Combining Worker and Consumer Ownership: the Experience of Weaver Street Market

Daniel A. Coleman

The human economy is based on the principle of co-operative, community-based economics. Fundamental to establishing such an economy is the return of the building blocks of the capitalist economy (land, labour and capital) from the hands of distant corporations to community and worker. In this paper, I will discuss how innovative forms of ownership can further the transformation of control of labour and capital. In particular, the combining of two forms of co-operative ownership, worker and consumer, can provide new opportunities for successful alternative enterprises. While much of the background for this paper is based on research done for my book, *Ecopolitics: Building a Green Society*, the discussion will revolve primarily around the "real-world" example of Carrboro, North Carolina's Weaver Street Market (WSM). This is a natural foods co-operative of which, in the mid-1990s, I served as board member and president.

Co-operative forms of economic organisation, which in fact comprise the more common experience through most of human history, are potentially radical innovations under capitalism. In his discussion of the Mondragon co-operatives, Roy Morrison insists that coops "can play a crucial role in the transformation from late-industrial modernism toward an ecological postmodernism." (Morrison, p153) Worker-ownership and worker self-management are familiar concepts to those working toward a human economy. Worker co-operatives combine worker-ownership and self-management to reclaim the labour factor from the capitalist corporation and provide the basis for a workplace "as if people mattered." It is important to bear in mind, however, that either aspect taken alone, ownership (as with Employee Stock Ownership Plans - ESOPs) or participation in management (as with "quality circles"), merely reinforces the hegemony of the capitalist economy under the status quo. In the United States, full-fledged worker co-operatives face a number of obstacles including a lack of worker and management training, a lack of financial skills, and, in particular, limited access to capital for the development and expansion of the business.

Journal of Co-operative Studies, 33.1, April 2000: 7-14 ISSN 0961 5784©

Consumer co-operatives, particularly in the natural foods arena, traditionally provide a clear alternative to the capitalist enterprise, depending, as they do, almost entirely on co-operative volunteerism. Consumer co-operatives, at their best, present a paragon of the democratic self-organisation of people to meet their needs. Unfortunately, the "real-world" demands on people's time in the form of 8-5 jobs, child-care responsibilities, and the various exigencies of fragmented contemporary life, make the all-volunteer co-op difficult to sustain. In the natural foods arena, after the co-op rage of the late 1960s and 1970s, the eighties brought a scaling back along with a trend of hiring paid staff to manage what was still considered primarily a co-operative endeavour. Thus, over the last decade consumer co-ops have been faced with the prospect of reconciling their democratic aspirations with the inclusion of a management structure that likely entails traditional elements of hierarchy, command and control, and the careerist ambitions of individual managers. For the most part, the notion that staff might also function co-operatively has not been considered.

Weaver Street Market was organised in 1988 as a "community-owned" natural foods co-operative. Its principle founders were also its three original key managers (two of whom were still present in a management capacity, seven years later). Their innovative concept was to combine worker and consumer co-operation to create a hybrid form that might offer the benefits of each while avoiding the pitfalls of both. In the narrowly pragmatic sense, worker-ownership offered access to a non-traditional source for start-up loans through Durham's Self-Help Credit Union. Similarly, consumer ownership offered a source of substantial capital through the sale of membership shares as well as access to a small but significant volunteer workforce (volunteers receive a discount which in dollar value is considerably less than the average worker pay). In addition, consumer ownership offered a pool of potential volunteers with skills in such areas as finance and personnel management.

The original by-laws of Weaver Street Market, while modest in their claims, put forth a clear set of ideals for the business:

> selling high quality food and other products in a co-operative manner that promotes good will among the community; to develop an attractive and successful model for community and worker ownership in food retailing and local economic development; to create jobs that are secure and educational and that support the dignity of all workers. (WSM, 1988, Article II)

These ideals were further elaborated several years later in the

Market's "Vision Statement." That statement portrayed WSM as "more than just a business ... [a place of] shared ownership ... that adds meaning and value to our lives, and a source of pride and commitment as well as a place to work" (WSM, 1994, p3). Of course, in the "real world," articulating ideals is easy - bringing them to fruition may be a daunting task. Weaver Street Market's historical development is the best starting point for understanding its successes, failures, and future prospects. In January of 1995, an independent organisational audit identified the market's history as having four stages: "before birth, start-up, adolescence (the current stage), and maturity." (Gessner & Meyers, p18) According to the auditors, William Gessner and Mary Meyers, start-up is a time of enthusiasm and excitement. They contrast this with an adolescence in which "values and ideals have given way to disappointments and frustrations stemming from overly high and unrealistic expectations." In the case of the Weaver Street Market, the disappointments they refer to comprise a high level of employee turn-over, coupled with a drop-off in participation in the worker-ownership programme which in 1994 became dominated by managers, leading, for a time, to a tension between the worker-owner programme (whose active members, for some months, were mostly managers) and the Board of Directors. The nature of the "unrealistic expectations" underlying these problems and the structures surrounding them has much to tell us about the potential of the hybrid model.

Co-ops may be expected to attract idealistic workers who demand much both from their work and from their lives. (Rothschild & Whitt, pp145-9) These workers are not easily satisfied. The auditors point out that the hybrid model is "an ambitious and challenging task ... there is no clear model available on which to base the organisation." (Gessner & Meyers, p16) Although Gessner & Meyers maintain that there is a "natural confusion in an adolescent organisation," this was exacerbated, in the case of Weaver Street Market, by the lack of specific goals for the ownership structure to accompany the initial articulation of co-operative ideals. Rothschild and Whitt report that satisfaction in a participatory organisation correlates to the individual's perception of her or his ability to influence organisational outcomes. (Rothschild & Whitt, pp153-4) With two worker representatives on the seven member board as their sole access to policy-making, maintaining worker satisfaction at WSM has been challenging to say the least. Worker-owners may put in many hours developing mission and vision statements, and providing input on board proposals, only to discover that the result has little impact on their day-to-day working

lives. In addition, the three founders of the Market served as managers, thus placing themselves, strictly speaking, neither among the rank-and-file worker-owners nor among the consumer owners (although, in fact, managers are eligible to and do participate in the worker-owner programme). Thus, WSM's strongest initial stakeholders, while having much invested in the success of the enterprise, could readily put the co-operative structure on the back burner. It was only natural for them to concentrate on the challenges of operations, finance and a competitive market-place (WSM successfully faced the challenge of the entry of a natural foods chain into its market), leaving the co-operative structure for the most part to the expectations and disappointments of others.

While this history of benign neglect did not prevent periods of active participation in the worker-owner programme, consumer owners rarely were more involved than as shoppers. Although a significant number have volunteered for the requisite three hour/ week shifts (earning an additional discount), few have participated in in-store committees or have sought an opportunity to influence store policy. Board elections typically bring out less than five per cent of eligible voters. The auditors recommended that WSM commit to "expanding your 'valuing' of consumer ownership ... [and] educating consumers and staff about co-operatives and co-operative principles." (Gessner & Meyers, p18). The recent audit challenges WSM to "demonstrate its commitment to its hybrid ownership structure ... a sizeable task [requiring] extensive commitment of both time and resources." The audit suggests a 10 year timetable for fulfilling WSM's co-operative mission, implying that, for a co-op to succeed, it will start out under a traditional management structure and, once finances and operations are stable, work to actualise its co-operative potential. Unfortunately, this backwards approach is the result of a cynical pragmatism that, by trying to sidestep the hard work of developing a co-operative organisation, produces a weak co-op uneasily co-existing with a somewhat conventional management structure.

Nonetheless, the potential for the hybrid model is real. A consumer co-operative structure can provide important benefits: a source of capital, a committed customer base, and the active participation of customers to direct the business to best meet their needs. The worker co-operative structure can complement this by providing a committed workforce with a personal investment in the future of the enterprise and its relationship to the local community. Combining these forms in a democratic structure can enrich both aspects, providing a dynamic, if at times contentious, business that

is fully rooted in the community it serves. [An additional issue, beyond the scope of this discussion, is whether a hybrid co-op can be effective in a business where the customers are not in its physically locality. Possibilities for electronic conferences, internet use, and annual meetings could potentially, in some cases, overcome the impediment of distance.]

The experience of Weaver Street Market offers a number of lessons for those wishing to implement the hybrid model. Clearly, leaving the co-op entirely in the hands of an entrepreneurial group of managers is insufficient. While not squelching the motivation of such individuals, an initial organising group must include committed consumer-owners and non-managerial worker-owners who can be counted on to articulate and involve others in fulfilling the co-operative vision. As idealistic as the founders of WSM may have been, they could not do it all by themselves. An empowered "co-operative development" committee at start-up can help to keep democracy off the back burner. It should be noted that although such a committee can be developed later on in the life of the organisation, an entrenched power structure may then stymie its success. Clear goals for participation and procedures for monitoring their success should be in place from the start.

A hybrid co-op must put its co-operative structure in the forefront at all times. WSM's auditors told them "you need to be more proud and pro-active in promoting your co-operative ownership structure." (Gessner & Meyers, p10) For the co-op to be more than a feel-good activity for consumers and a source of frustration for workers, a great deal of education will be required. Consumers need to view the co-op as more that just a "cool place to shop" and be provided (or, ideally, provide themselves) with numerous and diverse opportunities for participation. An annual meeting must be more than the election of a new board member with an occasional workshop. The Mondragon co-operatives' membership assembly includes such functions as reviewing the plan for the coming year and the performance of the past year. (Morrison, p76) Likewise, hybrids like WSM should provide performance and planning information to members in a manner that includes them in the decision-making process. A more fully informed membership with increased opportunities to participate will lead to a more successful co-op experience. Organisational tasks such as determining the needs of membership, broadening member participation, community outreach, and co-ordinating co-op celebrations can be substantially carried out by consumer-member committees.

Similarly, worker-owners need not just a regular dividend but a mechanism to use their ownership to positively impact on their

work-lives. They need the opportunity to take full advantage of what Rothschild and Whitt call "the psychological benefits of participatory democracy at the community level." (Rothschild and Whitt, p154) In this regard, Weaver Street Market, in part has fallen short because participation in the worker-owner programme is optional. A successful programme will give most, if not all, workers the right to participate and will include an incentive structure that rewards increasing levels of participation. For example, WSM currently gives all workers a 20 per cent discount on purchases. To encourage participation, a base worker discount could be 10 per cent, increased to 15 per cent after six months on the job. At this time all workers would attain the status of worker-owner (currently optional), and discount would then be increased to 20 per cent for those who are active in the worker-owner programme (this would then correspond to the discount level for consumer-owners who volunteer three hours per week). In addition, hybrid co-ops must develop a specific mechanism to overcome the potential frustration of worker-ownership without worker self-management. Gessner & Meyers maintain that "there is a vast distinction between *worker satisfaction, worker participation,* and *worker-ownership* ... [that are] muddled together at WSM in a complex structure that is in knots of contention and dispute." (Gessner & Meyers, p16, italics in original) Yet, they do not elaborate on how to untie these knots. Worker-ownership raises worker expectations and thus presents a challenge to maintaining worker satisfaction. This challenge must be met through greater participation in a democratic workplace. Both worker solidarity and worker satisfaction will be increased through participatory mechanisms that give individual workers and departmental teams extensive control of such business activities as product selection, scheduling, and customer relations.

Financial investment is also an issue for a successful worker-owner programme. At WSM, the purchase of ownership shares is often seen as a large expense without commensurate reward. Unlike consumer-owners who pay $75-135 per share (based on household size), worker-owners pay $400. The larger investment entitles worker-owners to dividends. Dividend payment to worker-owners is tied to a mix of financial measures including gross margin and profit and thus can be precluded by sound management decisions that have the effect of reducing profit, or by mismanagement. In practice, dividends have rarely been paid and workers refrain from joining the worker-owner programme just to save the investment expense. For the hybrid model to succeed, financial investment should be substantially de-linked from ownership so that the purchase of shares can be construed, rather

than as an obstacle to participation, as an opportunity to greater financial rewards. One solution would be to conceive of two kinds of shares: an ownership share and an investment share. Under this model, both consumer and worker-owners would pay the same $75-$135 scale for an ownership share providing them with the discounts as well as the participation and voting privileges of ownership. In addition, any owner could optionally purchase one or more investment shares designed to provide a financial return to investors. The co-op could set the price for these shares based on its sense of its investment needs and the potential investors among its owners.

Since maintaining a consistent dividend in the face of the changing financial needs of a small business is an uncertain proposition at best, a mechanism is needed to ensure a sufficient financial incentive to investment shareholders. One possibility would be for the co-operative to guarantee shareholders an annual increase in shares held. Additional dividends could be paid when financial conditions permit. For example, shareholders could be guaranteed a five percent increase on shares held per annum thus getting a reasonable annual return on investment with the opportunity for more should a dividend be realised. For example, a member owning a single $400 share would, after a year, own an additional five per cent of a share valued at $20. Of course, such a system will in effect entail a balance sheet transfer from retained earnings to shareholder equity and will likely result in careful oversight of the debt-to-equity ratio by owners. As well as encouraging equity investment, this system has the additional benefit of levelling the playing field between worker and consumer owners by putting both in a common share structure. It should be noted that this investment structure does not preclude an additional worker incentive system through profit-sharing or gain-sharing.

Even more so than regular worker co-operatives, the hybrid co-op must take care to overcome the anti-democratic tendencies that insinuate themselves into hierarchical organisations. Morrison points out that the Mondragon co-operative "embraces democracy before hierarchy; and encourages participation and dialogue before technique." (Morrison, p157) In particular, the hybrid model weakens the workers' voice relative to a typical worker co-operative and can lead to a situation where a complacent board becomes little more than a rubber stamp for management. Dispersal of decision-making authority through the organisation, as well as management incentives tied to successful worker participation, can help to overcome this tendency.

All of these points lead to an emphasis on the development of a

culture of participation. As I have written elsewhere,

> Unlike most of the needs of contemporary society, democracy cannot be picked up off the shelf and applied as needed. Society itself must build a foundation of democratic culture that includes information, skills, and attitudes instilling a sense of democracy into all social activities and institutions. Of course, the hierarchical structures of capitalist enterprise are antithetical to a democratic culture, teaching neither the toleration nor the respect, co-operation and solidarity needed for democratic participation. (Coleman, p152)

It is naive to expect that workers or consumers with a background in our educational, political, and workplace systems can come into a co-operative environment without the need for a healthy dose of learning and unlearning. The hybrid model holds the potential for reinforcing its democratic culture through the interaction of the separate but interpenetrating spheres of consumer and worker ownership.

The challenges to co-operative organisation - whether worker or consumer - are many. Although the experience of Weaver Street Market has to date fallen short of its democratic potential, WSM has created a provocative new model of ownership with great potential for success. It is an experiment that deserves to be studied and refined and considered as a worthwhile option by those working toward a co-operative human economy.

Daniel Coleman has served on the board of directors of Weaver Street Market natural foods co-operative in Carrboro, North Carolina and of New Pioneer Coop in Iowa City, Iowa. He is the author of Ecopolitics: Building A Green Society (Rutgers University Press, 1994).

Bibliography

Coleman, Daniel A. Ecopolitics: Building a Green Society, (New Brunswick: Rutgers University Press, 1994).

Gessner, Bill and Meyers, Mary, Organizational Audit of Weaver St. Market, (January, 1995).

Morrison, Roy, We Build The Road As We Travel, (Philadelphia: New Society, 1991).

Rothschild, Joyce and Whitt, J. Allen, The Co-operative Workplace, (Cambridge: Cambridge University Press ,1986).

Weaver Street Market, By-laws of Weaver Street Market, Inc, (May 3, 1988).

Weaver Street Market, Quality Performance Handbook, (March 19).