January 1996

Co-operatives

Imagine a company without bosses, where you can change your job if you don't like it and where you are guaranteed a job for life. Could such a business exist today and compete as a profit-making enterprise?

It can and it does in Halifax, West Yorkshire, where SUMA Wholefoods runs a successful co-operative employing about 60 people. Its origins were among lentil-eating hippies in the 1970s, who became attracted to wholefood and vegetarian lifestyles.

The business has proved determedly idealistic in its principles and, in so doing, has developed employment policies independent of the human resource management theories of the late 1980s and the 1990s which have become fashionable in the largest of companies. Empowerment, flat structures, job flexibility and multi-skilling are not only present in SUMA today, but were there 20 years ago, says Graham Findley, who, as operations co-ordinator, is the nearest thing the business has to a managing director.

While the merest mention of hippies, lentils and co-operatives may be enough to turn the average capitalist stomach, SUMA believes that, at the very time Tony Blair, the Labour leader, is talking of a stakeholder society, there may be lessons to be learned from the democratic structure of co-operatives and other employee-owned businesses. This is particularly true of those which have shown, in a track record established over many years, that they can make the enterprise work.

SUMA is not only knocking on capitalism's door, it has many of the credentials to be considered a fully paid up member of the club. In many respects it is not much different from any other business. It is profitable and turned over Pounds 8.5m in its last financial year as a wholesale health food warehouse and distributor.

Perhaps the biggest difference between SUMA and a conventional business is a pay policy that insists upon equality of wages for all jobs. Findley, who joined the business shortly after its inception, receives an annual pay and benefits package worth about Pounds 16,000. The same deal is available to every employee, no matter how new, whether they look after the accounts or sweep the floors.

The only people who are paid a differential are those with children who qualify for an additional 'child allowance'. The business has found that not all employees can embrace the values necessary to accept a job without a pay ladder. Many recruits also find the lack of hierarchy difficult to get used to initially.

This is why SUMA has developed a sophisticated recruitment and screening process. All job applicants are posted a comprehensive information pack, and all new recruits come on a three-month temporary contract followed by a six-month 'trial member contract'.

All employees officially adopted into the co-operative are classed as members. Working hours are 9am to 5.30pm, Monday to Friday, with one evening working late, until about 8.30pm. Staff turnover is lower than the industry average and employee commitment high. Work output is fostered largely by peer pressure.

Findley says that people would have to demonstrate some gross incompetence or dishonesty to get themselves dismissed. Generally the membership is sympathetic to those who are struggling or burnt out in a particular job. In those circumstances, they either receive additional training or can change jobs. Job rotation is common among all the members.

Findley himself has been doing his current job for three years and would expect to continue for another year or two before moving to another job, possibly lorry driving, which he says he enjoys. 'As it is, I get to take out a lorry on Mondays. I'm little more, ultimately, than an over-promoted truck driver,' he says. Driving of one kind or another and warehouse picking are elements of almost every job in the business.

SUMA is unusual among larger co-operatives for preserving equal pay and maintaining a collectively run structure based on one member, one vote. In the early days, employees did whatever jobs they wished from day to day. Decisions tended to be taken by the whole workforce meeting on Wednesday afternoons. The meetings became unwieldy, however, and customer demands could not tolerate a day on which the business effectively stopped running.

Other processes were equally eccentric or, in the case of stock taking and cash security, virtually non-existent. The business was servicing a rapidly growing market. When the market began to attract bigger commercial interests, many of the fledgling co-operatives that emerged in the health food boom went to the wall.

SUMA survived, but not without change. A layer was added to the decision-making structure so that a delegate committee, called a Hub, received views of different working groups, called Sectors, but the system was not without tensions. Decisions were slow and some members were loath to invest management with power.

Today, the business has an elected management committee executing strategies and policies decided at quarterly general meetings. The committee enacts strategy through various company officers: personnel, finance, information and operations. Team working has been adopted and departments now work to agreed goals.

Findley says the business is now stabilised with a strong balance sheet, a broader customer base, overheads under control and increasing profits available for investment in business projects currently under consideration.

Not everything in the co-operative is rosy. Its information sheet for job applicants is frank in its comparisons between the ideal and reality. It says: 'SUMA jobs can be a wonderful mixture of manual and mental work, with plenty of personal initiative and creativity. Unfortunately in reality, members get stuck in boring routines, operating beyond their personal competence with plenty of stress and lack of support to complete the cocktail - a normal small business situation.' Recognising this problem, it has earmarked training and development as a personnel priority. It believes it is 90 per cent towards the standard of training necessary for Investors in People accreditation, the accepted UK training standard.

The pay structures are accepted, but again this can be a source of tension. The introduction of differentials are discussed from time to time but the membership continues to resist their introduction. As the information pack concedes: 'It is a good wage for most manual warehouse workers in this area but poor for managerial staff.'

The SUMA members would be the first to accept that co-operative structures are not for everybody, which is why they have developed a complex recruitment procedure to find committed individuals. But the business has demonstrated that true worker democracy cannot be dismissed as a pipe dream. As the co-operative develops, there is every possibility that the business-wide salaries may improve commensurately.

The business is also protected from takeover, in that the employees do not formally own the assets. In the event of its failure, its remaining assets would be passed on to another co-operative. A conventional business structure might be looking for better returns and swifter development, but SUMA measures its success by different standards. 'Most importantly,' it says in assessing its current fortunes, 'sixty well paid jobs with exceptional benefits are now, for the time being, safeguarded in the midst of the low-wage economic desert which characterises much of northern England.'

The point seems well made. Given the rampant job shedding among many big employers, it might be time for some more traditional managements to question their own values.