

## **MANAGEMENT IN COOPERATIVE ENTITIES.**

### **A PERMANENT CHALLENGE<sup>1</sup>**

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#### **SUMMARY**

This proposal tries to sensitize the audience interested or directly involved in the cooperative matter in a central topic for the viability of the entities: the quality of their management; a topic which was not always been given the attention it deserves, and on which visions persist which appear not to be sufficiently adjusted to the effective role which concerns it. Starting off from a very summary characterization of the current situation of the sector and of its perspectives, one goes on to emphasize the necessity of the differentiation of that management regarding conventional management. Lastly one wishes to emphasize how important it is to assume this last demand highlighting the notorious accentuation of the regressive features of said management and the risks of its projection to the commercial and even institutional management of the sector entities. The tasks agenda to prevent those risks and to affirm a differentiated management which is presented as conclusion, is only an invitation to a debate that should be exhaustive and rigorous so as to be effective, and which should insert itself in a punctual and itemized way, mainly in the critical aspects that have to do with health and the vigor of the integral development of the entities.

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## **INTRODUCTION**

As has been a constant throughout all their history, the cooperative movement always faces renovated queries as to their future perspectives. Here we do not seek to approach them in an integral way.

We focus on what implies their management, a topic that deserved multiple approaches, always very heterogenic in their interest centers and in the basic orientations with those that sought to rule their performance. We understand that it is no small matter: on the contrary, the departure positioning that is assumed for that performance, and the way on how this is carried out are decisive factors for the line of evolution of the entities, and nearly always for the potentialities that open up to their development and survival.

Before entering into the nucleus of our work, we dedicate a brief space to the presentation of the framework of current development of the cooperative movement which we visualize.

### **The Cooperative Problematic at the beginning of the XXI century**

Repeatedly we see the opportunist use of the cooperative to put it to the service of projects that prioritize individuals, group or sectarian enterprise lucre objectives, of identical tenor of those that are habitually feasible through the conventional lucrative forms. Beyond that, also in a continuous way they carry on generating multiple development lines, where the cooperative figure is useful to channel genuine access opportunities of active and autonomous participation in the economy life of sectors and social groups frequently deferred and relegated - when not excluded - for the current relationships of the market economy.

In these last ones there is evidently a strong diversity in the postures of those that promote them, mainly as for the greater or smaller protagonism in them for the

aspirations of social transformation. In this respect, we delimit the spectrum that we seek to approach to the projects that affirm their vocation of ownership to a socioeconomic space differed, regarding the private lucrative and state environment. That differentiation bears, in the first place, the development of an entrepreneur project with axis in people and not in capitals; and on the other hand, consistent with the above-mentioned that its origin and evolution is sustained in the capacity of the actors' own collective initiative, converted in that way in central main characters of the realizations of the entities in those in which they form part.

Even with those delimitations, there subsist clearly differentiated levels. The literature and the most recent research which project the experiences in the developed countries, continue showing the presence of cooperative nuclei that develop in the less favorable links of the sector value chains, scarce growth and consolidation perspectives; together with human group experiences, of remarkable professional qualification, that get rid of development rules in greater or less proletizing measures, and they pass on to opening novel channels to be incrustated with high autonomy degrees within those chains. The negotiation conditions that are generated this way, allow them a significant initiative degree in the election and execution of their own development strategies. As one can see, up to here we are centering ourselves, mainly in work cooperatives.

The projections that can be made about the cooperative validity in the commercialization and credit sectors belong substantially to a different form. Still emerging from a definitely negative period, be it specifically in the entrepreneur stage, as in that referred to the preservation and invigoration of their essential organizational features identity - where "demutualization" processes were not absent, which were decisively denaturalizing, as well as advanced hybridization processes, with consequences which were not very different -; the entities that continue identifying themselves as components of a differentiated action space, have dimensions and management complexities that demand answers at the same level of the challenges that they have to assume.

In the countries with smaller economy development and greater social inequalities, the cooperative movement continues being visualized as one of the most suitable proposals to confront the problems of social exclusion and the rates that give "savage" processes of economic concentration, both of an even more destructive tenor when one is in the presence of globalization phenomena without clear and firm contention mechanisms and direction.

### **The differentiated character of Cooperative Management**

Thus defined our attention focus, statement of an identity clearly differed in the cooperative management, continues being in good measure a pending matter. In our country, the recent edition of a text by Davis and Donaldson<sup>2</sup> reopened, or at least gave it a new strength, to a debate which is always present, on the real reaches of that differentiation. Many times that debate fell in languidness, generating a climate which almost assimilated the resignation and / or to conformism, difficultly characterized as appropriate for the evolution demands always depending on the satisfaction of the entities.

To our understanding, the differentiation character of the cooperative management is an objective to be imposed in permanent fight, to sustain itself facing the pressures, to be allowed to be carried away by the spontaneous tendencies to self-management and the pretenses to assimilate it to the corporate management. As starting off point on road to the defense of their own identity, the cooperative management should be opposed vigorously to both tendencies and overcome them, on the way to assuring their own survival and of the differentiated managerial development of the entities.

Diverse authors have stressed in different structural and organizational aspects. Not few of them did it in the values, placing people in the center of the managerial development.

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<sup>2</sup>Peter Davis and John Donaldson, *Management Cooperativista, una filosofía de negocios*. Ediciones Granica; Buenos Aires 2005 (E.O.: 1998)

We believe that this last one is a first non-renounce axis, although with it, one is only taking a first step in the exploration of a complex and multifaceted problem. The cooperative movement, the ACI in particular, put the center traditionally in the postulation and defense of the denominated cooperative principles, and more recently it reached its reformulation, after an arduous and long debate that, still for many, shows some great queries, without sufficiently convincing answers.

As this debate is recent, we believe that it is not too transcendent to propose here, on our behalf, an alternative formulation to substitute it. We understand that the principles announced are sufficiently conclusive as to continue being decisive tools in the search of the clear differentiation of the cooperative space that is being sought.

It is in our opinion within the definition of management mechanisms that they transfer those principles to the definition of the institutional strategies, in the implementation of the integral evolution plans and in the assurance that it should necessarily contribute the organizational control to its fulfillment where an enormous quantity of pending tasks exist. The first of them, the one in which the diverse instances of the entities and of the cooperative movement in their group, assume the central character of the problem that is outlined here, and are decidedly involved in their resolution.

There are tasks that demand more time, explorations, multiple and successive experimentation processes that, doubtlessly, together with the foregone foreseeable uncertainty on the real reaches of the achievements that will be reached, generate risks and they suppose economic and social costs that not all entities will be willing to assume without a strong feeling of collective honesty and understanding.

Nevertheless, there are more than enough indications of the presence of germinal ideas and of actors, committed in that search that constitute a base, that can not be ignored in the development of processes that generate powerful and effective ways for the due guiding of said action.

Some precisions on actors and rules:

As from the start, the mission of the entity people centered on, should be sufficiently debated and defined so as to be able to establish, from it, clear limits to the exploration

of the strategies and the definition of the managerial plans; those strategies and plans, should become then explicit action commitments for all the managerial and social levels of the entity.

- Due to the connotation of this era, it should be assumed that mission, strategies, plans and action commitments be subjected to revisions and reiterated reformulations. The entities should look for the forms of assuring that those revisions and successive reformulations be carried out under conditions that strengthen the cooperative identity and the achievement of those organizational objectives that correspond together with the reason of being of their creation. Keeping in mind the open and plural character of the entities, it is no small challenge to keep open in said processes all the channels to the democratic participation of the sectors involved in all the organizational instances.
- Crucial aspects of this process are the training and the managerial vision of the agents and the vision and the commitment of the social leaders regarding the central role of the entrepreneur in the managerial and social viability of the entities. In this sense, it is a non resolved aspect how to assure the training of the cooperative agents with the sufficient technical rigor in the entrepreneur aspects, but also with the sufficient capacity to give those punctual and precise answers to the social and organizational aspects of the entities that, we again reaffirm, assure their differentiated identity. It should be a reason of similar concern just how the cooperative social leaders participate actively in the management, with the permanent concern for the constant improvement of their own suitable training, but at the same time respecting and making respect the appropriate execution of the diversity of roles which are necessary to be done to go ahead with a successful management.
- Participation has been highlighted many times as a central element in the life of the entities, and specifically in management, and not without reason. The low

level observed in that participation, as a widespread phenomenon, is not necessarily attributable in many cases to leaders and agents; although one should mention that it is an aspect, of the entities' lives, to promote and stimulate in a continuous and committed way, and not only to allow or to accept without obstacles. Anyway, the fact that many of the associates develop great part of their economic activities without a close and daily link with the activities of the entities is something that does not favor that participation, very much. All that does not prevent that the more directly involved actors do not constantly intend to reinforce the identification bonds, the trust of the partners towards the evolution lines in progress, and the generation of multiple insert mechanisms and commitments of the associates in the taking of strategic decisions, and in the pursuit and control of their realizations.

### **On the potential extrapolations of recent visions from the Corporate Management to the Cooperative Management**

Up till a few years ago, conventional management seemed to impose without great obstacles its behavior patterns to the rest of the disciplines with which it interacted when fixing the objectives and the basic lines of orientation of the economic units, especially of course the lucrative ones, but not only them.

It was when the recently deceased Peter Drucker told us that, more than to speak of economically developed or non developed countries, it was necessary to try to establish if they were well or not well administered. Thus assuming that the quality of organizational management was on the other hand the one that determined ultimately, the degree of economic and social development, a posture that he sustained in an indefatigable way all along his work.

In the conformation of their identity, the American management, plethoric of incentives so that it developed in all its fullness an exacerbated individualism, had already absorbed the initial contributions of the engineers, and then relegated to the rest of the social scientists, in good measure to the role of taxpayers disciplined to the

greater harmony and integration of the organizational membership in the execution of the behavior patterns established for the administrative discipline in an almost corporate way.

The open recognition of the limited rationality as a non ignorable rule for the understanding and the guiding of the organizational behavior, as the introduction of systemic focus, were non ignorable landmarks when it was time to consolidate and to give a defined maturity profile of the discipline. With the arrival of strategic management, the manager seemed to have definitely transcended the mere administrator's role, to incorporate that of entrepreneur, giving him the rector role when defining the ways for which the organizations of all kind, and in particular the big corporations, imposed the technological patterns and social innovation imposed to the group of the socioeconomic web of contemporary societies.

Even the political science seemed to have been taken over to impose those patterns, and the CEO's of the big multinational corporations - seeking in good measure to summarize in themselves, up-to-date, the stoic features with which Max Weber characterized the pioneers of capitalism - they overflowed the narrow frameworks of their respective organizations to become models of social leadership, and, not in smaller measure, in holders of decisive power reservoirs to guide the collective action.

The Japanese development of 70's and 80's, with the introduction of group participation molds in the taking of decisions and their consequent emphasis in centers of attention that were being arbitrarily relegated or put aside up till then, imposed a persistent questioning to some of the central axes of the primacy of traditional management. Anyway, and not without laying aside some of their previous distinctive features, and even integrating in several mostly successful ways, of the most highlighted aspects in the competing model, that management did not lose time in retaking its hegemony again.

In the new format the proliferation and generalization of undoubtedly novel management modalities were noticed. We mention some as examples:

- The rupture, in outstanding aspects, of the traditional separation between planning and execution, granting the inferior levels of the organization especially, a degree of much greater control on the tasks to be carried out and on the products and services which they generated
- The prevalence of team work above those done by isolated individual acts, which lead to revise and to give new format to important aspects of the labor / professional training in all the environments and levels of the organizations
- Supplementing the above-mentioned, the emphasis in the processes, that focused attention on the value chains, like an integral whole, demanding a whole substantial reformulation of the organizational structures.
- The almost widespread consent, affirmed in an incessant way in specialized publications, of the most varied sources, as that the high-priority potential of corporate development, resided in the quality of the human resources which they had.
- The conformation of enterprise nets with multiplicity of characteristics and objectives, that supposed the simultaneous coexistence of cooperation and competence relationships among the economic agents that participated in them
- The promotion of enterprise cultures, which would self-promote their continuous disposition to be prized, due to the stimulus of the permanent changes generated within and outside the organizations.
- New roles for the leaders whose main responsibility seemed to be now, of generating those cultures, spread values and to achieve commitments, all that almost always linked to establish and to assure the identification of the organizational membership with the objectives and the styles of corporate conduction.

The covering, and many times the association, in general acritical, rendered by the powerful think tanks of famous globalized consultants, supplemented by a fruitful and omnipresent literature "specialized", not too much "prejudiced" when formulating

hypothesis and premises for the action and to demonstrate their empiric validity - Stafford Beer spoke of "pop management" to characterize it, generated solid alliances with those which were able to acquire and to maintain positions that seemed to assure the invulnerability of its power for a definitely prolonged period of time.

In spite of all that paraphernalia, the merciless competitive fights never stopped opening deep cracks in that scaffolding, and they repeatedly showed that everything had its limits. At any rate, those limits were the sufficiently uncertain and ambiguous so as not substantially modifying the main lines of action of that behavior pattern and of those power structures. The regressive return of the financial capital – euphemistically, market investors - to a protagonism in the difficultly accountable macroeconomics for reasons of systemic rationality, it supposed a deep division in the strategic aspirations of the top level corporates: the conflicts of interests within the corporations seemed not to be prioritarily between capital and work, but between "managerial apparatuses" and "coupon cutters", both groups struggling to extract for themselves the maximum benefits of a distribution of the social wealth, increasingly regressive.

In good measure, many of the questions to the managerial styles imposed, were generated by the offenses of all kind made by the management in their whole, and potentiated by scandalous acts mainly corruption and co-optation that were successively exploding, mainly during the second half of the nineties and beginnings of the new century.

In a parallel way, those questionings began to find gradually a more solid and more systematic theoretical and doctrinal foundation within the work of new academic currents, and that in the economy discipline were quickly and generously rewarded by an important cohort of recent Nobel Prizes: Ronald Coase, Douglass North, Oliver Williamson, Joseph Stiglitz. That current, mostly enrolled in the so called Neoinstitucionalism, seeked to deepen the aggiornamento of the neoclassical Micro-economy – immersed even today in the omnipotence of the market that would assure optimizing rational agents, at the same time isolated and anonymous - initiated and developed mainly by the modern Financial Analysis from the 50s of last century up to

today.

The currents of the NL in economy began their fight against the clear omnipotence of contemporary management recapturing Berle and Means' (1932) old premises as to the irreversible separation between property and the control in the contemporary complex organizations, to go on to desveal one by one very sensitive aspects of the scaffolding of managerial power. That these advances should be taken seriously is reflected in a statement that, as from sociology Meyer and Rowan had made in 1979:

This chapter argues that the formal structures of many organizations in the postindustrial society (...) markedly reflect the myths of their institutional environments, more than their work demand activities<sup>3</sup>

We go on to summarize the arguments introduced by the so called Organizational Economy that decidedly registers within the neoinstitutional thought, to evaluate the managerial modus operandi<sup>4</sup>.

- To begin with, the most common starting point is the rejection to the neoclassical premise of the optimizing rationality of the economic agents, as well as the supposition – decidedly characterized as naïve and non realist - that anyway, the market would assure global rationality through its well-known operation laws, to those that on the other hand are the most orthodox neoclassicists who continue considering them effective.
- The full introduction of the premises - already developed largely by Simon and his collaborators and continuators in the Administrative Theory - of limited rationality, thus recognizing above all the restrictions imposed by imperfect knowledge and heterogeneity of interests and preferences within the organizations to the decisive processes.
- The introduction of the notion of "asymmetric information", and of its direct

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<sup>3</sup> John Mayer and Brian Rowan: *Organizaciones Institucionalizadas: la estructura formal como mito y ceremonia*; in: *Powell and Dimaggio (Comp): El Nuevo Institucionalismo en el Análisis Organizacional*; Fondo de Cultura Económica; Mexico 1999; pages 79 – 103

<sup>4</sup> We make it clear that this thought recognizes an eterogenical source, in its developing lines, and even in its methodological premises, and this is not the place to try and reflect each one of them, not even in an abridged way. We only make a brief synthesis of how its evolution is reflected in the habitual characteristics of the more or less recent publications.

consequences, the "adverse selection" and the "moral risk", in the exchanges intra and inter-organizational; that would distort in a sensitive way this processes, with effects substantially differed for the intervening parts. Clearly, the privileged access of the agents to the information on the behavior of the variables that impact in the development of the organization and within the context where it acts, establish a notorious unbalance in favor of the managerial structures, whose consequences would be in fact almost unavoidable and irreversible. Those consequences, it is affirmed, can only be morigerated, although demanding for it significant costs. Those costs should be properly computed when one seeks to evaluate the probable benefits of the transactions.

- A new characterization of selfishness already recognized by Adam Smith, as an essential factor in the economy activity: keeping in mind the new vision of the conditions in which the organizational exchanges are carried out, and far from the sought neutrality, that it was being attributed. That would be another central factor that would substantially distort said exchanges and would seriously attempt against the systemic rationality. Anyway, we delimit, the reaches of those postulations are limited from an almost exclusive way to the relationships Principal / Agent - owner/manager -, examining in a marginal way those that are established with the rest of the stakeholders.
- The introduction of the notions " Transaction Costs" and " Agency Costs", both with definitely harmful consequences for the interests of the owners of the capital. These kinds of costs would be a factor - "the" determinant factor - to evaluate the management effectiveness, and in a parallel way, so that those owners make decisions of the kind "to produce internally or to buy from outsourcers". Such decisions should go on to become one of the key factors "to discipline" the managerial modus operandi. In their developments, the new currents were plentiful in "evidences" that would largely prove the inadequacy

of other operative methodologies of control used up to then: for example, control through direct supervision; control through performance objectives; social and cultural control; control through market mechanisms; the one carried out by pretended management unaware instances, on which the Principal has significant influence; etc.

How to evaluate the projections of these proposals to the present frameworks or the desired ones of the organizational management? In a personal way, with an accented skepticism. There are no essential questionings, only the search for better positioning for the actors in the taking decisions; in this case, prioritarily, for the investors, which are assumed to be excluded almost in a definitive way from all protagonism in the enterprise activity.

We now highlight some of the most outstanding topics that can be extracted from these treatments:

- A questioning "of principles" to the managerial *modus operandi*: they are not even clearly recognized with a clearly positive role in the increase of innovation coefficients and systemic productivity, up to here one of the most outstanding arguments to justify their high social status. On the contrary, for the tenor of their specific interests, the managers would be guided in a conservative way to prioritize the maintenance of their privileges. This characterization does not alter a lot when their aspirations are included in the analysis of the managers to elevate their positioning in the labor-professional market to which they are pertinent, a topic that is considered should not necessarily be in first place, within the global evaluation calendar.
- The clear tendency to reductionism in the organizational analysis, almost excluding all deepening within the complex intra and interorganizational relationships, and being located in a "black box" vision for their understanding. With it one overlooks a good part of the management complexities. From that posture, it is difficult that from here significant advances can be expected

towards the conception and design of alternative management models: their elaboration continues being prioritarily in charge of the management itself, although pressured now by pressing demands of more profitable achievements. That pressure on the other hand, among other preventions, leaves without contemplating questions as delicate as the balance between the short term profitable achievements and the crystallization of the development of medium and long term potentialities, vital especially to assure the health and the competitive vigor of the companies.

- Some additional emphasis in certain mechanisms of organizational control: composition of the Board and of the Shareholders Assembly, and roles assigned to them; systematic search of information on the evolution of the market that can contribute more precise instruments for the pursuit and control of the management; etc.; with expectations of every time smaller advances regarding the potentiality increase of those mechanisms for an effective management control.
- The institutionalization of procedures potentially devastating for the development, stability and survival of the organizations, among which we highlight: the tendency to the minimization of the work assets, in pro of greater flexibility of the investors / owners in their decisions of financial immobilizations; the so called OPA - aggressive purchase offers of enterprises - that not few times end up in the breaking up of assets - sales of individual assets with market values "reasonably" attractive, apart from their contribution to the insurance of the competitiveness of the organizational value chains, for the sake of obtaining the greatest interest in the funds invested in said acquisitions; the displacing to a second level of the projects that have to do with the maintenance and / or increase of the management potentiality as a source of employment and generation of wealth; and similar.

## **Conclusions to be extracted from the recent developments for an enriching approach to Cooperative Management**

What is extrapolable from the previous section to the evaluation of the cooperative management patterns effective today and its projection for the immediate future?

Let us say, in the first place that cooperative management, with clear and growing demands of specialized professional training, acquires that training within the same environments as the conventional management, and internalizes in them the culture, habits and expectations there predominant.

That same management has a clear protagonism in the conception, instrumentation, execution and control of the organizational economy exchanges that are carried out in an almost excluding way with economy agents from the lucrative private environment and from the state environment. These last ones, in the essential matter, assume as appropriate and legitimate the premises of the operation of the markets where they operate.

From what has been pointed out in the two previous paragraphs one can not hide the risk that this be transferred to the models of cooperative management, and that those models only be able to transcend said framework in punctual aspects, without the acting of the entities, an own and differentiated imprompt be noticed.

If the above-mentioned which is already worrying, what is greater is the possibility of proliferatation modes in generation, consolidation and maintenance of power structures which recognize features not too far from those that are developed by the conventional *management*.

Fortunately, and as developing symptoms of profound ruptures regarding the conventional rules of organizational management, it is noticed the bold effort of leaders, agents and cooperative associates to preserve the essential features of organizational identity and to impose them on the management. Those manifestations are not only the product of individual vocation, but rather they are deeply rooted in the

reason itself, of being of the entities, and in their more genuine processes of development that self support themselves, and are dedicated to last far beyond incidental protagonism.

Nevertheless, for that, strategies are demanded, policies and management practices that continually reinforce those developments. The maturation of the entities goes hand in hand with the convergent action, of all the instances of the entity, as enterprise social movement. Only as a way of opening a debate that it should be exhaustive, we advance here some central attention points toward those strategies, policies and practices that we visualize:

- Careful recruitment policies and selection, together with the promotion of managerial developments that, without giving up the preservation for the entities of their open character, democratic and plural, endow them of clearly differentiated management protagonist leaderships.
- A systematic attention to the ways for professional formation that tends to generate a specific theory of the enterprise management. That theory should aim to conform a suitable framework to confront the unavoidable demands of the environments where the entities act and to train for the development of strategies, policies and management practices that guarantee an organizational development centered in people, with non-renunciabile aspirations of social importance.
- The maintenance of a close implication of the social leaders, with role rector in the evolution of the entity as a social movement, in the strategies, policies and management practices; combating in a lucid way the reiterated tendencies of the management instances to a blocking / "armor-plating" always pernicious, behavior feature constantly verified as endemic of the administrative structures in all kinds of organizations.
- The constant emphasis in the search of new structural instances that highlight commitments of genuine participation of all the levels of the organization in the

different states of evolution of the processes and institutional realizations,  
pointing out rights and specific responsibilities.

**BIBLIOGRAPHY:** Please refer to Article's Spanish Bibliography.