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

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ABSTRACT

The paper contributes to the discourse on the impact of employee participation in organizations. Using worker co-operatives as special cases of participatory firms we discuss the role of values in organizations and their importance in a business context. We devise and apply the CoopIndex diagnostic tool as a method of assessment of the ‘health’ of an organization whose members aspire to align co-operative management with the application of the co-operative principles and values.

JEL classification: J5, L2, M1, D7, P5

1. Introduction

Co-operative firms are owned by their members whose control rights stem from user-transactions with the firm (employment, consumer, or other), rather than capital shares. Voting rights are divided equally among members (Jones and Kalmi 2010) and strong values of equity, reciprocity, and liberty are integral to the co-operative identity (S. Zamagni and V. Zamagni 2010, p.30). In co-operatives these ethical values and principles guide business operations. Worker co-operatives form special cases of participatory organizations since their members are ‘insiders’ whose object of transaction with the firm cannot be physically separated from the person. It is therefore important, we argue, to use

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

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

The paper is organized as follows: In Section 2 we discuss the literature in economics and management dealing with employee participation in organizations, and place co-operatives within this framework. Section 3 outlines measures and indicators of performance for co-operative organizations, while Section 4 describes the cognitive theory of Total participation as a framework fitting co-operative firms, and the CoopIndex diagnostic tool based in part on this theory. Section 5 describes the application of the CoopIndex in organisational diagnosis, while section 6 illustrates its use, reporting and recommendations in a case study diagnosing Careforce Home Care Worker Co-operative. Section 7 concludes.

2. Employee participation

The literature on employee participation is vast and varied. The different treatments of participation depend on the field of research, the type of participation scheme(s), and the outcomes under study. In a detailed account of this literature, Heller et. al. 1998 assert the reasons for support of participation in organizations to range from humanistic (personal growth and satisfaction of employees), to power-sharing (redistribution of social power), and organizational efficiency (predominant concern in the economics and business literature). The authors categorize the main dimensions of participation to be ownership, degree of control, range of issues, and organizational level of employee influence (table 1.3. p. 19). In all four categories, worker co-operatives are placed at the extreme end of the spectrum: worker-members are full owners; they make decisions on all issues from compensation and investments to management selection; the degree of control is complete self-management; and they function at all levels, from individual, through group and plant, to company level. Worker co-operatives are treated as a special case of full participation. We therefore approach our brief review of the literature on participation highlighting this application.

As a management strategy, many firms have attempted to transform their workplaces to “empower” the employees, give them more autonomy, invest in training, provide job security, etc. in an effort to improve organizational efficiency and, thereby, firm competitiveness (Heller et al. p 12). Autonomy, education and training, job security, broad job descriptions and wide responsibilities, all of which are listed by Heller et al. as the necessary ingredients for participatory workplaces, are an integral part of the co-operative organization.

In the economics of participation, the focus has been on firm’s ownership and control structures. Ben-Ner and Jones, 1995 set the stage for treatment of employee participation in (neoclassical) economic theory. In their framework, control of the firm implies decision-making rights and rights to returns include financial and physical gains (wages, profits, output quality and price, working conditions and the like). They develop a chart including four levels of return rights, and four degrees of control rights, starting

from no control and no return rights by employees, to the dominant control and majority return rights by employees at the other end of the spectrum. Outlining the distribution of employee influence in organizations, on the one end stands the “conventional” firm, and on the other lays the worker co-operative, with hybrid forms of enterprises in between.

Generally speaking, ownership of capital shares does not necessarily produce control rights in organizations (see Heller et al 1998 for example, p33). When there are some control rights, the rights to return need not be granted, and vice-versa. A number of authors point to the evidence that a mix of two types of rights, i.e. multiple participation schemes, is the most effective in terms of the impact of participation on the measured outcomes in organizations¹ (Ben-Ner and Jones 1995, Heller et al 1998).

Employee participation affects productivity in organizations *via* individual motivation, and *via* structural variables (Ben-Ner and Jones 1995). Return rights on their own may have conflicting effects on the overall organization, while increased control (and, therefore, autonomy) will likely have a positive effect on organizational productivity if participation is meaningful and individually rewarding, i.e. the benefit of participation to an individual employee is greater than its cost. A combination of full rights in both control and returns is liable to produce the greatest impact on both individual motivation and organizational effectiveness. Thus studies of participation need to include both types of ownership rights (control and returns), and investigate their psychological and economic effects (Ben Ner and Jones 1995).

Values play an important role in human interactions, as well as in the institutional design (Ben-Ner and Putterman 1999). As illustrated above, values are usually excluded from the economic theory of the firm, replaced by assumptions about firm behavior based on ownership and the resulting control. But *de jure* ownership does not always imply the *de facto* ownership. Even when ownership and control of the firm are in the hands of insiders (workers), individual employees feel like psychological owners to varying degrees. The reasons may be functional – closeness to the daily decision-making, levels

¹In the economics literature, the measured outcome is typically productivity. If productivity increases, a firm’s earnings are positively affected as well. While it may be desirable to make the connection between various participatory schemes and firm’s profitability, this is difficult as participation is also costly, potentially reducing the rate of profit. See a discussion in Ben-Ner and Jones 1995, for example (p.549).

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

Organizational psychologists recognize that, for employee ownership to exert influence on group and individual outcomes, formal ownership must lead to psychological ownership, and this then leads to behavioral effects (Pierce et. al. 1991). Prokopowicz et. al. (2008) and Stocki et al (2010) go further, to develop a framework of “total” participation which includes the (learning and developing) individual, the organization, and the wider environment in which the organization operates. The total participation approach is particularly interesting for co-operatives from the perspective of measures of firm performance and effectiveness². This kind of approach was first proposed by Erdal (1999) in his study of social impacts of co-op density in three Italian towns, each with different degree of “cooperativeness”. An organization’s effectiveness thus includes its performance from the point of view of immediate stakeholders, capturing its financial performance, market performance, and shareholder return, but it also entails effectiveness in terms of the impact on wider stakeholders, both inside and outside the organization (see Richard et al 2008, p 3). This wider conception can only be measured with “objective” and “perceptual” measures, as well as subjective opinions of the insiders (Prokopowicz et. al., 2008). While the economics literature discusses efficiency and productivity as organization-level outcomes, and business textbooks treat participation as a human resource management issue (e.g. Armstrong, 2008, Kaplan & Norton, 2004), the total participation approach recognizes the multiple levels of an organization’s effectiveness, namely its effect on an individual and his/her growth, its effect on the organizational goals such as viability, and its effect on external stakeholders who may or may not take part in the decision-making process.

These elements of organizational impact have also been present in the literature on co-operative firms, particularly in the context of the operating definition of co-operative enterprises as values-based organizations whose members satisfy their needs through self-help. It is well understood in this literature that co-operatives have their social purpose entwined with their economic goals (Birchal 2005, for example). Defining

² The term effectiveness indicates a stakeholder approach to organizations and a long term perspective (Prokopowicz et. al. 2008, and Richard et.al. 2008).

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

Co-operatives differ from other organizations in prioritizing the needs of their members and in subscribing to the internationally recognized and widely accepted Statement of the co-operative identity (ICA 1995) that includes a set of co-operative principles and values which form the ethical underpinning of co-operative businesses. It is therefore critical that the performance and effectiveness of co-operative organizations be measured against those principles and values.

3. Co-operatives, performance and indicators

The literature on the performance of worker co-operatives has often addressed economic measures, namely efficiency and productivity (Craig and Pencavel, 1995, Bonin, Jones and Putterman, 1993, Bartlett et.al. 1992, and others). The focus has often also been on the relative scarcity of the co-operative form of organization, and conjectures that this must be, at least in part, attributed to their relative inefficiency⁴ (Ben- Ner 1984, Hansmann, 1996). The spotlight over many years has been on the causes of co-operative firm's inefficiency, and on empirical measures of their productivity and efficiency relative to investor owned firms. Potential problems for co-operatives recognized in the economics and business literatures are the agency and free riding problems; lack of financing when resorting to member-finance and debt finance; and inefficiency due to the lack of an "objective" market measure of firm value in the absence

³ Co-ops are democratic organizations; they can be non-profit; they belong to the social economy (the "third" sector) because they have social goals; they are often a part of community economic development programs; they are self-managed; they create jobs; they are often small businesses, to name a few characteristics.

⁴ "Radical" writers have attributed the scarcity of co-operatives in market economies to the lack of support due to ideological bias, and to the hostile institutional environment for the development and preservation of the co-operative firm (Doucouliagos, 1990 and 1995).

of publicly held stock (Dow 2003, Jones and Kalmi 2010). Empirical studies examining these issues found no evidence of comparative inefficiencies in co-operatives in the plywood industry in the USA (Craig and Pencavel 1992 and 1995), the dairy co-operatives (Parliament et. al. 1990), and the Italian construction co-operatives (Bartlett et. al. 1992). Moreover, high co-operative density is correlated with positive externalities and social outcomes such as reduced crime, better education, better health, and higher social participation (Erdal 2001).

The empirical literature mostly does not support theoretical predictions of inefficiency, employment instability, and non-viability of co-operatives (Perotin 2012). The co-operative sector has mitigated problems such as under-capitalization by institutional design, but many questions about their relative scarcity remain. Plywood co-operatives in the US have disappeared in the decades since Craig and Pencavel's study, although they were no less efficient than other firms, so there are clearly other issues facing co-operatives and their environment that need to be understood.

Parliament et. al. 1990 acknowledge that additional measures of performance (besides the financial indicators) are required in order to capture the social functions and non-market activities of co-operatives. As a result of their finding that co-ops outperform the investor-owned firms (IOFs) on a number of financial indicators, they pose an interesting question - is this result actually good for the co-operative sector? Could this be a sign that co-operatives have moved closer IOF behavior in order to meet the financial goals set by the competition? To address the question of tradeoffs between the financial and social function of co-operatives, Schwab (2005) developed a 'profitability range' framework of financial reporting to ensure co-operative success, in terms of both financial and social returns. He argues that profitability is an imperative for co-operatives, as a matter of survival⁵. To fulfill their social mission, co-ops must be financially sound, so profit is a constraint for co-operative firms. However, Schwab advocates the use of a profitability range ("La fourchette de rentabilite") as a guide in decision-making. According to this approach, co-operatives would operate on a rate of return between the self-imposed lower bound, which ensures financially sound operations, and the upper bound, which ensures that the co-op satisfies its social mission.

⁵ Profit is understood as a means to the social goal, rather than a goal in itself.

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

4. Worker co-operatives and total participation

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

Stocki and his colleagues have developed tools to measure participation in organizations (Open Index and Non-profit Index for investor owned and non-profit firms, respectively) based on the cognitive theory of total participation, described in Stocki et al 2010 and Prokopowicz et al 2008. The total participation idea presumes that individuals decide to participate in the life of an organization of their own will, and that they act for a common goal. This approach is close to the conception of co-operatives (S. Zamagni and V. Zamagni 2010, p. 28) as organizations formed by individuals who value economic freedom. Labour 'input' is seen as an opportunity for self-realization of individuals, and not just a factor of production. Co-operative members engage in 'labour-as-action', rather than 'labour-as-toil'. Total participation then describes workers who are actively engaged

⁶ We make a distinction between worker co-ops, owned and managed by workers-members, and producer co-ops, such as those in agriculture.

⁷ This does not necessarily mean that the total participation framework is not relevant in these cases; it just means that benchmarks and expectations may be considerably different from those in worker co-operatives.

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

Stocki's Open Index tool captures this 'labour-as-action' approach in a questionnaire whose focus is on employee perceptions, but it also includes researcher observations, data collection, and interviews within the organization. It therefore encompasses the 'perception' aspect, as well as the objective and subjective aspects of a firm's performance. The questionnaire is divided into sub-categories assessing individual perceptions about the conditions, systems and effects of participation in the organization, and the impact on organizational effectiveness (Zmuda et al. 2008 p. 22). The total participation model assumes different *personal orientations* – totalistic, individualistic and participative - as products of the interplay between environmental (including organizational) influences and individual features, which are created in the process of sense-making (Thurlow, 2010) i.e. justification of one's actions within a particular context⁹. The Open index tool (Zmuda et al., 2008) captures inter-dependence of the environment in which an organization operates, organization's systems and the extent to which they are conducive to various forms of participation. The environmental and individual characteristics, participative orientations and impacts are included in the tool, together with a measure of trust, and a measure of organizational maturity for diagnosing and reporting purposes. These measures are based on employees' responses to selected personal questions. Since the Open Index was developed to diagnose the participation levels in an organization, and help its management to evaluate and develop a strong participation strategy, its application would, presumably, lead to the overall positive impact for the organization¹⁰.

Co-operatives, on the other hand, are guided by ethical values¹¹, organizational values¹², and the principles of co-operation¹³. The difficulty with co-operative

⁸ In contrast, employee share ownership or participation in work teams are examples of partial participation.

⁹ For a discussion on the role of reciprocity in co-operatives see Zamagni and Zamagni 2010, p 32. Reciprocity in behavioural economics literature can be interpreted as participative orientation outlined here.

¹⁰ There is plenty of evidence in the literature on organizational participation that points to the positive relationship between participation levels and organization's success (see Heller et.al. 1998).

¹¹ Personal ethical values: honesty, openness, social responsibility, caring for others. ICA 1995

¹² Co-operative values: mutual self-help, equality, equity, self-responsibility, democracy and solidarity. ICA 1995

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

The process of adapting the Open index for co-operative firms lead to the development of the CoopIndex tool which, like its predecessors, relies on the questionnaire for perceptual measures, observations and assessment of documentation for objective measures, and interviews for additional subjective accounts of the evidence of organizational effectiveness. The tool was created with input from practitioners and consultants in the co-operative sector, as well as researchers in various fields (management, sociology, economics, and organizational psychology; see Stocki, Prokopowicz and Novkovic 2012 for a description of the tool's development). The CoopIndex questionnaire contains close to 180 questions sorted into 30 dimensions, grouped into four categories (see Table 1 in the Appendix and Figure 1 in section 6) - *organizational systems, organizational climate, personal attitudes and actions*, and overall *outcomes of the organization* (individual, organizational and societal levels). The same questions are re-grouped into the co-operative principles and values¹⁴ categories.

The CoopIndex also includes additional dimensions specific to co-operatives, and cross-references organizational dimensions with the principles and values of co-operation. These values are linked with individuals through a concern for a common good, while individual ethical values are the foundation of the relationship between members in a co-operative organization. Participative orientation is embedded in the

¹³Voluntary and open membership; democratic member control; economic member participation; autonomy and independence; education and information; cooperation among co-operatives; and concern for the community are the 7 ICA principles; concern for the environment is added to the CoopIndex tool. Mondragon worker co-operatives also add the: subordinate role of capital; social development; social transformation; participatory management; pay solidarity; and labour control to their principles of cooperation.

¹⁴ This modification provides the “missing link” for co-operative organizations, but it can also serve as a benchmark for the co-operative sector and other organizations.

democratic governance and control, and other co-operative principles, while participatory practice in co-ops also includes learning through a continual process improvement, coupled with the implicit inclusion of all the stakeholders¹⁵. Lastly, compared to the Open Index where effectiveness is measured on an individual level (Stocki 2008), the CoopIndex includes measures of all levels of effectiveness-individual, organizational, and societal. This distinction is important as a measure of co-operative “social responsibility” – it is internalized in daily operations, rather than a function of profitability of the organization. A caveat, however, remains in the perceptual nature of the questions. With careful triangulation one can increase objectivity in the assessment of the organization’s impact on external stakeholders, but additional measures would be required to conduct systemic analysis of those impacts.

5. Application of the CoopIndex diagnosis

The CoopIndex diagnostic tool was developed to help worker co-operatives diagnose their performance in reference to the co-operative principles and values, allowing them to improve organizational performance in line with these ethical and practical guidelines. By employing the three diagnostic techniques (the CoopIndex questionnaire, employee interviews and on-site observation), both researchers and consultants using the tool are able to diagnose any given organisation for its effectiveness relative to its maturity level and the adherence to the co-operative principles and values.

The CoopIndex questionnaire is the core of the diagnostic procedure, measuring the extent to which a given co-operative adheres to the co-op principles and values, as well as its success in meeting its mission. Both the dimensions of the questionnaire and individual question responses are calculated based on the percentage of positive responses for each of the questions, on the scale ranging from “strongly disagree” to “strongly agree”. The Likert-type scale format employed in the tool allows for use of two alternative and complementary types of scoring in the diagnostic report: basic – with “agree”, “somewhat agree” and “strongly agree” counted as positive responses – and

¹⁵ This is true in theory, and is also captured by the CoopIndex. In reality, co-operatives can easily turn away from stakeholder concerns under various pressures. This is why measuring and reporting the perceptions and reality of co-op’s impacts is critical in maintaining the ‘co-operative identity’.

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

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

While playing the crucial role in the diagnostic process, the administering of the CoopIndex questionnaire and the analysis of results is only a part of the process. Data collected using the questionnaire has to be triangulated with data elicited with two other research techniques – interviews with key employees in the organization, and the on-site observation in the firm. These complementary techniques are aimed at both the initial screening of possible organisational issues, and the subsequent in-depth understanding of the findings, providing an invaluable source of data to supplement information collected with the questionnaire.

The diagnostic perspective of the CoopIndex is based on the assumption that the condition of vital organisational systems and values are reflected in the attitudes of the workers. This assumption guides the process of assessment and informs the

¹⁶ The CoopIndex measures performance of the diagnosed co-operative against the features of an ‘ideal co-operative’ defined by contributors in the tool’s development – co-op consultants, worker co-op members, and academics. See Stocki, Prokopowicz and Novkovic 2012.

¹⁷ Co-operative principles index and Co-operative values index, CPI and CVI, respectively.

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

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

The use of the report and its recommendations is in part similar to most methods proposing organizational change (eg. achieving a shared understanding of a firm’s mission; reaching common ground when introducing organisational change; identifying strengths and weaknesses of an organisation with regards to its managerial systems and using presented information to improve them), but the particular added advantage of the described process for co-operatives is in creating links between the co-operative principles and values on the one hand, and organizational systems and strategy on the other. The co-operative can use the described process to analyse the extent to which it actually applies the co-operative values in its everyday operations, allowing for a closer alignment of co-operative ethics and practice¹⁸, and ultimately providing a measure of the cooperative identity and co-operative distinctiveness (or, the ‘co-operative difference’).

The diagnostic process based on the cognitive theory of total participation is a person-centered method, i.e. a tool rooted in perceptions. Other objective measures, such as financial data, should be used as supplementary to support the findings. That said, financial data are typically collected and reported in co-operatives, while the missing element in evaluating the health of a co-operative business is one rooted in perceptions of its employees and other stakeholders that reports on the delivery of the co-operative values. In that respect the CoopIndex diagnostics is an important contribution to the management of co-operatives as values-based organizations. With Total participation at its core, the CoopIndex diagnostic method also ensures a measure of full and voluntary

¹⁸ We highlight this application in the case study in section 6.

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

6. A pilot case study: Diagnosing Careforce Home Care Worker Co-operative

Careforce Home Care Worker Co-operative formed as an employee buyout of a small private home care business. A co-operative was formed as a minority shareholder with investment by 14 worker-members in 2006, but members secured a loan to buy out the former owner two years later¹⁹. Since then, the co-operative doubled in size in terms of the number of employees²⁰ and revenues, and remained a profitable business. Employees at Careforce are supervised by a registered nurse, who has been leading the business together with a manager hired a year after the co-op was formed. One Careforce worker-owner joined the efforts to develop the CoopIndex diagnostic tool, and was one of about twenty participants in various stages of its development. At the time of testing the first version of the CoopIndex tool Careforce was a new and inexperienced co-operative. Its management was concerned mainly about keeping the business afloat, learning about the industry, and growth of the business. However, their employees and members completed the CoopIndex questionnaire and underwent the scrutiny of the interviews and observations in the process²¹.

The diagnosis

¹⁹ Careforce is described among the success stories featured by the Canadian Worker Co-op Federation <http://www.canadianworker.coop/worker-co-op/success-stories>

²⁰ Careforce has 60 employees and 65clients in 2012.

²¹ Since then the questions have been fine tuned based on the results of three pilot co-operatives in diverse sectors and of different sizes, and the reporting of the questionnaire results has been automated.

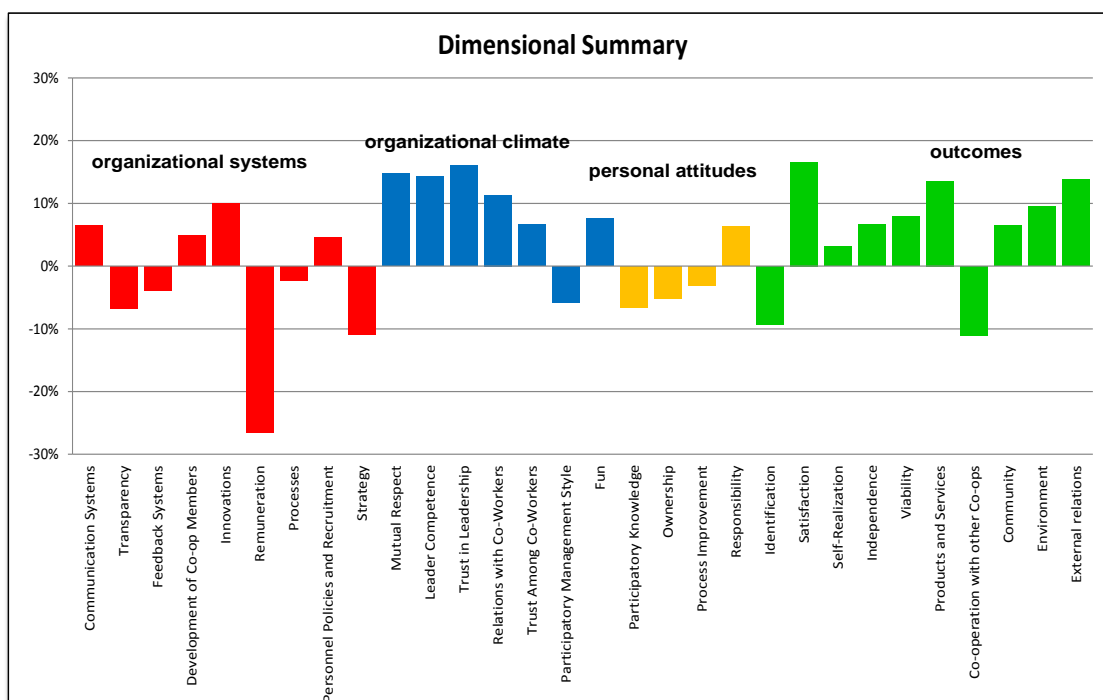


Figure 1. The General Picture chart (relative to OMI=74.77). Careforce worker co-operative; pilot CoopIndex diagnostic report.

The ‘strict’ analysis²² of the results in the pilot stage for Careforce produced Organizational Maturity Index (OMI) of 74.77% , indicating a healthy organization in the process of development of its operations. The organizational trust index (OTI) scored 93.8% demonstrating a ‘company of friends’, with employees trusting each other and the diagnostic process.

Figure 1 illustrates scores for the 30 dimensions grouped in 4 categories (organizational systems; organizational climate; personal attitudes and actions; outcomes) with OMI as a benchmark. Dimensions with a number of positive responses above OMI are illustrated as positive values, while those scoring under the maturity level show as negative. The negative dimensions are ones that require closer attention by the co-operative. In this particular case, the following issues need closer examination: perceived transparency, remuneration systems and strategy; perceptions of participatory management; sense of ownership and education about co-op business; sense of

²² The strict analysis includes only ‘agree’ and ‘strongly agree’ as positive responses.

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

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

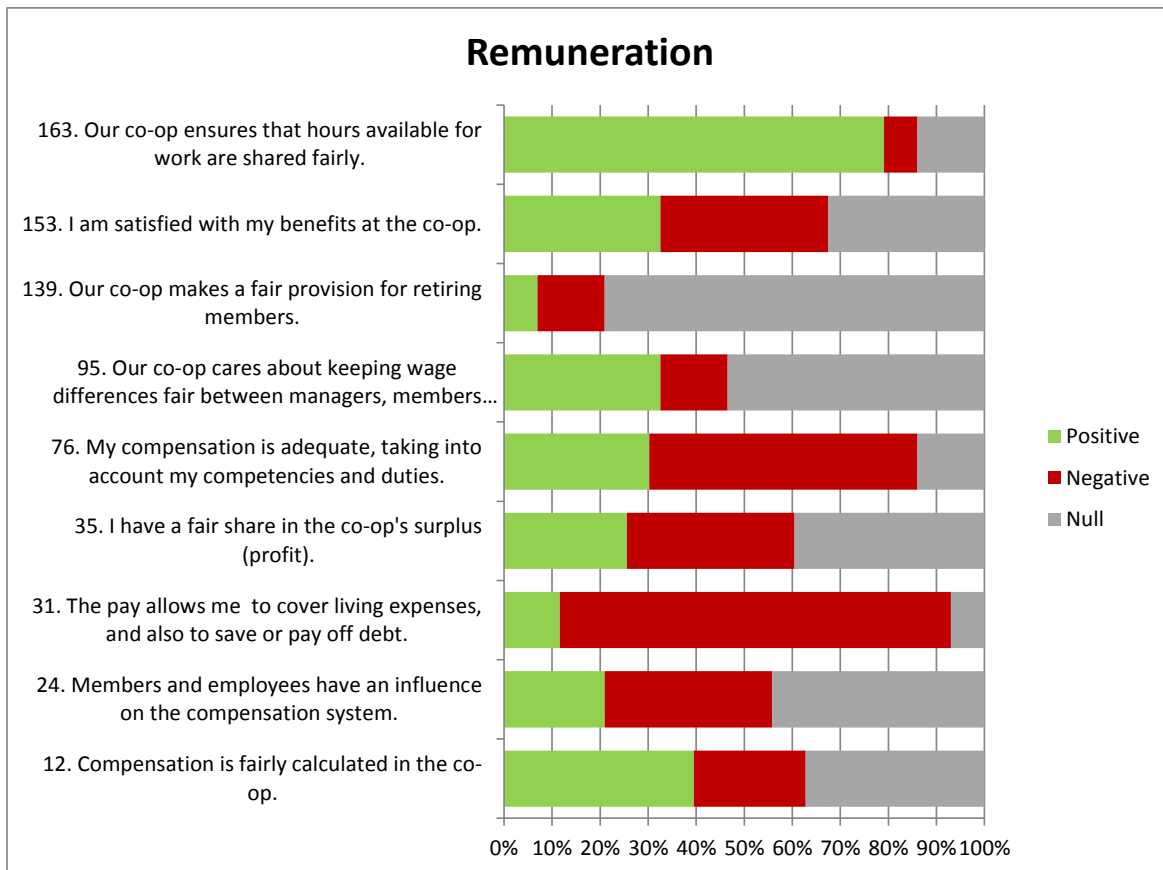


Figure 2. The Remuneration dimension (Organizational systems category). Individual responses. Careforce worker co-operative; pilot CoopIndex diagnostic report.

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

perceive the business differently; gender or age differences are sometimes apparent; and in co-operatives member vs non-member differences are often behind some of the issues. Careforce in its early stages as a co-op faced the division between member and non member responses. Figure 3 illustrates the responses by membership status for the Remuneration category. Members responded positively to questions in this dimension (slightly above the 75% mark), while non-members are overwhelmingly under the benchmark level, i.e. negative about their remuneration and therefore driving the overall results. The recommendation that follows from here is obvious – raise the salary levels - but a consultant with a solid understanding of the co-operative business, and upon closer examination of the co-operative, may provide more nuanced recommendations to address the issue. We discuss the recommendations below.

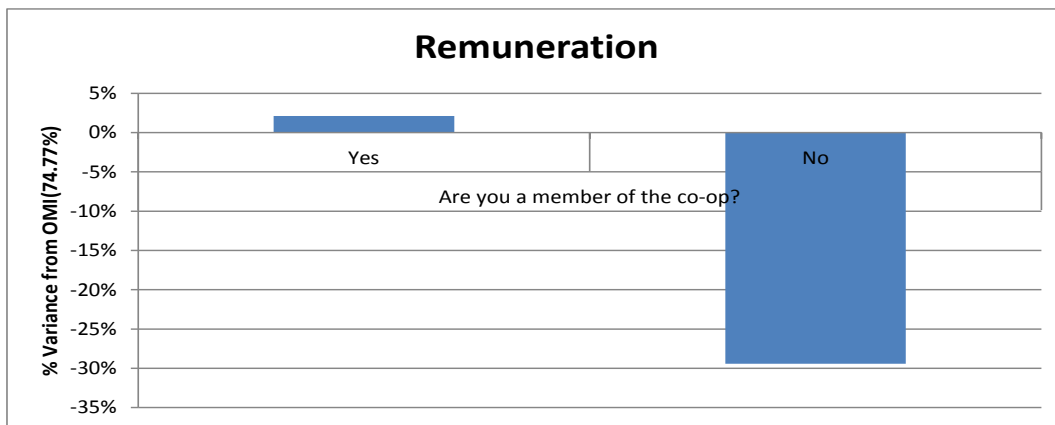


Figure 3. The Remuneration dimension. Responses by member and non-member employees. Careforce worker co-operative; pilot CoopIndex diagnostic report.

Measures of *co-operative* maturity, the Co-op Values Index and the Co-op Principles Index scored 74.5% and 73.9% respectively. These numbers indicated that the co-operative could strengthen its co-operative identity and improve its operations to align them more visibly with the co-operative values. Figures 4 and 5 show the scoring in relation to the CVI and CPI respectively.

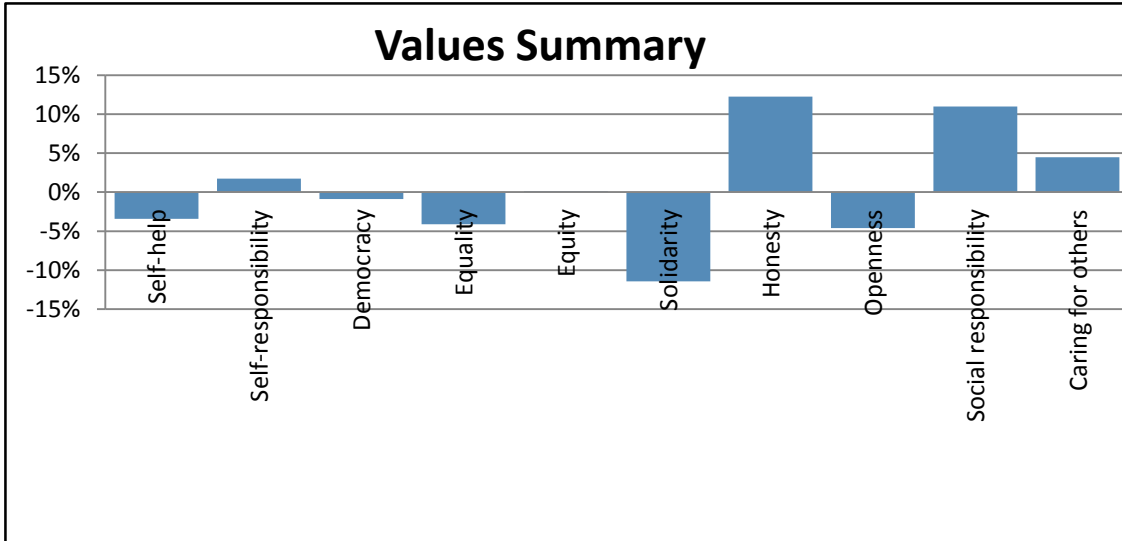


Figure 4. The Co-operative Values chart (relative to CVI=73.9). Careforce worker co-operative; pilot CoopIndex diagnostic report.

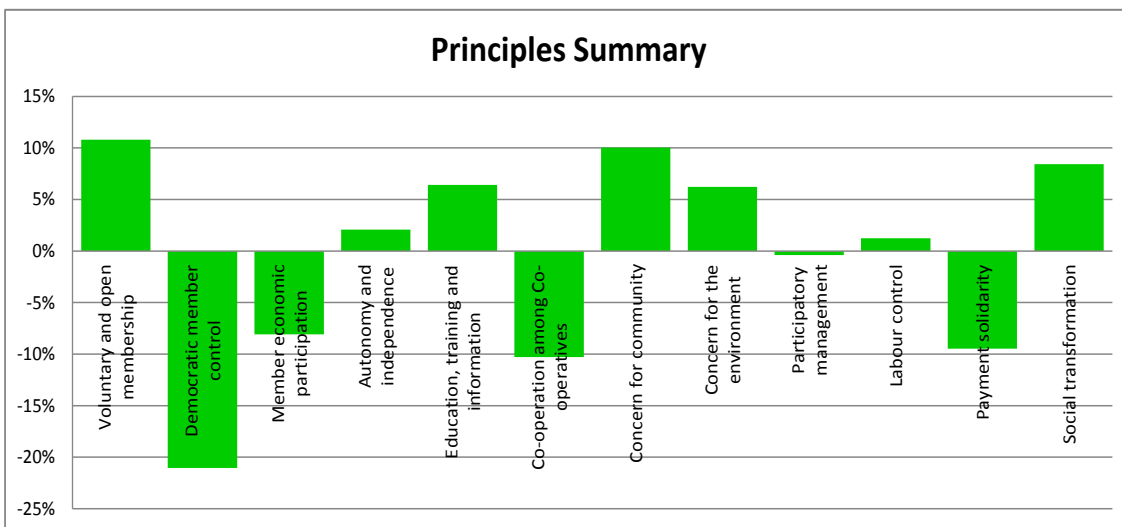


Figure 5. The Co-operative Principles chart (relative to CPI=74.5). Careforce worker co-operative; pilot CoopIndex diagnostic report.

While the overall level of adherence to co-operative values at Careforce is commendable given the short life span of this co-operative at the time of diagnosis, some areas need more work, such as the sense of democratic control, solidarity, equality, and co-operation among co-operatives. Looking a little further at particular areas, we can detect that strengthening the co-op's adherence to the principles and values of co-operation also improves the organizational systems and climate. Figure 6 illustrates

questions and responses included in the value Solidarity. Some questions are included in the co-operative principles, but they also affect how the business is perceived by the employees more generally.

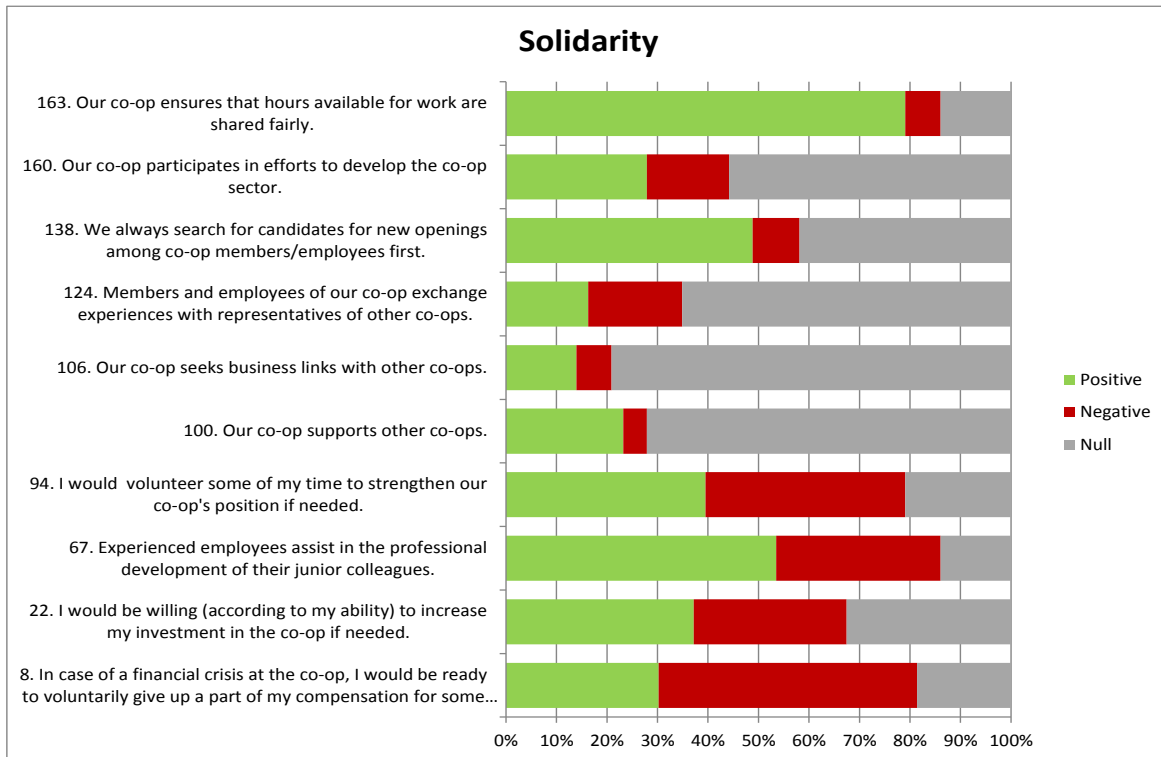


Figure 6. Solidarity - Co-operative value. Individual responses. Careforce worker co-operative; pilot CoopIndex diagnostic report.

Recommendations and follow-up

Recommendations were based on the questionnaire results, interviews with the key members and management, and on site observations (Hough 2009). The follow-up is based on a personal interview with the co-op manager. The diagnostic report pointed to the differences in responses between member and non-member employees, but also to the many ‘don’t know’ answers, concluding that education about the business and its operations should be an integral part of future growth. Overall, however, the results were remarkably positive, given the short life of the organization as a co-operative at the time of the diagnosis. Since then many changes have been made in the organization. Careforce has doubled its size, almost repaid its debts, and continues to be competitive and profitable. And while the diagnosis process has been a part of the ongoing efforts to

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

Recommendations (Hough 2009):

Organizational Systems

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

2. Develop a comprehensive marketing plan with appropriate budget.

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

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

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

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

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

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

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

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

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

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

Organizational climate

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

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

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

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

16. Encourage training and diversity in assignments for employees.

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

Personal attitudes and actions

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

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

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

Outcomes: individual, organizational, social

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

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

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

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

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

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

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

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

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

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

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

7. Conclusions

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

From the perspective of measures of firm performance and effectiveness, the total participation approach offers elements that would constitute a benchmark, or an "ideal" co-operative firm. Echoing concerns in the co-operative sector, and an increased awareness of the impact of values on institutional design, we argue that co-operatives need tools that would allow them to incorporate co-operative principles and values into their strategy, as well as their daily operations, and to do so requires ways to measure the degree of adherence to the principles, as well as identify areas in need of improvement. The paper described the CoopIndex as one such measure - a tool developed within the worker co-operative sector, used to diagnose key areas of co-operative performance linked to co-operative principles and values. Perceptions are integral to this tool (and to the discourse on participation in organizational psychology). They are accompanied by subjective measures of performance, and data collection, as required. While tools for other types of organizations have been developed based on the total participation approach (Zmuda et.al 2008) some key differences in the structure of the CoopIndex have emerged: measures of organizational effectiveness that capture individual growth, organizational goals, and social goals; inclusion of organizational principles and values in the tool's structure; link between organization and individuals through ethical values

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

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

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

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APPENDIX

CoopIndex Dimensions

	Dimension	Content description	Impact/ categories
1	Communication systems	Questions relate to ease and efficiency of internal communications.	Organizational systems (RED)
2	Development of co-op members	Includes both member professional development and governance (i.e. Board member development)	
3	External relations	Customer and supplier relations.	
4	Feedback systems	Individual and organization's performance, peer evaluation, and other evaluation systems.	
5	Innovations	Product innovations, process innovations, and social innovations.	
6	Remuneration	Pay and benefits satisfaction; fairness and equity.	
7	Processes	Relates to individual understanding of tasks, roles/functions, and processes in the co-op. It includes job safety and independence.	
8	Personnel policies and recruitment	Questions fairness and satisfaction with recruitment and membership.	
9	Strategy	Questions about vision, strategy, growth, and member participation in creating the vision for the co-op.	
10	Transparency	Availability and clarity of information about decision-making and challenges.	
11	Leadership	Respect for co-op leadership	Organizational climate (BLUE)
12	Mutual respect	Overall sense of respect among co-op members	
13	Participatory decision-making	Sense of inclusion in decision-making	
14	Trust -leadership	Trust in co-op leadership.	
15	Fun	Sense of humour, friendliness and enjoyment at work.	
16	Relations with co-workers	Organization's culture; getting along with colleagues.	

17	Trust-members	Trust among co-op members and employees.	
18	Participatory knowledge	Co-op business literacy.	Personal attitudes and actions (YELLOW)
19	Ownership	Stress on the perception/sense of individual ownership and responsibility as a member.	
20	Process improvement	Personal initiative and accountability.	
21	Responsibility	Personal ethics and responsibilities.	
22	Identification	Identification with the co-operative organization and sense of job security.	Outcomes: individual, organizational, societal (GREEN)
23	Satisfaction	Job satisfaction and overall work relations satisfaction.	
24	Self-realization	Questions self-fulfillment at work, professional development, as well as balance between personal and working life.	
25	Independence	Independence from external influences in decisionmaking- both public and private.	
26	Products/services	Relates to the quality of the products/services and impact of co-op principles and values on products and services.	
27	Viability	Business viability from the market access perspective, financial perspective and organizational/functional perspective.	
28	Cooperation with other co-operatives	Networking with other co-operatives and development of the co-op sector.	
29	Community	Concern for community development and role of the co-op in its community.	
30	Environment	Environmental sustainability, care for the environment and leadership regarding environmental concerns.	

Table 1: A description of the CoopIndex dimensions, grouped in 4 categories