
The defense of cooperative values in 'alternative' organizations

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'Cooperative' and 'collectivist' organizations are a rather old phenomenon. Even in the short history of labor in the U.S., there were four periods of substantial formation of producers cooperatives (Aldrich and Stern, 1983). Beginning in the late 1960's a new wave and perhaps a new form of cooperative business organization has developed. These organizations are largely based on the rejection of the values and bureaucratic impersonality of modern corporations and government agencies. However, they share a basic characteristic with earlier cooperative forms. These alternative organizations seek to maximize organizational control by all organization members through the use of direct democratic participation. In effect, they seek to maximize the amount of power exercised by organization members through direct participation (Lammers, 1967), but expand participation to cover all organizational issues, not just those related to work.

This paper contains a brief theoretical overview of the values, structures and functioning of small scale cooperative organizations. The values underlying such organizations are considered first, followed by a description of the organizational structures developed to establish and preserve these values. The resulting structures have direct implications for organizational practice and the ability of the organizations to absorb environmental change. The discussion is largely based upon theoretical and empirical work which has been done in the U.S. over the past fifteen years.

1. Organizational Values

The modern bureaucratic organization, despite its portrayal in rather stereotyped terms (e.g., Hummel, 1982), represents an attempt to maximize the achievement of a particular set of values. The underlying values developed from Weber (trans. 1968) involve instrumental rationality as the dominant mode of social action and contain the objective of efficiency in the use of resources. Efficiency is thought to be best obtained by reducing operating uncertainties as much as possible (Thompson, 1967). Reducing uncertainty is accomplished by increased standardization, specialization, routine, formal regulation and organizational stratification (Bernstein, 1976). Often these strategies are viewed as Weber's legacy, a prescription for modern efficiency. However,

Weiss (1981) has argued quite forcefully that Weber actually provided a description of how organizations become instruments of control over human behavior. He did not advocate bureaucracy as the best means of accomplishing goals, only as an efficient means of controlling behavior. Rothschild-Whitt (1979) touches on this issue in arguing that Weber's value-rational social action is also a basis for organization.

Under the rhetoric of many contemporary critics of bureaucracy lies the idea that there are trade-offs among values which dominate particular organizations. For example, Lammers (1983) suggests four variables which represent values obtained to differing degrees in various forms or types of organizations. The state of these values also varies with less basic characteristics such as leadership style, legal requirements and organizational complexity. The stereotype of the bureaucratic organization presumes that organizational structure maximizes the values implied by *bestuurbaarheid* (managability) and *beheersbaarheid* (regulation). In the first, the ability to move the organization toward accomplishment of objectives lies in the characteristics attributed to Weber's bureaucratic model. For the second, the ability to establish guidelines and policies which constrain organizational activity comes not only from the presumed benefits of hierarchy of authority, division of labor, etc., but also from specialized structures such as boards of directors and steering committees. In thinking about power distribution in organizations, the notion that a dominant coalition exists is an idea supporting maximum *beheersbaarheid* within organizations.

Critics have concentrated their attacks in areas involving these four variables as well. That organizations ignore the human element producing meaningless and purposeless work is a common observation (Hummel, 1982). When *leefbaarheid* is a concern, management is thought to take up the rhetoric only as another attempt to control the labor process more effectively (Salaman, 1981). The complexity of bureaucratic structures, use of hierarchical authority, expertise and withholding of information also reduce the quality of *kontroleerbaarheid* for most participants in large organizations. Difficulty in determining who made decisions, how the decisions were made and why, often seems mysterious. Language itself becomes a tool for obscuring the origin and process of decision making (Habermas, 1976; Searle, 1969).

2. Cooperative Values and organizational structures

If the small alternative organizations have the maximization of direct organizational control by members as a primary value, they are seeking to maximize *kontroleerbaarheid* and *leefbaarheid*. They do not give up on achievement in the other two dimensions but trade-off efficiency in these areas to emphasize humanism and procedural justice. Rothschild-Whitt's (1979) analysis of these organizations is fundamental. They operate on the principle of value-rational social action. The objective is pursuit of a value or belief for its own maximization and not as an instrument to obtain other ends. She identifies the value to be pursued by alternative organizations as self

control and the egalitarianism implied by the end of hierarchical authority patterns. (1979:511-512)

The alternative or collective organizations she studied were generally small, containing thirty members or less. They provided services such as education, medicine, and legal advice or a product requiring low capital investment such as food or production of a community newspaper. She developed an ideal type model comparing eight characteristics of these firms with the ideal type model of bureaucracy. (Rothschild-Whitt, 1976, 1979a, 1979b; Rothschild-Whitt and Whitt, 1982). Given the value that these organizations wish to maximize direct control on an egalitarian basis, her eight characteristics are divisible into three groups: those directly producing the values sought, those which help maintain or facilitate the fulfillment of these values, and organizational processes which are derivative from the value based structural characteristics.

Fundamental characteristics include the bases of authority and social relations. Authority is to reside in the collectivity and may be delegated only temporarily to individuals acting as agents for the group. Compliance is to the fluid consensus of the collective. Social relations are to be communal with a holistic and personal rather than segmented view of individuals.

A variety of organizational structures or patterns of organization are established to obtain and maintain the value oriented behavior. There is a minimum of permanent stipulated rules in order to avoid rigidity and use of impersonal resources as a basis of power. Reward differentials are minimized to promote egalitarianism. Social stratification and its derivative class structure are thereby reduced. The division of labor is also minimized to reduce differentiation and the power of expertise. The division between intellectual and manual work is reduced.

These structures produce and are reinforced by a variety of organizational practices. Incentives tend to be value based rather than material, and social control occurs at the same personal and often moralistic level. This form of social control seems to work best with a homogeneous group of participants, particularly with regard to the values to be maximized. Homogeneity of life style concerns and political views results as well. Personalistic screening of new members becomes the norm. As there is no hierarchy of positions, traditional thinking about career advancement is not meaningful (1979a:519).

A further derivative is the decision making practice which comes from the dual values of direct control and egalitarianism. For example, Bernstein (1976) argues for analyzing participation in terms of the organizational *level* at which decisions are made, the *scope* of issues put in the participatory area and the *degree* to which participants make decisions. In the 'alternative organization' case, all decisions from work process to organizational policy, involve all members and in many cases everyone has veto power. This veto situation arises when the collective uses consensus as its basis of decision making.

Full, direct, egalitarian participation has a number of implications for organizational functioning particularly if consensus decision making is the norm. Proponents of the procedure argue that participatory decision making produces higher quality decisions. Communication experiments involving complex tasks and differing information flows such as the classic one-way, two-way experiments of Leavitt (1964) provide support for this argument. Further, group decision processes may lead the group to make more daring decisions than individuals would. Members who discuss issues and no longer feel powerless in decision processes are also likely to be more committed in the implementation of decisions.

At the same time, there are organizational and personal costs involved in highly participatory and consensus strategies. Mansbridge (1973) and Rothschild-Whitt (1979a) identify the problems of (1) increased time for decision making, (2) emotional strain, and (3) inherent personal inequality. If everyone is to be given the opportunity to speak on any issue and a real exchange takes place, the time investment in any one decision is greatly increased. In consensus situations, each member may actually be required to speak in order to give assent or at least indicate that there are no objections to a specific course of action. When all decisions are subject to group consensus, the number of decision meetings increases in addition to their length. The importance of an issue to organization functioning is probably not strongly correlated with the time given to the issue by the group. The principle of full and equal participation is the critical variable. Each individual's investment in the issue and its salience to the group interact to produce the discussion.

As there are no formal rules to invoke as the basis of decisions and little differentiation to produce expert power, issues become very personalistic. Rothschild-Whitt and Whitt (1982) relate several anecdotes illustrating the intensity of emotional involvement in discussions. Mansbridge's (1979) analysis of psychosomatic symptoms shown by members of small New England towns before town meetings reveals the difficulty created when bureaucratic defenses used in decision making in hierarchical organizations are removed.

Observers of decision making in these collectives also note that the distribution of logical and rhetorical skills often creates inequality within the groups. Individuals who are more persuasive speakers and who have quicker insight into problems become more influential than others. Their ideas are more likely to be adopted or discussed by the group; those who set agendas for discussion accumulate influence and perhaps power.

One further derived characteristic is important for theoretical development. These alternative organizations tend to recruit rather homogeneous members. People with similar life styles, concerns about the nature of work, service orientations and political positions are recruited into the groups. Homogeneity of values is probably critical for a value-rational organization. The decision process is easier if everyone makes similar assumptions. Organizational practices will be accepted quickly and less socialization

of new members is required.

These three costs and the tendency to recruit a homogeneous group also create the possibility that a phenomena related to Janis' (1972) groupthink may occur. Despite the ability of consensus decision meetings to allow conflicts to be expressed, there is likely to be a strong counter pressure for the group to reach consensus. Many of Janis' characteristics depend on the existence of a leadership role in the group, and collectives play down such roles. However, consensus decision groups develop patterns of action over time which may lead to the inhibition of individuals with ideas disruptive of the consensus. The 'guarding' of group cohesion creates a further cost through the decision process.

3. Threats to Value Maintenance

A variety of forces both internal to the organization and in the environment may threaten the ability of these organizations to maintain their egalitarian values and structures. Current work argues that the greatest threat to the organization is the development of oligarchic control patterns. Reasoning has followed Michels (1949) arguments that inequalities will develop, a leadership group emerges, others are willing to cede power to them and power differences become institutionalized. Organizational goals are displaced and maintenance itself is substituted (Rothschild-Whitt, 1976).

Some internal conditions are thought to reduce this threat to democracy. If members have a world view (*Weltanschauung*) which contains the notion of social fluidity and the impermanence of relationships, they are better able to avoid goal displacement. Rothschild-Whitt (1976) recognized this perspective among the counter-culture participants in many U.S. collectives. It allowed them to attend more closely to values rather than long term employment or organizational survival.

Organizations which are not dependent on financial resources from those outside the group are better able to resist the pressures toward goal displacement brought by non-members who do not share democratic norms or who may seek financial return for an investment. Further, small organizations have an easier time with face-to-face interaction and are more likely to carry out the continuous exchange and open criticism which is necessary to keep the consensus process operating. Thus, growth in size of membership is a potential threat.

Given that these organizations exist within capitalist economies where most other organizations do not follow similar participatory philosophies but do seek to maximize financial return on investment, the collectives are actually quite fragile. They depend on a committed membership which does not lose its commitment. They require members with the ability to tolerate personalized, intense, emotional conflicts. How do they survive this fragility?

4. Organizational Survival and Fulfilling Values

One interesting observation made in the studies of Rothschild-Whitt and others is that some individuals are so committed to egalitarian collective values that they would rather see their organization die than be corrupted. For the true believer, corruption implies the development of power inequalities and materialistic concerns. These individuals would go to another organization or do something else if their collective irreparably lost sight of its value base.

The implication is that collectives face a high turnover rate in membership, because they cannot continually meet everyone's expectations. Individuals leave for a wide variety of reasons, some of which may be creating contradictory pressures for the organization. Fulfillment of someone's ideal is the same force which drives others away. For example, individuals in these collectives are usually willing to work for relatively low wages, but they need sufficient resources to survive. However, economic success which results in increased income may raise expectations concerning life style. Should an organization become particularly successful, careerism and material concerns may divide the group. The economic marginality of the firm actually protects its membership base by discouraging material aspirations (Rothschild-Whitt, 1977). Turnover also tends to occur where members are committed to collectives as a part of youthful social rebellion. Researchers have reported on the relatively young average age of members and the common pattern of leaving to seek less marginal employment as they become older.

Turnover presents an immediate as well as a long run problem for these organizations. *Alternative organizations which survive beyond the founding generation must develop mechanisms to deal with high rates of member turnover.* Remaining members who wish to continue the organization must recruit new members and socialize them. However, the establishment of procedures for socialization would run counter to the basic tenant of rule avoidance.

In a study of this issue in six cooperative housing groups, Gillespie (1981) found that the establishment of rules for socialization to explain decision making to new members did not reduce the perception of members that they had democratic participation in an egalitarian organization. At the same time, these new members indicated that they had joined the organizations because of lower housing prices (a utilitarian concern), rather than egalitarian values. The results may be interpreted to support the earlier notion of organizational fragility. When a collectivist democratic organization survives long enough to require a second generation of members, it is likely to be faced with a difficult choice. New members do not necessarily have the same values as the founders. Old members wishing to preserve the initial values seek to socialize new members and will need a procedure to do so if the turnover rate is substantial. The problem of generational differences is not a new one, but it calls for the modification of some collectivist characteristics if organizational survival is of any concern.

Economic marginality also contributes to organizational fragility. The organization requires some financial success but not too much. The organization may have trouble competing with conventional organizations unless a particularly committed clientele can be developed. As a result, *collectivist alternative organizations are most likely to arise and survive economically in protected (but marginal) markets*. They are likely to be oriented toward a particular local community (e.g., a cooperative food store or community newspaper) or subpopulation (e.g., a feminist bookstore, an abortion collective, or a neighborhood medical clinic). These organizations have higher survival probabilities where the protected market is one which is ignored by conventional firms. Often the protected market is viewed as too risky or expensive for profit maximizing firms and government bodies. The subpopulation is also likely to help maintain the firm's marginality by having restricted incomes and special needs.

The risks of expanding beyond the protected market are great. Competition with conventional efficiency oriented organizations may result in attention being drawn to the unconventional nature of the collective. There follows a possibility of legal harassment or price competition jeopardizing the smaller protected market.

More serious is the prospect of economic success in an expanded market. Growth in organizational membership reduces the ability to maintain face-to-face decision making, undifferentiated roles (including job rotation) and membership homogeneity. Economic success also engenders the risk of careerist ambitions and goal displacement.

Homogeneity of membership also contains a contribution to organizational fragility. Though shared values, life styles and politics make decision making and implementation easier, they reduce the generation of new ideas. Cloning the existing membership may have a stagnating effect in the long run. Even a membership with an orientation toward constant social change can make few changes when ideas are lacking. Diversity would create more innovative ideas for solving problems but would reduce the ease with which egalitarian decision values could be implemented.

One implication of this observation is that larger organizations may have to organize small units with a homogeneous membership base to facilitate participation, but must simultaneously maintain diversity in order to improve the probability that possible adaptations to changing environmental conditions are considered. In terms of a population ecology perspective on organizations (Aldrich, 1979) *alternative democratic organizations are suited to survival only in a narrow ecological niche*. Environmental change requiring an innovative organizational response may overwhelm the capacity of these firms.

Product production and service delivery also depend upon the maintenance of the technological base of the organization. Technology is a source of organizational fragility because of its potential for generating specialized knowledge and a basis for differentiating individuals within the organization. Technical knowledge can be used to argue for the imperative nature of an individual's position.

The result is that *technological changes which increase organizational complexity are likely to be resisted*. Task complexity makes job rotation and the generalization of knowledge more difficult. If some members obtain knowledge which is unavailable to others for whatever reasons, egalitarianism in decision making is directly threatened. *Alternative democratic organizations will tend toward labor intensive activities and toward the use of capital equipment which does not require substantial amounts of technical knowledge.*

5. Survival and the Ideal Type model

The four sources of fragility – turnover, protected markets, member homogeneity and technology – actually have little place in the ideal type model. In that model economic survival is not viewed as a relevant concern because value maximization is the goal. Economic survival is simply a means to obtain the highly valued democratic egalitarian end. However, use of the economy, even a protected segment of it, as a means to achieve desired values places substantial constraints upon the organization. Regardless of the rejection of a survival goal as a distraction from value rational action, survival in some form is a requirement.

As a result, the challenge to participatory democratic values comes from a source other than internal oligarchic pressures. Survival needs themselves provide pressure on internal democracy. For the value rational organization, the difficulty lies in keeping priorities in order; members must act to permit the organization to survive without displacing democratic goals. Unless the organization is viewed as entirely expendable, norms regarding rules and the establishment of standard procedures have to be relaxed. The organization can do this if democratic decision procedures are maintained allowing challenges to the rules to be relatively simple, but arguments such as 'we have always done it this way' cannot be given great credence.

6. Conclusions

From this perspective of the model describing democratic alternative organization, this paper is suggesting a modification of some current thinking. Using survival demands as a basis for action is not necessarily tantamount to goal displacement. Turnover, market structure, homogeneity and technology produce real problems for survival. Some formal structures may be developed to defend face-to-face cooperation in decision making. For example, procedures are needed to socialize new members if older members are not going to occupy a great deal of time 'breaking in' new people. These procedures must allow the organization to be relatively unaffected by those who leave when they perceive a decline in cooperative characteristics or seek employment in the traditional economy.

This paper contains arguments that processes, procedures and characteristics which

derive from structures designed to defend democratic participatory values are themselves threats to these alternative democratic organizations. Membership turnover keeps organizational commitment among remaining members high by self selection. At the same time, turnover produces pressures for the socialization of members and clients. Protected markets afford a ready outlet for products and permit the organization to become quite good at producing its goods and/or services. However, these markets often produce economic success and create pressure for growth. A homogeneous membership facilitates consensus decision making and operation but it also reduces innovativeness and the ability to find solutions to problems. Finally, technology provides the opportunity to produce high quality goods and services but also creates logistical problems for job rotation and increases pressures toward differentiation.

The closer an alternative fits the ideal type, the less troublesome these issues become. Deviation from alternative values leads organizational members to allow the organization to die or they transform it into a new, temporarily more pure organization. In effect, the closer the alternative organization is to the ideal type model, the less stable it may be. Members holding the ideal values choose organizational death over deviations from collectivist alternative norms. Deviations from the model however, are usually aimed at survival.

Weber dealt with directly democratic organizations as a marginal case (1968) and he may have been correct. However, the current theory regarding these organizations has attended too closely to concerns over the creation of inequality and oligarchy. As long as these organizations exist in basically capitalist economies, concerns with the threats to democracy implied by economic survival needs, merit just as much attention.

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