

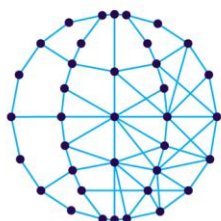


Cooperatives : The Power to Act

Texts selected for the international calls of paper

TO MAINTAIN DEMOCRACY OVER THE LONG-TERM, WORKER CO-OPS REQUIRE AT LEAST THESE 6 INTERNAL COMPONENTS

Paul BERNSTEIN¹



QUEBEC INTERNATIONAL
2016 SUMMIT
OF COOPERATIVES

Abstract

What leads to successful workplace democracy, so it stays vibrant over the long-term? To answer this question concretely, an analysis was made of more than 50 cases, in 16 different countries, covering a century of experience. The companies examined ranged from completely worker-owned co-ops on the one hand, to partial but significant employee participation in the management of privately-owned, community-owned, and state-owned enterprises, on the other. That comparison revealed six components to be absolutely essential for employees to exercise meaningful power over the long-term in their companies. This paper identifies those six essential components, indicates the range of forms each component can take when successful, and explains how they must function in order to contribute to the long-term success of democratic governance.

Résumé

Qu'est-ce qui conduit à une démocratie réussie en milieu de travail qui demeure vigoureuse à longue échéance ? Pour bien répondre à cette question, une analyse a été réalisée sur plus de 50 cas dans 16 pays, recouvrant un siècle d'expérience. L'éventail des sociétés étudiées va des coopératives entièrement détenues par les travailleurs, d'une part, à une participation partielle mais notable des employés à la gestion de sociétés privées, communautaires ou étatiques d'autre part. Cette comparaison a révélé six composants absolument essentiels à l'exercice significatif du pouvoir sur le long terme de leur société. Cet article identifie ces six composants essentiels, indique l'éventail des formes que chaque composant peut prendre lorsqu'ils sont réussis, puis explique comment ils doivent fonctionner afin de contribuer à la réussite de gouvernance démocratique.

Resumen

¿Qué conduce a una democracia exitosa en el lugar de trabajo, para que se mantenga vibrante a largo plazo? Para responder a esta pregunta de manera concreta, se realizó un análisis de más de 50 casos en 16 países diferentes y que cubre un siglo de experiencia. Las empresas examinadas fluctúan entre cooperativas que pertenecen totalmente a sus trabajadores por un lado, a empresas de propiedad privada, comunitaria o estatal con una participación parcial pero considerable de los empleados en términos de su gestión, por el otro. Esta comparación reveló seis componentes que son absolutamente esenciales para que los empleados ejerzan un poder significativo dentro de sus empresas en el largo plazo. Este documento identifica seis componentes esenciales, indica el rango de formas que cada componente puede tomar cuando es exitoso y explica cómo deben funcionar para contribuir a lograr la gobernanza democrática a largo plazo.

Introduction

Although cooperative enterprises may be intended by their founders to be run democratically, they may encounter significant problems trying to make that democratic management succeed over the long-term. We therefore spent several years investigating many firms who aimed to be democratic; we sought to learn why some succeeded in that goal and why others failed. (The failing firms sometimes survived economically, but their once-democratic management process had reverted to a conventional, top-down, ‘quasi-autocratic’ form).

Data from 54 companies located in 16 different countries¹ revealed that six internal processes were always present and functioning healthily in firms that succeeded at maintaining their internal democracy over the long-term. Those six processes, or essential components, are:

1. **Worker participation in management-level decision-making.** (Although this component obviously must be present before a system could call itself “democratic”, the research revealed that several companies had encountered important difficulties in implementing participation. We therefore will identify several problems—and tested solutions—for this component.)
2. **Frequent feedback** of varying economic results to all members, both as money and information. (Here too, the variety of cases offers guidance as to which mechanisms actually reinforce internal democracy and worker-skill-building, and which options by contrast do not help as much—even if they’d been expected to be popular).
3. **Full sharing with workers of management-level information** and, to an increasing extent, management-level expertise.
4. **Guaranteed individual rights** (corresponding, it turns out, to the basic civic political liberties).
5. **An independent board of appeal** in case of disputes (a board composed of workers’ peers as far as possible).
6. **A particular set of attitudes and values** (a specific ‘consciousness’).

Although the forms of each of these six components might vary across different companies and cultures, it turns out that all the components must be present in some form within each enterprise—and must be functioning robustly—if democratic management is not to weaken and decay. A major reason for this fact is that each component’s functioning reinforces the other components (as is shown diagrammatically in the Appendix, on page 9 and Figure 6). And each component depends upon the healthy functioning of all the others. This interdependence is quite similar to the ‘vital organs’ of our human bodies: ALL such organs (heart, lungs, brain, liver, etc.) must be functioning well for our bodies to survive; it is not enough to have “90%” of one’s organs functioning well—the failure of that 10th organ will still cause death of the whole person. So too with these six essential processes of democratic management within worker co-ops: The failure, or decline in function, of any one of them leads to the decay of the overall democratic process, leaving the firm with perhaps a continuing economic success, but no longer maintaining an internal democracy. We shall now examine each component’s nature, internal composition, and dynamics.

Understanding the Varieties and Dimensions of Participation

Much confusion can be avoided when examining this first component, worker participation in decision-making, if we keep in mind that each particular instance manifests along three dimensions at once:

1. the Degree of Influence that co-op members enjoy over any single decision;
2. the particular Issues over which that influence is exercised;
3. and the Organizational Level at which that influence is applied.

For example, many co-ops elect at least some rank-and-file members to serve on the company's top Board of Directors (which is Dimension #3: Organizational Level), but member participation in management decision-making at levels below that may not be formally instituted. As a result, the average member's participation where she or he actually works (e.g., at the bottom of the company in a factory, office, or shop) is hardly different from employees working in conventional companies—as members in some of the large Mondragon co-ops in Spain complained (Whyte & Whyte, 1988: 113). Therefore, an effective plan for workplace democracy can benefit by assessing the need for worker influence at several levels of the organization simultaneously. Participation at the top can protect and broaden participation on the plant floor. And participation at the bottom and middle levels of the firm can increase the skills of co-op members in understanding the ramifications of company decisions made outside their immediate work area.

The significance of the second dimension listed above, the Range of Issues over which workers are making decisions, becomes apparent in cases where a co-op has been created from a pre-existing conventional company—either by the sale of that firm to its employees because the former owner wanted to retire, or because the owner decided to shut the plant because of economic difficulties but the workers, seeing no alternative employment at hand, decided to try to run the company themselves (Atzeni & Ghigliani, 2007: 653-4; Bernstein, 2012: 14). In such situations, suddenly having to manage the entire company can feel overwhelming for many workers. Therefore, agreeing at the outset that their decision-making participation will grow gradually up this scale of issues (Figure 1 on page 10), from the issues at the bottom of that scale—with which they've already been familiar for many years in their daily work, like physical working conditions, safety rules & practices, and work standards (Issues #1 through #3 in Figure 1)—can allow them the time they need to gain confidence and skills in group co-management. After several months of co-managing on such familiar issues, they then naturally feel more ready to take on the next set of issues shown on this Dimension (Issues #4 through #7 for example) which logically impinge closely on the issues they've now become confident about (#1 through #3). Likewise, in subsequent months and years, such an organic progression can continue up to the remaining issues on this Dimension (#8 through #16), especially for those co-op members who feel ready to be elected to the company's higher governing boards.

The first Dimension listed above (at the top of this page) the Degree of Influence that co-op members exercise over any particular decision, is another helpful lens through which to clarify and resolve problems within a democratically-aspiring co-op. For example, on certain issues the Board of Directors may exercise absolute sovereignty: e.g., on deciding to halt any hiring of new members into the co-op for a certain period of time. But on other issues, the Board may have to share power with all the other co-op members, for example about the size of the annual profit-sharing distribution. Thus, this Degree of Influence dimension extends – as can be seen in Figure 2 on page 10—from mere consultation with work-team members by their manager (bottom right of that chart), through joint decision-making (middle-right of the chart) where solid agreement between the manager and the work team is required, all the way up to worker-autonomy (top right), for example by exercising the power to hire a General Manager from outside the co-op (as was typically done by American plywood-manufacturing co-ops [Bernstein, 2012: 15]).

Observing democratic management through the lens of these three dimensions (Level, Issues, Influence) can also be helpful to academic analysts and researchers, enabling them to measure and compare with some precision the degree of democracy attained in one company to that attained in

another. The graph shown in Figure 3 on page 11 demonstrates this: the Issues dimension shown vertically, the Influence dimension shown horizontally, and three different cases (plywood co-ops, Bat'a and Scanlon²) are located according to their degrees of participatory management in each instance. (Although just two dimensions are shown in that figure for simplicity's sake, adding the third dimension, Organizational Level, would be possible and also more comprehensive).

Likewise, the comparison of a particular co-op's internal democracy across several years can be charted using these 2- and 3-dimensional graphs, allowing a much more precise picture of the company's development (and/or regression) during that time—and thereby yielding a clearer understanding of problems that might need to be solved; as well as revealing the next stage this collective might be ready for, to deepen their degree of democracy.

Second Necessary Component: Frequent Feedback of Economic Results

Although co-ops by tradition are duty-bound to share their profits among their members, our examination of some other types of democratic firms revealed that several choices exist for fashioning this component within co-ops to more effectively support democratic decision-making by company members—as well as to develop their members' skill in responding to changing business realities. For example, instead of distributing a portion of the profits once a year, some co-ops might consider calculating what the distribution would be semi-annually or even quarterly, because that more-frequent information could strongly alert the members to any decline in productivity or sales, or to any increase in input costs which they might be able to fix without waiting for the end of the year to arrive.

Because of that informational feedback impact of this component, co-op members are brought into a natural learning situation, more powerful in some ways than the more conventional classroom-setting trainings.

For that reason this “frequent economic feedback” process became a central factor in both the most widespread form of participatory management at one time in the USA (the Scanlon Plan companies in the 1930s through the 1950s [Lesieur, 1958; Frost, Wakely & Ruh, 1974; Bernstein, 2012: 30-32]), and the Bat'a company's growth in 1922 from a modest-sized Czechoslovak shoe company into a multinational enterprise decades later not only across Europe, but also in India, Malaya, Africa, and the Americas, producing additionally textiles, chemicals, machine tools, tires and even airplanes (Sprague, 1932; Hindus, 1947: 69-70; Čekota, 1964; International Labor Organization, 1930; Dubreuil, 1963).

However, for this component to work effectively, the experience of many democratic companies reveals that certain key principles must be carefully attended to (Bernstein, 1978). Otherwise, its feedback impulse can stimulate confusing, and even conflicting, incentives among the company's various members:

4. The payout must be independent of the member's basic wage or salary. The necessity for this derives from the fact that the payment fluctuates, as it is a feedback from varying profits or productivity. When either falls below zero, the member's basic take-home pay would be reduced if the separation principle were not in place. (Few people would want to give up their stable income merely for the occasional chance of getting a high bonus in some periods, while risking subnormal wages in other periods).

5. The calculation of the payout should be frequent—even if the money itself is not yet distributed—so that its informational value to the members, revealing to them their group’s productivity in the most recent period, can have its maximum educational effect. Quarterly is a practical period length, although some manufacturing co-ops may find it more advantageous to report the calculation to their members as frequently as every month.
6. Where feasible, as in very large co-ops, the periodic measure of productivity can be calculated not just for the overall company but also for each operational division (or “profit-center”). Then, if a subdivision’s measure declines in a particular period, the exact persons whose changed behavior could improve the situation will automatically be alerted by this feedback that such a problem has occurred.

Third Necessary Component: Sharing of Management-Level Information

Obviously, if co-op members are to participate in decisions about issues that extend beyond their immediate work-tasks, they need assured access to information on those more distant areas. Technical information that in conventional firms might belong only to certain engineers must be available to all relevant co-op members when group decisions are to be made on issues that are affected by those technical details. Similarly, economic information that in conventional firms only the accounting and finance departments would be handling must regularly be available to co-op members working outside of those departments, if they are to vote intelligently on issues affecting—and affected by—those financial matters. If such information is not forthcoming when members feel the need for it, not only is frustration on those issues likely to result, but also employees’ confidence in the entire co-management system can disappear (Potvin, 1958).

Therefore, to be supportive of democratization, it was found that the amount of information available to members must be at least what they feel they need for adequate decision-making—even if some full-time managers might feel reluctant to share that much sensitive information. In companies where democracy is thriving, researchers have observed that much more than that minimum amount is routinely circulated. Instead of simply passively allowing their members to find out crucial information, those firms’ leaders have actively established mechanisms to keep all participants informed, and to assist their utilization of that information. Written reports on the performance of each department and on the state of the whole enterprise are distributed, as are written reminders of issues approaching a group decision point (Flanders, Pomeranz & Woodward, 1968; Blum, 1968). Additionally, persons occupying manager positions remain available for frank questioning by other co-op members, not only in formal meetings set aside for that purpose but also as an accepted custom whenever chance encounters arise (Bernstein, 2012: 15, 17).

Up to this point we’ve been discussing the availability of information. Just as consequential a factor of course is each member’s ability to process the relevant information. Obviously, when people first join a co-op, some may feel ill-prepared to understand all the requisite data. A formal orientation and initial training to raise their skill level is of course helpful. But more consequential for raising their self-confidence will be frequent opportunities to participate in concrete decision-making about their immediate work tasks. As we mentioned on page 3 (the Issues Dimension of the Participation component)—these experiences can build a foundation from which the new member grows into expertise about business matters in a steadily increasing way (Jenkins, 1973; National Industrial Conference Board, 1922). Simultaneously, a few months of experiencing the economic information feedback about one’s department’s performance (page 4) offers a rich learning environment for processing the firm’s business details.

However, serious problems can arise with the practical implementation of this informational component. Some managers may find it hard to abandon their former habits of prerogative and secrecy, especially if their co-op is a conversion from a conventional company. Although much information may be circulating to participants in the new co-op, certain crucial bits may be imparted only vaguely, or may be held back entirely, by certain managers. And that can significantly reduce the overall effectiveness of the participation system. Part of the solution to this problem lies in the consciousness of those occupying managerial posts, a factor we focus on within Component 6 (“Participatory-Democratic Consciousness”) on page 8 (paragraphs 3 & 4) and in Figure 5 on page 12 (also in Bernstein, 2012: 96, 98-100).

Additionally, there is the inevitable problem of managers’ continually greater expertise on certain issues in contrast to that held by the managed, even if full information is made available. This is a natural situation simply resulting from the division-of-labor and division-of-time inherent in any complex group endeavor. Although there seems to be no neat, final solution to this particular problem, certain experiences in workplace democracy are worth noting. Rotation of workers into managerial posts certainly increases the expertise of the total membership, as has been observed in America’s plywood cooperatives (Berman 1967) and in Israeli kibbutzim (Fine, 1973; Tabb & Goldfarb, 1970). Also, in several countries, external organizations supportive of co-ops offer varying degrees of education and coaching to co-op Board members.

Fourth Necessary Component: Guaranteed Individual Rights

Experience shows that it is not enough for members to possess appropriate information and the ability to use it. They also often discover a need to feel protected against possible reprisals for using that information to criticize existing policies, or to oppose proposed policy changes. And they want to feel free to differ with fellow workers on issues of moment. Without such protections, open dialogue and the important upward flow of suggestions and evaluations tend not to occur effectively for very long in firms seeking to be democratic (Zwerdling, 1974).

To state this more precisely, the companies studied here demonstrated that, to persist, a participatory management system must be supported by many of the rights commonly associated with political democracy: freedom of speech and assembly, petition of grievances, secret balloting, due process and the right to file appeal in cases of discipline, immunity of rank-and-file representatives from dismissal or transfer while in office, and a written constitution alterable only by a majority or two-thirds vote of the collective (Lynd, 1974, Gorupić & Paj, 1971; Flanders, Pomeranz & Woodward, 1968).

Importantly, that entire set of rights proved to be necessary, not just a few of them, because each right depends substantially on the others for its successful operation. For example, the right to seek ‘redress of grievances’ cannot be actualized significantly without the protection of workers’ representatives from being unfairly denied an earned promotion, or being punitively transferred to a different assignment. Equally necessary is the protection of secret balloting, by which to have elected their representatives in the first place.

This set of rights is not only politically necessary for individual participants, but also turns out to be cybernetically valuable **for the company as a whole**, by expanding its possibilities for adaptive self-steering. For example, free speech not only protects each co-op member; it also furnishes the organization with a wider range of perceptions of its own performance. Criticism, complaints, and specialized information from members at the bottom and far reaches of the company can improve

the accuracy with which decision-making organs at the center need to assess the state of their organization, its performance, and its environment (Deutsch 1963). Free speech also makes possible an upward flow of positive proposals, actualizing the cybernetic principle of “requisite variety” (which refers to the need of self-steering systems to supply themselves with several alternative views and strategies in order to cope adequately with their frequently-changing environments [McEwan, 1971; Beer, 1966]).

Fifth Necessary Component: Independent Board of Appeal (Judiciary)

Even though co-op members are participating in decisions that affect them, they will not always agree that the rules so democratically arrived at are being applied fairly or accurately. In order to resolve such disputes, an independent judicial procedure or board is needed. This system often differs from conventional “grievance machinery” in being broader in scope, more balanced in its power base, and more face-to-face in its implementation.

Specifically, adjudicative systems in democratized firms have taken on the following three aims:

1. To settle rule infractions in a just manner.
2. To uphold the basic rights (those discussed above as the 4th necessary component).
3. To protect the by-laws (constitution) of the enterprise from violation by any member, be they manager or managed.

To be able to fulfill these functions, the adjudicative system must be independent of all factions within the enterprise. Various forms have evolved in practice to ensure such independence: in co-ops and similar collectives the entire enterprise’s membership (or representatives chosen from them by lot) have served as the appeals board, to ensure that judgment will be by one’s peers (Berman, 1967; Fine, 1973; Dolgoff, 1974). In other democratized companies with more hierarchy, a joint tribunal consisting of workers and managers has been used to ensure balance (Blum 1968, National Industrial Conference Board 1922, Derber 1970). And for industries that are only partially democratized, an external arbitrator or labor ministry professional from the government has been engaged to ensure neutrality (Bloss, 1938; Sturmthal, 1964).

Whichever form is taken, it is crucial that the impartiality of the adjudicative system be real, and be perceived as such by the managed. Their sense of safety regarding the entire democratization system is at stake, not just their feelings about this one component. For this reason, the inclusion of peers in the adjudicative system is of special value: clearly, employees will cling more closely to the participation system if they know that they themselves, not autonomous managers, have the last word on how its rules are to be applied, how their basic rights will be upheld, and how their opportunities for participation will be guaranteed.

Where the total body of co-op members is the final tribunal, one might wonder if their decisions might tend to be biased in favor of the managed. In fact this does not appear to be so serious a problem, because the infractions to be decided are often ones that hurt the entire collective, not just the management. The collective, from its own perspective, will not automatically side with an individual member if the facts indicate that he or she has broken one of their important group rules (Berman, 1967).

In general, it seems that democratized enterprises have not developed the adjudicative component as far as they have developed some of the other components. In particular, some of the safeguards

that evolved in our wider society to protect individuals from unjust authority are still absent inside many democratized firms. One recent innovation that goes part way to resolve this problem has been the introduction of a personal-mediation process in response to disputes, before the more legalistic appeals-board structure might be brought onto the scene. This ‘healing’ form of conflict resolution can have important advantages, in co-op contexts especially, because it can repair—and then strengthen—the sense of community-belonging on which cooperatives strive to be based (Coker 2012).

Sixth Necessary Component: A Participatory-Democratic Consciousness

The history of every democratized enterprise shows the crucial role of its members’ attitudes and dispositions in contributing to (or preventing) the ultimate success of such enterprises. Even where the economic operation of the company might succeed, its aim to be a democracy can fail, if its members’ mental and emotional propensities lack certain attributes (Tabb & Goldfarb, 1970). Researchers have referred to the needed set of attributes as a certain mentality (Das, 1964), organizational culture (Dunn, 1963), or type of consciousness (Freire 1974). Combining their findings from a wide range of experiences, three sets of traits emerged as crucial: two sets for all members of the firm, and an additional set for individuals when they are occupying leadership positions (“power-holders”).

As with all human behaviors, each of the necessary traits is manifested by each individual member to a varying degree, at varying times. (Thinking of oneself, the reader probably knows from personal experience that on a ‘good day’ he or she may be a much better listener, for example, in decision-making meetings, than on a ‘bad day’ when family matters or physical health problems might be upsetting him or her). So each of the traits that emerged as crucial for effective democratic participation at work is best depicted as existing along a spectrum, as shown in Figure 4’s two-headed arrow-lines (in the lower chart on page 11). There near the top of Column III, we see “Receptivity to the new; flexibility” on the left end of one such spectrum, with “Overseriousness, dogmatism” at the right end of that same spectrum. Such spectrum-characteristics are shown for all other traits identified in this chart.

All the traits turned out to belong to two main groups:

1. Traits that individuals exhibit when they are responding to decisions (‘outputs’) issued by others in the company management process;
2. Traits that individuals exhibit when they are inputting their own proposals into the company management process.

This important distinction emerged from the case data. It was not imposed a priori by our research methods.

As seen in Figure 4, seven rows or spectra of traits emerged from the case data, and they are summarized at the bottom of the chart in Row “8” (“Rough Summation”):

1. Company members range along a spectrum from being Compliant to being Resistant, when responding to potential manipulation by outputs of the managing process (this is shown in the two left-hand columns).
2. And members range along a spectrum from being Activist to being Passive, with regard to initiating or supporting inputs into the management process (seen in the two right-hand columns).

Unexpectedly, the two central columns' content that emerged from the case data overlapped to such an extent, and so coherently, that they demonstrated their content to be a consistent "participatory-democratic consciousness", and is therefore so labeled at the top of Columns II and III. What this means in the concrete reality of co-op life, is that the mental and emotional traits required for a thriving democracy within the firm combine both an activism to contribute to the company's decision-making process and a resistance to being easily manipulated by persons already exercising power in the organization. Just why those two sets of traits overlap can be illustrated by the spectra identified in each row. For example, looking at Row #5, "Critical thinking", the data specified that when an individual behaves with that skill set she or he will, by habit, "attempt to avoid distortions and preconceptions"; can be "self-critical" (self-reflective); he or she tends to "carefully differentiate between means and ends"; and is comfortable "acknowledging (recognizing) inevitable limits" to their own proposals and to existing company policies. Upon reflection, we see that this set of traits operates usefully both to help the individual resist being manipulated (Column II) and to create and organize policy (Column III). Hence the overlap of traits in Columns II and III on each row.

This chart's traits show what the general membership of co-ops (and citizens in society-at-large) appear to need to sustain democracy at a healthy level. An additional set of specific traits emerged from the case data as required for individuals when they are occupying leadership or managing positions in the enterprise, including the elected representatives of rank-and-file members. That is because the exercise of power at those positions can at each moment change the degree of democratization experienced by the rest of the co-op. Figure 5 on page 12 presents six spectra of such power-holders' traits, revealing—as is summarized at the top of that chart—that power-holders' behaviors tend either to discourage / prevent / impede democratization, or to foster / facilitate its development.

One way to summarize the kind of consciousness in power-holders that is positive for co-op democracy is to say that power-holders must be not only decision-makers but also educators; not only managers but also democratizers (Mulder, 1971; Adizes, 1971). In other words, the power-holder's responsibility in democratic firms is most definitely not only to accomplish the economic tasks of the enterprise but also to develop the broad membership's ability to be more democratic. This set of traits includes what recently has become known in the management literature as "servant-leadership" (Keith, 2012).

Potential contradictions in this democratic consciousness?

Returning to Figure 4 at the bottom of page 11 (the general membership's consciousness), we see that one important characteristic is the internal balancing of contradictory traits. For example, co-op members need to have both self-reliance (trait on Row 2) and receptivity to others' needs (trait on Row 3). Without self-reliance, initiative from the bottom of the organization would be unlikely to arise, and it is crucially needed for governing shop-floor (team & departmental) tasks as well as for holding higher management accountable to those below on broad policies. Yet, without the other trait—receptivity to others' needs—common agreements would be hard to achieve.

If these two traits (and other, similarly contradictory sets) are not successfully combined inside the same individual, the co-op may be prone to experience factionalism, as different people condense into groups predisposed to just one or the other trait. On the other hand, if the contradictory traits can be combined within an individual and this combination can be fostered in many individuals (as

at least one school of psychology asserts [Maslow, 1954; Theobald, 1970]), then democratic management will not have to depend on the rare, spontaneous occurrence of such multi-trait individuals.

A second important contradiction involving the participatory consciousness is that which occurs between the basic tendency toward activism (Row 8) and the organization's own need for stability and obedience to decisions once made. Co-operative organizations can suffer from holding too exclusively to either pole, as well as from oscillating too often from one pole to the other. Therefore, the most successful companies have developed an internal culture that emphasizes harmonizing those two tendencies, by allowing authority to flow upward from participants when they are choosing their managers or when they are setting long-term policy directly; and also letting authority and obedience flow downward when the elected directors make decisions that must be carried out by the rest of the participants. In such firms, activism and obedience are combined within a stable authority structure, manifesting a circular pattern, rather than having upheavals at either extreme followed by recrimination and occasional reactive reorganization (Bernstein, 1973:1; Bernstein, 2012: 16, 33, 40).

Although the participatory-democratic consciousness may be difficult to sustain at first without careful, repeated efforts (Rus, 1972), it does appear to have great durability once it has been firmly established in the minds of many members of an organization (Dolgoff, 1974, Szulc, 1972). Space is lacking here for further consideration of the causes of growth and change in such consciousness, but that can be read elsewhere (Bernstein, 2012: 100-107).

Summary of this Article

Co-ops' desires to utilize democratic forms of management can be aided by monitoring six essential internal processes, particularly in the case of worker co-ops. Each of the six processes can be developed deliberately; in a sequence that not only feels comfortable to the company's members, but which also gradually increases their personal abilities and skills in collective management and in business acumen.

For social science researchers, these six crucial components and their internal constituents can be tracked, providing a way to measure the changing performance and current 'health' of each single co-op's participatory system; and giving insights into its potential likely future problems early enough to take steps to prevent such problems from becoming major crises. Additionally, researchers can track the six components in several companies at once, thereby improving the precision with which they make comparative analyses of democratic management across countries, cases, and time periods.

Appendix: Viewing All Six Components in Interaction

To present the simultaneous influence the six components have upon each other, the flow-diagram in Figure 6 (page 13) is offered. However, it is much easier to grasp these interactions if you watch each component emerge into the diagram gradually, one at a time, as is shown in a video viewable at www.youtube.com/watch?v=MjW89YRP3gg. That takes you step-by-step through the significant interactions, beginning at the video's Minute 09:26.



GRAPHS & TABLES

Figure 1

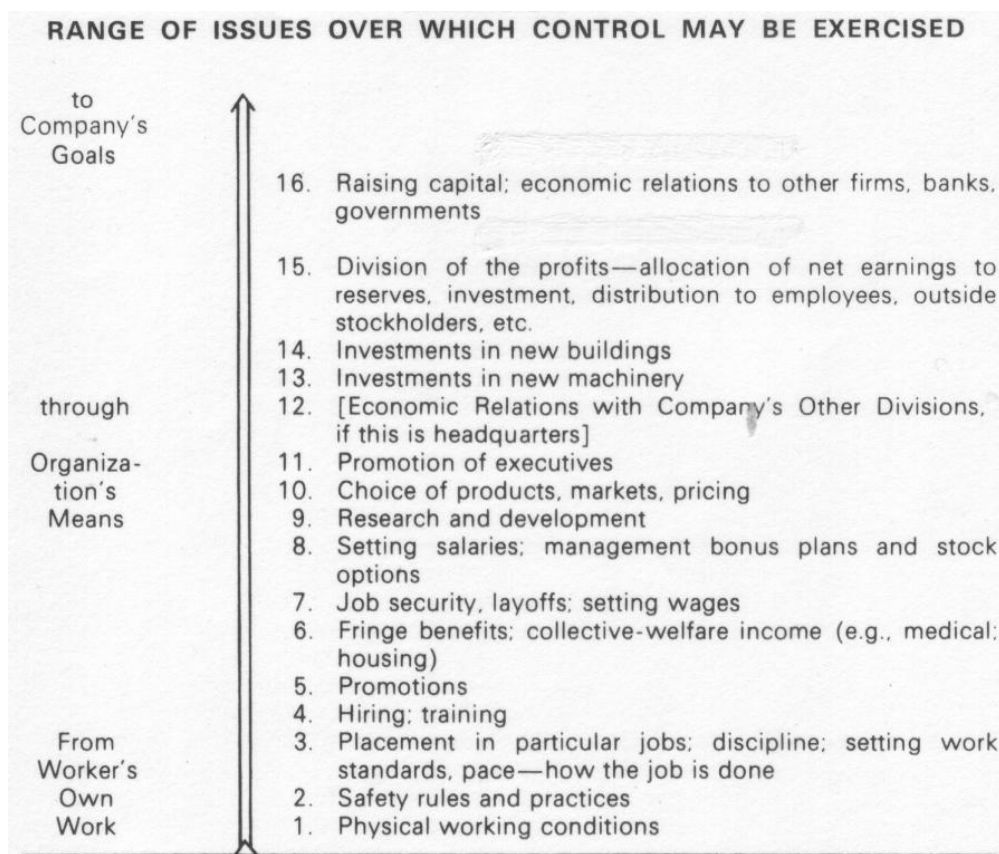


Figure 2

Amount of Employees' Influence Over Any Decision

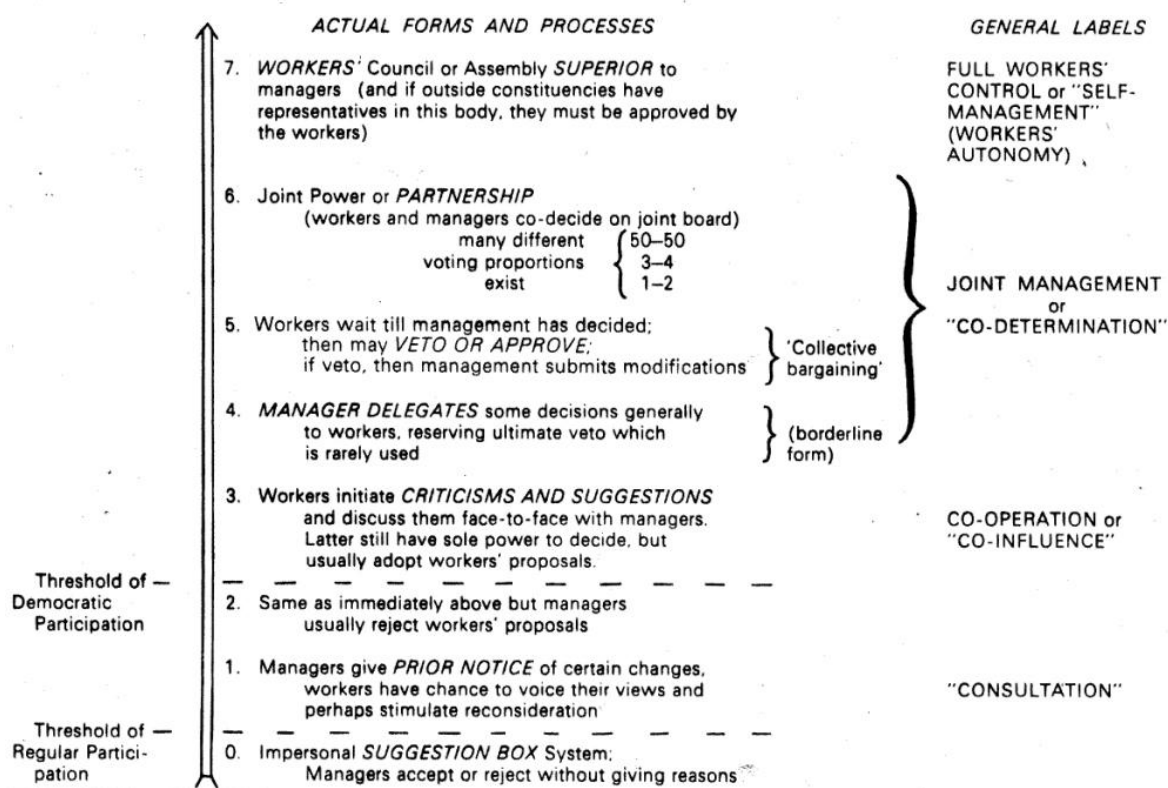


Figure 3

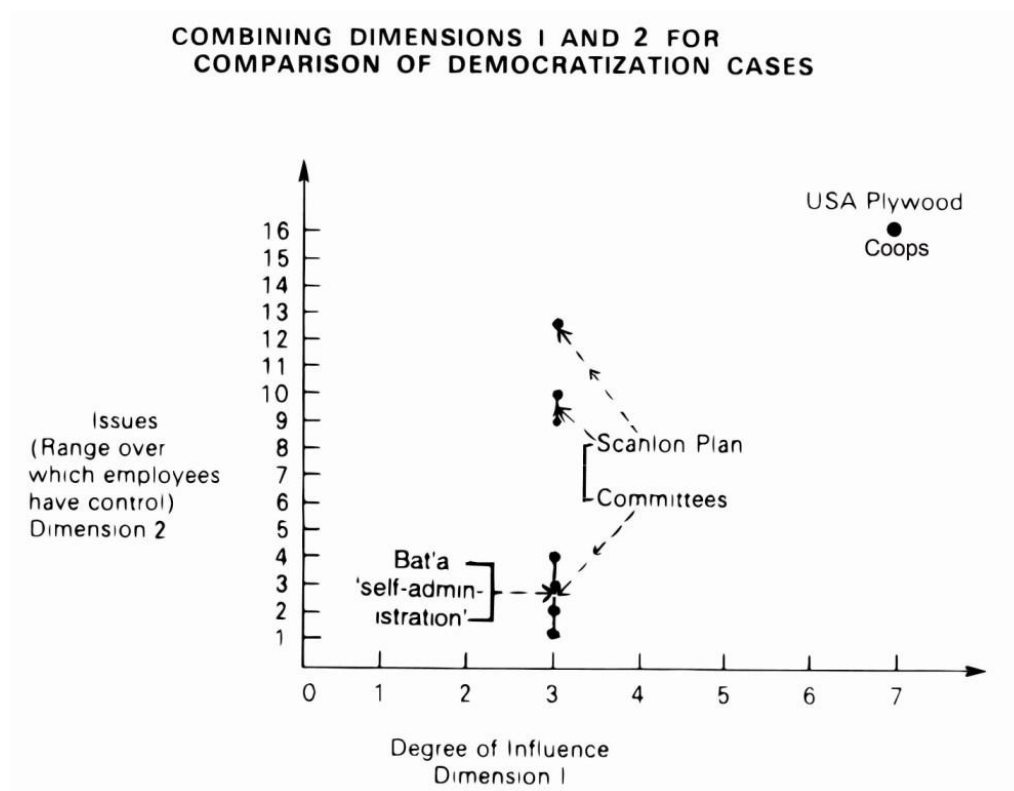


Figure 4

MAJOR SUBSYSTEMS OF TRAITS

Relating to Outputs of the Managing Process		Relating to Inputs of the Managing Process	
I. More Prone to Being Manipulated	"Participatory-Democratic Consciousness"		IV. Less Able to Create & Organize Policy
	II. Less Prone to Being Manipulated	III. More Able to Create & Organize Policy	
1. Rigidity of thought		Receptivity to the new, flexibility	↔ Overseriousness, dogmatism
2. Servility, timidity	↔	Self-reliance, refusal to transfer responsibility	↔ Dependence
3.		Facility for compromise and receptivity to needs of others	↔ Sectarian
4. Indifferent, unquestioning	↔ Inquisitive, interrogative	Critical thinking: —self-critical —carefully differentiates between means and ends —acknowledges inevitable limits	↔ Defensive
5. Extreme loyalty, deference, credulity	↔ —attempts to avoid distortions and preconceptions		
6. Simplistic thinking; black-and-white outlook	↔	Expects multiple causation	
7. Short time-sense	↔	Seeks to analyze in depth Long time-sense	↔ Superficial thinking ↔ Short time-sense
Rough Summation (8)	Compliance ↔ Resistance	Activism ↔ Passivity, abstention	



Figure 5

ADDITIONAL TRAITS REQUIRED OF POWER-HOLDERS

<i>Discourages or Prevents Democratization</i>		<i>Fosters or Facilitates Democratization</i>
1. Desire to maintain exclusive prerogatives	← →	Egalitarian values
2. Paternalism	← →	Reciprocity
3. Belief that leader must set example by appearing infallible (tries to hide all mistakes)	← →	Awareness of own fallibility; Admits errors to managed
4. Governing from position of formal power	← →	Governing by merit, explanation, and consent of governed
5. Mistrustful, feels all others need 'close watching'—hence: intense supervisions, limits freedom of subordinates	← →	Confidence in others—hence: willingness to listen and to delegate responsibility
6. Proclivity to secrecy, holding back information	← →	Policy of educating the managed; open access to information

Sources: Blumberg, 1968:23, 103; Derber, 1970:469; Mulder, 1973:224; Pateman, 1970; Norton, 1974; Tabb and Goldfarb, 1970.

Bibliography

Adizes, I. (1973). *Industrial democracy: Yugoslav style*, New York, Columbia University Press.

Atzeni, M. and P. Ghigliani (2007). "Labour process and decision-making in factories under workers' self-management: Empirical evidence from Argentina," *Work, employment and society*, Vol 21, Nr 4, December, p. 653-671.

Beer, S. (1966). *Decision and control: The meaning of operational research and management cybernetics*, London, John Wiley and Sons.

Berman, K. (1967). *Worker-owned plywood companies: An economic analysis*, Pullman, WA, USA, Washington State University Press.

Bernstein, P. (1973). "Existing democratized enterprises in the US and Britain," in *Democratizing the workplace: From job enrichment to workers' control*, Cambridge, MA, USA, American Friends Service Committee.

Bernstein, P. (1978). *Guidelines for the design of economic feedback systems*, Washington, DC, US Economic Development Administration.

Bernstein, P. (2012). *Workplace democratization: Its internal dynamics*, Chelsea, MA, USA, Educational Services Publishing.

Bloss, E. (1938). *Labor legislation in Czechoslovakia*, New York, Columbia University Press.

Blum, F. (1968). *Work and community: The Scott-Bader commonwealth and the quest for a new social order*, London, Routledge and Kegan Paul.

Blumberg, P. (1968). *Industrial democracy: The sociology of participation*, New York, Schocken Books.

Čekota, A. (1964). "Thomas Bat'a—Pioneer of self-government in industry," in M. Rechcigl (edited by), *The Czechoslovak contribution to world culture*, The Hague, Mouton.

Coker, C. (2012). *Personal communication*.

Das, N. (1964). *Experiments in industrial democracy*, Mumbai, Asia Publishing House.

Derber, M. (1970). *The American idea of industrial democracy 1865-1965*, Chicago, University of Illinois Press.

Deutsch, K. (1963). *Nerves of government: Models of political communication and control*, Glencoe, IL, US, The Free Press.

Dolgoft, S. (1974). *The anarchist collectives: Workers' self-management in the Spanish revolution 1936-1939*, Montreal, Black Rose Books.

Dubreuil, H. (1963). *L'exemple de Bata: La libération des initiatives individuelles dans une entreprise géante*, 5th edition, Paris, Grasset.

Dunn, W. (1967). "The economics of organization ideology," International sociological conference on participation and self-management, Vol 6, Zagreb, Institute for Social Research.

Fine, K. (1973). "Workers' participation in Israel," in G. Hunnius, G. Garson, and J. Case (edited by), *Workers' control: A reader on labor and social change*, New York, Random House.

Flanders, A., R. Pomeranz and J. Woodward (1968). *Experiment in industrial democracy*, London, Faber and Faber.

Freire, P. (1974). *Education for critical consciousness*, New York, Seabury Press.

Frost, C., J. Wakely and R. Ruh (1974). *The Scanlon Plan for organizational development*, East Lansing, MI, Michigan State University Press.

Gorupić, D. and I. Paj, I. (1971). "Workers' participation in management in Yugoslavia," International institute of labor studies bulletin, Nr 9, p. 129-172.

Hindus, M. (1947). *The bright passage*, New York, Doubleday.

International Labor Organization (1930). "The Bat'a boot and shoe factory," Studies on industrial relations: Studies and reports, Series A, Vol 33, p. 217-263.

Jenkins, D. (1973). *Job power: Blue and white collar democracy*, Garden City, NY, USA, Doubleday.

Keith, K. (2012). *Questions and answers about servant leadership*, Westfield, IN, USA, Greenleaf Center.

Lesieur, F. (1958). *The Scanlon Plan: A frontier in labor-management cooperation*, Cambridge, MA, MIT Press.

Lynd, S. (1974). "No supervision without representation," Working papers for a new society, Vol 2, Summer, p. 16-22.

Maslow, A. (1954). *Motivation and personality*, New York, Harper and Row.

McEwan, J. (1971). "The cybernetics of self-organizing systems," in C. G. Benello and D. Roussopoulos (edited by), *The case for participatory democracy*, New York, Viking, p. 179-194.

Mulder, M. (1971). "Power-equalization through participation?," Administrative science quarterly, Vol 16, March, p. 31-40.

Mulder, M. (1973). "The learning of participation," International sociological conference on participation and self-management, Vol 4, p. 219-228, Zagreb, Institute for Social Research.

National Industrial Conference Board (1922). *Research report #50: Experience with works councils in the United States*, New York, Century Co.

- Norton, J. (1974). Comments concerning worker self-management, Cambridge, MA, USA, Harvard School of Business. Mimeographed.
- Pateman, C. (1970). Participation and democratic theory, Cambridge, UK, Cambridge University Press.
- Potvin, R. (1958). An analysis of labor-management councils in Belgian industry, Washington, DC, Catholic University of America Press.
- Rus, V. (1972). "The limits of organized participation," International sociological conference on participation and self-management, Vol 2, p. 165-168, Zagreb, Institute for Social Research.
- Sprague, B. (1932). "Bat'a, chief figure in the world's shoe industry," in E. Gay (edited by), Facts and figures in economic history, Cambridge, MA, USA, Harvard University Press, p. 276-303.
- Sturmthal, A. (1964). Workers councils: a study of workplace organization on both sides of the iron curtain, Cambridge, MA, Harvard University Press.
- Szulc, T. (1972). Czechoslovakia after World War II, New York, Viking Books.
- Tabb, J. and A. Goldfarb (1970). "Workers' participation in management: Israel," International institute of labor studies bulletin, Nr 7.
- Theobald, R. (1970). Alternative America II, Chicago, Swallow Press.
- Whyte, W. and K. Whyte (1988). Making Mondragon: The growth and dynamics of the worker cooperative complex, Ithaca, NY, USA, Cornell University ILR Press.
- Zwerdling, D. (1974). "Looking for workers' control," Working Papers for a New Society, Vol 2, Autumn, p. 11-15.

Notes

¹**Paul Bernstein, Ph.D.**

Contact author at: EduServ1@verizon.net

www.workdemoc.org

8 Ferry Street

Chelsea, Massachusetts

02150-2664 USA

1. Germany, France, Great Britain, Norway, Sweden, Belgium, Poland, Spain; the former Czechoslovakia, Yugoslavia & Soviet Union; Argentina, Canada, United States, Israel, China.
2. Introductory information about Bat'a and Scanlon cases is given in the middle of page 4 (the 5th paragraph).

Acknowledgements

We extend our warmest thanks to our scientific committee and our evaluators for their thorough work throughout the call for papers and paper evaluation process. As well, we thank our many authors for having responded to our call for papers and for submitting their work.

Scientific committee

Marie-Claude Beaudin, Guy-Bernier Chair on Cooperation, ESG-UQAM (Coordinator)
Pascale Château Terrisse, Maître de conférences, Université Paris-Est, IRG
Pénélope Codello, Professor, HEC Montréal
Fabienne Fecher, Professor, Université de Liège
Sylvie Guerrero, Professor, ESG-UQAM (President)
William Sabadie, Professor, Université Jean Moulin Lyon 3
Claudia Sanchez Bajo, IUSS Pavia University

©Sommet international des coopératives
www.sommetinter.coop

ISBN : 978-2-924765-42-5
Dépôt légal – Bibliothèque et Archives Nationales du Québec, 2016
Dépôt légal – Bibliothèque et Archives Nationales du Canada, 2016

Reference:

BERNSTEIN, Paul. 2016. To maintain democracy over the Long-Term, Worker Co-ops require at least these 6 internal components. Lévis : Sommet international des coopératives, 20 p.

Published by:



*The content of this publication may be reproduced provided that the sources are fully acknowledged.
The content of the papers published here in is the sole responsibility of the authors.*