

**Towards Co-operative Social Capital Management for Membership
Based Organisations. (1)**

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Summary

The introduction provides an overview of the development of personnel management (PM) and human resource management (HRM) and the forces shaping them. The paper points to the contribution both approaches can make to improve the standards of people management in the co-operative context. The key conclusion however is that the unavoidable tensions created for management in the share based model of business ownership are much more manageable in the context of a service driven business informed by a co-operative value based culture. The surprise is that empirical research suggests that many co-operatives, even in large established sectors, are not yet always effectively utilising these key management disciplines. The paper goes on to present the hypothesis that once the co-operative has learnt to put an effective mix of PM and HRM systems in place they are poised to make a competitive leap forward. The author predicts that human capital theory and the latest methodologies of intellectual capital/knowledge management and learning organisation theories could also be more effectively applied in the co-operative sector. The co-operative added social dimension provided by its' membership base could provide a major competitive advantage and help realise co-operative social and economic goals. The paper ends with some proposals for the developing research agenda for co-operatives.

1. Historical overview. Personnel Management to Human Resources Management

The personnel function first evolved in the United Kingdom at the end of the nineteenth century. It was in itself a response to the rising influence of Marxism amongst labour organisations. The personnel function 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 towards collective bargaining amongst larger firms. 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 those years and the growth of trade union membership led to increasing specialisation within the personnel function, with the development of recruitment and selection and industrial relations specialists as having particular importance. By the 1970s the increasing legal controls on employment and tougher industrial relations climate often meant industrial relations becoming a board level appointment. Personnel approaches were steeped in an adversarial climate in terms of labour relations (particularly in North America) and attention was focused on the terms of the employment contract with remuneration being job focused not performance focused.

Since the 1960s PM became increasingly challenged first in the USA and subsequently globally by the rival concept of Human Resource Management. In Britain the professional association has met the new HRM with a degree of ambiguity and even opposition. HRM was seen to be more focused on the organisation's strategic needs for greater flexibility, higher labour utilisation and devolved responsibility for the management of the function. Sir Michael Edwards when CEO of Rover Cars attacked PM for failing management and the Trade Unions were blamed for the UK poor economic performance. HRM integrated well with other management innovations such as total quality management (TQM) and 'just in time' (JIT) strategies. It challenged the central role of contracts of employment based on collective bargaining with trade unions.

Instead HRM emphasises management's role to determine remuneration and all other HRM, HRD and OD policies on the basis of individual performance defined by the organisations needs. HRM loosened the former contractual ties of employment with greater flexibility through the increasing use of contracts based on variable hours, annual hour working time, part-time, fixed term, temping, and subcontracting. The job became increasingly defined in terms of flexibility and multi tasking and the organisation increasingly de-layered and managed through a network of relationships with suppliers and customers. The supply chain has increased in complexity as more functions/activities formally undertaken within the organisation have been outsourced. The new approach emphasised customer driven performance indicators delivered through least cost options by organisations with strong internal cultures linked to equally strong brands. Internal leadership styles vary but a charismatic CEO at the top and strong employee identity, commitment, team working and flexibility across the organisation and its external networks is often presented as the model for success.

Guest, (1987) proposed that it is appropriate to view HRM and personnel management as two alternative practices, either of which will, under different circumstances, be more relevant and successful than the other. Guest, (1987) suggested that whilst the theoretical foundations for HRM are underdeveloped, the orientation is clearly distinct from that of Personnel Management along a number of key dimensions. The adversarial and pluralist perspective of industrial relations is replaced with the unitary perspective of employee commitment and involvement. The functional specialist emphasis of employment policy is replaced by the idea of integration, with general management taking a much greater responsibility for employee relations and employment, ensuring its general integration with the operational needs and the ends defined in the strategic planning process. HRM has a more instrumental emphasis on human resource utilisation.

It is here that issues of normative values in respect of the treatment of individuals comes through just as it does in terms of the HRM emphasis on the individual rather than the collective in its Employee Relations policies (Guest 1990). Variations within the HRM approach identified as 'hard' and 'soft' models of human resource

management have been presented by a number of writers e.g. (Guest, 1987 and Storey, 1987). However, in practice the terms *personnel* and *HRM* are often used interchangeably without really indicating a difference in philosophy or approach. (Karen Legge, 1990) The reality in the UK and Europe is often one of corporate personnel departments facing both ways - implementing traditional collective bargaining strategies where appropriate whilst introducing new HRM-oriented policies in various other areas of the organisation (Storey, 1992).

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

- 1) Co-operatives can completely accept that employees are critical stakeholders in co-operatives, and should be involved in agreeing standards of employment and working practices and policy / strategy as is recognised in the Personnel Management approach (at least in its least adversarial form in Germany).
- 2) Co-operative management cannot but accept responsibility for considering employee welfare, although it does so from a different philosophical basis from that of Personnel Management.
- 3) Achieving agreement between stakeholders should be easier for co-operatives 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.
- 4) From both HRM and PM the emphasis on the need for high standards and consistency in the management of employment (best practise) clearly needs to be emulated by co-operatives.
- 5) From HRM the greater emphasis on individual performance, employee utilisation and employment flexibility, devolution of responsibility are areas which co-operatives cannot afford to neglect if they wish to retain or achieve a competitive position. Safe employment conditions with jobs for life and under-utilisation of staff resources are simply not possible even if they were desirable (which they are not). The co-operative

has a responsibility to reward fairly, develop and care for its management and staff but not to featherbed them.

6) Greater attention to management development and to a supporting organisational culture that reflects organisational responsiveness to the marketplace is a further important lesson for the co-operative sector to adopt from the mainstream HRM approach.

7) One particular area of emphasis in the Personnel and HRM approaches that has great significance is that of management recruitment and selection. The emphasis on the highest levels of professionalism and care in selection as a key functional activity is found in both schools of thought. This needs to be replicated by all co-operatives large and small alike. In the use of psychometric testing and professional recruitment and selection agencies, the private investor-led businesses are far ahead of the co-operative sector. (2) Co-operatives must ensure the best possible fit between the top and middle management it recruits with co-operative organisational identity, mission and culture.

2. Building the HRM function in the co-operative

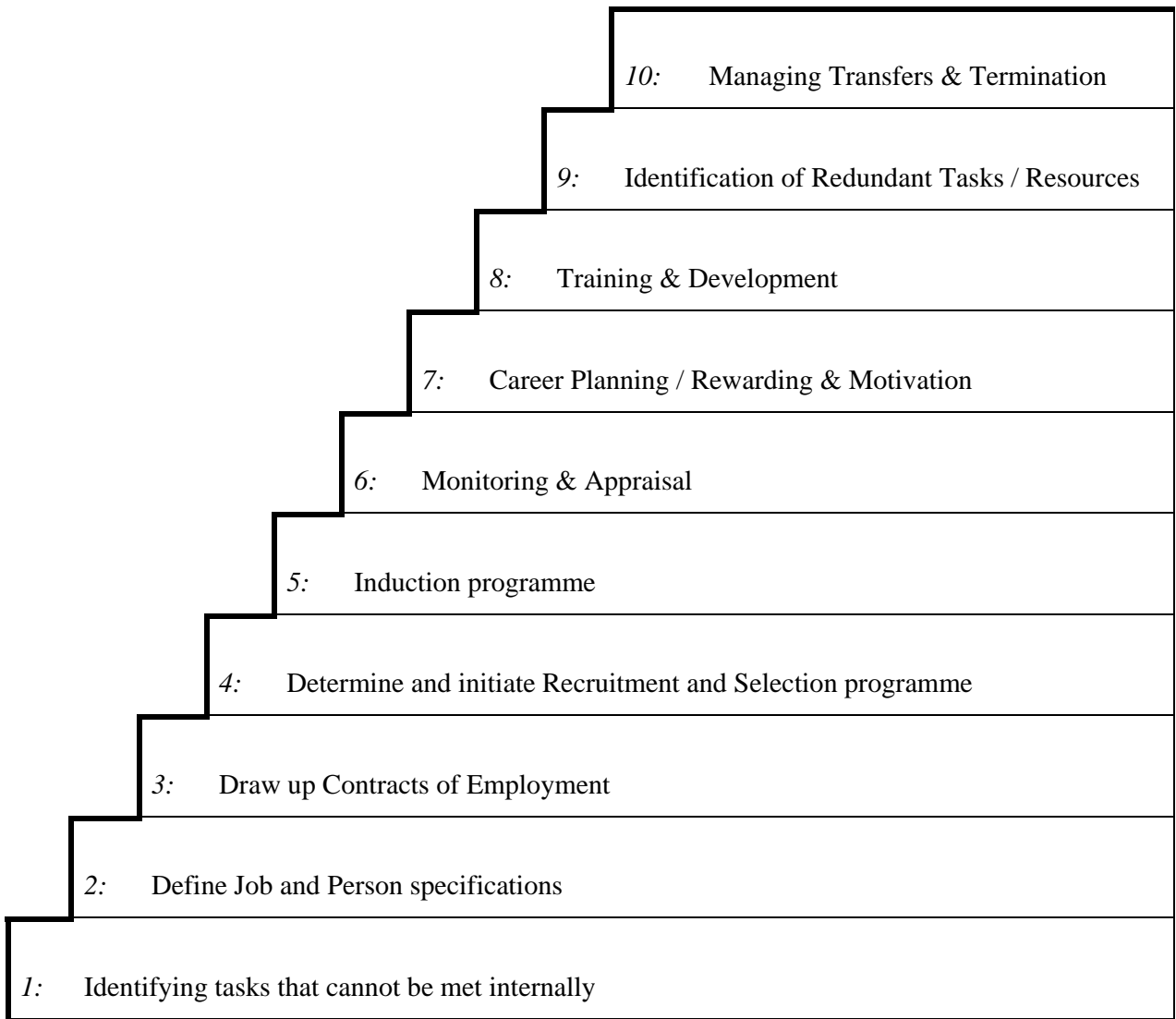
There is a number of key areas that need to be charted for the establishment of integrative objectives, processes and monitoring programmes for the HRM function in any co-operative. In Fig 1 below we schematically identify a series of areas of HRM practise as steps in a process. Ensuring good procedures, properly implemented and supported by effective management information systems (MIS) are critical foundations that must be in place before an organisation can expect to develop a strategic human resource management (SHRM) capability. That is the capacity to integrate both the series of activities into a single unified system and for that system itself to be integrated into the overall implementation strategy for the achievement of the organisations mission. Flowing from this is the necessary capacity to anticipate future needs and make a timely response.

Co-operative HR managers must look for what is implied by co-operative values and purpose in their application of the above if we are to develop HRM in ways that really give us its full potential contribution to the business performance of the co-operative. This is not simply an abstract exercise in philosophy but about defining goals, tasks, behaviours and procedures that achieve co-operative economic and social goals in a particular industrial or commercial/service context. Without the foundations of clear relevant information gathering and analysis the project will of course fail.

Fig. 1

The HRM/PM Process

Fig. 1 The HRM/PM Process: 10 Steps (3)



In the research study referred to below we shall not deal with issues of technical and procedural implementation of the various aspects (above) in the process of people management but concentrate on those elements focusing upon the SHRM emphasis on integration and culture management in the respondent societies relating to their HRM and Membership Development functions . I shall try to justify the inclusion of Membership Development in the further section exploring some of the latest contributions in the literature on people/knowledge management and their potential for co-operatives.

3. HRM and Member Relations practises in UK Consumer Co-operatives (4)

This section is a summary based on research undertaken for the UK Society for Co-operative Studies. First published in 2000 it covered 16 UK retail co-operative societies. (Davis and Donaldson, 2000)

Table 1. Respondent societies. (Table 1.1 Davis and Donaldson , 2000)

Turnover	Number of Societies	Population	% in the sample
Under £3 billion	1	1	100%
Under £2 billion	1	2	50%
Under £600 million but above £200 million	2	5	40%
Under £200 million but above £100 million	4	9	44%
Under £100 million	4	14	29%
Under £10 Million	4	21	19%
Total	16	52	31%

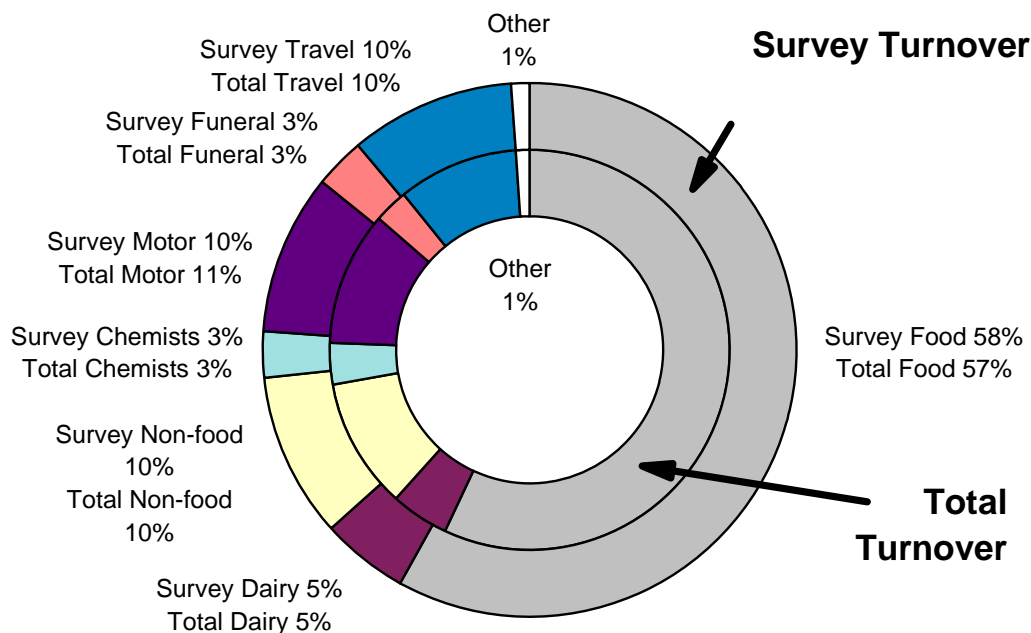
In terms of percentage of turnover for the consumer movement as a whole, the returns represent over 70% of the movement's retail trade based on 1998 returns excluding farming, financial services and opticians (the latter now sold). The sixteen societies

include two that merged during the work on this survey's data. These figures represent the most comprehensive and representative independent survey of the consumer co-operative movement to have been undertaken for at least a quarter of a century.

The consumer co-operative movement in the UK has a tradition of being a good employer who set industry standards in training, remuneration and working conditions for many years. Declining employment opportunities and difficult trading conditions have ensured that it may not be regarded as the best employer today. Societies are, however, considered to be good employers, still committed to collective bargaining even in the relatively hostile employment policies of past governments and the difficult commercial conditions the movement finds itself confronting.

Figure 2 (Figure 1.1 in Davis and Donaldson, 2000)

Turnover Comparison Chart Total Population to Survey Sample.



Our questions concerning societies HRM practises and performance was completed by 13 were societies who where able to provide employment statistics and variously complete the sections of our survey entitled the '*Human Resource Function* and

Membership Development. That three societies were unable to complete the HRM and Membership Development survey forms in any degree at all is a cause for concern given the relative size of even the smallest UK consumer co-operatives.

I summarise those research findings below which seem to me to indicate just how much work the co-operative movement has to do to catch up with the best practise and latest ideas in the mainstream management literature. They also suggest that most co-operative managements do not believe that the co-operative ownership and value model has any advantage worth leveraging in their HRM or Membership Development practises.

4. Summary of the findings concerning HRM practises and performance

There are a number of key points arising from our analysis of the returns from the section on the HRM function.

4.1 The failure to promote the co-operative difference in recruitment

The lack of positive promotion of the co-operative difference in recruitment may represent some lost opportunities at the graduate recruitment level, One society did not specify its co-operative difference at all in its recruitment literature. A further seven only used the word co-operative in their advertisement and only 5 in our sample claimed that their co-operative difference figured prominently in their recruitment. (Davis and Donaldson, 2000, Table 3.3, p44) The decline in the number of societies must be restricting the pool of experienced senior co-operative managers to draw from. Our information suggests that few societies use psychometric testing for their prospective CEO. Research undertaken in this area suggests that the existing tests need adaptation and development to be fit for purpose in the co-operative context. Research into this topic is urgent (Karalak, 2003) and under developed in terms of identification of psychological traits that fit co-operative purpose.

There is little encouragement for new staff to become members of their society and little emphasis on the international standard of co-operative identity (ICA) in induction materials.

4.2 Failure to develop measures for a strong co-operative identity or culture

The societies' mission statements and values are given prominence there is little real consistency across societies as to what being a co-operative really means. Only five societies thought co-operative values of central importance in their training and development. Nine societies agreed in the management of human resources co-operative values played an important role. However in the respondent societies no courses in co-operative values were offered for staff or supervisors. (Davis and Donaldson, 2000, Tables 3.26-28, pp54-55)

4.3 Employee relations and motivation.

Commitment to trades union recognition and collective bargaining remains strong overall although consultation was more problematic with three societies claiming never to consult with trade unions. Staff communication flows appear positive but the emphasis needs to be extended in terms of commercial / business issues, with room for further involvement by first line supervisors. Twelve societies conducted appraisal interviews, team briefings and provide newsletters and notice boards for staff. Only seven provided facilities for staff suggestion schemes and six societies carried out staff opinion surveys. Four societies operated staff consultation committees and quality circles. (Davis and Donaldson, 2000, table 3.16, p49) The content of the communications between staff and management tended to be focused on terms and conditions of employment with only one society referring to quality issues, co-operative values, organisational objectives and organisational change. (Davis and Donaldson, 2000, Table 3.18, p50)

Ten societies provided no formal team building exercises at the level of the society although within the business divisions the situation is more positive within a range of 89% of respondents with team building in Travel Departments down to 25% in Chemists. (Davis and Donaldson, 2000, Table 3.30, p56)

4.4 Organisational culture and supply chain and other stakeholder management

The evidence in para 3 above suggests a rather weak promotion of co-operative values within the organisational culture. It is not very clear however that there is any shared view as to how co-operative values should really be defined. Certainly, however defined within the individual societies all respondents felt their values were not shared

by the majority of stake-holders. (Davis and Donaldson, 2000, Table 3.27 at p55).

The most shocking result was the finding that only nine out of the thirteen respondent Societies were prepared to claim that there was a close (6) or shared (3) acceptance of their societies business values by their senior management. This went down to close (4) and shared (2) when the same question was put concerning middle and first line management and close (3) and shared (3) for membership. For suppliers seven societies considered that they had “a little” acceptance and nine thought carriers had “a little” acceptance. Only three societies thought that their suppliers accepted closely the society business values and none that there was a shared acceptance.

4.5 Planning

There is only patchy acceptance of HRM planning with seven societies answering no to the question “Do you have an HRM Plan?” (Davis and Donaldson, 2000, Table 3.13a p47). In particular only three societies conducted any succession planning. Only three societies had their planning linked to payroll and other personnel information (Davis and Donaldson, 2000, Table 3.12 , and Table 3.13c pp47-48) Only six societies held information on staff qualifications and none held information on staff voluntary and community activities.

5. Summary of Member Relations practice and performance

5.1 Involvement

The poor performance of consumer societies in terms of membership involvement on whatever measure is adopted cannot be denied. There is little evidence of this issue being seriously addressed, given the low levels of respondents issuing regular communications to members (Davis and Donaldson, 2000, Table 4.11a, p64) Of the 13 societies responding only 31% (on trading opportunities), 38% (educational opportunities), 38% (consumer information) with a top rate of 46% regularly communicating on cultural and leisure activities. Four societies replied that they never communicated to members on educational opportunities.

5.2 Information gathering from members

The picture on information gained from members is worse. Only three societies claimed to regularly consult their members. Seven societies claimed never to consult their members on the development of corporate strategy. Societies are not using market research techniques to gather more information on membership and potential membership needs and aspirations. Only three societies conduct regular surveys of member satisfaction. Six societies responded that they never surveyed member satisfaction. (Davis and Donaldson, 2000, Table 4.7, p61. Societies are not tracking membership purchases or visits to their premises. Eight of the respondents reported never measuring members transactions in cash terms. Nine made no record of the number of visits members made to their premises. (Davis and Donaldson, 2000, Tables 4.1 and 4.2, p58) In terms of consulting members in the development of a marketing strategy only two societies used Focus Groups regularly against eight that never use them. Five used questionnaires occasionally, seven never and only one society regularly. Telephone interviews were used often by one society but never by the remaining twelve respondents. In store interviews were used occasionally by two societies with the other eleven never using this tool (Davis and Donaldson, 2000, Table 4.5, p 60)

5.3 Member benefits

The development of membership benefits remains largely constrained within familiar boundaries. Davis and Donaldson, 2000, Table 4.4, p59) When asked to list benefits exclusive to members one more society failed to make a response. Out of the twelve remaining there was very little consensus. Discounts and vouchers was identified by seven respondents, democratic participation was listed by six respondents (perhaps a little surprisingly as only one respondent thought their average membership attendance at meetings went above 2%) dividend was listed by five. Two societies cited education and training, community involvement, literature and information, free delivery, and funeral benefit. One society listed members' magazine and one a car voucher scheme.

5.4 Membership development

This area is almost universally lacking a strategy. Membership development both in terms of adding more and particular types of individuals to the co-operative and in

terms of seeing membership development as integral to the overall development of the co-operatives human capital resource and co-operative organisational development appears not to be on the horizon of managerial thinking in co-operatives today. We are far away from even the first steps of integrating member development or member relations departments with marketing, PR, corporate strategy and HRM in the co-operative even at the level of sharing information.

When we asked respondents what levers and barriers existed for membership development our thirteen respondents reduced to just eight who attempted an answer. (Davis and Donaldson, 2000, Tables 4.12 and 4.13 plus Figs 4.1a and 4.2a, pp65-66) Again it was depressing to read how little consensus exists beyond five respondents agreeing that lack of professional and financial resources was important. Two more felt active members often stood in the way of change and two other respondents admitted lack of data on membership as being material factors. There was even less consensus as to what levers might be introduced to facilitate member development with no proposal attracting more than three adherents. These two were improvements in education and raising awareness but the results make it clear that there is little idea among those respondents as to what the content of such an educational / awareness raising approach should include. Two more saw the need for a better understanding of members needs and for a review of member benefits. Only individual voices were raised for community involvement, closer team working with other departments, and a marketing based approach. I shall return to these HRM and Membership Development findings in the conclusions and recommendations below.

6. Human capital, community and competitive advantage.

Despite the above I wish to briefly raise the vision of a Co-operative movement that has gone beyond HRM. In doing so it will adopt ideas drawn with some variation or adaptation from the following. The learning organisation (Senge,1990, Burgoyne,1995); intellectual capital (Edvinson and Malone, 1997) ; learning community (Allee, 2000) alternatively designated as communities of practise (Wenger,2004) and the creative community (Sawhney and Prandelli, 2004). It is these approaches to human capital management and development that I have attempted to develop and adapt for co-operative and other membership based organisations in my

latest book. (Davis 2004) I defined this proposition for the future of co-operative people management as Co-operative Social Capital Management (CSCM).

This ‘emergent’ body of theory is itself being reviewed in a very cautious manner by an establishment wary of anything that might lead to the conclusion that labour inputs determine profitability. The UK Government stated policy of regulating for the incorporation of human capital valuation in the annual financial accounting statements of British Companies was recently suddenly reversed without explanation but perhaps for obvious reasons. That the spectre of communism (having been consigned to the dustbin of history) may be about to be resurrected in a new version of the labour theory of value will not be a welcome development for the private sector. There are of course a range of methodologies claiming to measure the human capital contribution to the bottom line.

Table 2 (Table 6 in Davis, 2004) Measuring human capitals’ contribution to added value

HRM Benchmarking	Identifies industry accepted standards of performance and practice and compares organizations across sector
HRM Metrics	Develops internal measures of performance and Then seeks to make industry-wide comparisons
Linked Business performance indicators	Maps HRM strategies, costs and performance and ch therein against the bottom line performance of the business
Accountants measure	Generally uses a cost based value for human capital against financial performance measures to calculate added value
Balanced scorecard	Attempts to measure qualitative and quantitative performance across the whole range of the business activity
Economic Value-Added	Total revenue after tax less the total cost of capital employed to provide added value

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 and may even be seen as threatening. But co-operatives are people centred and people owned businesses. It would be a major incentive for members, suppliers and employees to be able to measure the value of all the labour inputs value added to the co-operative from these sources.

Surpluses are shared in a co-operative on the basis of participation not ownership (ICA Principle 3). This principle also reminds us of the idea of common property in co-operatives and that part of the surplus should be retained as part of the collective value added. Not only for co-operatives of course but for their customers, employees, suppliers and the wider community the measure of their human capitals value added (financial and social) is an important measure.

The possibility of co-operatives being able to account for their economic surpluses contribution across its full range of stakeholders and return to each in fair measure (including employees, members, customers, suppliers and the wider community) would give an enormous incentive for collaboration and involvement by all the stakeholders to drive for efficiency and quality gains across the board.. The returns may be financial or social or a mix but the accounting would be transparent and on an objective agreed set of measurements. This would put our rivals on the back foot and force them to challenge their own key stakeholder to justify their level of profit taking. It would be a major incentive for the revitalisation of our currently largely absent yet key stakeholder and human resource - the member.

Co-operative collective human capital performance arises out of the management of its' intellectual capital. Co-operatives need to develop their own metrics of human and social capital in order to identify their real performance and their real value. This is the future challenge for the co-operative research community. I return to this in the recommendations below. I now want to return to the justification of including society Membership Development returns alongside their HRM data.

7. Seeing members as part of our human capital assets

In the worker co-operatives of the 1960s I remember memberships volunteer labour being referred to as “sweat equity”. Nobody then thought that membership did not add to the human capital but then workers were employees. However voluntary unpaid in addition to paid labour is not confined to the worker co-operative movement. In agricultural and fishing co-operatives identifying the members as human resources is obvious as their labour inputs are critical for the co-operative. The crucial role ascribed to member volunteers is accepted throughout the credit union movement. Members work in committees, in auxiliary organisations, and on boards in other forms of co-operative as largely unpaid labour. There is also a strong tradition of community service in many parts of the co-operative movement. So the idea that membership does form part of a co-operatives human and indeed social capital (members do not act alone and are often engaging with their wider communities of members, employees and neighbours) is hardly a new idea.

The problem is that when we talk about member education in the co-operative movement we tend to think in terms of what we are doing to educate the membership not what the membership can do to educate us. This is the great insight that emerges in the mainstream management literature starting with ideas of TQM where customers determine standards, through to learning organisation theory. The latter building on ideas of continuous improvement through shared knowledge gleaned within and without the formal boundaries of the organisation. More recently I would suggest these ideas have received further development culminating in the notion of the community of practise that tries to bring together the creative knowledge of all an organisations stakeholders along its supply chain.

What Co-operative Social Capital Management (Davis, 2004) claims is that;

- a) it is easier in principle for a membership based business to achieve this,
- b) it is in principle an important “ends” for co-operatives (ICA principles three, six and seven. See Appendix 1.)
- c) it provides a strategically important defensive action for co-operatives competing in national /regional markets against multinational businesses,

- d) it provides potentially for greater integration between formal and informal economies and between economic and social goals,
- e) it enables co-operatives to mobilise membership as part of their human capital increasing the real human capital asset base of the co-operative and its ability to generate value added both financial and social.

In Appendix 2 I reproduce (Davis 2004) my diagrammatic representation of how the co-operatives intellectual capital is formed through the integration of stakeholder knowledge drawing from and responding to the co-operative competitive and mega environments. In appendix three I list the operational values (Davis and Donaldson, 1998) that facilitates the process. The process itself I see as the implementation of the ICA Identity Statement.

8. Conclusion

It is now two years since I published these ideas. My book has been largely rubbished in the UK (see Journal of Co-operative Studies book review section Vol.38, No 1, April 2005) It received a fair and balanced review in *The Journal of Rural Co-operation* CIRCOM Vol. 33, No1 2005 and from correspondence I have received from India, Iran and Canada it appears that the book has been seen in a favourable light by at least some academics and practitioners in those countries. For the most part however the work has been ignored by practitioners and the co-operative research community. The ILO, the books publisher, have I believe only produced a limited print run and has no intention of re-issuing the work.

I cannot say I am particularly surprised either by the hostility in some quarters or by the indifference in others. After all when we look at the reality of the human resource and member relations situation in most co-operatives today to talk about intellectual capital or communities of practice or learning organisations is really to fail to connect with reality. So why am I here and why am I still raising the issue? The answer is really a practical one. What is a co-operative for? To meet the economic and social needs of its members. To provide market leverage and access to services to individuals or groups who are too small in economic terms to be players in the marketplace alone. Yes I can agree with these traditional responses. But both these answers leave untouched the broader question as to how we define and know what the economic and social needs of members are? It also leaves as unproblematic the issue

of whether the answer to such questions can be abstracted from the memberships own social context.

By ignoring these questions co-operatives are failing their members and their mission. Co-operatives are missing the intelligence embedded in our communities of practice, however diverse and distant, fragmented, virtual, and/or decaying the post-modern reality might be. Without this intelligent involvement of stakeholders in a community of practice we consign the co-operative to managerial control and flawed governance processes. We condemn co-operatives to either decline or when economically successful to privatisation. Therefore, as we construct and develop human information and relationships within the co-operative and between the co-operative and its stakeholders we must do so with the goal of achieving a CSCM process developing and enriching the co-operatives human capital in the context of building and maintaining a community of practice. It is here ultimately that the unique competencies (intellectual capital or human capital) reside to give both a sustainable environment for co-operatives and where their potential competitive advantage can be realised.

9. Recommendations for developing the research agenda

Returning to the research into the UK consumer co-operative movement. (Davis and Donaldson, 2000) How far can the following propositions be verified as remaining generally valid statements at the local UK and global levels?

1. Co-operatives have anonymous and weak leaderships
2. Co-operatives have weak, poorly defined and often divided cultures exacerbated by poor stakeholder communications
3. Co-operatives have failed to engage or grow their membership
4. Co-operatives have failed to motivate their employees and have failed to develop their competencies as co-operative employees

5. Co-operatives have failed to develop effective management information systems and procedures regarding the management of their human assets.
6. Co-operatives have failed to identify membership in community as a business asset.

Given research verifies these propositions.

1. We need to dump the celebratory co-operative ‘histories’ and have a serious business history led project at international level to answer the question “What factors explain how a people centred business with education, democracy and community as central tenants came to degenerate to the current state of impoverished people management and relationships?”

2. We need to develop an international research project led by OB and OD experts to answer the question “What, if any, process, strategy or levers can be put in place to reverse this situation?”

3. We need management development and education professionals to respond where there are positive examples and ensure that they are written up as case studies with clear learning outcomes as part of a general effort to develop a bank of co-operative management development materials. These examples of best practise exist in the movement and can provide a set of development models for people management in co-operatives. The UK Co-operatives Movements Bank and the Co-operative Groups excellent record on food labelling, Fair Trade, and Healthy Eating (currently the most healthy supermarket food in the UK is sold at the Co-operative Stores) are some examples from my country. The important point is that whilst nominations will have to come from inside the movement it must be subject to independent verification before being added to the case study bank.

4. A sub set of questions arising from para 1 above is that given the generally accepted case that *in theory* co-operative business forms provide a better context for many modern management methodologies and their development in practise than their private sector rivals (Davis, 1995, Davis and Donaldson, 1998, Davis 1999 and

Davis 2004) why has the co-operative sector been so slow at adopting, adapting and developing these management approaches?

5. We urgently need research into the values and attitude profiles and types of people our recruitment advertising should be aimed at when recruiting to the management of co-operatives and the development of psychometric testing as an aid to our selection processes.

6. Given the central and critical cultural impact of patterns of consumption on personal identity, health and the wider society engagement with globalisation and the struggle for fairer trade we need urgently to research the extent that consumer co-operatives can utilize their co-operative difference to optimise the achievement of ICA principals 5, 6, and 7. (See Appendix 1. ICA Statement of Identity)

7. We need to develop research into measures of human capital value added both individual and collective in economic and social terms covering all stakeholder contributions. The UK Co-operative Bank is as far as I am aware has the most developed system measuring value added to stakeholders (partners in the Banks vocabulary) reporting on over 90 measures of value added.

8. We need to develop research into measures and strategies for developing communities of practise possibly utilising and adapting Wengers' matrix. (Wenger 2004, Table 12.1, p243) Below is an illustration of the possible headings under which such an investigation might be organised. I have borrowed heavily from Wenger but must stress this is not imply Wengers' endorsement. Before we can realistically build communities of practice we need to map the linkages between the co-operatives formal organisation as business enterprise including its associational governance and supply chain dimensions and the human relationships, networks, communities and markets that formally and informally intersect with the enterprise in terms of the individual in his/her community (ies). The aim is five fold: product/service/business development; human capital development; organisational development; co-operative development, and community development. These I suggest are where the key measures for Human Capital Value Added must to be identified. If the CSCM thesis

is correct it is not a question of prioritising one area ahead of another so much as recognising their integration as a key strategic enterprise objective.

Enterprise / People			
	Learning energy	Social capital	Self-awareness
Engagement	Sources	Capacities	Behaviours
	Networks	Focal points	Knowledge
Imagination	Mission	Capacity	Identity
	Culture	Implementation	Attitudes
	Values	Culture	Motivation
Alignment	Projects	Resources	Culture
	Policies	ICA Principals	Traditions
	Goals	Communities	Values

Where and how within this framework would Strategy, HRM, Member Development, PR, Marketing, Operations and Governance in the co-operative ownership, values and purpose context be situated and integrated? How can the value added arising from relationships and human engagement and shared knowledge along the co-operative supply chain be measured, reported and rewarded? Where should boundaries be recognised? To what extent can mutuality enable creative and rewarding engagements within and beyond the boundaries?

We know that co-operatives have been largely ignored in the mainstream management literature. (Chamard 2004) Perhaps it is more surprising that management itself has been largely taken for granted by the co-operative research community. I believe that if the latter refocuses on people management in co-

operatives we will find that the wider literature will be forced to acknowledge the importance of the co-operative alternative in the market economy. The more professionalism co-operatives inject into their people management in community the greater too will be the co-operative capacity for strategic decision making and innovation.

Footnotes

1. For a more developed analysis of these ideas for co-operatives see my paper “Beyond Human Resource Management” in the *International Journal of Cross Cultural Management* where I treat in theory with the general possibility of linking membership as part of the co-operative human capital.
2. A suggested value framework for psychometric testing was first presented for discussion and further research by my then research student Ms S. Karalack *International Journal of Co-operative Management*, Volume 1, Number 1 2003.
3. This section is developed in section two of my book (Davis, 2004) where I try to suggest some practical applications of co-operative values for these various aspects of HRM.
4. Materials here are a summary of Human Resource Management and Member Relations sections in Davis, P and Donaldson, J. (2000) *Report for Reasserting the Co-operative Advantage*, Society for Co-operative Studies and University of Leicester, Leicester.

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Appendix 1.

The International Co-operative Alliance Statement of Co-operative Identity

Definition

A co-operative 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

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operatives members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Principles

The co-operative principles are guidelines by which co-operatives put their values into practice.

1st Principle: Voluntary and open membership

Co-operatives are voluntary organisations, 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

Co-operatives are democratic organisations 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 co-operatives members have equal voting rights (one member one vote) and co-operatives at other levels are also organised in a democratic manner.

3rd Principle: Member economic participation

Members contribute equitably to and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. 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 co-operative, possibly by setting reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4th Principle: Autonomy and independence

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5th Principle: Education, training and information

Co-operatives 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 co-operatives

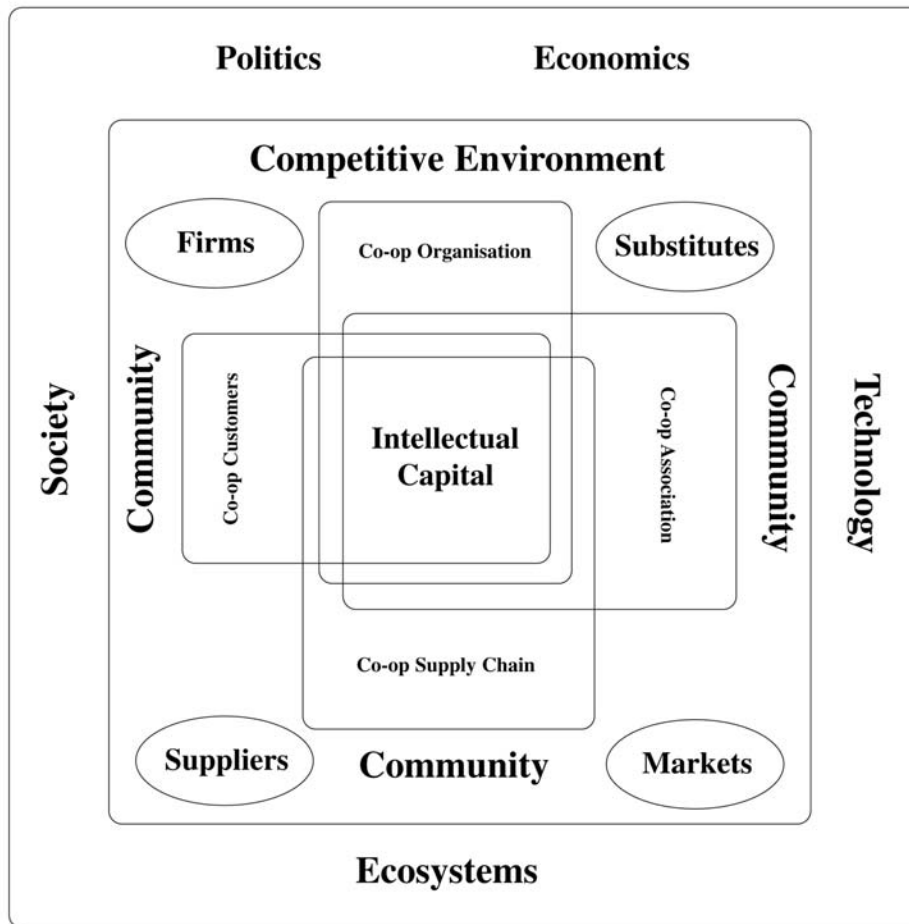
Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7th Principle: Concern for community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

Appendix 2

Macro Environment



(Source Davis, ILO, 2004)

Appendix 3

The Seven Principles of Co-operative Management

- Pluralism
- Mutuality
- Individual autonomy
- Distributive justice
- Natural justice
- People-centeredness
- Multiple role of work and labour

