Retaining Creativity in Large Co-operatives by Timely Democratic Succession of Leaders

Reuven Shapira

Maintaining co-operative principles in large successful co-operatives requires creativity engendered by high-moral trusted innovative leaders who avoid capitalist practices. However, if such leaders are not replaced within 10 to16 years, they usually enter conservative dysfunction phase, suppress creativity, concealing and camouflaging introduction of capitalist practices by various excuses and covert abuse of power in order to become irreplaceable oligarchs. As no true solution has been devised for this problem as yet while confusing trust and leadership literatures helped failures to cope with it, new ideas for timely democratic succession are offered based on anthropological and historical studies of kibbutzim and inter-kibbutz co-operatives.

Introduction

A basic democratic tenet is that public trust installs leaders, while distrust replaces them, but it is well-known that politics encourage Machiavellianism and betrayal of trust by tenured successful leaders of large democratic organisations who become autocratic oligarchs (Michels, 1959 [1915]; Jay, 1969; Scharfstein, 1995). An initially trusted leader may continue for decades despite entering conservative dysfunction phase after some 6 to 11 years (Hambrick and Fukutomi, 1991), becoming a self-server who maintains minimal trust by veiling, camouflaging and blaming others for own failures to solve problems and forsaking public interests, defending an image of success by her or his powers, intangible capitals and information control (Dalton, 1959; Bourdieu, 1977; Hirschman, 1982; Hiefetz, 1995; Hase et al, 2006) (In order to simplify writing hereafter male wording will be used, though equally referring to women.) Such a leader promotes staff according to personal loyalty and suppressing critics and innovators who then leave (Hirschman, 1970), becoming irreplaceable also by privileging loyal staff and himself, gaining status symbols that add prestige and power. Though power continuity corrupts, as Lord Acton said, and has negative metamorphic effects on him and staffs (Michels, 1959 [1915]; Lenski, 1966; Kets De Vries, 1993), he may continue for good. Moreover, when succession takes place, successor is usually a loyalist who continues his policies but fails at implementing them as he lacks critical thinking (Hirschman, 1970). Thus, without a succession mechanism that replaces a successful tenured leader as he enters dysfunction phase, large democratic organisations are bound to oligarchic degeneration.

The oligarchy problem bothered kibbutzim (plural of kibbutz) which introduced a norm of *rotatzia* (rotation) that succeeded officers every two to three years (Topel, 1979), and some co-operatives did likewise, such as large Mexican soft-drink producer Pasqual (Hernandez, 2006). But all prime kibbutz leaders who headed inter-kibbutz co-operatives for life became oligarchic (Shapira, 2008), likewise continued Mondragon co-operative leaders (Kasmir, 1996), while co-operative historian Fairbairn (2007) praised leaders "who have spent lifetimes building movements and organisations". Accordingly, co-operative literature almost ignored the oligarchy problem: among 500 articles published during three decades in *Economic and Industrial Democracy*, only three were devoted to it, while during its 85 years the *Annals of Public and Cooperative Economics* never devoted even one.

Oligarchic degeneration is bad for every organisation, but it has extra ruinous effect on co-operatives: blocking the creativity essential to devise new solutions that maintain co-operative principles amid success and growth (Stryjan, 1989). While success and growth encourage use of capitalistic practices (Meister, 1984), Stryjan (1989) found that despite success and enormous growth kibbutzim avoided it by creative solutions because of smallness and autonomy, while federative organisations (hereafter: FOs) cared for functions that required scale. However, recent forsaking of co-operative principles and adoption of capitalist practices by most kibbutzim, point that Stryjan and other students missed how FO heads' introduction

of capitalist practices from the 1920s, was followed since the 1940s by many kibbutz factory managers, leading to forsaking of co-operative principles in the 1980s (Shapira, 1987, 2001, 2005, 2008; Topel, 2005).

These findings accentuate the decisiveness of oligarchic degeneration contrary to marginality in the literature of co-operatives. However, its study is problematic because when a co-operative leader becomes oligarchic autocrat he covertly uses powers and intangible capitals to deceive members, students and himself about self-serving aims and deeds (eg, Michels, 1959 [1915]). By his ample powers, prestige and capitals he prevents a real time study of his dysfunction and its role in the degeneration of co-operative culture (eg, Cornforth, 1995). Agency theory also deters such a study as it is a-historic, assuming fixed agents' and principals' interests (Eisenhardt, 1989), which are changing along a leader's incumbency. It also uses an individualistic, opportunistic and self-serving model of man, while a study of Welsh co-operatives found they fitted better the stewardship theory model of a collectivistic, pro-organisational and trustworthy man (Vargas Sánchez, 2004). A third reason for neglect of oligarchy is flawed leadership research, as will be explained, while a fourth reason is the uniqueness of co-operative leaders, depicted as a special breed who "should be recognised as such" with their capacity "to help us find new avenues toward social improvement" (Dees, 2008: 39). But what exactly is this uniqueness? How it helped missing oligarchic processes in research of co-operatives and how it related to the problem of leaders timely succession? Can this knowledge help in proposing a solution?

Problematic Leadership Concept and Research

Indeed, the very concept of leadership is problematic. Sergiovanni (1992: 2) wrote: "The topic of leadership represents one of social science's greatest disappointments". Echoing it, Barker (1997) asks: "How can we train leaders if we do not know what leadership is?", and Gini (1997) finds most leadership studies lack clarity and consensus regarding the very meaning of the term, as:

Leadership is never tidy. Any attempt to describe a social process as complex as leadership inevitably makes it seem more orderly than it is (p323).

Both authors agree that the most significant aspect of leadership is leaders' ethics that engender a value-laden process: high-moral, servant authentic innovative leaders create high-trust cultures and successful organisations (Guest, 1962; Shapira, 1987, 2008; Graham, 1991; Semler, 1993; Terry, 1993; Barbuto, 1997; O'Toole, 1999), while low-moral, self-serving inauthentic conservative leaders engender distrust, conformist and mediocre or laggard conflict-ridden organisations (Dalton, 1959; Webb & Cleary, 1994; Shapira, 2001, 2008: Chapters 12-15; Hill, 2006).

The problem of leaders' morality is not new. Ancient Athenians tried to assure it by yearly officer succession (Fuks, 1976), the Chinese Empire succeeded its district magistrates every three years (Chow, 1966; Watt, 1972), and kibbutzim used *rotatzia* (rotation). However, rapid succession ruined morality: Athens playwright Aristophanes depicted its management as:

the rule of embezzlement and evil ... leadership is the interest of complete ignoramuses and the lowest of degenerates" (Fuks 1976: 56).

In China it resulted in rampant corruption, which, in some eras, brought the majority of magistrates to trial (Chow, 1966; Watt, 1972). In the Israeli army:

rotatzia turned into a sacred ritual kept zealously because it served promotion needs ... of unprofessional, inexpert and inexperienced officers (Vald, 1987: 158).

In kibbutzim *rotatzia* derailed careers of high-moral, highly trusted leaders who were demoted while very effective, banning the use of trust created by early successes to solve major problems. Successful careers made self-server ineffective conservatives who became loyal clients of oligarchic FO heads and advanced to FO management. FO heads had obviated *rotatzia* by their powers like prime leaders, while *rotatzia* diminished officers' morality: careers were advanced by acumen,

Machiavellianism and loyalty to oligarchs rather than devotion to tasks, efficiency and effectiveness (Shapira, 1987, 2001, 2008). Distrust was common also because many ex-kibbutz officers as FO managers got grip on power by instant changes that boosted prestige at the expense of long-range goals (eg, Bower, 2007). They also suspected intentions of unacquainted hired employees and used coercive means that ruined trust (eg, Kipnis, 1976; Shapira, 1987, 1995).

Leadership literature has alluded to trust, but it is dominated by psychologists who explain leadership by leaders' personality and competencies that are relatively stable, rather than practices that are more decisive and changing (Carroll et al, 2008; Gleeson and Knights, 2008). Hence, most of it unfits solving the problem of radical leaders who become self-serving conservatives with success. Radical leaders are essential for co-operatives for creating new practices that maintain co-operative cultures amid success and growth (Stryjan, 1989). Unfortunately, leadership literature confuses two types of radicals, charismatic and transformational, missing their principal difference, opposing trust climates and cultures: A charismatic leader emerges in a crisis situation as a saviour with assumed exceptional skills and talents, a 'magical gift', by which he offers a radical solution to the seemingly insoluble public plight. He distrusts followers' capabilities and faculties as they have failed to solve the crisis and asks them to identify with him, to believe in his solution and to obey his orders without questioning their logic, which only he understands (Barbuto, 1997). A transformational leader is the opposite, viewed by followers as talented but not magically gifted. He motivates them rationally to achieve higher moral noble aims, pointing to the importance of the outcomes of radical solutions he proposes, inspires them to make extra efforts by showing new ways for achieving these aims, modelling high commitment to tasks, encouraging their use of own faculties for innovations, trusting them and allowing much discretion (ibid; Fox, 1974; Burns, 1978; Graham, 1991; O'Toole, 1999; Shapira, 2001, 2008; Weibel, 2007).

The above difference is decisive for co-operatives because a charismatic leader becomes an autocrat, suppresses democracy and distrusts followers, limiting their discretion and curbing their trust of democracy by minimising their participation in decision-making (Barbuto, 1997). The opposite is true of a transformational leader who fits the democratic idea that employees' capabilities and faculties are the best basis for management that serves public interests. His high-moral trustful practices enhance followers' participation in decision-making, then decisions are grasped as representing public will and implemented faithfully even if the leader objects to some of them, furthering trust and participation in democratic deliberations (Shapira 2008: Chapters 15-17). Fairbairn (2007) considers a proper organisational culture "essential to innovation" in co-operatives and asks: "What kind of cultures conducive to innovation?" The above cited authors and many others answer clearly: high-trust cultures engendered by high-moral transformational leaders (Guest, 1962; Dore, 1973; Fox, 1974; Semler, 1993; Terry, 1993, Poulin et al, 2007).

However, with success, growth and tenure transformational leaders become self-serving conservative oligarchs, but they can deceive researchers. For example, prime kibbutz leaders Itzhak Tabenkin and Me'ir Yaari were found charismatic by students, but in fact they were transformational in the 1920s and 1930s, later they became dysfunctional conservatives and caused failures, major crises and mass exits by turning to reverence of dictatorial USSR contrary to kibbutz democratic tenets. But as they kept positions and much power, when innovators entered the leadership vacuum and promoted successful rejuvenations, like Staber's (1989) Canadian co-operatives mid-life resurrections, the two appropriated credit for the successes, creating images of charismatic saviours despite ample proof refuting these images (Shapira 2008: Chapters 10-11).

Co-operatives Require High-Trust Cultures that are Hard to Manage

Trust is a pivotal concept in the usual change of a transformational leader into self-serving autocratic oligarch who uses trust in him to violate co-operative principles. But trust is a problematic concept; its meanings in the literature differ considerably (eg, Korczynski, 2000). Recently, it has become a major concern of organisational scholars, but explaining it in organisations is complex because of conflicting effects of societal

cultures on local ones which have caused contradictory findings. For instance, Rosner (1993) found kibbutzim to be trust-based, but others have found coercion-based, low-trust kibbutzim (Kressel, 1974; Topel, 1979; Shapira, 1987, 2001).

This is plausible because trust is personal and is created between specific actors like a friendship. A new manager can, within a few years, turn either a high-trust local culture into a low-trust one (Gouldner, 1954), or do the opposite (Guest, 1962). He can create a high-trust climate by trusting employees, encouraging their trusting reactions, and thus, their proved trustworthiness furthers his trusting acts, such as openness of information and allowing more discretion in an ascending trust spiral (ibid; Fox, 1974; Shapira, 1987; Semler, 1993; Whitener et al, 1998). Distrusting acts by a new manager engender the opposite, a descending trust spiral and a climate of distrust, secrecy, suspicion and conflict as each side tries to minimise the other's discretion to defend own interests (Gouldner, 1954; Kipnis, 1976; Shapira, 1995; Collinson, 2005).

However, a high-trust climate becomes a high-trust culture only if practices are ethical. Trust is based on one's expectation of ethically justifiable behaviour on the part of the other person, on his morally correct decisions and actions in which public interests take a degree of precedence over the interests of individuals that are right, just and fair (Hosmer, 1995: 339). On the one hand, the right, just and fair decisions are situation-specific, but, on the other, they depend upon the organisational context and gravity of the field of which an organisation is a part (Bourdieu and Wacquant, 1992). This complicates the decision to trust, since actors' positions in local and societal hierarchies impact their subjective views concerning what is just, right and fair. Another complication is unique co-operative mores that differ from surrounding capitalist mores, requiring high-moral credibility, competence and authenticity, using authority to serve common aims (Guest, 1962; Kouzes and Posner, 1993; Terry, 1993; Weibel, 2007). However, distrust is probable if the workers' culture differs considerably from that of the managers', since cultural differences suppress trust and provoke destructive conflicts (Deutsch, 1969; O'Mahoney, 2005), and if rapid turnover

causes a lack of time for judging actors' trustworthiness and building trust (Axelrod, 1984; Shapira, 1987, 1995).

Managers may prefer low-trust autocracy for more fundamental reasons: it is simpler, its impact is clearer and immediate, and its use proves a leader's supremacy and assures his self-worth (Kipnis, 1976) to a greater extent than the long, complex and hazardous process of leading by high-trust practices that require building a consensus on aims, means and allocation of duties and rewards. A manager who at first tries high-trust practices may abandon them in favour of coercive means when facing resistance to changes he proposes, and may try to wield authority and achieve successes that boost prestige and power even at the expense of long-range goals (Shapira, 1987, 1995; Bower, 2007). He may be encouraged by knowing many ineffective managers who advanced careers this way, helped by cliques, patronage, scapegoating, subterfuges and camouflages, as well as 'jumping' among firms (Dalton, 1959; Luthans, 1988; Hase et al, 2006). Employees may also use such practices, signalling mistrust and discouraging a manager from using high-trust practices that increase his own vulnerability, as for instance, openness of information which untangles discrepancies between his discourse and actions (Shapira, 1987; Simons, 2002).

Absolute Democracy May Not Assure Trusted, Effective Leaders

Maintaining democracy in large co-operatives is problematic (Meister, 1984; Stryjan, 1989; Varman and Chakrabarti, 2004). It requires high-trust cultures that are relatively complicated to manage and lead; it needs a long time horizon to enhance trust and creativity and high-moral managers who are open to members' critique of mistakes, misdeeds, insincerity, etc (Jaques, 1990; Hosmer, 1995; O'Mahoney, 2005). Usual firm managers and their deputies can safeguard status and power by the low-moral means detailed above, but high-trust cultures require transparency and high-moral integrity that forbid these means (Sergiovanni, 1992; Terry, 1993; Shapira, 2001, 2008). They require abandoning social engineering conceptions in favour of community transformation concepts (Bhawuk et al, 2009). In addition, co-operatives are more susceptible to recessions than usual firms,

members' despair and dysfunction are more probable and require greater efforts by leaders to avert collapse (Hirschman, 1984).

These difficulties accentuate the fundamental problem of co-operative leadership: how to ensure that leaders prefer trust-based practices over coercive ones? Co-operative members entrust an office to an individual, but he may not lead them by consent and trust if he does not feel obliged to reciprocate their trust, for instance, if he perceives that he has been chosen due to his superior managerial record and to his own efforts to develop competencies. This is more probable if he heads a large co-operative and barely knows most members except those of the department from which he has climbed to the top, and even more so if he is an outsider (Gouldner, 1954; Kipnis, 1976; Shapira, 1995). It is especially so if during prior academic studies he did not develop a moral compass (Hill, 2006) without which he may not reciprocate members' trust. Even co-operative-owned business schools may not assure managers' high morality, as with kibbutz-owned schools: Many graduates acting as managers introduced capitalist practices in kibbutzim, enriching and privileging themselves at the expense of fellow members whose work paid for their schooling (Topel, 2005).

There are additional reasons as to why the democratic election of leaders and democratic decision-making norms cannot assure transformational leaders needed by co-operatives. Because of space limits, only those related to the main problem a large co-operative system face will be discussed: the need for federative organisations (FOs) that, besides offering functional help to co-operatives, also encourage local transformational leaders by promoting such ones to high-status federative jobs while suppressing self-servers, as Tabenkin and Yaari had done initially but reversed later on when entering dysfunction phase. The ICA Committee on Co-operative Research recently asked students, "How can federal bodies and consorzi strengthen the [co-operative] sector?" One answer is clear from the above: They strengthen it if led by servant transformational leaders, who encourage high-trust, democratic cultures in co-operatives by modelling them in consorzi and FOs.

Problematic Untangling When Leaders Become Self-Servers

Transformational leaders tend to disappear in successful co-operative movements because of oligarchic process. Fairbairn (2007) depicted co-operative leaders who for dozens of years built

> movements and organisations, struggling to have them recognised by governments, citizens, and financial institutions, are reluctant to abandon the socio-economic brands in which they have invested,

but their reluctance is a prime problem for their movements, though on real time no one may know it. Most members are also reluctant to succeed such a leader since he camouflages and veils, the shift from transformational to dysfunctional conservative both to himself and followers by various distractions and excuses, retaining an image of commitment to movement goals while becoming irreplaceable by suppressing critics and radical innovators (Hirschman, 1970). Without hearing credible critique and radicals' voices which challenge his dysfunctional policies and untangle their self-serving nature, most members tend to believe the image of a committed public servant and grasp replacement as undue ingratitude. But without replacing him and rejuvenating the consorzi or FO role as supporter of creativity aimed at co-operative principles, brain-drain of critical thinkers and creative innovators is inevitable, leading to failures and collapse and/or abandoning co-operative principles.

One may object and point to some co-operative movements that have survived for long periods despite lifelong leadership, such as Mondragon, but a recent study questions its co-operative culture (Kasmir, 1996). Likewise the kibbutz system seemed egalitarian and democratic until recently when decline of these principles from the 1930s was exposed (Shapira, 2008). Quite similar were Israeli large bus co-operatives (Russell, 1995). The complexity of leadership in a large organisation obscures and helps conceal its true reality, enabling a powerful leader who controls ample resources and main information channels to conceal his self-serving from almost everyone. Moreover, he

identifies himself with the movement and becomes narcissistic (Kets De Vries, 1993), rejecting criticism beforehand, arguing it is aimed at taking control from him of the project in which he has invested so much (Shapira, 2008: Chapter 10).

Democratic leadership is especially complex because its processes involve many people and it is hard to know who really shapes, makes and implements major policies and practices. For instance, Tabenkin's authority in the Kibbutz Meuchad Movement dwindled in the 1950s and he formally retired in 1961, but nevertheless, in 1967 he defeated his successors on major policy issues (Izhar, 2005). Tabenkin was clearly transformational leader until 1942, but from 1935 he commenced suppressing critics and innovators up to his death in 1971. Yaari acted similarly in the Kibbutz Artzi movement from 1939 to 1973. Their loyal clients, who knew well their views, vehemently rejected and denounced in 1944 a seminal study of kibbutzim because it included some well-intended critique (Kressel, 2000). However, the two leaders' roles in the suppression of creativity and the ruining of kibbutz co-operative culture remained largely unknown as they used their ample power to maintain facades of public servants and suppress critique, while researchers collaborated, veiled the truth (Shapira, 2005). Only by 35 years of anthropological, sociological and historical studies of kibbutzim and FOs, aided by 50 years of kibbutz membership experience did I untangle it (Shapira, 2008).

The Timely Succession Problem Remained Unsolved

The problem of a timely succession of leaders has never been solved despite ample proofs of its decisive importance. The kibbutz solution of *rotatzia* failed because it enhanced oligarchisation instead of curbing it: career advance of rotational kibbutz officers was dependent on patronage by conservative FO heads who continued at their posts for decades, overruling the norm by their ample powers and capitals (Shapira, 2008: Chapter 6). Fixed term rotation failed whenever and wherever it was tried (ibid: Chapter 1). Office terms were short to prevent accumulation of power by which officers could prevent

succession, but the price was inexperienced, weak and ineffective officers who were either controlled behind the scenes by veteran patrons (Topel, 1979), or were independents who soon learned that they could not promote public aims because of conservative patron rule and they shifted to personal ends (Hirschman, 1982).

Some Ideas for a Democratic Solution for Timely Successions

The solution of US Presidents Washington and Jefferson was a refusal to seek a third term in office, creating a norm that let public trust decide who continued for a second term while avoiding more terms (Sobel, 1975). Both Roosevelt's violation of this norm in 1940 and violations of *rotatzia* by kibbutz leaders prove the vulnerability of a normative limit. Thus, a more robust solution is required. Roosevelt's violation was an outcome of both some voters' trust in him and of other voters influenced by powers and intangible capitals accumulated during eight years incumbency. The 55% of the votes he received included a significant sector of the public that did not genuinely trust him but voted for him due to the direct and indirect impact of these powers and capitals, for instance the support of many dignitaries who became his clients during eight years incumbency. Thus, if trust in a leader is to decide continuity in order to promote transformational leaders, the effect of such power and capitals should be neutralised. Neutralisation can be a threshold of higher public trust required for a re-election. For instance, Israel's Labor Party pruned out many veteran MPs who sought a third or more term in office, by making a minimal 60% support in its council a condition for parliament candidacy in the 1977 elections (Brichta, 1986: 23).

The 220 years of American presidential elections proved that even without such a higher trust threshold many leaders were not re-elected to a second term; hence, such a higher threshold seems essential only for a third term or more, that is, after eight or more years in office. The possibility of a third term accords the findings of Hambrick and Fukutomi (1991) that the usual limit of functional periods of large firm leaders has been eleven years, and Vancil's (1987: 83) finding that US corporations have aimed at a CEO tenure of 10-12 years. However, some decisive successful leadership acts were

made by more veteran leaders. For instance, Ben-Gurion's most praised decision, to establish the State of Israel in 1948, was made after he had headed the Jewish community in Palestine for 13 years, and Tabenkin's most praised decision, establishing the Palmach as a working underground army, was made after 15 years leadership.

This suggests allowing exceptional leaders up to four 4-year terms, provided the higher threshold solution ensures maximum tenure of 16 years. Since democracy means replacing leaders in accord with members' trust, the logical solution is to elevate the trust threshold for each additional term, and the threshold elevation gradient will make a fifth term impossible by stipulating the threshold for this term beyond 100%. In order to decide thresholds that will assure impossibility of fifth term, one question is whether the elevation gradient should be linear or exponential? Goode (1978) found leaders' prestige tended to exponential growth with continuity; thus, in order to neutralise this growth and assure that trust and not accumulation of prestige decides re-election, exponential elevation of thresholds should be required for consecutive terms. As a departure point, one may take the Israeli 60% threshold for a third term, but then, even an exponential elevation will not reach the 100% threshold for a fifth term. However, if a 66.6% majority is required for a third term, the fourth term will demand 88% support, and this bars a fifth term since the same elevation gradient means a 122% threshold, ie, impossible. Thus, this solution allows more than two terms if a leader is highly trusted, while it assures that no leader will become irreplaceable since the maximum is 16 years. Robustness of the norm requires instituting these thresholds in all high offices of a large co-operative system (see below).

A major question which must be answered is: Whose vote decides leadership? In a co-operative of up to a few hundred participants, everyone knows all major officers, all those with some years of seniority know the current leader's performance and his prospective successors' records; thus, they are the proper constituency. However, what about hired workers? Should only members who own a co-operative vote?

In accord with Fox (1974: Chapter 2), this is improper; high-trust relations require that everyone is considered an equal partner in decision-making concerning his work, rather than an employee whose fate and the fate of his work are decided by superiors who others have chosen. In Brazilian Semco, in which Semler (1993) and his family hold equity, democracy and high-trust seem to prevail, as everyone votes on all major decisions, including the choosing and replacing of managers and their remuneration. In Mondragon, a hired newcomer who proved to be a qualified and trustworthy worker after some months was invited to start joining process because of a norm limiting hired labour to 10% (Whyte and Whyte 1988: 4), and then he could vote. Ownership differences must not hamper trust and democracy if constituency is decided by minimal years of seniority due to proven capability and trustworthiness that assures prospects of job continuity. As an employee's livelihood is tied to the fate of the co-operative, he has a vested interest in the improvement of decision-making and in preventing short-sighted moves which are anticipated more from short-term hired workers. As Dore (1973) and others found, lifetime employment was integral to Japanese high-trust cultures, while its breach diminished trust (Clark, 1979; Mehri, 2005). High-trust cultures flourish due to creative solutions that both owners and non-owners can invent for the common good if participating in decision-making.

No Bi-partisan Politics, Parliament of Directly Chosen Delegates

In large co-operatives/FOs/consorzi the question of constituencies who choose and replace leaders is more complex and more decisive because of immanent oligarchic threat. Lipset et al (1956) concluded that only bi-party politics prevent oligarchy in a large trade union, but Stepan-Norris (1997) found that competing ideologies without organised parties also retained democracy. Parties are inappropriate for choosing leaders because co-operatives can thrive in competitive markets only if they muster the best talents and creative critical minds in authority jobs, while party politics negate this, rewarding loyalty, acumen and Machiavellianism which deter such talents and minds and hamper innovation and competitiveness. In the Kibbutz Meuchad movement, bi-partisan politics enhanced oligarchisation, conservatism and

brain-drain (Shapira, 2008: Chapter 10), and partisanship in Israel's large bus co-operatives Egged and Dan encouraged incessant scandals, corruption charges and counter-charges, abuses of power, co-opting the opposition and other tricks including criminal offenses (Russell, 1995: Chapter 4).

Without parties, who will choose FO/consorzi heads, decide continuity or succession, and how will they be chosen? A presidential-like vote by all members who are mostly not role-partners of an incumbent or of his challengers is not a suitable solution as they are not knowledgeable enough, while limiting decisions to his role-partners means too many uncritical loyalists. Cornforth (1995) found that even in small co-operatives, democracy was enhanced by representatives making some major decisions while members made others. Thus, a parliament of delegates chosen by co-operative members appears necessary; delegates who are frequently convened to decide major decisions can closely observe a leader's behaviour and would discern his dysfunction and moral decline quite early. They can be better informed to make wise choices of FO heads and succession timing, provided they are high-moral and committed to co-operative principles. This is plausible if their own oligarchisation is prevented by the same succession norm as leaders, unlike the unlimited continuity of US and Latin American congressmen, senators and trade union heads (Drury, 1959; Mainwaring, 1990). In addition, an independent press is required to disseminate trustworthy information, and a third necessary provision is that many of the delegates come from among lower officers and artisans to curb the pitfalls of elite cliques, patronage and the like.

The question of how many co-operative heads and FO officials a parliament may include versus lower echelon delegates is a constitutional question, and there are others: Who will choose an FO's executive committee? Will executives hold portfolios like cabinet ministers and will their tenure be limited like leaders and delegates? What kind of judiciary will solve disputes? Answers to these questions determine power structures and require the balancing of rights and duties of all concerned, while, unlike state constitutions, these answers must assure competitiveness and must suit both size and ramifications of FOs. Mondragon students alluded to the parallel governance structures of Social Councils and Managerial Councils, but ignored different tenures, managers' lifelong continuity, as against Social Council members' maximum two four-year terms (Whyte and Whyte 1988: 37-41, 96-102). As one can expect, the latter were quite powerless as against managers (Kasmir, 1996).

Can the Proposal Make Co-operatives Sustainable?

However, will the proposed solution assure sustainable co-operatives? Critics may be right in pointing to kibbutz analysis which proves that genuine democracy and high-trust cultures in a large and complex organisational field cannot be retained by just one measure, a new succession system of leaders (Shapira, 2008). But they have to put the proposal in context: It will not only enhance leaders' morality, engender high-trust cultures and creativity by itself, but one can presume that the leaders who adopt the proposal will be transformational and will cope creatively with derivative constitutional questions and other problems. They will use kibbutz and other co-operative lessons to enhance participative democracy and creativity, as these factors are now known to be decisive, and their etiology is much clearer. Every history of a viable democracy has witnessed constitutional amendments, and the same will be true of co-operatives once their unique cultures become sustainable due to the basic change proposed here.

The proposal could also change the fate of co-operatives because it prefers trusted, effective leaders who have proved themselves by many years in low- and mid-echelons, over 'high fliers', 'meteoric' careerists who advance due to seemingly outstanding performance, achieved by brilliant solutions which are often proven to be spurious after the 'high fliers' are off the scene (Dalton, 1959; Shapira, 1987). 'High fliers' are endemic to low-trust bureaucracies where only superiors decide promotion, resulting in a negative correlation between promotion and managerial effectiveness (Luthans, 1988). The proposal will reverse this correlation by preferring genuine effective leaders as the main

yardstick for effectiveness will not be an officer's few brilliant moves, but years of effective, creative leadership with a long-time horizon (Jaques, 1990), and continued high performance achieved by transformational leadership. Some brilliant 'high fliers' will advance faster than less brilliant candidates to lead co-operatives, but more committed leaders will solve cardinal problems by seeking their deeper understanding by mustering members knowledge and ideas to create better solutions. Since they will be re-elected repeatedly as co-operative leaders, they will surpass the 'high fliers' in the race to head FOs/consorzi because of the known exceptional levels of trust they achieved.

Last though not least: The proposal is feasible politically; it may be abided by veteran leaders without efforts to retain power if they fail to pass the stipulated threshold when seeking another re-election, as they may not grasp this solution as a Machiavellian tactic aimed at demoting them, but as genuine care for the future of co-operative culture.

Conclusions

Servant transformational leaders that encourage creativity are essential for maintaining egalitarianism and democracy in co-operatives/FOs/consorzi amid success and growth. Their leadership is based on trust and consent, but beyond an effectiveness phase of up to 10 to 15 years dysfunction commences, leading to a covert shift to self-serving conservatism and suppression of critics and innovators, while members' trust is retained by excuses, camouflages and distractions that conceal it. Conservative rule that becomes autocratic and uses market forces and hierarchy like capitalist firms is simpler than leading by trust and have more immediate impact, but it negates co-operative culture and engenders covert abuse of power to defend a facade of trustworthy public servant, since just images of successful leader may not keep minimal members' trust in the face of mounting unsolved problems. Such a facade tends to mask reality also from researchers who are diverted to seek causes of degeneration elsewhere.

Timely succession of leaders when the dysfunction phase commences, before their accumulated power and capitals make succession impossible, is decisive. This also holds true for choosing successors not from among loyal conservative deputies who have advanced due to a lack of criticism, Machiavellianism and other low-moral tricks, but from among high-moral effective officers committed to co-operative principles who have invented practices that served public aims. Timely succession of leaders can keep co-operatives democratic, but no proven solution has been devised for it. The norm of fixed tenure rotation has failed whenever tried for many reasons, including overrule by successful Machiavellian leaders. Nor can formal democracy prevent oligarchy as Presidents Washington and Jefferson already knew, devising a norm that was better than rotation because it allows second terms to trusted leaders and not mandatory replacing them amid effectiveness phases. However, historical cases prove leaders can remain effective beyond eight years. Thus, it is proposed to allow a leader third term if he passes a threshold of 66.6% majority and a fourth term if more than 88% vote for him, but no more terms as histories suggest oligarchic process commences within 10-16 years in office.

With all due modesty required of idea which stem from the work of a single student, the decisiveness of this proposal may be similar to Washington's and Jefferson's norm, the reason for its inclusion in US constitution in 1951. Moreover, the positive effect of this norm was achieved despite its partiality, exempting Senators, Congressmen and officials like J Edgar Hoover who became powerful oligarchs (Drury, 1959). Therefore additional institutions to promote democracy are called for, such as federative structure and constitutional rules that enhance high-trust cultures such as inclusion of all workers with some seniority in voting constituencies, parliaments that include many non-elite delegates, succession norms of delegates and executives like that of leaders, etc. The above ideas may not assure optimal leaders and optimal succession timing in every case, but they can prevent negative oligarchic processes in most cases, making co-operatives sustainable for long periods by elevating enough transformational leaders.

The Author

Dr Reuven Shapira is a senior lecturer of social anthropology and sociology in the Western Galilee Academic College, Israel. He experienced management positions in Kibbutz Gan Shmuel for two decades, received a PhD from Tel Aviv University, and has authored many books, booklets for managers, and articles in Hebrew and English on leadership and trust in kibbutz and inter-kibbutz organisations. The author wishes to thank Yohanan Stryjan, Sara Hernandez, Barbara Doron and James O'Toole for their helpful comments on earlier versions of this article.

Bibliography

Axelrod, R (1984) *The Evolution of Cooperation.* New York: Basic Books.

Barbuto, J E, Jr (1997) "Taking the charisma out of transformational leadership." *Journal of Social Behaviour and Personality,* 12(3), 689-97.

Barker, R L (1997) "How can we train leaders if we do not know what leadership is?" *Human Relations,* 50(4), 343-62.

Bhawuk, D P S, Mrazek, S and Munusamy, V P (2009) "From social engineering to community transformation: Amul, Grameen Bank, and Mondragon as exemplar organizations." *Peace & Policy* 14, 36-64.

Bourdieu, P (1977) *Outline of a Theory of Practice.* Cambridge, Cambridge University Press.

Bourdieu, P and Wacquant, L (1992) *An Invitation to Reflexive Sociology.* Cambridge, Polity.

Bower, J L (2007) *The CEO Within.* Boston (MA), Harvard Business School.

Brichta, A (1986) "Selection of candidates to the tenth Knesset." In Penniman H R and Elazar D J, eds, *Israel at the Polls 1981.* Bloomington, Indiana University Press, pp18-35.

Brumann, C (2000) "The dominance of one and its perils: Charismatic leadership and branch structures in utopian communes." *Journal of Anthropological Research,* 56(4), 425-51.

Burns, J M (1978) *Leadership.* New York, Harper.

Carroll, B, Levy, L and Richmond, D (2008) "Leadership as practice: Challenging the competency paradigm." *Leadership,* 4(4), 363-79.

Chow, Y T (1966) *Social Mobility in China.* New York, Atherton.

Clark, R (1979) *The Japanese Company.* New Haven, Yale University Press.

Collinson, D (2005) "Questions of Distance." *Leadership,* 1(2), 235-50.

Cornforth, C (1995) "Patterns of co-operative management: Beyond the degeneration thesis." *Economic and Industrial Democracy,* 16(3), 487-523.

Dalton, M (1959) *Man Who Manage.* New York: Wiley.

Davis, G F (1994) "Corporate elite and the politics of corporate control." *Current Perspectives in Social Theory,* Supplement 1, 215-38.

Dees, J G (2008) "The meaning of social entrepreneurship." in Pinckney-Edwards J M, ed, *Hybrid Organizations,* Miami, Atlantic International University, pp29-39.

Deutsch, M (1969) "Conflicts: Productive and destructive." *Journal of Social Issues,* 25(1), 7-42.

Dore, R (1973) *British Factory - Japanese Factory.* Berkeley (CA), University of California Press.

Drury, A (1959) *Advise and Consent.* New York, Doubleday.

Eisenhardt, K M (1989). "Agency theory: An assessment and review." *Academy of Management Review,* 14(1), 57-74.

Fairbairn, B (2007) "Co-operative innovation: Influencing the social economy." Address to Co-operative Innovation and Social Economy Conference, University of Saskatchewan, Saskatoon, May.

Fox, A (1974) *Beyond Contract.* London, Faber.

Fuks, A (1976) *Studies in Politics and Society in Ancient Greece.* Jerusalem, Bialik (Hebrew).

Gini, A. (1997) "Moral leadership: An overview." *Journal of Business Ethics,* 16(3), 323-30.

Gleeson, D and Knights, D (2008) "Reluctant leaders: An analysis of middle managers, perceptions of leadership in further education in England." *Leadership,* 4(1), 49–72.

Goode, W J (1978) *The Celebration of Heroes.* Berkeley (CA), University of California Press.

Gouldner, A W (1954) *Patterns of Industrial Bureaucracy.* New York, Free Press.

Graham, J W (1991) "Servant-leadership in organizations: Inspirational and moral." *Leadership Quarterly,* 2(1), 105-19.

Guest, R H (1962) *Organizational Change.* London, Tavistock.

Hambrick, D C and Fukutomi, G D S (1991) "The Seasons of a CEO's Tenure." *Academy of Management Review,* 16(4), 719-42.

Hase, S, Sankaran, S and Davies, A (2006) "Overcoming barriers to knowledge management: Visiting the dark side of organizations." *ActKM Online Journal of Knowledge Management,* 3(1), 35-44. Downloaded: 28.11.2008 www.actkm.org

Hernandez, S (2006) "Striving for control: Democracy and oligarchy at a Mexican co-operative." *Economic and Industrial Democracy,* 27(1): 105-35.

Hiefetz, R A (1995) *Leadership Without Easy Answers*. Cambridge (MA), Belknap.

Hill, L A (2006) "Exercising moral courage: A developmental agenda." In Rohde D L, ed, *Moral Leadership*, San Francisco, Jossey-Bass, pp267-300.

Hirschman, A O (1970) *Exit, Voice and Loyalty*. Cambridge (MA), Harvard University Press.

Hirschman, A O (1982) *Shifting Involvement*. Oxford, Martin Robertson.

Hirschman, A O (1984) *Going Ahead Collectively*. New York, Pergamon.

Hosmer, L T (1995) "Trust: The connecting link between organizational theory and philosophical ethics." *Academy of Management Review*, 20(2), 379-403.

Izhar, U (2005) *Between Vision and Power*. Ramat Efal, Yad Tabenkin (Hebrew).

Jay, M (1969) *Management and Machiavelli*. New York: Bantam.

Kasmir, S (1996) *The Myth of Mondragon*. Albany (NY), SUNY Press.

Kets De Vries, M F R (1993) *Leaders, Fools and Impostors*. San Francisco, Jossey-Bass.

Kipnis, D (1976) *The Powerholders*. Chicago, University of Chicago Press.

Korczynski, M (2000) "The political economy of trust." *Journal of Management Studies*, 37(1), 1-21.

Kouzes, J M and Posner, B Z (1993) *Credibility*. San Francisco, Jossey-Bass.

Kressel, G M (1974) *Stratification versus Equality in the Kibbutz*. Tel Aviv, Cherikover (Hebrew).

Kressel, G M (2000) "Introduction to second edition." In Z Landshut [1944] *The Kvutza.* Ramat Efal, Yad Tabenkin (Hebrew).

Lenski, G (1966) *Power and Privilege*. New York: Free Press.

Lipset, S M, Trow, M and Coleman, J S (1956) *Union Democracy*. Glenco (IL): Free Press.

Luthans, F (1988) "Successful versus effective managers." *Academy of Management Executive,* 2(2), 127-32.

Mainwaring, S (1990) "Presidentialism in Latin America." *Latin America Research Review,* 25(2), 157-79.

Mehri, D (2005) *Notes from Toyota-land*. Ithaca: Cornell University Press.

Meister, A (1984) *Participation, Associations, Development and Change*. New Brunswick, Transaction.

Michels, R (1959 [1915]) *Political Parties*. New York, Dover.

O'Mahoney, J K (2005) "Trust, distrust and anxiety: The new manufacturing philosophy at Gearco." Downloaded 17.8.2008: http://joeomahoney.googlepages.com/JOM_Final Paper.doc

O'Toole, J (1999). *Leadership from A to Z*. San Francisco, Jossey-Bass.

Poulin, B J, Hackman, M Z and Barbarasa-Mihai, C (2007) "Leadership and succession: The challenge to succeed and the vortex of failure." *Leadership,* 3(3), 301-25.

Rosner, M (1993) "Organizations between community and market: The case of the kibbutz". *Economic and Industrial Democracy* 14(4), 369-97.

Russell, R (1995) *Utopia in Zion*. Albany (NY), SUNY Press.

Scharfstein, B (1995) *Amoral Politics***.** Albany (NY), SUNY Press.

Semler, R (1993) *Maverick*. New York, Warner.

Sergiovanni, T J (1992) *Moral Leadership.* San Francisco, Jossey-Bass.

Shapira, R (1987) *Anatomy of Mismanagement*. Tel Aviv, Am Oved (Hebrew).

Shapira, R (1995) "'Fresh Blood' innovation and the dilemma of personal involvement." *Creativity and Innovation Management,* 4(2), 86-99.

Shapira, R (2001) "Communal decline: The vanishing of high-moral leaders and the decay of democratic, high-trust kibbutz cultures." *Sociological Inquiry,* 71(1): 13-38.

Shapira, R (2005) "Academic capital or scientific progress? A critique of studies of kibbutz stratification." *Journal of Anthropological Research,* 61(3), 357-80.

Shapira, R (2008) *Transforming Kibbutz Research*. Cleveland (OH), New World Publishing.

Simons, T (2002) "Behavioral Integrity: The Perceived Alignment between Managers Words and Deeds as a Research Focus." *Organization Science,* 13(1), 18-35.

Sobel, L A (1975) (Ed) *Presidential Succession.* New York, Facts on File.

Staber, U (1989) "Age-dependence and historical effects on the failure rate of worker co-operatives." *Economic and Industrial Democracy,* 10(1), 59-80.

Stepan-Norris, J (1997) "The making of union democracy." *Social Forces,* 76(2), 475-510.

Stryjan, Y (1989*) Impossible Organizations*, New York, Greenwood.

Terry, R W (1993) *Authentic Leadership*. San Francisco: Jossey-Bass.

Thoms, J C (2008) "Ethical integrity in leadership and organizational moral culture." *Leadership,* 4(4), 419-44.

Topel, M (1979) *"…To Build and to be Built": Power Elite in an Egalitarian Society*. MA thesis, Department of Sociology and Anthropology, Tel Aviv University (Hebrew).

Topel, M (2005) *The New Managers*. Sde-Boker, Ben-Gurion Institute (Hebrew).

Tucker, R H (1970) "The theory of charismatic leadership." In D A Rustow*, ed, Philosophers and Kings*, New York, Braziller, pp69-94.

Vald, E (1987) *The Curse of the Broken Tools*. Jerusalem, Schocken (Hebrew).

Vancil, R F (1987) *Passing the Baton.* Boston, Harvard Business School Press.

Vargas Sánchez, A (2004) "Development of corporate governance systems: agency theory versus stewardship theory in Welsh agrarian cooperative societies." Downloaded 30.5.2010: http://www.uhu.es/alfonso_vargas/archivos/EURAM%202004.pdf

Varman, R and Chakrabarti, M (2004) "Contradictions of democracy in a workers' co-operative." *Organization Studies,* 25(2), 183-208.

Watt, J R (1972) *The District Magistrate in Late Imperial China.* New York: Columbia University Press.

Webb, J and Cleary, D (1994) *Organizational Change and the Management of Expertise.* London: Routledge.

Weibel, A (2007) "Formal control and trustworthiness: Shall the twain never meet?" *Group & Organization Management*, 32(4), 500-17.

Whitener, E M, Brodt, S E, Korsgaard, M A and Warner, J M (1998) "Managers as initiators of trust: An exchange relationship framework for understanding managerial trustworthy behavior." *Academy of Management Review,* 23(3), 513-30.

Whyte, W F and Whyte, K K (1988) *Making Mondragon.* Ithaca (NY), ILR Press.

Yankelovich, D (1991) *Coming to Public Judgment.* Syracuse (NY), Syracuse University Press.