7.2 Indicate below those areas of the HRM function that are devolved to line management in the Society.

7.3 Write below the one word that best sums up the driving force in the Society’s business values.

7.4 How would you characterize the Society’s business values recognition (acceptance) by the following stakeholder groups? (Please circle)

<table>
<thead>
<tr>
<th>Stakeholder Group</th>
<th>None</th>
<th>Little</th>
<th>Close</th>
<th>Shared</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members</td>
<td>None</td>
<td>Little</td>
<td>Close</td>
<td>Shared</td>
</tr>
<tr>
<td>Suppliers</td>
<td>None</td>
<td>Little</td>
<td>Close</td>
<td>Shared</td>
</tr>
<tr>
<td>Carriers</td>
<td>None</td>
<td>Little</td>
<td>Close</td>
<td>Shared</td>
</tr>
<tr>
<td>Management (Middle and 1st line) Staff</td>
<td>None</td>
<td>Little</td>
<td>Close</td>
<td>Shared</td>
</tr>
</tbody>
</table>

7.5 Rate how important are cooperative values in the management of the HRM function in the Society. (Please circle)

<table>
<thead>
<tr>
<th>Importance Level</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Important</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not at all Important</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Thank you for your time and effort in completing this questionnaire. We would be grateful to receive any additional comments you feel might be helpful on a separate sheet.
Appendix 2

Cooperative Diagnostic Survey

Member Development
Member Development

COOPERATIVE SOCIETY NAME: ________________________________
CONTACT PERSON: __________________________________________________
TITLE: _________________________________________________________
TELEPHONE: __________________________

1. Please enclose a copy of
   a) The society’s rule book
   b) The society’s member development/recruitment literature and programmes.

2. When did you last review and up-date these documents?
   (date: dd/mm/yyyy) ___/___/_____ 

3. Give the names and positions of persons who made the review
   (i.e. managers, committee members etc.)
   ____________________________________________________________
   ____________________________________________________________
   ____________________________________________________________

4. List up to the top five benefits available exclusively to members of the society.
   ____________________________________________________________
   ____________________________________________________________
   ____________________________________________________________

5. What is the average annual value of members’ transactions with your society?

6. What is the average number of visits each member makes to the society in a year?

7. What is the average attendance at members meetings?
   a) In total _________
   b) As a % _________

8. What was the total membership of the society in the following years?

|------|------|------|------|------|

9. How many new members did the society recruit in the following years?

|------|------|------|------|------|
10. What is the main reason for your rising/static/falling membership numbers? (delete as appropriate)

11. Do you attempt to measure membership satisfaction? (Please circle)
   Yes  No

12. If you answered Yes to question 11, please enclose a copy of the findings.

13. Are your members consulted in any manner during the development of the marketing strategy within your Society? (Please circle)
   Always  Often  Occasionally  Never
   Focus groups  1  2  3  4
   Questionnaires  1  2  3  4
   Interviews at stores  1  2  3  4
   Telephone interviews  1  2  3  4
   Other  1  2  3  4
   (Please specify)

14. To what extent are your members involved (surveyed or otherwise consulted) with the development of the corporate strategy within the society? (Please circle)
   Always  Often  Occasionally  Never

15. To what extent, do you conduct surveys concerning your members’ satisfaction with your department’s operations? (Please circle)
   Regularly  Occasionally  Never

16. How do you see the objectives of member development programmes evolving over the next three to five years in your society? (Please continue on a separate sheet if necessary)
17. What do you identify as the main barriers to achieving the objectives you identified in question 16?  
(Please continue on a separate sheet if necessary)

18. What do you identify as the main levers that may facilitate the achievement of the objectives you identified in question 16?  
(Please continue on a separate sheet if necessary)

19. What are the main channels of communication to members from the society?  
(Please circle)

<table>
<thead>
<tr>
<th>Channel</th>
<th>Regularly</th>
<th>Occasionally</th>
<th>Never</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct mail notices</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>In store notice Boards</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Free literature to take away from stores</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Briefing staff to communicate</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Internet web sites</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>E-mail</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Special events / meetings (not including meetings required under rule)</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Other (Please specify)</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>
20. What are the main channels of communication by members to the society?
(Please circle)

<table>
<thead>
<tr>
<th>Channel</th>
<th>Regularly</th>
<th>Occasionally</th>
<th>Never</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telephone</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Store staff</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Customer service points</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Board members</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Attending focus group Meetings</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>E-mail</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Contacting web site</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Members’ meetings</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Other (Please specify)</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

21. Identify the general content of communications below:
(Please circle)

a) To members

<table>
<thead>
<tr>
<th>Type of Communication</th>
<th>Regularly</th>
<th>Occasionally</th>
<th>Never</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notice of educational activities</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Notice of cultural, sporting and social activities</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Notice of trading opportunities (special offers, sales, product demonstrations etc.)</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Consumer information</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Other (Please specify)</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

b) From members

<table>
<thead>
<tr>
<th>Type of Communication</th>
<th>Regularly</th>
<th>Occasionally</th>
<th>Never</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complaints</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Orders</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Enquiries concerning: Educational activities</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Cultural, sporting and other leisure activities</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Meetings and elections</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Product/service information</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Other (Please specify)</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

22. Have you informed members of the ICA Statement on the Cooperative Identity?
(Please circle)

Yes  No

23. Has the ICA Statement on the Cooperative Identity changed or influenced your membership development programme?
(Please circle)

Yes  No
If you circled Yes for question 23, indicate what changes have been introduced.

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

Thank you for your time and effort in completing this questionnaire. We would be grateful to receive any additional comments you feel might be helpful on a separate sheet.
The International Cooperative Alliance

Statement on the Cooperative Identity
The International Cooperative Alliance

Statement on the Cooperative Identity

Definition

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

Values

Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperatives members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Principles

The cooperative principles are guidelines by which cooperatives put their values into practice.

1st Principle: Voluntary and open membership

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

2nd Principle: Democratic member control

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

3rd Principle: Member economic participation

Members contribute equitably to and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.
4th Principle: Autonomy and independence

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

5th Principle: Education, training and information

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

6th Principle: Co-operation among cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

7th Principle: Concern for community

Cooperatives work for the sustainable development of their communities through policies approved by their members.
Appendix 4

Promotion of Cooperatives
Recommendation 2002 (No. 193)
INTERNATIONAL LABOUR CONFERENCE

Recommendation No. 193

RECOMMENDATION CONCERNING
THE PROMOTION OF COOPERATIVES

The General Conference of the International Labour Organization,
Having been convened at Geneva by the Governing Body of the International Labour Office, and having met in its 90th Session on 3 June 2002, and
Recognizing the importance of cooperatives in job creation, mobilizing resources, generating investment and their contribution to the economy, and
Recognizing that cooperatives in their various forms promote the fullest participation in the economic and social development of all people, and
Recognizing that globalization has created new and different pressures, problems, challenges and opportunities for cooperatives, and that stronger forms of human solidarity at national and international levels are required to facilitate a more equitable distribution of the benefits of globalization, and
Noting the ILO Declaration on Fundamental Principles and Rights at Work, adopted by the International Labour Conference at its 86th Session (1998), and
Recalling the principle embodied in the Declaration of Philadelphia that "labour is not a commodity", and
Recalling that the realization of decent work for workers everywhere is a primary objective of the International Labour Organization, and
Having decided upon the adoption of certain proposals with regard to the promotion of cooperatives, which is the fourth item on the agenda of the session, and
Having determined that these proposals shall take the form of a Recommendation;
adopts this twentieth day of June of the year two thousand and two the following Recommendation, which may be cited as the Promotion of Cooperatives Recommendation, 2002.

I. SCOPE, DEFINITION AND OBJECTIVES

1. It is recognized that cooperatives operate in all sectors of the economy. This Recommendation applies to all types and forms of cooperatives.
2. For the purposes of this Recommendation, the term "cooperative" means an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

3. The promotion and strengthening of the identity of cooperatives should be encouraged on the basis of:
   (a) cooperative values of self-help, self-responsibility, democracy, equality, equity and solidarity; as well as ethical values of honesty, openness, social responsibility and caring for others; and
   (b) cooperative principles as developed by the international cooperative movement and as referred to in the Annex hereto. These principles are: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; cooperation among cooperatives; and concern for community.

4. Measures should be adopted to promote the potential of cooperatives in all countries, irrespective of their level of development, in order to assist them and their membership to:
   (a) create and develop income-generating activities and sustainable decent employment;
   (b) develop human resource capacities and knowledge of the values, advantages and benefits of the cooperative movement through education and training;
   (c) develop their business potential, including entrepreneurial and managerial capacities;
   (d) strengthen their competitiveness as well as gain access to markets and to institutional finance;
   (e) increase savings and investment;
   (f) improve social and economic well-being, taking into account the need to eliminate all forms of discrimination;
   (g) contribute to sustainable human development; and
   (h) establish and expand a viable and dynamic distinctive sector of the economy, which includes cooperatives, that responds to the social and economic needs of the community.

5. The adoption of special measures should be encouraged to enable cooperatives, as enterprises and organizations inspired by solidarity, to respond to their members' needs and the needs of society, including those of disadvantaged groups in order to achieve their social inclusion.

II. POLICY FRAMEWORK AND ROLE OF GOVERNMENTS

6. A balanced society necessitates the existence of strong public and private sectors, as well as a strong cooperative, mutual and the other social and non-governmental sector. It is in this context that Governments should provide a supportive policy and legal framework consistent with the nature and function of cooperatives and guided by the cooperative values and principles set out in Paragraph 3, which would:
   (a) establish an institutional framework with the purpose of allowing for the registration of cooperatives in as rapid, simple, affordable and efficient a manner as possible;
   (b) promote policies aimed at allowing the creation of appropriate reserves, part of which at least could be indivisible, and solidarity funds within cooperatives;
   (c) provide for the adoption of measures for the oversight of cooperatives, on terms appropriate to their nature and functions, which respect their autonomy, and are in accordance with national law and practice, and which are no less favourable than those applicable to other forms of enterprise and social organization;
   (d) facilitate the membership of cooperatives in cooperative structures responding to the needs of cooperative members; and
   (e) encourage the development of cooperatives as autonomous and self-managed enterprises, particularly in areas where cooperatives have an important role to play or provide services that are not otherwise provided.
7. (1) The promotion of cooperatives guided by the values and principles set out in Paragraph 3 should be considered as one of the pillars of national and international economic and social development.

(2) Cooperatives should be treated in accordance with national law and practice and on terms no less favourable than those accorded to other forms of enterprise and social organization. Governments should introduce support measures, where appropriate, for the activities of cooperatives that meet specific social and public policy outcomes, such as employment promotion or the development of activities benefiting disadvantaged groups or regions. Such measures could include, among others and in so far as possible, tax benefits, loans, grants, access to public works programmes, and special procurement provisions.

(3) Special consideration should be given to increasing women's participation in the cooperative movement at all levels, particularly at management and leadership levels.

8. (1) National policies should notably:
(a) promote the ILO fundamental labour standards and the ILO Declaration on Fundamental Principles and Rights at Work, for all workers in cooperatives without distinction whatsoever;
(b) ensure that cooperatives are not set up for, or used for, non-compliance with labour law or used to establish disguised employment relationships, and combat pseudo cooperatives violating workers' rights, by ensuring that labour legislation is applied in all enterprises;
(c) promote gender equality in cooperatives and in their work;
(d) promote measures to ensure that best labour practices are followed in cooperatives, including access to relevant information;
(e) develop the technical and vocational skills, entrepreneurial and managerial abilities, knowledge of business potential, and general economic and social policy skills, of members, workers and managers, and improve their access to information and communication technologies;
(f) promote education and training in cooperative principles and practices, at all appropriate levels of the national education and training systems, and in the wider society;
(g) promote the adoption of measures that provide for safety and health in the workplace;
(h) provide for training and other forms of assistance to improve the level of productivity and competitiveness of cooperatives and the quality of goods and services they produce;
(i) facilitate access of cooperatives to credit;
(j) facilitate access of cooperatives to markets;
(k) promote the dissemination of information on cooperatives; and
(l) seek to improve national statistics on cooperatives with a view to the formulation and implementation of development policies.

(2) Such policies should:
(a) decentralize to the regional and local levels, where appropriate, the formulation and implementation of policies and regulations regarding cooperatives;
(b) define legal obligations of cooperatives in areas such as registration, financial and social audits, and the obtaining of licences; and
(c) promote best practice on corporate governance in cooperatives.

9. Governments should promote the important role of cooperatives in transforming what are often marginal survival activities (sometimes referred to as the "informal economy") into legally protected work, fully integrated into mainstream economic life.

III. IMPLEMENTATION OF PUBLIC POLICIES FOR THE PROMOTION OF COOPERATIVES

10. (1) Member States should adopt specific legislation and regulations on cooperatives, which are guided by the cooperative values and principles set out in Paragraph 3, and revise such legislation and regulations when appropriate.
(2) Governments should consult cooperative organizations, as well as the employers' and workers' organizations concerned, in the formulation and revision of legislation, policies and regulations applicable to cooperatives.

11. (1) Governments should facilitate access of cooperatives to support services in order to strengthen them, their business viability and their capacity to create employment and income.

(2) These services should include, wherever possible:
(a) human resource development programmes;
(b) research and management consultancy services;
(c) access to finance and investment;
(d) accountancy and audit services;
(e) management information services;
(f) information and public relations services;
(g) consultancy services on technology and innovation;
(h) legal and taxation services;
(i) support services for marketing; and
(j) other support services where appropriate.

(3) Governments should facilitate the establishment of these support services. Cooperatives and their organizations should be encouraged to participate in the organization and management of these services and, wherever feasible and appropriate, to finance them.

(4) Governments should recognize the role of cooperatives and their organizations by developing appropriate instruments aimed at creating and strengthening cooperatives at national and local levels.

12. Governments should, where appropriate, adopt measures to facilitate the access of cooperatives to investment finance and credit. Such measures should notably:
(a) allow loans and other financial facilities to be offered;
(b) simplify administrative procedures, remedy any inadequate level of cooperative assets, and reduce the cost of loan transactions;
(c) facilitate an autonomous system of finance for cooperatives, including savings and credit, banking and insurance cooperatives; and
(d) include special provisions for disadvantaged groups.

13. For the promotion of the cooperative movement, governments should encourage conditions favouring the development of technical, commercial and financial linkages among all forms of cooperatives so as to facilitate an exchange of experience and the sharing of risks and benefits.

IV. ROLE OF EMPLOYERS' AND WORKERS' ORGANIZATIONS AND COOPERATIVE ORGANIZATIONS, AND RELATIONSHIPS BETWEEN THEM

14. Employers' and workers' organizations, recognizing the significance of cooperatives for the attainment of sustainable development goals, should seek, together with cooperative organizations, ways and means of cooperative promotion.

15. Employers' organizations should consider, where appropriate, the extension of membership to cooperatives wishing to join them and provide appropriate support services on the same terms and conditions applying to other members.

16. Workers' organizations should be encouraged to:
(a) advise and assist workers in cooperatives to join workers' organizations;
(b) assist their members to establish cooperatives, including with the aim of facilitating access to basic goods and services;
(c) participate in committees and working groups at the local, national and international levels that consider economic and social issues having an impact on cooperatives;
(d) assist and participate in the setting up of new cooperatives with a view to the creation or maintenance of employment, including in cases of proposed closures of enterprises;
(e) assist and participate in programmes for cooperatives aimed at improving their productivity;
(f) promote equality of opportunity in cooperatives;
(g) promote the exercise of the rights of worker-members of cooperatives; and
(h) undertake any other activities for the promotion of cooperatives, including education and training.

17. Cooperatives and organizations representing them should be encouraged to:
(a) establish an active relationship with employers' and workers' organizations and concerned governmental and non-governmental agencies with a view to creating a favourable climate for the development of cooperatives;
(b) manage their own support services and contribute to their financing;
(c) provide commercial and financial services to affiliated cooperatives;
(d) invest in, and further, human resource development of their members, workers and managers;
(e) further the development of and affiliation with national and international cooperative organizations;
(f) represent the national cooperative movement at the international level; and
(g) undertake any other activities for the promotion of cooperatives.

V. INTERNATIONAL COOPERATION

18. International cooperation should be facilitated through:
(a) exchanging information on policies and programmes that have proved to be effective in employment creation and income generation for members of cooperatives;
(b) encouraging and promoting relationships between national and international bodies and institutions involved in the development of cooperatives in order to permit:

     (i) the exchange of personnel and ideas, of educational and training materials, methodologies and reference materials;
     (ii) the compilation and utilization of research material and other data on cooperatives and their development;
     (iii) the establishment of alliances and international partnerships between cooperatives;
     (iv) the promotion and protection of cooperative values and principles; and
     (v) the establishment of commercial relations between cooperatives;
(c) access of cooperatives to national and international data, such as market information, legislation, training methods and techniques, technology and product standards; and
(d) developing, where it is warranted and possible, and in consultation with cooperatives, employers' and workers' organizations concerned, common regional and international guidelines and legislation to support cooperatives.

VI. FINAL PROVISION

19. The present Recommendation revises and replaces the Co-operatives (Developing Countries) Recommendation, 1966.

ANNEX

EXTRACT FROM THE STATEMENT ON THE COOPERATIVE IDENTITY, ADOPTED BY THE GENERAL ASSEMBLY OF THE INTERNATIONAL CO-OPERATIVE ALLIANCE IN 1995

The cooperative principles are guidelines by which cooperatives put their values into practice.

Voluntary and open membership
Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.
Democratic member control
Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organized in a democratic manner.

Member economic participation
Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

Autonomy and independence
Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

Education, training and information
Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of cooperation.

Cooperation among cooperatives
Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

Concern for community
Cooperatives work for the sustainable development of their communities through policies approved by their members.