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What motivates members to participate in the governance of consumer co-operatives? A study of the Co-operative Group

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Research carried out as part of the Stirling University Mutuality Research Programme, in partnership with the UK Co-operative College, and funded by the UK Economic and Social Research Council.

Research Report No.2

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Acknowledgements

We would like to thank the many members of area committees who filled in our questionnaire, and also members of the Co-operative Group's Main Board and Regional Boards who allowed us to interview them in depth about the governance of the Group. We received help in arranging the field work from several Group staff members, and in particular thank the following individuals: Russell Gill, Mark Field, Yvonne Batten, Sue Stockwell, and Martin Meteyard. As ever, the Co-operative College was a worthy research partner, and Mervyn Wilson receives special thanks for overseeing much of the data collection.

This report is based on the final report to the Economic and Social Research Council of a project entitled 'The participation of members in the governance of mutual businesses: application of a motivational model', project no: R000223846. We are grateful to the ESRC for financial support.

Johnston Birchall and Richard Simmons (Stirling University), January 2004

Introduction

In 1996 an attempt was made to demutualise one of the world's largest consumer co-operatives, the Co-operative Wholesale Society or 'CWS'¹. The attempt failed, but it led to CWS and the wider co-operative sector making a clear commitment to resist demutualisation and to reaffirm co-operative values. This raises several important questions for research. How are co-operatives defending themselves against the threat of demutualisation? Do they see their members as a potential threat, or will the members rally round against the 'carpetbaggers'? Should boards of directors and managers just ignore the problem and hope that by not updating their membership lists and not communicating with their members they can 'let sleeping dogs lie'? Or should they have an active strategy of 'cleaning' their membership lists and, through putting serious efforts into member relations, hope to create a loyal membership base? Would such an effort divert them from their aim of becoming better retailers? Is democracy a cost that will disadvantage the sector in the long run against its investor-owned competitors? Or is there, as the recent Co-operative Commission on the future of the sector has claimed, a 'co-operative advantage' that will make such a membership strategy also good for business? Through the Mutuality Research Programme at Stirling University we intend to provide answers to these questions.

As a first step, we have focused on the question of what motivates people to join and take part in the governance of member-owned businesses. Taking steps to revitalise member democracy and build 'a strong membership'² depends on members being motivated to take part. This report presents the findings of our project entitled 'The Participation of Members in Mutual Businesses', which was funded by the UK Economic and Social Research Council³. It draws on datasets of active and inactive members of the 'Co-operative Group', which was formed after the recent merger of the two largest co-operatives in the UK, CWS and CRS. In partnership with the Co-operative College we gained privileged access to 500 people who had recently been elected to new area committees of the Co-operative Group. As a result of the CWS/CRS merger, the Group has modified its democratic structures; 50 area committees elect eight regional boards and a Main Board of Directors. There are 12 members on each area committee, and it is this group of around 600 people who have

been the main focus of our research. As a 'control' group, we also took a random sample of 100 non-participants; people who are on the Group's "members' network" who receive regular information but are not currently active. The project builds on a previous study funded as part of the ESRC's 'Democracy and Participation Programme'⁴. This first project developed a complex theoretical model of what makes people participate, focusing on the participation of public service users in local authority housing and community care services⁵.

Why the Co-operative Group is important

We were delighted to be able to study the Co-operative Group, for two reasons. First, the demutualisation of a large proportion of the building society and mutual insurance sectors in Britain, and the successful defence of mutuality by a number of leading mutuals, have led to a renewed interest in this form of business organisation⁶. There is a vigorous debate concerning the advantages and disadvantages of mutuality and whether member-ownership by customers is an effective means of corporate governance. Consumer co-operatives are mutuals, and we have focused on a co-operative that had also recently been targeted by demutualisers. Unlike financial mutuals, co-operatives have a tradition of member-involvement, and we extended the motivational model to co-op members in order to find out whether mutually owned businesses can motivate members to take part in their governance. During our research, this issue has become even more important for public policy in England; health trusts are being invited to apply to become independent foundation trusts. These will be multi-stakeholder mutuals, offering membership to local people, employees and relevant organisations. Chief executives of the new trusts want to know how to make member participation work, and the experience of those consumer co-operatives that have tried is directly relevant⁷.

Second, there is the question of scale. Can large-scale co-operative and mutual businesses remain true to the principles on which they were originally founded? Is it still possible for them to be governed by their members? One of the strongest arguments for the demutualisation of UK building societies was that they are just too big and that an investor-owner model of governance would provide better oversight of boards and managers⁸. The hostile takeover bid for CWS was justified on the basis

that the co-operative had become too complex, poorly integrated, and with an ownership structure that allowed managers to get away with poor performance. When there are millions of members - so the argument goes – people do not have enough incentive to participate; their ownership stake has little monetary value and their individual ‘voice’ is insignificant. Because members are not incentivised to take any interest in governance, a large mutual is likely to perform worse than an investor-owned business⁹. Also, if the mutual’s managers do try to develop an active membership strategy, this will add costs to the running of the business that investor-owned companies do not incur. It is easier to mobilize individuals in small groups than large ones. In small groups there are more chances that an individual will believe that he or she is the decisive player for collective success. People recognize their contribution to the collective goal, others appreciate their participation, and there are social pressures all of which strengthen group identity¹⁰. In a large-scale co-operative, how easy it is for members to feel that their actions will be decisive, and will they develop a strong sense of group identity? Is it true that *the larger the scale of a democratic organisation, the less likely its members will be to participate*? By studying the Co-operative Group, we should be able to give answers to these questions.

How much participation is needed?

Many co-ops are now identifying the need to mobilise a wider cross-section of their membership, particularly to ensure that currently under-represented groups are included. There is, however, a generally accepted view that large-scale co-ops and mutuals do not need ‘mass’ participation. They need a small group of a few hundred active members who emerge from the membership are prepared to interest themselves in the business, to stand for elections to boards, and to represent members in general. They need a much larger group to be knowledgeable about the organisation, to develop some loyalty and pride in it, to have some appreciation of its distinctive values, and to vote intelligently for their representatives. They then need to keep in touch with the mass of members through market-research type methods, but also by asking them to democratically endorse important decisions. This has led some consumer co-ops to target three types of member:

1. those ‘true believers’ who can be persuaded to train as potential board members
2. those who can be formed into a kind of ‘supporters club’ who believe in the aims of the organisation and will participate through voting or attending annual meetings or social events
3. those who believe vaguely in the ethos of the organisation, will not participate, but want to be kept informed and to have their views canvassed occasionally.

In a recent book, we have used this typology to present a more dynamic ‘umbrella strategy’ for the promotion of member involvement ¹¹

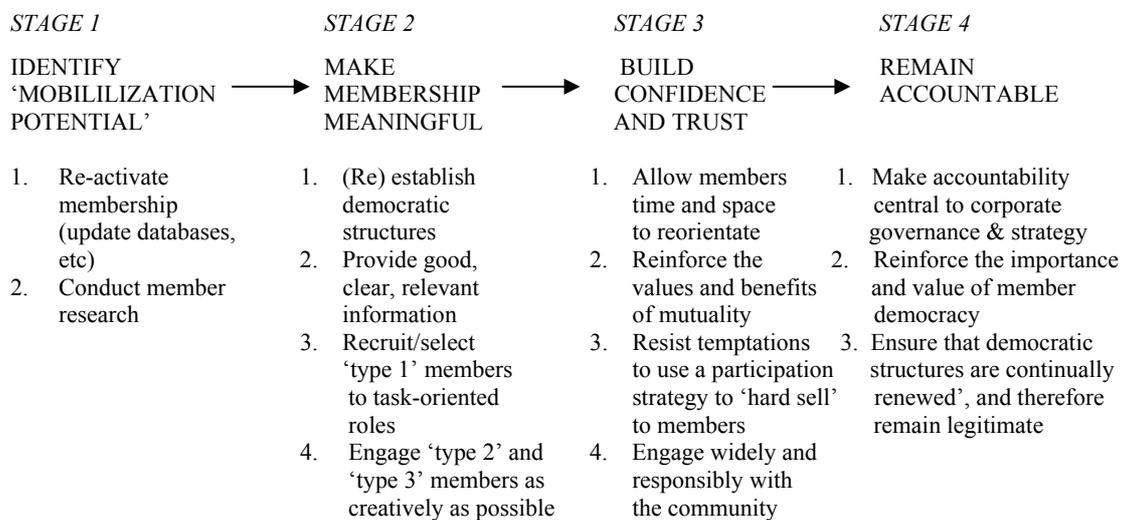


Figure 1: An Umbrella Strategy for Promoting Member Involvement

Identifying the ‘mobilisation potential’ (Stage 1) may not be straightforward for many large co-ops and mutuals. However, processes are underway in several of them, including the Co-operative Group, to update membership records. In this way, co-ops are able to regain a clearer understanding of their relationship with each of their members. This is a pre-requisite for the remaining stages, where a new, ‘accelerating’ approach to participation becomes possible with (i) the mobilisation of a wider cross-section of the membership around core values, and (ii) the rebuilding of institutional capacity.

While this model provides an overall agenda for promoting wider member involvement, there is a crucial underlying issue. Member democracy depends on the active involvement of members, but many co-operatives are worried whether

members are willing to participate. We need to know what galvanises members to come forward to participate in governance, and what incentives sustain their participation over time. In particular, we are interested to know how members relate to an organisation of the scale of the Co-operative Group. The approach taken by the Group's directors and managers to mobilise members and build their capacity is one side of the story. The other side is how members themselves see it, and what incentives they feel they are given to participate.

What motivates co-operative members to participate?

For the project, we draw on a theoretical model we have been developing over the last four years. We call it a 'Mutual Incentives Theory' (MIT) of motivations to participate. First, it is 'mutual' because it does not assume that people are inherently co-operative or selfish, but that their motives are a blend of self-interest and concern for others. Motives vary depending on the circumstances – in some circumstances people are more selfish, in others they are more concerned for others. To find out what mix of motives they have, instead of just theorising, we have we have to ask people. Second, the theory is mutual because it recognises that in a co-operative there is no need to contrast the interests of oneself and of other people, because the mutual structure of a co-op allows us to pursue our own interests by co-operating with others. As one co-operator described it way back in the 1830s, co-operatives foster 'collective self-interest'.

MIT examines two general social-psychological theories of motivation. The *individualistic approach* is developed from social exchange theory¹². It assumes that people are motivated by individual rewards and punishments, and provides a set of generalisations about how they interact (see Figure 2).

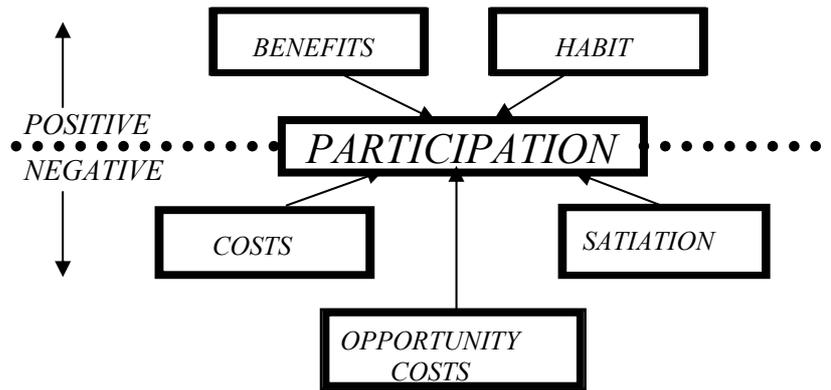


Figure 2: Individualistic Incentives

The *collectivistic approach* is drawn from theories of co-operation¹³ (see Figure 3). It interprets human behaviour very differently, assuming that participation can be motivated by three variables:

1. Shared goals: people express mutual needs that translate into common goals
2. Shared values: people feel a sense of duty to participate as an expression of common values
3. Sense of community: people identify with and care about other people who either live in the same area or are like them in some respect

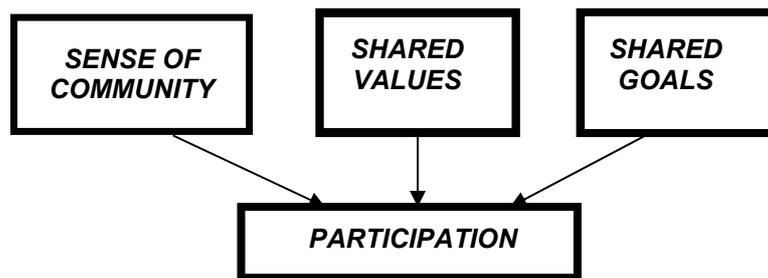


Figure 3: Collectivistic Incentives

This approach generalises that the more each of these three variables is present, the more likely people will be to participate. In our research the two approaches – individualistic and collectivistic - have been kept separate and tested alongside one another to allow a final interpretative framework to emerge from the data.

The insights of Mutual Incentives Theory are important, but on their own they are not enough to explain what makes people participate. MIT needs to be linked to other potential explanations if we are to provide a more rounded interpretation. Incentive-based explanations can be seen as ‘demand-side’ models, whereby incentives create a demand for activism. By contrast, other aspects such as personal resources and mobilisation factors provide ‘supply-side’ explanations, which act to supply higher levels of participation. A general model would include both demand and supply side variables¹⁴. This leads us to propose a general model that we have termed the ‘Participation Chain’ (see Figure 4).

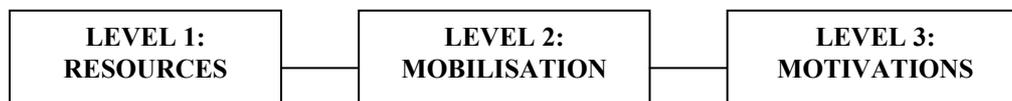


Figure 4: The ‘Participation Chain’

The model has a number of levels, or ‘links’ in the chain. It expands upon the insights of Mutual Incentives Theory to take account of a number of important studies of participation in mainstream politics, interest groups, social movements, and voluntary work, as well as in public services. The first level includes the prior *resources* and capacities of potential participants¹⁵, the next level their *mobilisation*¹⁶. MIT then becomes the third link in the chain.

Size can have important effects at each of these levels, which triggers a number of important questions. Do members feel that their resources are inadequate to support involvement in as large an undertaking as the Co-operative Group? Do members find it difficult to identify with strategic governance issues, see the opportunities to participate as being too distant or remote, or find themselves isolated from recruitment networks? Does size weaken members’ motivations to participate?

Methodology

The main data collection method was a self-completion questionnaire. We asked all the people who join the Group's area committees in the first and second round of elections to fill in the questionnaire, and the eventual return was around 90% (448 out of an estimated 500 people). In addition, we carried out observation in area committee meetings, and were granted access to meetings of two regional boards and an area committee members' conference. In-depth interviews with area committee members, and qualitative interviews with key informants provided more depth. The Co-operative Group provided us with a randomly sampled list from their Members' Network of members who are not currently active. We carried out a postal survey and gained a reasonable return (considering the inherent difficulty of interesting non-participants) of 98 questionnaires (36%).

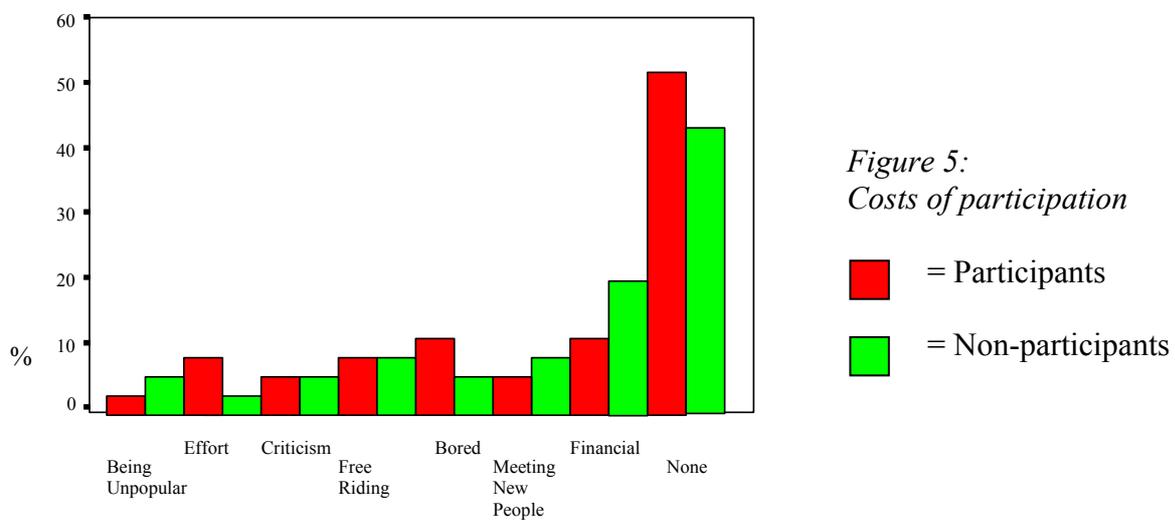
Key Research Findings And Their Implications

(i) Motivations

On *individualistic incentives*, we assume that the higher the cost to participants, the lower will be the level of participation. Few respondents considered *direct costs* to affect them (see Figure 5). 55% of participants and 45% of non-participants said that none of these costs applied. Overall this is good news for the Co-operative Group, because it means that this most basic disincentive is not all that important. However, 20% of non-participants - a significant minority - did say that financial costs were important to them. There is an underlying issue for the most active participants in this regard too. Of the 10% of participants who said financial costs were important, the majority were from the most active categories. The scale of the Co-op Group may be an issue here, in that the most active participants may be expected to travel considerable distances and incur considerable costs upfront in order to both participate fully in the governance of the business, and demonstrate their ongoing commitment to the co-operative movement (and hence get re-elected). Participants' direct expenses for attending meetings and events were usually covered, but many activists reported having extensive 'hidden costs', which they often felt uncomfortable about claiming back. While direct costs do not generally seem to

provide a significant barrier to participation, these findings suggest potential areas for fine tuning.

The story is similar for *opportunity costs*; just 7% of participants and 28% of non-participants report that these costs put them off participating. However, the difference between these figures is statistically significant. In a world where many things compete for people’s attention, a significant minority of non-participants feel they have something more valuable to do with their time.



Participation varies positively with benefits and habit. The development of *habit* is important, as it means people have stopped calculating what they might get out of it, and just carry on participating. In our study habit only affects a quarter of participants. However, this proportion is likely to increase the longer new area committee members take part, provided major changes in routine are avoided. A possible problem is the large geographical size of some of the 50 areas. In order to ensure members a reasonable chance of access, area committee meetings often rotate between venues in different parts of the area. This can have a negative effect on the development of habitual participation amongst members. However, equality of access to democratic structures is a fundamental co-operative principle, and one that must be defended. Furthermore, if rotating meetings means that habit does not build up amongst area committee members, it does not mean that it will be impossible to sustain their

participation; it will simply be harder work. This might mean deciding to give additional resources to support participation in the largest of the Group's areas.

Benefits can be subdivided into 'external' (material/tangible) and 'internal' (subjectively perceived) types. 'External' benefits were not widely reported as being influential (see Figure 6): no more than 16% of respondents said that any of these benefits were important to them. This is surprising, because area committee members are paid an honorarium of £500 a year (plus further increments if they participate at Regional or Main Board levels), and receive a 10 percent discount on purchases. However, some members pointed out that if they calculated the payment as an 'hourly rate', they would be receiving no more than a fraction of the UK minimum wage. Few participants see these financial benefits as an incentive. They prefer to think of them as a buffer against the hidden costs of participation, and as recognition of their commitment. These symbolic meanings do have a strong effect, and it would be a mistake to think that these payments could easily be withdrawn.

By comparison, many more respondents considered 'internal' benefits to be important to them, particularly 'a valuable learning experience', 'a sense of achievement', 'a chance to have my say' and 'enjoyment'. If the Co-op Group wishes to increase participation it should concentrate on these more internal rewards. Our research suggests:

- Make sure that appropriate levels of information and an open learning environment are available to members
- Provide adequate opportunities for discussion and debate at all levels of the democratic structure
- Provide regular feedback to members to allow them to share in collective successes
- Credit members when they are successful in initiating positive changes
- Ensure there is an appropriate balance between a 'task' focus and a more 'social' focus in members' activities

Again, the scale and complexity of the Co-op Group has to be considered.

Distributing the information that members want on this scale is difficult enough. In

such a complex business, it can be even harder getting the balance right between ‘flooding’ members with too much information and not giving them enough. Ensuring that all members have the opportunity to get involved in deliberative processes can also be difficult (and costly) on this scale, and the Group has adopted the more realistic goal of localising participation to an area level. However, the size of some of these areas needs to be kept under review – some large areas are already struggling to remain inclusive. According to one key informant, the scale of the organisation can also make it harder to keep track of members’ contributions as they progress through the various governance structures, ‘unless a conscious effort is made to do this’. There was an expectation that area committee representatives at Regional and Main Board levels would provide feedback to members. However, some area committee members spoke more highly than others about the quality of the feedback they received. Some representatives were highly praised. Others were criticised for feeding back decisions made at Board level but not giving the reasons why these decisions were made. This has left members to make their own assumptions, devaluing their participation as a learning opportunity and running the risk of them initiating counter-productive rumours as a way of ‘getting to the facts’.

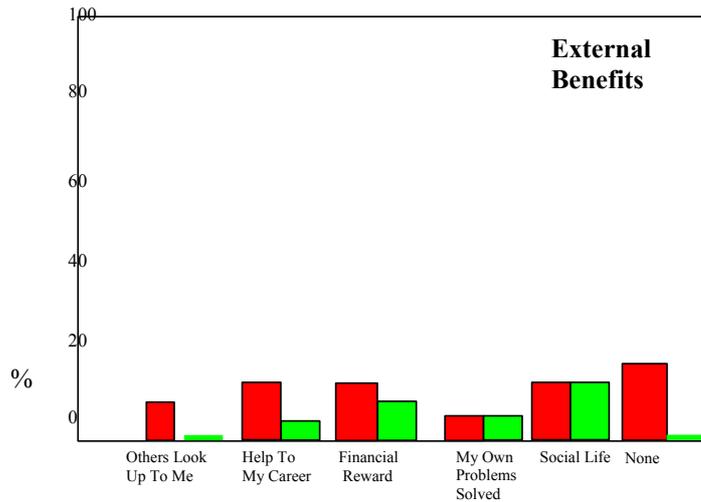
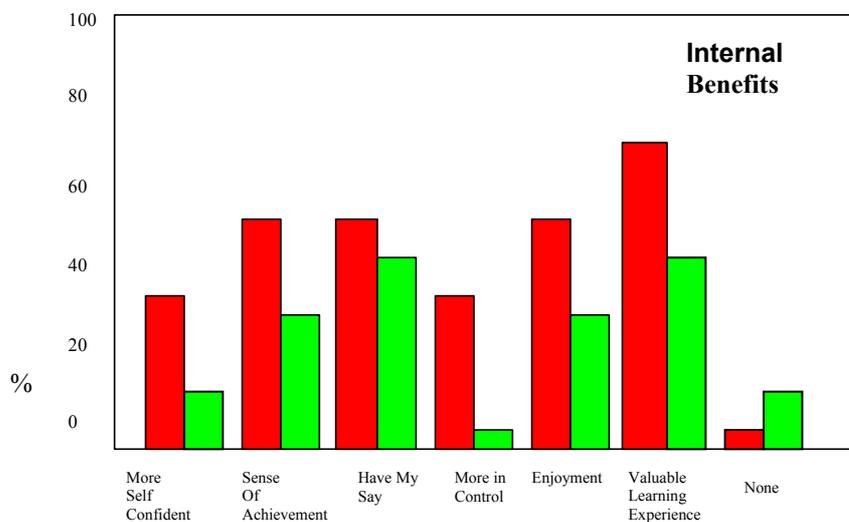


Figure 5:
Benefits



This part of MIT weighs members' perceptions of the costs against the benefits of participation. Participants' motivations seem clear-cut - the benefits outweigh the costs, making continued participation more likely. However, the influence of these individualistic incentives is called into question by a key finding; over 75 percent of participants who expressed a preference said they would still participate *without* any of these incentives. They have collectivistic incentives that outweigh the individualistic ones. When asked, most participants stated they want to get benefits for the group as a whole (60%) as opposed to individual benefits (1%) - 36 percent said both.

This brings us to the other side of MIT: *collectivistic incentives*. We measured these using a 29-point attitude scale, which was found to be internally reliable¹⁷. Items were

assigned to each of the three positive variables in Figure 7: sense of community, shared goals and shared values. We found that non-participants scored significantly lower on each of these three measures than participants¹⁸. It is not that they have no sense of community, shared goals or shared values, just that their attachment to them is weaker. Among participants, in a straight fight between our individualistic and collectivistic explanations, collectivism wins conclusively. Some might argue that we are simply measuring what members want us to hear. However, depth interviews and observations at meetings confirm that collectivistic thinking and discourse are dominant amongst participants. The influence of individualistic incentives is not necessarily unimportant, but it is secondary. What follows is that a strategy for participation should not only seek to provide individual internal benefits; first it should strengthen members' collectivistic incentives.

| | Participants | Non-Participants |
|--------------------|---------------------|-------------------------|
| Sense of Community | 2.15 | 2.59 |
| Shared Values | 2.58 | 2.92 |
| Shared Goals | 2.58 | 2.97 |
| OVERALL | 2.44 | 2.89 |

Figure 7: Collectivistic Incentive Scores

(NB: Lower scores indicate stronger collective motivations)

Area committee members do have a *sense of community*, although this does not often extend much further than general support for a Co-op shop in their own community, or support for the idea that there should be a shop where one had previously been closed. Sense of community is much weaker for non-participants. This aspect will need to be strengthened if more members are to be encouraged to come forward and show a more active interest in governance, perhaps moving from 'type 3' to 'type 2' members in our earlier typology. Key strategies for strengthening members' sense of community include providing (i) a focus for community identity, and (ii) more opportunities for member interaction. Co-op shops provide a strong physical presence in many communities, and an important resource for the development of a sense of community. Yet some area committee members felt that shops were being under-

used. Ways to enhance the sense of community include widening members' involvement in both the running of their local shops and the award of the 'community dividend' to local good causes. However, at least as important are ways to foster more member interaction. Task-focused group activities such as members' day seminars and conferences have provided useful opportunities for interaction. These have sometimes been supplemented with more social activities such as open days, food and wine tastings, and so on. More needs to be done along these lines, but as part of an integrated participation strategy rather than as stand-alone events.

Again, size is an issue here for the Co-op Group. Developmental activities are usually organised by the Group's regional secretaries, in tandem with 'corporate affairs officers' who work at area level. They are backed up by the efforts of area committee members, but both officers and members seem to be overstretched in these roles. Hence, despite agreement that member development needs to have a more local focus, there is widespread awareness of the difficulties of this within given resources. This presents the Co-op Group with three main options with regard to increasing the sense of community. First, new technologies such as video conferencing are being used to provide additional opportunities for member interaction. However, this is less effective at building up a sense of community than face-to-face interaction. Second, the large scale of the Co-op Group's areas could be rethought. Some areas could be split down again, though this would add to the costs of servicing the already large governance structure. Third, member development activity could be increased at shop level. This could be the base of the membership pyramid, upon which the more formal participation in governance structures could be built.

When it comes to developing *shared values* the Co-op has a natural advantage, in that the values and principles set out by the International Co-operative Alliance provide clear guidelines¹⁹. The Co-operative Group is now giving increasing emphasis to these values and principles, even in its business planning. Yet while traditional political activity is still an important source of shared values, the Co-op needs some alternative rallying points. The current emphasis on fair trade and ethical consumerism is useful here. This may also provide a common value focus that in time builds up commitment among members who joined for less radical reasons. For the moment however, progress on developing shared values amongst co-op members is

sluggish. The idea of a ‘co-operative difference’ rests on how members differentiate the Co-op from other enterprises. Yet some area committee members felt that the status of being a member is not reinforced enough. As one respondent put it, ‘we need more publicity in the shops about membership and what it *means*’ (emphasis original). Size is not as important a limiting factor here, as values and principles can extend and be shared across long distances. However, the logistics of supporting shared values can be problematic. Communicating this message strongly and consistently in an organisation of the sheer scale of the Co-op Group will depend upon sustained leadership and commitment from the very top of the organisational hierarchy, reproduced at local level by employees in the Co-op’s stores.

Members’ commitment to *shared goals* depends on the sense that:

- the organisation as a whole is working towards the same objectives and ‘pulling in the same direction’ as members
- committees are effective - they are able to ‘get things done’

Many area committee members do have some sense that the organisation and its members are ‘moving together’. There is a clear demarcation between the work of the areas, which is mainly advisory, and the regions, which is much more concerned with decision-making and budgeting. Our evidence shows that area committee members understand this, and that their aspirations are not unrealistic. A more significant problem is area committee members’ sense of effectiveness. Some are frustrated by their perceived lack of real influence. One crucial relationship is with their local area manager. Where the relationship is a good one, this individual is able to provide good information, link members to local managers and shop staff, and account for the actions of ‘management’ in general. S/he will listen to members’ advice and make sure that the views of the committee members are taken into account. Some areas have this kind of relationship, while others still do not. One respondent told us what a pleasant change it had been ‘to be listened to for a change’ after a new manager had taken over from one of ‘the old guard’. For many area committee members, the key focus is on what is happening at the local store level. With some ongoing reservations about influence, it seems that they generally see things to be moving in a more positive direction. Members have similar reservations in relation to higher levels in

the governance hierarchy. Here, area committees are dependent upon their representatives on the regional board. We have already discussed the importance of feedback to members from these representatives. This aspect is also crucial to the development of a sense of shared goals. The feedback received is variable, although there is a sense that things are gradually improving.

Is size a factor for the development of shared goals? In area committees it was plain that most members did not have detailed knowledge of more than one or two stores in their area. Similarly, detailed knowledge of developments at more strategic levels of the organisation was also limited to just one or two key individuals. The scale and complexity of the Co-op Group therefore feeds area committee members' reliance on other people to help 'fill the gaps' in their own knowledge. This creates a double-edged sword. If members' colleagues are trusted and seen as 'good co-operators', the sense of shared goals may be strengthened. If not, it may have a constant undermining effect on this important source of motivation.

(ii) *Resources and Mobilisation Factors*

We now expand our analysis by considering the other factors at work in the 'Participation Chain'. The first link in the chain examines participants' *resources* such as money, time and skills. *Money* did not show up as being an important resource for participation at area committee level. 55% of participants had annual incomes of less than £10400, and participation rates did not vary significantly between those on higher and lower incomes. *Time* also showed relatively little effect, either on whether participants got started or on the quantity of their participation once they were involved. However, participants with children were less likely to participate for more than 5 hours per month. This point marks the level at which members elected to higher decision-making levels begin to participate. Childcare commitments may therefore not preclude participation *per se*, but may prove a more significant barrier to performing office-bearing or representative roles. Indeed, at higher levels of the structure things may be different for both money and time. For example, a main board member must necessarily also be an area committee member and a regional board member. S/he may also be asked to sit on the board of one or more of the Co-op Group's family of businesses, and be expected to attend a host of events, nationally

and sometimes internationally, related to the Co-op movement as a whole. As one board member told us:

It is not for the faint-hearted...if I was not lucky enough to be able to juggle my various commitments I would not be able to continue – simple as that.

The scale and complexity of the Co-operative Group can place immense pressures on participants' personal resources and the ability to sustain their involvement. The Group urgently needs to review these pressures and make efforts to reduce them wherever possible. Compensation is another issue. In addition to expenses, there is a strong argument for boosting annual fees given to members of regional and main boards to the level that would be lost by an average earner. In this way, it will remove some of the barriers to those who have to be in paid work, and may help to bring younger people and more women into the higher levels of governance.

Skills derived from educational qualifications did not show up as important in whether co-op members got started or not – non-participants were actually more likely to have educational qualifications than participants. However, skills derived from previous experience were important. 85 percent of participants but just 52 percent of non-participants had previous experience. *Confidence* has related effects. Participants reported much higher levels of confidence than non-participants about their ability to participate (96% v 57%). This was also true of their confidence in personally making a difference to getting things done (86% v 44%). Amongst participants, confidence also correlated strongly with the extent to which members participate. Confidence is related to previous experience. Are members who do not have such experience more intimidated by the prospect of participation, and if so, why? Participation is made easier by seeing how participation works in other organisations, so it follows that more effort needs to be made to build up the capacity of non-participants who do not have the experience and skills of current participants. This means putting more investment into education and training activities, and incentivising people to take advantage of them. In the past, the 'Co-op' was a major provider of adult education and library facilities, and supported organisations such as the Workers' Educational Association. In return, it received well-trained and motivated active members.

On the *mobilisation* of members, participants are significantly more engaged than non-participants on *issues* such as negative relationships with organisational decision-makers, and concern with proposed changes. Important *interests* include ‘a strong interest in politics’, and a desire to join with other like-minded people. Most of these are ‘local’ issues, which is the level at which most people seek to get involved. Participants were also much more likely than non-participants to feel that the Co-op provided them with enough *opportunities* to participate, and to say their initial experience of these opportunities was positive. Importantly, non-participants who expressed a preference were particularly keen to see more localised opportunities for participation. We also found that participants were much more likely than non-participants to be subject to face-to-face *recruitment efforts*, and that the recruitment agent was usually known to the participant through existing social networks. Direct links to related organisations (such as trade unions, other types of co-operative, the Labour Party and Co-operative Party) are important for recruitment. However, co-operatives are relying here on the same ‘reservoir’ of activists, raising important issues concerning long-term viability (these other organisations are also having recruitment problems) and diversity (for example, very few current area committee members are from ethnic minorities).

Non-participants were more likely to be the subject of written recruitment attempts. Is scale a factor here? As most member participation in the Co-op Group is organised by small teams based at regional level, face-to-face recruitment efforts are unfeasible. This has led to a dependence on mailings of ‘flyers’ to members, which have traditionally received a poor response. A recent mailing in one area was organised differently, using a more sophisticated technique to send personalised letters to individual members. This achieved a significantly higher response from members who had not previously participated, and shows that it does not only matter that members get asked to participate, it matters *how* they are asked. However, our findings show that face-to-face recruitment methods are even more effective. The obvious place to locate recruitment efforts is, therefore, the local shop. And the obvious people to use as ‘recruitment agents’ are the staff, many of whom will be familiar to, and trusted by, customers.

Conclusion

This study of the Co-operative Group is given added urgency by the fact that the future of consumer co-operation in the UK largely depends on the future of the Group. If this giant conglomerate were to fail, then it is difficult to see how smaller regional societies would survive for long, especially since the Group services a Co-operative Retail Trading Group that now does most of the buying for the ‘movement’ as a whole. In the words of its recently past chief executive, Sir Graham Melmoth, a strong, broadly-based Co-operative Group is ‘the rock on which the consumer co-operative proposition stands’²⁰. So how well is the Group doing in reinvigorating member democracy? Looking at the umbrella model for developing member involvement (Figure 1), it has taken some positive initial steps. At stage 1, for example, a review of the Co-op Group’s membership database is ongoing, which will help to identify the ‘mobilisation potential’. At stage 2 democratic structures have been re-established (with a new rule book) following the merger of CRS and CWS, and members have been recruited to these new structures. The Co-op Group’s efforts now need to focus on the remainder of the model:

- engaging with members beyond the ‘core’ of true believers
- reinforcing both the values and benefits of mutuality, and the importance of member democracy
- remaining accountable to consumer members

Insights from the Participation Chain model highlight key success factors for achieving these tasks, and suggest some potential action strategies. Members must have sufficient *resources* to be able to participate effectively. First, capacity building, in terms of education and training, is important. Second, members must be provided with adequate information to support their involvement in the Group’s governance structures. Third, at higher levels of governance, sufficient compensation must be offered to ensure that opportunities are open to the widest possible pool of members, although it is worth noting that few members seek full remuneration, feeling that this might threaten their independence or make the sense of obligation to participate excessively burdensome. *Mobilisation* issues must also be considered. More and better opportunities must be created for member interaction. This will allow for

discussion and debate of common issues and interests, as well as greater social contact. In turn, increased interaction may support a strategy for face-to-face recruitment. It is also important that face-to-face recruitment is incorporated as part of a store-based approach to member development. Greater 'localism' is possibly the most important strategy for the Co-op Group as far as members' *motivations* are concerned. In conjunction with the new opportunities detailed above, a store-based focus for their activity will enhance members' sense of community. Better relationships with local store and area managers, along with tangible outcomes from their input, will both increase the 'internal benefits' of members' participation and enhance their sense of shared goals. However, this is not to say that more 'global' considerations are redundant. Application of the values and principles of co-operation to the concerns of today's consumers (including an emphasis on ethical and fair trade) will help to reinforce a sense of shared values.

This article also points out a number of ways in which the Group's scale and complexity can add difficulty to the promotion of member involvement. There appear to be problems in:

- ensuring that the flow of information to members is neither too limited nor overwhelming
- making opportunities available to all members (remembering that rotation of the venues of meetings is not always the answer)
- ensuring that feedback works its way back through the tiers of decision-making to active members
- providing sustained leadership and commitment on member democracy both centrally and locally, including getting store-based staff to take more responsibility

If size is a problem for member democracy, one alternative would be to simplify the structure of the Co-op Group. Each region, and every one of the Group's divisions, could become a separate co-operative society in its own right. However, in the context of fierce competition from national and international level competitors this is, for business reasons, not a feasible option. The Group has also begun to build potential synergies between its different businesses, for instance by making the chief executive

of the Bank also chief of CIS, and by involving area committees in the travel, funeral and pharmacy businesses as well as food retailing. More importantly (from the point of view of our research), we have found no evidence of a crisis in member democracy that would warrant such drastic changes in the organisation's structure. Simplifying the structures and/or reducing the size of the Group would therefore not be on our agenda for change. There are other factors involved and, as the Participation Chain model suggests, plenty of room for improvement within the existing structures. In some respects, the Group's large scale could even be turned into an advantage. With at least 1.2 million members and a turnover of £7.7bn it has a huge mobilisation potential and considerable resources with which to support member democracy.

The Co-operative Group is attempting to set up and service a complex governance structure in which members are involved at all levels. In short, it has made a good start with this, but there is potentially still a long way to go if it is to successfully deliver its member participation and governance strategy. As it looks towards the future, it is particularly important to ensure that all parties believe that the participation strategy is worth fighting for – that it is worth all the effort and expense. Our research suggests that it is. Without the new governance structure, membership would have little meaning, as economic benefits from the Group's performance currently accrue to all customers, rather than just to members. This last point is important. It highlights a parallel track that, in addition to improving the participation strategy, can work to reinforce the Co-op Group's efforts to make membership meaningful. This track relates to the Group's ability to deliver tangible benefits in the economic sphere, particularly distribution of the dividend. In 1995 the CWS introduced a 'dividend card', along the lines of competitors' loyalty cards, which distributed standardised benefits to all its customers. However, the Co-operative Commission has stimulated a review that may soon lead to the introduction of a 'real dividend'²¹. If this dividend is restricted to members, then customers will have an initial incentive to join. If it is linked to well thought out attempts to mobilise some members for higher levels of involvement, then the circle will be squared – economic strength and member participation will be brought together at the base level of the organisation.

We conclude that with steady, incremental improvements of the kind suggested above, the Co-operative Group should be able to increase both the quantity and quality of member participation. Our research shows that the Group is gearing up to meet this challenge. It also shows that the size of the Co-op Group need not be considered an insurmountable hurdle. Provided the Group's commitment to member democracy is strong, the difficulties thrown up by its scale and complexity may be seen as no more than implementation issues that can be minimised by the careful redirection and targeting of resources. In sum, the old generalisation about democracy - the larger the size of organisation the lower the level of participation - has been proved to be too crude to be worth considering. The generalisations provided by Mutual Incentives Theory and the Participation Chain are much more detailed, and provide reasons for some cautious optimism about the future of large-scale co-operatives and mutuals.

Endnotes

¹ See Birchall 1998 and 2000 for commentary on the attempted takeover

² Co-operative Commission 2001 p39

³ ESRC award number R000223846

⁴ ESRC award number L215252002

⁵ Birchall and Simmons 2002

⁶ Birchall 2001

⁷ Dept of Health, Sourcebook, 2003 forthcoming

⁸ Birchall 2001

⁹ Olson 1965 provides three main arguments why size is important for democracy:

1. the individual incentive not to contribute increases in large groups
2. the larger the group, the lower the value of a unit of the collective good to each individual is likely to be
3. the larger the number of people who must be co-ordinated, the higher the cost

¹⁰ Gavious & Mizrahi 1999

¹¹ Birchall & Simmons, 2001; see Figure 1

¹² Homans, 1974; Blau, 1964; Ekeh, 1974; Molm 2000; 2003

¹³ Argyle, 1991; Mansbridge, 1990; Van Vugt et al, 2000; Axelrod, 1984; 1997

¹⁴ Whiteley and Seyd, 1996 p225

¹⁵ Verba et al 1995

¹⁶ Lowndes & Wilson, 1999; Jordan & Maloney, 1996

¹⁷ Alpha = .7632

¹⁸ P = below 0.1

¹⁹ see Birchall, 1997 Ch.7 for a commentary

²⁰ quoted in Birchall, 1998: 16

²¹ Co-operative Group, 2002

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