

## Ethical agency contracts as a basis for co-operative management and leadership

Peter Davis, Adjunct Professor in Co-operative Management Education and Development, Sobey School of Business, Saint Marys University, Halifax, Nova Scotia, Canada. Honorary fellow at the University of Leicester School of Business

**Abstract:** The paper argues for the concept of an ethical agency contract as a basis for leadership and management engagement and development in the co-operative context. The paper agrees with Sigismundo B. Neto (2012) that agency problems are complex, given the governance structures of co-operatives. Neto does acknowledge the possibility of an 'ethical agency' and the paper develops this idea as a possible solution to the mounting record of commercial failure, demutualization and general inertia found in the contemporary co-operative sector. The paper argues this requires both a clear statement of co-operative purpose supporting a definition of co-operative management and leadership's role to provide the content of an ethical contract. The co-operative business will not achieve its commercial potential without clear differentiation of its brand in terms of its membership of the Co-operative Movement and the social and economic critique of capitalism addressing the challenges of our times that this movement represents. Currently the complex agency challenges inherent in the co-operative governance model and the dependence on the mainstream business school model for co-operative management development are preventing co-operatives fulfilling their mission. This requires a management and leadership recruitment, selection and development programme that can transform the co-operative movements various silos and business models with a common purpose to provide a new political economy that combines business success with global sustainability and individual member economic sufficiency accessible to all the world's peoples. The paper concludes that co-operative to co-operative networking and collaboration to support this overarching strategic goal cannot succeed without managers committed to a co-operative ethical agency contract grounded on a clear definition of the role of co-operative management and an equally clear behavioural specification of co-operative professional managers as leaders.

Peter Davis, FRSA, CFCIPD, AFHEA, is an adjunct professor in co-operative management education and development, at the Sobey School of Business, Saint Marys University, Halifax, Nova Scotia, Canada. Peter is also an honorary fellow at the University of Leicester School of Business.

**Key words:** Agency Theory, Co-operative Identity, Co-operative Models of Management, Co-operative Mission and Vision

### Introduction

The paper's supporting empirical materials have been drawn together over the last fifteen years. The work commenced with a survey covering some 17 consumer co-operatives in the UK, which collectively represented 70% of the Consumer Co-operative Turnover at that time and represented the biggest external survey of the UK Consumer Co-operative Movement, in the post war period. (Davis and Donaldson, 2000, 124-178). The papers from other sources are based on recent international case study research published between 2000 and 2015, including case study works from Germany by Munkner; (2000) in Spain, Bajo and Roelants; (2011) from Brazil, Neto; (2012) in Canada, Fairbairn, Fulton and Pohler; (2015) and a cross-country study by Couchman and Fulton; (2015) and in the UK, by Davis 2012 and 2014, compiled in the wake of the crisis first occasioned by the collapse of the UK CRS Ltd in 2000 (Davis, 2014a) and then followed by the UK Co-operative Bank collapse in 2014. The UK case study of the Co-operative Bank comprises both a consideration of the specific leadership model of Terry Thomas, during his period as CEO of the UK Co-operative Bank, and a wider historical perspective, from the 1950s to the Banks crisis to reflect on the wider British consumer co-operative context in which the CRS Ltd and Co-operative Banks tragic collapses took place in 2000 and 2014, respectively. (Davis, 2014b)

The paper's structure commences with a broad discussion of the crisis the author believes to exist in co-operative management, in the context of co-operative leadership, purpose and governance. The paper then discusses the various and sometimes conflicting models of governance, leadership and purpose in the co-operative movement, before going on to explore the underlying agency issues raised in the co-operative context. The paper concludes that the agency crisis will not be removed by focusing on governance, but by fixing the developmental gaze more on co-operative purpose and unification around a value-based co-operative professional leadership model. To be effective, we argue this model needs to be rooted in an ethical agency contract defined by terms of stewardship for co-operative purpose and values reflected and fulfilled in the co-operative's socio-commercial activities and assets.

### **Co-operative management and governance - an agency crisis**

Managers of co-operatives are very much part of the general milieu going under the name of 'Management', both in their experience and in their business school training. Today, the co-operative manager remains like managers in general "... socially fragmented, economically polarized and culturally stratified." (Read and Anthony, 1992, 591-613). One might, in the co-operative context, add 'culturally isolated' and 'undeveloped'. They are underdeveloped in terms of their understanding of the mission and vision inherent in the management of a co-operative business. They are culturally isolated in two senses, first that the co-operatives mission sets them apart from managers in other organisations, and second that their co-operative employers generally show little interest or understanding of the importance of that part of the co-operatives mission concerned with belonging to and building up the Co-operative Movement. (Davis and Donaldson, 2000, 141-143). How we understand co-operative mission and vision remains central to how we might formulate the role of 'management' in a co-operative. Beyond these issues their lurks a growing awareness of corruption at the highest levels of management in blue chip corporations and this is also a concern within the co-operative sector as well - complicated in many parts of the world by various degrees of political interference in co-operative governance and business.

The evidence of widespread co-operative leadership and management failure is compelling when measured in terms of 'co-operative governance'. The failure to engage membership in general and in particular with boards elected on the narrowest possible membership base means the co-operative is failing in one of its defining differences – its democratic governance. The problem is particularly acute in the consumer co-operative sector (the biggest co-operative sector in the UK), but can also be found to be a serious challenge in other sectors like the credit unions. In Agricultural Co-operatives, the problem has been more in terms of reconciling conflicting member interests and rival visions based upon the differing sizes of farm and particular types of farming and / or mix of farmer organizations. (Fairbairn, 1994, 35-51).

In 1999, 75% of British consumer co-operatives attracted below 1% of their membership to governance meetings with the best Societies achieving less than 5%-member attendance. (Davis and Donaldson, 2000, 160) Similar figures will almost certainly be found globally, as little has changed. There have been spectacular commercial failures in Europe and North America, as referenced above. These studies of failures combine to suggest an urgent need to review the various co-operative models of management and leadership.

Perhaps the biggest single piece of evidence of a general agency problem for co-operatives is the often felt need to reassert its own identity that one finds in the International Co-operative Movement. There were revisions in 1937, 1966 and the one that established the current formulation in 1995. (Birchall, 1997) For discussion on the co-operative identity, see as recent examples, Sven Åke Bòök (1992), Rita Rhodes (1995), Ian McPherson (1995) and Peter Davis (1995). While the agency problem is a common one for all organisations, the issue for co-operatives is not simply one of conflicting agency interests (Neto, 2012), but conflicting visions and values. (Fairbairn, 1994, 42)

## Ethical agency contracts as a basis for co-operative management and leadership

One important differentiating element in the co-operative purpose and identity is that its organisational purpose includes *the formation of a co-operative social movement*. This point is worth emphasising as it is a significant departure from the focus in most of the literature on leadership and management of *organisations as responding strategically to the market and market regulation* - a perspective which dominates the discussion of leadership and management. This literature focuses on the leadership of people in the context of organisational change. A principle goal / purpose of the co-operative business, however, is to promote fundamental social and economic change in the wider society and to collaborate with other co-operatives for this end. Thus a '*co-operative*' manager and leaders' agenda involves change management aiming at wider social and economic transformation, in addition to the organisational need to be responsive to threats and opportunities presented in the market and the organisation's supply chain. Building this movement for change around the development of co-operative business is the one unique differentiation that can give co-operatives a genuine commercial momentum, in so far as they mean it and provide member, customer and supplier policies that promote these ends supported by appropriate educational programs.

The case for fundamental change in our global society and economy is not the subject of this paper. The assumption underpinning our paper is that the case for fundamental change in the ownership and management of the global economy is rational and sufficiently well founded to merit academic and public policy debate. Such a debate needs to include the question of the purpose and accompanying leadership model that is appropriate for such an alternative economy and business. The case being made here is that the ethic of co-operation, based on solidarity and open access, requires an appropriate ethical agency contract for co-operative managers and leaders - one reflecting the co-operative mission and vision.

### The Debate over Models of Leadership, Governance and Purpose within Co-operatives

There are several existing, well-established and acknowledged models of co-operative management. First, the Charismatic Model or great founding leader, whose vision, personality and dedication gives them the authority and respect of the members and whose influence is generally decisive in determining the direction the co-operative policies and strategies will take during, and often after, their lifetimes. Johnston Birchall's exploration of the historical origins of the International Co-operative Movement is littered with great founding fathers and one can identify many lesser figures where their great personal charisma was significant in the development of the movement. (Birchall, 1997) For two good examples of contemporary charismatic leaders see: in Europe, Father Jose Maria Arizmendiarieta who founded what became one of the most successful employee-owned groups of co-operatives in the world, based in Mondragon in the Basque region of Spain (Bajo and Roelants, 2011, 178-187) and in Asia, Toyohiko Kawgawa, founder of a number of co-operatives in Japan. (Birchall, 1997, 164)

The second type of leadership model is based on direct worker control and is usually operated through consensus decision-making. Leadership and management are essentially seen as a function of the collective and a reflection of the broader lifestyle objectives of the membership. The author of this paper has no argument with the validity of the collective model of co-operative governance *where the members concerned are acting in the spirit and principles of Co-operation*. However, collective management itself is no guarantee of co-operative identity. The membership of Industrial Common Ownership Movement (ICOM), now part of Co-operatives UK, includes many such small scale co-operatives, yet it is not enough for a business to be collectively owned with collective / consensus decision-making to be called a co-operative. What if the members distribute all their surpluses between them, do nothing by way of working with other co-operatives, give nothing to their local community, either financially or by volunteering, operate with a tightly exclusive and homogeneous membership, invest nothing in education and treat their suppliers and customers in a purely instrumental fashion. Can such an organisation be called co-operative? As the chair of the

committee and author of the report to the ICA Congress in 1995, Prof Ian MacPherson made clear the seven principles in the identity statement were to be taken as a whole. (MacPherson, 1995, 23) Many particularly larger co-operatives operate within the form, but exhibit little of the content implied in the principle of co-operation between co-operatives, as an economic and social philosophy. See Birchall's discussion of the problems of European consumer co-operatives, for an example of such failure.

The charismatic and collectivist approaches generally, as their businesses grow, transform into the rational bureaucratic civil service-style model of co-operative governance, where management's function is to respond and execute the policy-making leadership of the elected board. I quote below from the International Co-operative Alliance *Guidance Notes* for the clearest and most authoritative statement of what is surely one of the biggest myths in modern co-operative governance today - the myth that management is responsible for the day to day running of the co-operative and the board makes the policy. The ICA guidance notes give us the clearest and most unambiguous statement of the civil service model of co-operative management and governance. A careful reading of this guidance to senior executive's shows the contradictions inherent in this myth, once the realities of management's greater skills, knowledge and privileged access to information are recognised.

#### SENIOR EXECUTIVES

There needs to be a clear understanding of the democratic rights and responsibilities of the elected board of a co-operative and its focus on the long-term enterprise strategy and the role of professional senior management, accountable to the board, entrusted with day-to-day management. Senior executives need to demonstrate their practical commitment to and respect for the principle of member democratic control by the way in which they support and service their co-operative's business decision making. Key strategic policy decisions need to be explained to members clearly, concisely and in a way that the whole membership can understand, with alternative options given where appropriate. The presentation of financial and business information to boards and members in general meeting needs to be in a form that complies with legal and regulatory requirements but also in a way that members, especially those elected to serve on boards, can understand to enable them to exercise their governance responsibilities, with alternative options and strategies detailed and presented. The business risks inherent in decisions that need to be made by elected members should be detailed and risk management strategies identified. Senior executives, whether they are a member of the board or not, have a duty to advise boards about what they consider to be the most appropriate business decisions and actions to take but should not simply expect elected members to rubber stamp the decisions they recommend. There needs to be mutual respect for the two distinct roles of the strategic governance responsibility of the board and the day-to-day business management responsibilities of senior executives. (International Co-operative Alliance, 2015a, 23-24)

This model of delegated leadership, in which elected boards are tasked with the determination of policy and strategy generally supported by directly employed professional managers with ultimate accountability to the Co-operatives AGM has led to widespread managerialism and sterility. The co-operative management literature largely accepts the rational bureaucratic model seeing management practice as being essentially scientific, value-free and politically neutral. This idea of management as a purely neutral science disarms the board and provides the cover for managerialism and the assertion of the managers' own agency priorities and values. As Cornforth points out, the role of the CEO in co-operatives is hardly paid any attention, (Cornforth, 2015, 95) yet the leadership role and its significance for the direction of the organisation of the CEO in the non - co-operative literature is pretty well unanimously acknowledged. From CEO down to first line supervisor, management has a leadership dimension to its practice with distinctive orientations and skills. These two aspects of a manager's role (leadership and management)

## Ethical agency contracts as a basis for co-operative management and leadership

can be analytically separated, but not in practice. (Daft, 2005, 18). The vision and behaviour of the CEO is generally taken to be critical in determining organisational culture and goals. The legitimacy of the goals themselves is rarely questioned in any discussion of management and leadership in the context of change management.

To discuss leadership or change management without a discussion of purpose and context is possible for most of the literature because the fundamental reasons for change and the fundamental purposes of capitalist business are assumed to be for the public good. Terms like 'efficiency', 'market forces', 'consumer choice', 'excellence', 'human resource development', 'Business Process Re-engineering', etc. are assumed to be grounded in a neutral science that it is irrational to challenge. Conflict is merely based on misunderstanding and poor communications. It is worth remembering that Co-operation, on the contrary, was founded upon the proposition that capitalist organisation is inimical to the public good and there was a real need for a new economic and social order. While Co-operatives are generally presented as an alternative business model, compatible with free market economic systems, it needs to be pointed out that this does not imply an endorsement of the capitalist organisation of markets. The principle of co-operation between co-operatives is speaking of a wider Co-operative Commonwealth agenda, in which any co-operative is seen as much a part of a social movement as an individual business within a commercial / industrial / agricultural sector. (See the International Co-operative Alliance, 1995, Identity Statement Principle 6) Co-operatives today must comply with the International Co-operative Alliance (ICA) 1995 *Statement of Co-operative Identity*, which contains the principle of democracy as one of its seven principle, but this alone does not constitute a co-operative. A co-operative operating in the co-operative spirit and culture in pursuit of the goals of Co-operation as a social philosophy needs to be acting effectively on the principles of education, concern for community and co-operation between co-operatives. Minimalist approaches to meeting the requirements of the whole of the co-operative identity, while focusing on merely ensuring that the formal institutional arrangements for governance are met, leads to failure and demutualisation.

What approaches, like the ICA guidance notes, fail to take into account is how the formal adherence to codes and principles can be undermined by the informal use of privileged power and informational access arising from the unimpeded control of the day-to-day operations resting *as it must* with management and its bureaucracy. On the issue of day-to-day management decision-making, the Guidance notes appear to fall back into silent acceptance that these are all purely value-neutral and taken on the basis of rationality and efficiency being entirely value-free. However, it is in the day-to-day operation and the decision-making by CEOs and other line managers that application of managerial power and authority develops and / or shifts organisational culture. Managing the day-to-day structures and processes and in applying the management tools that we need to operate the co-operative's business determines real values and norms of behaviour. Davis and Donaldson proposed seven operating principles as guidance which, when supported by appropriate development opportunities, could embody guidance in practical decision-making to support the 'co-operative spirit' and mission. (Davis and Donaldson, 1998, 87-104) Notwithstanding these proposals, their authors recognise that, however many guidance notes and codes one puts in place, they will be no more than cosmetic in their impact unless co-operatives take into consideration the issues of agency and the motivations by the individual office holders.

### **The agency problem in the co-operative context**

Neto suggests there are two perspectives to consider when analysing the efficiency and effectiveness of the decision-making processes covering policy and strategy in co-operatives: the distribution of control rights and decision power – the governance perspective; and information value and availability – the management control systems perspective. (Neto, 2012, 75-76). Neto claims that both dimensions are important in systematizing the characteristics of

managerial control typologies and identifies three primary categories. First the *for-profit* organisations which have control, structure and process systems entirely focused on activities that generate revenue, with their control based on economic-financial numbers. The second are organisations without economic or profit based objectives that aim to provide entirely social or public services characterised as *non-profit* organisations. Neto's third category has a combination of economic and social goals but without the goal of profit. These *not for profit* organisations include the type of business known as co-operatives. Neto claims that this latter type has more complex control systems than the other two as a result of their having both economic and social objectives. (ibid, 75) To some extent, this is an over simplification as the regulatory environment will lay down non-monetary standards which require measurement and record in areas of employment, health and safety requirements, and environmental standards, etc. which apply to all organisations and require reporting and record-keeping, no matter what the organisation's objects may be. However, the division of these two dimensions in co-operative practice, the business and the social side, has led to the development of a non-co-operative culture in many co-operative businesses and an underdeveloped social dimension. The author has argued elsewhere that it is only in the integration of the commercial and the co-operative dimensions that co-operatives achieve our real competitive advantage (Davis, 1999) and realise the huge potential that mobilisation of our human capital (Davis, 2004) could achieve commercially and socially for greater distributive and natural justice, not to mention addressing the many other challenges attaining to peaceful coexistence and sustainability.

Neto argues, perhaps rather pessimistically, that co-operatives having greater complexity in their governance adds to their costs and detracts from their efficiency, in terms of speed of decision-making. (Neto, 2012, 25) Neto argues that the democracy principle - one member, one vote can in the general assembly generate conflicting objectives or vaguely worded goals. On the other hand, popular determination of policies can add to popular loyalty towards the organisation, either as producers, suppliers, employees or as consumers in their co-operatives. Neto also argues that the equality and solidarity principals can generate higher transaction costs, by distracting management from the economic goals. (ibid, p.76) On the other hand, it can generate team solidarity and greater trust and transparency between stakeholders and within the sometimes conflicting interests within the membership stakeholder. Neto claims distribution of surpluses on the basis of use can also lead to inefficiency though the generation of conflict. However, it is also the case that transparent systems of measurement and the application of the principle of retention for security and growth can reduce conflicts and provide greater solidarity. (Bajo and Roelants, 2011, 190-196) Third, Neto points to the unequal struggle between the agents (managers) self interest and the board's ability to control this, due to the former's privileged position in controlling information flows and presentation and also because often the board members are less sophisticated in their ability to interpret the data provided and have insufficient business skills. (Neto, 2012, 81) This latter point was also one Birchall points to in his review of British consumer co-operative performance. (Birchall, 1997, 90)

Neto's focus and case study materials are based on the Brazilian context, which in many ways may not apply directly in other national contexts, but his general points above are common to all co-operatives. Neto's further case example of co-operative governance, by democratically elected boards which do not directly employ professional managers, raises special issues for how the agency problem manifests itself in this context of membership engagement, where informal relationships can determine different levels of access to services and surpluses (Neto, 2012, 81-87) This independent management role for the Board is one that can be found in many southern hemisphere small scale co-operatives and credit unions where nepotism and corruption can often be found to exist. This raises, however, an important further issue for northern hemisphere co-operatives, namely the possibility of board and management collusion against the member's interests. The UK Consumer Movements failure to implement the Gaitskell Report (1958) recommendations for amalgamation of the hundreds of small consumer societies into 40 regional ones was a failure of co-operative democracy. The interests of board members were put

## Ethical agency contracts as a basis for co-operative management and leadership

before the interests of improved services to members. (Davis, 2014b, 2) Often dividends were not sustainable, but took precedence over greater investment. Wider member engagement was often discouraged in order to protect incumbent board members. (ibid) All this needed and received the collusion of the professional manager, whose collaboration would have certainly been bought at a price or agency cost. The low levels of member engagement in British Consumer Societies are possibly further evidence of agency interests distorting co-operative values and purpose. (Davis and Donaldson, 2000, 160)

Neto's own analysis of the agency problem introduces the concept of risk aversion on the part of boards and managers where the relative degree and mix of risk aversion or risk taking by the parties (boards and managers) can lead to different degrees of agency costs, although in the Brazilian context, Neto notes both the manager and the board are generally to be found in the risk averse category. (Neto, 2012, 78-79) However, Neto does accept the possibility of different logics forming the basis of an agency contract and mentions three alternatives; the economic, political and ethical agency contract. (ibid, 29) It is perhaps clear to see what is implied by economic self interest; but political could be either in terms of the pursuit of personal power and self aggrandizement or in terms of specific ideological commitments; and an ethical basis for an agency contract might well include a religious faith, such as drove Father Jose Maria Arizmendiarieta or it might be manifest in secular humanistic terms as a moral commitment to co-operative values, mission and vision. We believe this ethical agency to be the only acceptable basis for contracting managers and appointing or electing leaders in co-operatives to avoid both additional agency costs and adverse impacts on efficiency that Neto identifies in the co-operative case. It is also plainly the only way to ensure managerialism is prevented. To achieve this, we need to replace the ICA statements exhortations with an attitudinal and co-operative value-based management profile that is consistent with the defence and development of co-operative identity and mission in the competitive day-to-day contexts and limitations the individual co-operative may confront in its operations.

### Conclusion

This paper concludes that attempts simply to distinguish co-operative management and its leadership function, in terms of Management-Board relationships, interests and agency supported by the adoption of codes or guidance notes will not provide an adequate defence of the co-operative difference. Form without content will always prove to be hollow. We need to identify and define clearly the roles and purposeful behaviours that co-operative leaders need, in order to have some measure of what leadership that is truly co-operative in content looks like. This takes us from defining purely process to defining purpose. Without a Co-operative leadership and management based on an ethical contract committed to both co-operative process and purpose, the threat of managerialism, the danger of elected members own agency interests, and the reality of large organisations will make it impossible to revitalise and mobilise a movement that has lost its momentum and is failing to sufficiently communicate its alternative vision. We can only expect to witness further incorporation, demutualisation and failure. Neto's pessimism and Birchall's caution concerning the co-operatives potential to change society are well-founded, when one reviews the record. As Birchall notes, there is no guarantee of evolutionary progress. (Birchall, 1997, 235)

It is up to us to want to change and to be committed to a strategy for change that is co-operative, non-violent, gradualist, voluntary and market led. There needs to be a clear statement of principle as to what co-operative management means in: a) functional terms of the role and b) in terms of behaviours (See Note 2). Without these statements or templates of management recruitment, selection and development of democratically elected boards through the discernment of members will continue to run high risks of inappropriate appointments. Co-operations hope to raise humanity to something like the fulfilment of its potentiality for good and morality has been unfulfilled so far at the global level, but that is no reason to stop trying. At the individual and local level, there have been real achievements, as well as failures. In the context of defining the role of a distinct form of Co-operative Management,

the author suggests the following refinement of his 1995 proposal for the incorporation of a principle of Co-operative Management in the Co-operative Identity Statement. This principle, the author believes, provides the context for establishing an ethical agency contract between the co-operative and its managers and leaders.

The International Co-operative Alliance must give life and direction to the Identity Statement defining co-operative process with another equally clear statement of co-operative executive leadership and purpose. The two go hand in hand because all co-operative leadership and followership, practiced at whatever level, is concerned to implement the co-operative mission and carry the whole movement forward to eventually realise its vision of the relationship of business to society as a Co-operative Commonwealth.

*Co-operative executive management is conducted by men and women responsible for the stewardship of the co-operative community, values, heritage, assets and purpose. They provide leadership and policy development options for the co-operative association based upon professional training and co-operative vocation and service. The co-operatives chief executive officer will sit as a full board member with functional heads also being co-opted in larger societies. Co-operative executive and line management is that part of the co-operative community professionally engaged to support the whole co-operative membership and community of stakeholders in the achievement of the co-operative purpose. The common purpose of all co-operatives being the establishment of just economic relationships based upon democratic ownership of the economy aiming at supporting human social and individual development in the context of environmental and resource utilization and sustainability that respects the dignity of the individual, the common good and concern for all life on earth and its habitat. (Davis, 2015, 9)*

The author agrees with Birchall that the realisation of the Co-operative Commonwealth vision is far from being certain and is not in any way the product of historical inevitability. There are many futures set out before humanity, some undoubtedly driven by human greed and vanity, by the processes of accumulation and globalisation, technological revolutions impacting on every aspect of human life and creating ethical problems that could not have been dreamt of a generation ago, plus the mounting pressures of climate change and resource and habitat degradation.

To the author of this paper, most of these futures are too ugly and inhuman to contemplate. He is not alone either in holding to the belief that where women and men of goodwill co-operate, led by persons of virtue inspired by a vision and values grounded in the realisation of both the dignity of the individual and the common good, great things can be achieved. Schumpeter defined entrepreneurs as business people driven to build personal empires through a process of innovation that both creates and destroys. (Schumpeter, 1942, 117). Alternatively, co-operative entrepreneurs use co-operative businesses to build the New Jerusalem, or in more secular terms, the Co-operative Commonwealth. (Note 3) Underlying these two visions and business models is of course a bigger question – what is economic activity ultimately for and what is the responsibility of those who manage this activity for the choices made? In answering the last question, the idea of an ethical agency contract may make a positive contribution for *all* types of business, but it is surely an essential component for managing a co-operative business.

### Notes

1. Birchall, Johnston, pp.83-97. We disagree with Johnson's conclusions, however, that the parochialism and sectarianism he evidences 'is the weight of history' (p.97) preventing the emergence of a modern co-operative retailing. On the contrary, it is the consumer movements own ideological claims and the overall ignoring of the principle of co-operation between co-operatives that has made consumer co-operation so divisive and conservative a force in the movement, often entering into competition with agricultural and worker co-operatives.



## Ethical agency contracts as a basis for co-operative management and leadership

2. Davis, P. (2018) in a forthcoming chapter in an edited book entitled *Leadership as Profession*, Editor, Prof Anders Ragnar Örtenblad, discusses the development of an ideal type definition of Co-operative Leader as a contribution to the identification of behavioral measures and possible learning objectives for co-operative management and leadership development programs.

3. Schumpeter denigrates such ideas as being 'utopian' - a flower beautiful in itself, but without any social soil to grow on. (ibid, 276) Such a claim is surprising, given that in 1942 even in the USA, where Schumpeter was based at this time; there were many examples of an emergent co-operative movement with clear social roots in small farmers and workers being imported from the European experience.

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