Towards a Value-Based Management Culture for Membership-Based Organisations

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Introduction

The real problems are often such that we either don't see them at all or if we are aware they are the problems we do least about. The Co-operative Difference has been the subject of research and analysis over the last few years as we try to develop our understanding of what it means for the re-positioning of our co-operatives in both the market place and in society. In all of this there has been remarkably little attention given to the real problem that faces our movement. That problem concerns the role of a modern management in the co-operative context. How do we translate the co-operative difference into a management and organisational culture that both reflects that difference and can successfully promote it in the competitive conditions of the modern world?

This paper aims to be a modest contribution to the debate concerning this question and to take forward the analysis of my previous two papers addressing this issue.[1] It will be structured in two parts. Part 1. "The Purposes and Practices of Management" will briefly explore the roots of mainstream management thinking and philosophy and consider both those elements that co-operative management needs to retain from these alternative mainstream management approaches and what it may need to reject or at least qualify. Part 2. " Reviewing the Co-operative Management and Organisational Development Literature" will consider some of the important management - oriented books, papers and research that have recently been published. I argue that the literature can be divided into two broad approaches. The dominant approach in the literature being functional and legally oriented, I call this the Civil Service concept of Co- operative Management. This approach stresses process, division of responsibilities, and immediate tasks and membership benefits. Its approach to business strategy for co-operatives is formalistic. Democratic and commercial processes are generally seen as distinct. Whilst many of its ideas are rooted in a mix of mainstream management approaches this concept of co-operative management lacks the one most powerful element of modern management. That is entrepreneurial leadership and flexibility in decision making. The other approach is culture-based. I call this Value Based Management. It stresses management in a new (for co-operatives) role of leadership. It emphasises the need for a strongly defined co-operative purpose or mission leading to the determination of a set of values which can form the basis for a unified organisational culture that is shared by management and membership. Organisational culture, membership involvement and development, and positioning in the marketplace are seen as integral to the processes of co-operative management. They arise from the pursuit of the co-operative purpose in the context of the specific needs of the co-operative business in its contemporary social and business environment. The needs of contemporary society are not viewed as separate or distinct from the realities of the business environment but rather as part of that environment and in many fundamental ways shaped by the direction, process, and structure of modern business. The one primary role of co-operative management is to use the co-operative difference and purpose to determine the strategic response to this environmental reality. The issue of democracy and membership control are formally more problematic than in the Civil Service concept. It will be suggested, however, that in this matter the reality could be quite opposite from appearances.

Part 1. The Purposes and Practices of Management.

For managers, many features that are seen to be basic to their day-to-day work are assumed to be unproblematic. In fact, it is important to recognise how new the idea and practice of 'management' is. In the pre-industrial age, production of goods took place in domestic settings and small workshops. The controls which 'masters' exercised over those who worked for them were either direct and personal (in the workshops) or indirect and distant (where production was carried out in the worker's home). While such patterns of work have by no means completely disappeared today - consider the small workshops and out-working so characteristic of many areas of the textiles industry - the large organisation with its extensive division of labour involves fundamentally different tasks of control. Those who led the way in creating modern systems of industrial production had also to evolve modern systems of management to replace the highly personalised patterns of the pre and early industrial age. The personal relation of 'master' and 'servant' was superseded by the more impersonal relation of 'employer' and 'employee'. As relations of personal obligation and loyalty - not to mention exploitation and 'sweating' - were replaced by relations of 'contract', so 'management' emerged as a set of ideas and practices for handling the new social and legal category of 'employees'. In particular, new forms of surveillance and discipline were required to 'manage' the workers who were more used to the less formal work patterns of an agricultural economy. The various forms and approaches of management are, therefore, the products of specific historical problems.

During the development of managerial practices many of these assumptions concerning managerial prerogative, the legitimacy of business objectives and the efficiency of the unregulated market have been questioned by co-operators (particularly Robert Owen in New Lanark with his early model of managerial paternalism), trade unionists, politicians, environmentalists, academics, and some business leaders themselves. Echoes and rehearsals of these earlier discourses are to be found today in the discussions on professionalism within Personnel, the Personnel v HRM debate, concern over Corporate Social Responsibility, Business Ethics, Employee Participation, and Employee Share Ownership.

Today, largely as a result of growing public concern over health and the environment; the controversy over "technological unemployment"; and the growth in size and power of the transnational corporation, the values behind the practices of management have begun to be of more general concern. From outside the organisation the importance of values has been taken up by academics under the heading of Business Ethics, but from within management itself the Human Resource Management approach has emphasised the importance of organisational culture for managerial control. The rise of marketing and the global organisation has also led corporate managers to become more sensitive to image which always carries value messages to either a stronger or weaker degree. Underlying the alternative philosophies, models and strategies of management lies the problem of how to maximise the productivity of employees at the required level of quality?

It is interesting to note the changing emphasis in the debate on the impact of science and technology on both management and employment. For some of the participants in this debate science cannot be seen in terms of a neutral imperative but more as the facilitator of moral choices.[2] This challenges the view that management can be depicted as a purely rational practise of optimising wealth creation in response to technological and market-based imperatives.

1.1 Scientific Management and Human Relations theories.

The Scientific Management School was immensely influential with Taylor's Principles of Scientific Management (1911) being translated into a dozen languages covering as diverse a set of cultures as Soviet Russia, Industrialising Japan, Maoist China and of course the United States of America.[3] The socio-economic context for the rise of scientific management can be summed up in terms of four key factors; the closure of the American frontier; the growth of industrialisation and with it the emergence to prominence of a middle class of technocrats and engineers; the growth of Trade Unionism and industrial unrest; the continued development and application of technology to increase specialisation, the division of labour and mass production systems.[4] Taylor's approach had three components to it. Firstly, functional specialisation based on separate foremen to control gang work, speed, repairs and what Taylor called a "thinking department". The second component is work study. This was based on observation of the best workers from which an analysis and break-down of the elements involved in the task could be made. This was followed by the elimination of those elements that were unnecessary and the selection of the quickest elements which were themselves constructed into the most effective sequence. The third component was that of selecting and motivating the worker. Physical and psychological profiling was seen as the means to get the best fit between the job and the worker. This was then supported by training in the one best method for the job in question. Payment was to be by piece rates to ensure maximum productivity as income was clearly related to effort.[5] Littler (1982) has summarised the Taylorite operating principles into the following:

1. A general principle of maximum fragmentation which decomposes work into its simplest constituent elements or tasks.
2. The divorce of direct planning and the doing of the work, thus removing as far as possible any discretion in how the work is to be performed.
3. The divorce of direct and indirect labour which embodies the principle of task control. Here a planning department was envisaged to plan and co-ordinate the manufacturing process.
4. Minimising skill requirements and job learning time.
5. Reduction in the material handling to a minimum through mechanisation, finding the single best way to do the job and by close supervision and work study.[6]

Taylor saw the exercise of management as a positivistic science. As such there was ironically a strongly ideological element to Taylorism. To be "scientific" is to be progressive, true, and ultimately "legitimate". Management and labour should be in partnership where labour could rely on management's superior knowledge to support the workers' need to increase earnings. Thus, industrial conflict would be eliminated by the increased wealth that greater efficiency would bring. Taylor saw humanity's involvement in work to be purely economistic and instrumental. The essence of Scientific Management is standardisation through achieving best practice through careful selection, rigorous training and close supervision based on a division of labour in which decision taking is separated from the execution of tasks as far as possible. The objective is to increase the productivity of labour through control of the worker in terms of their time and motion by a mix of close supervision and financial incentives and the destruction of all craft-based discretion on the part of the worker.[7]

This approach was challenged by a number of writers who began to draw upon older ideas of 'welfare' and allied them with new discoveries in psychology and social psychology. The psychological emptiness of Taylor's approach with its instrumental and one-dimensional model of the worker and the worker's relation to work was an obvious area for attack. Nevertheless, much of modern work study, ergonomics and job design owes a great deal to Taylorism. Some American union leaders embraced Taylorite philosophy whilst simply wanting the right to negotiate the rate for the job. The crudity of Taylor's economism and the barrenness of the social content in his approach, however, was rejected by many academics and some branches of management more strongly influenced by an older paternalistic welfare model of management.

The 'Human Relations' approach to management argued that social dimension in organisation was the key to motivating workers, and that management based on formal bureaucratic and market constraints was inadequate. The advent of research into fatigue, the discovery of problems of monotony and the recognition that sociological and psychological factors were leading to continued alienation of the worker lent support to this position. Human Relations theorists were trying to respond to the rootlessness, materialism and individualism of urban American life and the continued industrial conflict that it had created.[8] They accepted the Taylorite view that rule by a technical elite was inevitable but saw industrial conflict as a symptom of a maladjustment in industry that was required to be corrected by a socially skilled management and working arrangements that reflected human beings' social needs. If the worker for Taylor was a brute only obsessed with making money, in the work of Elton Mayo, the promoter of research into the Human Relations approach, the worker now becomes somebody obsessed with belonging and togetherness. Since Mayo social psychology has played an important role in developing theories of management practice. Group dynamics, motivation studies, counselling/ mentoring, team building and leadership, welfare, and employee communications, all have developed within the Human Relations school tradition.[9]

On this basis, two rival 'schools' of management - two different answers to the question 'what is management?' - emerged in the twentieth century: 'scientific management', with its stress on 'economic man' and the 'human relations' approach, with its stress on 'social man'.[10]

1.2 Structural Analysis and Contingency Theory of Management

It was Joan Woodward in Management and Technology (1958) who is purported to have made the first concise statement of contingency theory in management. Her studies indicated that there was no one best way to manage but that it depended very much on the type of productive context (unit, mass, or process production) coupled to the type of technology available that determined how management would be structured and the methods it would adopt. Whilst both Taylor's and Mayo's work focuses upon the relationship of the individual and their task or the individual in the task or work group, the Aston studies led by Prof. Derek Pugh considered the larger setting of the organisation as a whole for developing a theory of Management. Like Woodward the Aston studies indicated that management could not be abstracted from its context. The structural analysis approach recognises that management is contingent upon the constraints it has to operate under. Its model of the organisation is a Functionalist one in which the organisation is depicted as a complex amalgam of departments and divisions. The functions are mutually interdependent and contributing to the maintenance of the whole.

The constraints which determine management structure and behaviour can be characterised as being under seven broad headings:

1. Competitive environment
2. Legal regulative environment
3. Level and type of Trade Union organisation
4. Prevailing Culture and Social Structure
5. International hegemony of a particular State or group of States.
6. Technology.
7. The prevailing rate of profit.
8. Availability of capital, labour, and other material resources. *

* The eighth is an addition of the author's.

The aim of the Aston studies was to achieve:
a) a precise definition of organisational variables,
b) a taxonomy of organisational structures, and
c) an understanding of the relationship between management strategy and organisational structure

None of these objectives has been definitively achieved but this does not detract from the great improvement in the level of sophistication in "management science" that this approach represents ·over the Scientific and Human Relations Schools. The behaviour of and control over labour is, let it be noted, no longer a central issue in the Structural Management approach. With the further development of technology and the opportunities for global sourcing, labour has become more expendable and readily available. In the nineteenth and early twentieth centuries business was driven by production but today it is driven by marketing. This has not stopped the continued growth in size and complexity of modern organisations as any examination of the league table of the top 500 firms will confirm. Globalisation and the realities of oligopolistic competition by organisations that are marketing led has created further pressures for:

a) costs to be held down across the whole logistics chain,
b) the need for increased responsiveness (flexibility) to change in the marketplace, and,
c) strategic positioning of the organisation through Market Research, R&D, Mergers and Acquisitions.

In order to respond to these pressures there is the need for ever-increasing levels of intelligence of the business environment, and for rates of capital growth that can enable the organisation to keep pace with its rivals rather than be swallowed up by them. Under the constraints identified by the Structural Analysis approach managerial co-ordination and control becomes more complex. The boundaries between market mechanisms for co- ordination, traditional models of bureaucratic control, new models of governmental and supra governmental regulation have become blurred. This has created a need to mesh various modes of co-ordination into a networking-based system of information exchange and co-ordination.[11] Clarity about where the market is moving; how to position the organisation to take best advantage of these movements; and a recognition of the constraints affecting the organisation's ability to respond are the central managerial problems that Structural Analysis attempts to address.

This analysis leaves us with the problem that in developing a theoretical concept of management we seem to conclude with either some crude formulation of human nature or some variation of contingency "theory". Certainly, management writing today is more a question of emphasis on problems and how best to resolve them, with the particular authors drawing fairly freely on all three traditions or approaches to management as they feel most fits the needs or possibly fashions of the hour. Such an ungrounded approach cannot be a satisfactory position in which to leave such a significant process (group of people) for decision making about resource allocation.

All three mainstream approaches have a number of crucial elements in common, one of which I believe helps explain the ungrounded nature of all their "solutions" or approaches to management. All are concerned with increased productivity, the reduction of conflict, (two out of three have this at centre stage) the legitimation and maintenance of managerial control over the execution of work, and finally they all ignore or abstract the wider social and economic structure, focusing instead on the micro setting of the task in the labour process (Scientific Management), relationships within the workplace (Human Relations), or the co-ordination of organisational responses to business needs (Structural Analysis). The legitimacy of the ends being pursued and the means by which they are pursued is assumed. Values and culture are also either assumed in the case of Scientific Management or in the other two approaches brought into the concept of management as simply one more amongst many others which have been selected to legitimise and support managerial ends rather than as a means to question and define the ends themselves.

1.3 Value - Based Management and the Co-operative Purpose

Value-based management does not reject the tools developed by the three schools that we have briefly reviewed above. Issues relating to ergonomics, selection and training, communications, relationships, leadership, the business environment, and organisational structure and strategy among many others will always have to be addressed by managers, and when they are the insights and lessons arising from these approaches will offer valuable guidance. But the hour is long overdue when the critical human-centred challenge to Capitalism presented by Robert Owen in his Address to the People of Lanark must get a response. Business - all business, including co-operative business - must examine its purpose not in the light of micro level analysis but at the level of macro level analysis. By macro level I mean two things:

a) an examination of human society and its development, and,
b) an examination of the environmental systems that sustain human society (including the biological and animal cultures we depend on and interact with).

Value-based management is not to be seen as an "airy fairy" idea but one that requires as much data and data analysis as in any other form of management decision making. Its starting point is human need at the macro level matched against the specific nature of the micro level business. Its role is to position the business to respond effectively to the human-centred needs identified through the value choices it makes in the provision of goods and services to customers. The questions it asks are - what are the contemporary needs of human society and human development? What are the needs of the environmental systems upon which human society and its development depend? How can our business respond to those needs by what we do and what we refrain from doing? No organisational purpose, or mission, or objectives can be established which do not have answers to these questions. The need for economic success and competitive pressure are still important motivators as well as constraints on action. The concerns and the goals of the consumer are just as critical as ever they were. Now, however, the information organisations are seeking from the consumer and the message they will be giving to the consumer are based upon criteria that are determined by a societal-level analysis based upon a human-centred and ultimately creation-centred agenda. Gerry Johnson maintains that values determine how management perceives and responds to the environment.[12] Very well, what value-based management insists on are that those values themselves are subject to critical analysis and justification against human centred macro level criteria. It is not just what our values are, it is how well they relate to the human centred needs of our time and place. Without an insistence on this, proposals for a stakeholder driven approach to management[13] will remain devoid of content and as dependent on the power to influence.

There are three reasons why Value Based Management is the future for management. Firstly, it represents what the consumer wants and, when the consumer gets the opportunity, what s/he will invariably choose. Secondly it is the future for management because it represents the logical development of management into a true profession. Up to now senior management has been depicted either as Taylor's "economic man" driven by the need to enhance personal wealth, or as extroverted egotists bent on power and position; in both cases, however, they end up as neutral manipulators or administrators of tools of analysis and various techniques with the aim of meeting the ultimate criteria of competitive rates of Capital growth. It is in this neutral context that the label professional is most often attached to managers. What most managers want and probably try to be, however, is what a real professional has to be - not value-neutral but value-led. A truly professional manager exercises a position of genuine leadership based not on superior knowledge but on a superior knowledge of the needs of those being led. Thus, professional management can only be a management based on human-centred values. Those being led are not just the employees of course but in a critical way it includes the consumers, who are being asked to choose a particular life style and future in the proposition being made, and the broad community of interests interacting with the organisation. Thirdly value-based management is better placed to respond to the economic reality of the world as it enters the 21st Century. The fastest rate of Capital growth is no longer the only or even primary criterion for economic performance today. Such notions are being challenged at the highest levels of economic policy development.[14] Resource constraints require that sustainable development replaces capital growth as the lead criterion for economic performance. The focus of economic endeavour is not to resolve problems of wealth creation but problems of access to wealth creation opportunities and the general allocation of resources.

This high technology age, driving down unit costs in manufacturing and services and driving down the price of labour, will result not in the triumph of Capital as the senior partner in the relations of production but with the triumph of Labour. Paradoxically, the more science and technology exercise power and control over nature including human beings themselves, the more the moral question becomes the question. This requires a human centred criterion for the analysis and development of managerial/organisational values that leads the economic process. This provides the grounds for the achievement of what Taylor and Mayo dreamt of, namely, a genuine management led community of labour will have become the driving force in the economy. Management serving people rather than capital will truly empower and legitimise management. We will have a genuine managerial revolution not benefiting a few fat cats manipulating power for their own enrichment but a managerial revolution that reunites human labour as it participates in the conception, implementation, and realisation of economic welfare.

Part 2. Reviewing the Co-operative Management and Organisational Development Literature.

I personally do not believe that a value-based management committed to a human centred analysis as its guide, communicating its message clearly and acting consistently with that message will have difficulty carrying its organisation's major stakeholders including its customers with them. Management in both Capital and Membership based organisations are I believe starting to feel their way towards this concept. No doubt there will be successes and failures in both sectors, but I am confident that the membership-based structure will offer least resistance to the changes a value-based management culture will bring. Co-operative Societies and other mutuals are uniquely placed to implement a genuine stake-holder model led by a value-based management that will be credible with the consumer because it has a genuinely representative structure. Paradoxically, however, it is the Co-operatives themselves that have largely failed to utilise their human-centred values dynamically in their communications with their customers and employees. The reason for this is I believe because the Movement has paid little attention to what its values mean for management.[15] The co-operative literature betrays this in its emphasis on democratic responsibility for policy, and managerial responsibility for the execution of policy. The practice of Co-operative Management has in fact been left to be determined by inappropriate managerial ideologies that has created a lack of vision on the part of management in co-operative societies and a closure to members of the real decision-making processes within their co-operative. The view that democracy is about managerial accountability rather than member participation leaves members without influence and managers witho1,1t information. It makes for a divided house of mutual suspicion not a united community of labour serving the needs of the wider society to the mutual benefit of all.

Draheims (1955) concept of the "double nature" of Co-operatives sums up this approach exactly. " co-operatives are characterised by........."the association of persons" with external economic components and social features on the one hand, and the "economic undertaking" to be managed like. all other private enterprises in the market economy on the other hand"[16]. Two recent publications (Edgar Parnell, 1995 and Isao Takamura, 1995) also reflect this established view of a polarity between social and commercial aspects of the co-operative. In Edgar Parnell's book, Co-operatives are seen as being organisations formed as a result of the market economy as with capital-based investor-owned organisations but distinguished by their members being the cardinal stakeholders in the organisation. This makes them people-centred rather than capital-centred businesses. The problem for co-operatives identified by Edgar is

a) the loss of focus on the provision of benefits to members and,
b) the loss of control by the cardinal stakeholder group (members defined by the functional services provided by the co-operative, i.e. consumers, farmers etc.) to a variety of other stakeholders or interest groups.

This is identified by Edgar as the main cause of failure in the co-operative sector. There is a lot of truth in this proposition as in the proposition that co-operatives lack focus and clarity as to their objectives.

Edgar's further proposition that co-operatives be defined by their objectives or purpose is to be read in the narrow sense of immediate business activities rather than co-operative purpose as I define it.[17] For Edgar this lack of clarity is due to over reliance on co-operative principles. Edgar tries to avoid the contingency model of management with the additional grounding for management decision-making in the notion of benefits for members. Edgar insists that it is "benefits to members" that provide the core rationale for co-operatives and are the touchstone for defining co-operative purpose.[18] This may not, however, be as clear cut as Edgar appears to believe. If we take an example from a UK consumer co-operative the need for the right goods at the right price at the right time is not the question. What are the right goods and what is the right price in the members' interest? Is it the cheapest, the one least environmentally damaging, the one with additional features? What about products the members have never heard of, fulfilling needs they didn't know they had? How are we to determine appropriate benefits without discussing the role of marketing and market research in the context of a membership-based organisation? Surprisingly, Edgar omits any discussion of these topics.

I have, however, a more fundamental objection to Edgar's' formulation. Benefits to members is too general and actually can be completely unrelated to the notion of Co-operation at all. Edgar must recognise this problem otherwise he would not, along with many others, seek to restrict the rights of members to dispose of the co-operatives assets in any way they might wish to. He is, of course, right' to suggest restrictions on what any particular group of members at the micro level may wish to do with their society and its assets. This is because Co-operatives are not just about membership and the benefits of membership in abstraction. Co-operatives are about the benefits of membership in association. The association's purpose is to provide market leverage and access to resources (including information) that would not be otherwise readily available to the individuals who join and without which they would remain at best disadvantaged, and at worst poor and excluded. This applies to all sectors and regions of co-operative activity. Thus, social justice and community are central to an understanding of Co-operative purpose and in understanding and evaluating the propriety of those activities, products, and services providing benefits to members. It is upon the values and principles that emerge from this macro level analysis of social need that the truly distinctive co-operative "framework for rules of behaviour" that Edgar Parnell calls for in chapter 2 (and particularly develops in his discussion of leadership in chapter 4, and corporate governance in chapter 11) can be established.

Specific Co-operative activities provide employment, fair priced good quality products, decent housing, cheap credit and other financial services, fair priced utilities, fishing boats, and many other specific goods and services including education. It is the overarching macro level purpose, however, of social justice and the common strategy and end of community building that has the potential to unite all co-operatives into one socio- economic movement. This movement is not about delivering this or that benefit but about mobilising economic and social resources to deliver economic and social justice and destroy dependency in the global marketplace today. I do not argue with Edgar that co-operatives must produce benefits to members, but we do need to understand very clearly what the nature of the benefits are and how they are to be achieved within the co- operative context. In Edgar's formulation there is the danger of parochialism and materialism leading to the fragmentation and dissipation of Co-operative assets when all the competitive pressures require us to conserve, accumulate and collaborate in order to achieve the required critical mass in the marketplace.

It is when Edgar discusses the importance of establishing clear definitions and divisions of labour within co-operative organisation that his analysis conforms most closely to the "double nature" model of co-operatives. It is in these areas of Leadership and Corporate Governance within Co-operatives that his analysis most closely conforms to the Civil Service view of Management. The myth is that the elected board of directors is exclusively responsible for the direction and leadership at the highest level of the co-operative. Edgar rightly points out that leadership can be exercised in many different contexts and levels within organisations. His emphasis, however, on the distinction between primary leadership (who develops the plans of action) and secondary leadership (required to lead those who organise the delivery of co-operative services) is misguided.[19] Edgar reduces management to business administration. His solution to the central problem of Co-operative Organisation today - which is how to develop professional leadership of co-operative businesses operating in increasingly complex business environments - is structural rather than cultural.

By concentrating on the division of functions, management is downgraded to a civil servants' role and the members are downgraded to an elected members' council which appoints really qualified people to act as Directors to manage the business on the members' behalf[20]. This additional layer of policy making is unlikely to be a solution that recommends itself to many co-operative managers or members. It carries real risks of further fragmentation and conflict within co-operative organisation. Unity and a sense of involvement is the most essential grounding for successful association. This requires that effective leadership be brought to bear on the development of the organisational and management culture.

Edgar does acknowledge that manager leaders can emerge that "successfully provide the primary leadership role" but for Edgar this is an exception not the rule. For Edgar, the problem of technical incompetence in lay Boards is resolved by placing another tier of experts between them and the managers. Why can we not accept that the managers are the experts, and they need to be as close to the membership as possible? Takamura acknowledges the need but does not seem prepared to give managers the position of responsibility for the decisions, leaving them rather as expert advisers whose advice the Board will be well advised to pay attention to. His formulation of the division is between management in a "broad sense" conducted by the Board and in a "narrow sense" by the Executive Board of management[21]. In times of change ".....the top management of the co-operative must always have the ability and will to introduce reform from within....."[22] Takamura recognises the qualities required by management but appears unable to recognise the organisational culture and values necessary to ensure a management that will have the authority and ability to embrace them. Co-operative Managers are required to exert leadership and judgement and in addition "Co-operative managers, are.... not only required to settle business problems but are also expected to have a sense of humanity and a fully developed character."[23]

Co-operative management clearly needs high ethical standards, but it also needs an analysis of the needs and values of society as they affect the co-operative customers and members. These ethical standards must not remain the preserve of the top few but be reflected in the culture, relationships and behaviour of the whole organisation and be communicated as such to the outside world.

Both Parnell and Takamura recognise the human-centred basis of co-operatives and the need for ethical values to inform management practice, but the membership is viewed abstracted rather than integrated into the wider society, and the management's relationship is formalistic and separate from the membership rather than as an integrated part of the community of labour whose business strategy is driven by a human-centred analysis of social needs. Duelfer (1986) comes closest to recognising the importance for management to link the social integration of the individual members with his notion of "co-operative combine" which for him links the co-operative organisations' decision-making to that of their members' household economies.[24] Unfortunately this insight is not developed as a focus for determining the macro level social needs of the customers and members. These needs form the focus for the core idea of value - based management that sees the aggregate socio-economic needs of those households as the material data affecting management decision making and the foundation for the legitimate exercise of leadership by management within the co-operative community.

This is where I believe the real solution lies. Directly elected Boards of lay members must be the right grounding for co-operative governance and management but Boards need a mix of skills, and the co-option principle used by many company boards should re-enforce the elected board by the inclusion of two or three of the top management team as full board members, (including the CEO) leaving open the possibility of one or two further co-opted appointments from outside the organisation, but only when a real need is identified; otherwise the appointment-will be open to abuse and manipulation. Lay leadership alone can only exceptionally provide the necessary skills to lead a modern co-operative society. Co-operatives need Co-operative managers who recognise that the Co-operative enterprise must be managed as a whole without the totally false distinction between the business and the social "sides". Far from being as Edgar claims, a risk "...too great to be contemplated."[25] we desperately need Managers who have the qualities to take responsibility for leading and building the whole community of members and employees into a social and value-based business seeking the fulfilment of the co-operative purpose. Value-based management does not replace one member one vote Democracy in the Co-operative. What it does is to demand that the professional responsibility for the quality of that democratic content lies with management. Management has the responsibility to consult, survey, and research members' needs and the needs of the society to which they all belong. Management has the responsibility to lead and develop a united membership. The members will not only always have the right to challenge and dismiss a management that acts unprofessionally but, as I have suggested elsewhere, it will have much clearer criteria for making its judgments and more information and real involvement than the formalistic rituals that form much of the content of the so - called democratic process today.[26] Thus value based management is the essential goal for co-operative management and organisational development today. Value-based management will not be unique to the Co-operative Movement, but the Co- operative Movement is uniquely placed to take full advantage of its insights and contemporary relevance as it goes forward into the next century.

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13. Stakeholder approaches are not of course new but can be traced back one suspects to the desire to blend insights from the Human Relations approach with that of Structural Analysis.
14. See Bulletin of the European Communities, ch10 "Thoughts on a new development model for the community", Growth, competitiveness, employment. The Challenges and ways forward into the 21st century, Commission of the European Communities, Brussels, 1993, Supplement 6/93.
15. An illustration of what can be achieved, however, does exist in the remarkable growth rates experienced by the U.K., Co-operative Bank's successful experiment with "ethical banking" led by clear research into its customers' values and concerns.
16. Eberhard Duelfer, "A system Approach to Co-operatives " in Co-operatives Today, ICA, Geneva, 1986, p132. Prof. Duelfer’s quote is drawn from Draheim G. Die genossenschaft als Unterehmertyp, Goettingen, 1955, pl8.
17. Peter Davis, op cit. Co-operative Management and Co-operative Purpose: Values, Principles and Objectives for Co-operatives into the 21st Century.
18. Edgar Parnell, Reinventing the Co-operative. Enterprises for the 21st Century, Plunkett Foundation for Co-operative Studies, Oxford, 1995, p15.
19. ibid. p54.
20. ibid. p103.
21. Isao Takamura, Principles of Co-operative Management, Co-op Publishing Company Ltd., 1993, p82.
22 ibid. p85.
23. ibid. p86.
24. Eberhard Duelfer, op cit. p134
25. Edgar Parnell, op cit. p136.
26. Peter Davis op cit. Co-operative Management and Co-operative Purpose: Values, Principles and Objectives for Co-operatives into the 21st Century. pl4.