

Leadership in Co-operatives : The Experience of the Japanese Consumer Co-operative Movement

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Leadership in Co-operatives: The Experience of the Japanese Consumer Co-operative Movement*

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What kind of leadership should the co-operative movement seek and exercise? Because democracy is the most basic principle of the movement and underpins the structure of co-operative societies, the leadership of co-ops must be completely different from that of a private company or an autocratic organisation.

As my research has been mainly on the history of the consumer co-operative movement in Japan and Britain, this paper will be from the historical viewpoint.

keywords: Co-operative Movement, Consumer Co-op, Robert Owen, Rochdale, J.T.W. Mitchell

1. Owen and Rochdale

Robert Owen is sometimes called “the Father of Modern Co-operation”.¹ He was a joint-owner and manager of the New Lanark Mill in Scotland. His management of the factory on the lines of paternal authority is well known not only in Britain but also in Europe. At the New Lanark his humanitarianism and philanthropy were put in practice. For example, he never dismissed his employees even in a recession. Owen also established a school for the children of the mill workers. Education was an essential part of his schemes throughout his stormy career because he believed that human character was formed by circumstances and was capable of being completely

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¹ See the articles in C. Tsuzuki, N. Hijikata and A. Kurimoto eds. *The Emergence of Global Citizenship: Utopian Ideas, Co-operative Movements and the Third Sector*, Tokyo: Robert Owen Association of Japan, 2005, as the latest studies on the Owenite legacy and co-operative movement.

transformed by the environment. His core idea on education is summed up in the name of the Mill school "The Institution for the Formation of Character".

As a result, the conditions at the New Lanark factory and its performance were truly excellent. Then is the leadership of Robert Owen in New Lanark suitable as a model for Co-operative societies?

The answer is "No".

Indeed Owen himself became dissatisfied with the governance and management of his Scottish factory. He was seeking for self-governance by mill workers instead of by a rich manager or owners. Owen gave up his ideal of paternal leadership. This successful manager abandoned his brilliant career in Britain to go to the new world, America. He tried to build a co-operative community on principles of democratic self-government in Indiana. The New Harmony co-operative community experiment began in 1825. According to Owen's plan, the leadership of his new "Social System" should be chaired by rotation.²

Most of the Pioneers of Rochdale Equitable Society were people influenced by Robert Owen. Originally they opened shops in order to accumulate funds to establish co-operative communities like New Harmony, Orbiston, Queenwood and so on. Therefore, even though the Rochdale Pioneers admired Owen as an ideological leader, they pursued democratic governance based on the general will of the members of the society in their actual administration.

Though the Rochdale Pioneers are very famous among co-operators and researchers, their names are not well known to the general public. They managed the co-op as a group. The leadership in Rochdale was collective rather than individual.³ The first Rochdale

² "His design for community government can be summarized as follows. The government was to be by a committee elected by all members. His ideas regarding the committee are democratic and unique. First, it was to be composed of ordinary members in the same age group - for example, those between 35 and 45, or 40 and 50. Secondly, an alternative system should be adopted, so that the governors become the governed after a certain number of years. Thirdly, the work of governance should be so simple that it could become a mere game in the future, to ensure that all members could participate." (Naobumi Hijikata, "Utopianism and Utilitarianism in Robert Owen's Schema" in C. Tsuzuki, N. Hijikata and A. Kurimoto eds. *op. cit.*, p. 40)

³ The minute books of the Pioneers Society in 1840's indicate that the president of the society was changed almost annually in the early stage of the society. Toike Library of Hitotsubashi University, Tokyo, holds various manuscripts on the Rochdale Equitable Pioneers Society. See <http://www.lib.hit-u.ac.jp/service/bunko/toikeg.htm>

principle, or Co-operative principle, is, of course, democracy.

2. CWS and Mitchell

However, as the society expanded in scale the democratic methods within a small association often ended up as non-efficiency and chaos in a larger organisation. The small movement that began in Rochdale developed into a large-scale national federation, the CWS (the Co-operative Wholesale Society), and it came to need a leader like J.T.W. Mitchell.⁴

He was a very strong leader and established a national enterprise for consumers. The Co-op was gradually growing to the biggest retailer in British society under the leadership of Mitchell.⁵

This was inevitably accompanied by a change in the character of the co-ops; from a movement of labourers to a business enterprise for consumers. They tried to improve society mainly from the aspect of consumers' lives instead attempting to re-construct the whole dimension of capitalist competitive society.⁶ The adoption of the dividend system in the Pioneer Society had marked the beginning of the co-op as a consumer movement. Owenite communitarian tradition was discarded in substance by Pioneers in the initial stage of the society.

This "divi" became all in all to the members of co-ops in the 20th

⁴ On the history of the CWS under the leadership of Mitchell, see the following three works by Percy Redfern. *The Story of the C. W. S.: The Jubilee History of the Co-operative Wholesale Society Limited. 1863-1913*, Manchester: Co-operative Wholesale Society, 1913. *John T. W. Mitchell: Pioneer of Consumers' Co-operation*, London: T. Fisher Unwin / Manchester: Co-operative Union, 1924. *The New History of the C. W. S.* London: J. M. Dent & Sons, 1938.

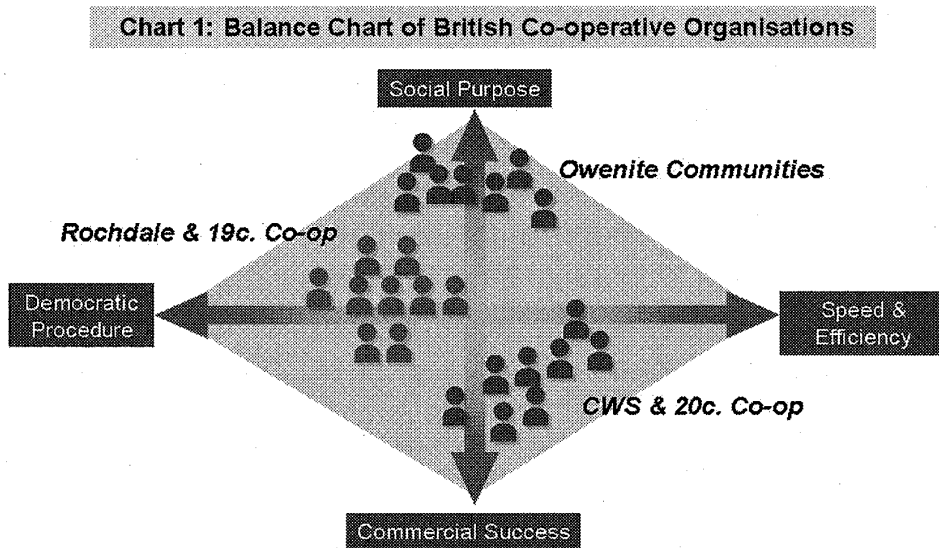
⁵ Consumers co-op movement led by the CWS reached a peak around 1940. "The British Co-operative Movement entered the Second World War at the peak of its development. It had 8.5 million members, which of course meant that far more than this were in Co-op households; when rationing was introduced, 28 per cent of the entire population (13.5 million people) registered with the Co-op for their supplies. There were 1,100 societies controlling 24,000 shops, and they had captured around 40 per cent of the market in butter, 26 per cent of the milk, 23 per cent of grocery and provisions, 20 per cent of tea, sugar and cheese, 16 per cent of the household stores and bread markets, and 10 per cent of the meat trade; altogether the Movement had around 11 per cent of the total retail trade."(Johnston Birchall, *Co-op: the People's Business*, Manchester: Manchester University Press, 1994, p. 136)

⁶ See Sidney Pollard, "Nineteenth-Century Co-operation: From Community Building to Shopkeeping", in A. Briggs and J. Saville ed. *Essays in Labour History*, London: Macmillan, 1960.

Century.⁷ The Co-op was a money saving organisation for them. Commercial success bringing high dividends was the main or sole interest of the majority of its loyal members.⁸

Chart1 shows the balance of co-operative organisations. The vertical line indicates the balance between social purpose and commercial achievement. The horizontal line shows the weight of democratic procedure and efficiency.

Owenite co-operative communities are located at the top, 19th century co-ops middle left, and 20th century co-ops bottom right in general.



⁷ The following memory of a woman in Lancashire is typical of how the co-op was regarded by the ordinary members. "The main reason for shopping at the Co-op was the 'Divi'. This varied from store to store and was discussed by friends and relatives for weeks before it was due as plans were made for spending it." (*Lancashire within Living Memory: Compiled by the Lancashire Federation of Women's Institutes from Contributions Sent by Institutes in the County*, Newbury: Countryside Books, 1997, p. 81)

⁸ On the other hand, however, the "divi" was surely the keystone of the British co-ops as membership organisations. 30 years after the phase out of the dividend system in most co-ops, the Co-operative Group (former the CWS) announced the reintroduction of the dividend for members from December 2006 in order to reinforce membership. See "Co-op to Share Out its Profits" *Manchester Evening News*, 29 August 2006, "Rebranded Co-op Brings Back the 'Divi' it Dumped" *Guardian*, 29 August 2006, "Who Finds Loyalty Cards Rewarding" *Observer*, 3 September 2006.

3. Introduction to Japan

A British style co-op movement was introduced into Japan in the 1870's. Two former samurai visited Rochdale in 1872. A local paper in Rochdale reported their visit to the Pioneers' shop.⁹ Japanese intellectuals and students studied the British co-operative movement and published books, magazines and newspapers reporting the theory and practice of British co-operatives. As a result, the first Rochdale-type co-op, Kyoritsu-shousha (Co-established Trading Company), was founded in Tokyo in 1879.

Kyoritsu-shousha Co-op was followed by several similar co-operatives in Tokyo, Osaka and Kobe. Their founders were from the upper and educated classes rather than working class people. They pursued economic development without a class struggle through co-operative enterprise, as some British economists have described in their textbooks on political economy.¹⁰ The Co-operative movement was recognised by them as co-partnership in business.

Japanese co-ops in the 19th century had the character of an experimental import of a form of economic organisation from the more advanced British economy by business leaders, intellectuals and students.¹¹ Following the examples of these experiments, many consumer co-operatives for the labouring and middle classes were founded in the early 20th century.¹² They were true co-ops for these

⁹ "Members of the Japanese Embassy in Rochdale", *Rochdale Observer*, 19 October 1872. The visitors book of the Rochdale Pioneers Museum includes the autographs of them, Tomizo Noguchi and Shusuke Matsui.

¹⁰ The most influential ones among them were Henry Fawcett's *Manual of Political Economy* (1863) and its elementary edition written by his wife, M. G. Fawcett's *Political Economy for Beginners* (1870). They were copied and translated by Japanese pirate publishers, and widely read in Japanese society. In these books, the co-operative society is treated as an important organisation for co-partnership between capitalists and workers to avert strikes.

¹¹ This was the case where consumer co-ops were concerned. Agricultural and credit co-ops in Japan had other roots. They were introduced from Germany by the government as part of its economic development policies.

¹² The first Japanese consumer co-op movement led by labourers was the Kyoudou-ten (Co-working Shop) movement under the influence of the metal and mechanics labour union "Tekkou Kumiai" in 1898-1901. Meanwhile T. Kagawa planned a co-operative by voluntary urban citizens instead of unions. In 1921 he established the forerunner of the famous Co-op Kobe with only ten members. On the history of the Co-op Kobe, see Ruth Grubel, "The Consumer Co-op in Japan: Building Democratic Alternatives to State-led Capitalism", Ellen Furlough and Carl Strikwerda eds. *Consumers against Capitalism? : Consumer Cooperation in Europe, North America, and Japan, 1840-1990*, Lanham: Rowman & Littlefield Publishers, 1999.

sections of society led by advocates of humanitarian social movements like Toyohiko Kagawa, or the leaders of a labour movement deeply influenced by Marxism.

The two mainstreams of the co-op movement in those days were expressed in the phrase “Marx or Rochdale?” Similarly in the academic world, there were two schools of co-operative studies; studies based on Marx-Leninism and those based on so-called “Coopism”. While both stressed the importance of consumers’ co-ops for improving the quality of life of Japanese working people, their strategies were sharply divided. Followers of the Rochdale Pioneers or the “utopian” co-op idealists were sometimes criticised bitterly by the “scientific” Marxists.

After the 1930s, however, the Japanese military government suppressed such consumer co-operative movements, or else the co-operatives were used by Japanese Imperialism as a tool to control the domestic and colonial economies.

4. The Co-operative Movement and the War

The connection between Japanese Imperialism and the co-operative movement is a very interesting subject for co-operative studies.

Italian Fascists, German Nazis and Japanese Militarists not only destroyed the democratic co-operative movement in their countries, but also used co-operative societies as an instrument of their totalitarian economic policies. The totalitarian co-operative movement against liberalism began in the West and the Far East before World War II.¹³ They denied and rejected economic competition in a free market as the orthodox co-operative tradition did. However their motives were alike only in appearance. Their “Co-operation” served the interests of totalitarian leadership.

Japan seceded from the International Co-operative Alliance in 1940. The ICA was seen by the Japanese as an international organisation ruled in substance by Britain. In opposition to “the Anglo

¹³ For further details of the Italian and German totalitarian co-op movements, see Rita Rhodes, *The International Co-operative Alliance During War and Peace 1910-1950*, Geneva: International Co-operative Alliance, 1995.

ICA”, the East Asian Co-operative Council was founded by Japan in the same year. The Japanese domestic and colonial economies were managed by such state-policy co-ops. In addition to its colonies such as Korea, Taiwan and puppet “Manchuria”, Japan began to build co-ops in its military occupation areas in Southeast Asia. Finally, in 1942 the Great East Asian Co-operative Conference was held in Tokyo.¹⁴

History shows the Co-operative movement can be robbed of its leadership even by militarized Fascists. Without self-supporting economic power, even ideologically strong organisations and movements can easily be taken over.

5. Post WWII Co-ops with Charismatic Leaders

The strong democratic Japanese consumer co-operative movement after WWII was steeped in the memory of this and regret for such a history. It advocated the famous slogan “For Peace and a Better Life”.

On the other hand, the Consumer Co-op Law in 1948 has played an absolutely key role for the development of post-war consumer co-ops in Japan.

This law was drafted and amended in Parliament under the influence of strong opposition to the co-op movement from the regular retailers. It was, and is, therefore very restrictive for the consumer co-op business. The regulations of this law are as follows;

- (1) The customers of a co-op shop are limited to its shareholders.
- (2) The business area of a regional co-op is severely restricted.¹⁵
- (3) A banking department is not permitted.

Such requirements generated the following three characteristic points of Japanese co-ops.

¹⁴ Such co-operatives in the Japanese occupation areas and their marionette federation led by Imperial Japan have been completely neglected in the co-operative and academic worlds. Even the historical works and dictionaries of the co-operative movement published in Japan have paid no attention to them.

¹⁵ Japan is administratively divided into 48 prefectures. Each regional co-op can not operate business in more than one prefecture.

- (1) Local-based organisation
- (2) Concentration on member-oriented retail business
- (3) A powerless national union (JCCU)

A feature of post WWII consumer co-operative management and governance is the independence of regional co-ops, with influential local leaders who grew up in the university co-ops without having a strong national federation to lead them. Although the severely regulatory Consumer Co-op Law was always an obstacle for co-ops, the Japanese movement succeeded in producing several big local co-ops led by charismatic leaders.

In contrast to most of the managers of European co-ops, they had learned the Rochdale Principles, understood the co-operative philosophy, and were eager to spread it both within and outside university campuses. They took on both the management and the governance of the co-operative societies.

In addition, the co-op members, mostly the housewives without fulltime jobs, studied the idea of co-ops not as mere customers of the co-op shop but as partners of the co-op leaders, working to establish a strong movement together. Their catchword "For Peace and a Better Life" represented fairly the stance of the movement.

Their leadership gradually became ideologically and administratively stronger in the regions.

As many researchers have pointed out, the Joint Buying system through the members' group "Han" is a key to the success of the post war Japanese Seikyo (Consumer co-op). However it should be noticed that such a system could function effectively only under the above mentioned circumstances. This is the reason why the Han system has never been put into practice within the co-op movement outside Japan although it has become very famous among co-operators all over the world.¹⁶

¹⁶ For the development of the Japanese consumer co-ops prior to 1990's, see Guenther Vacek, "The Consumer Co-operatives in Japan", Johann Brazda and Robert Schediwy eds. *Consumer Co-operatives in a Changing World: Comparative Studies on Structural Changes of Some Selected Consumer Cooperative Societies in Industrialized Countries*, Geneva: International Co-operative Alliance, 1989. and Hidekazu Nomura ed. *Seikyo: A Comprehensive Analysis of Consumer Cooperatives in Japan*, Tokyo: Otsuki Shoten Publishers, 1993.

6. The New Leadership of Technocrats

But the 1990s came and the co-ops based on the Japanese style of leadership faced a crisis. The scandals of some of the charismatic leaders who had exercised powerful leadership over decades were revealed. The reality of the governance of the co-ops that had advocated democratic control as their essential principle came to be severely tested.¹⁷

In addition, new management and operation systems were required in order for the co-ops to challenge and overcome their rival multiples in the retail market. Many Hans were dissolved when many more women entered the workforce in the 1990's. Facing a crisis in their proud Joint Buying system, Japanese Co-ops began to establish the standard model of store management. Scale merit became essential for the survival of chain stores including co-ops.

During a period when the foundation of district wholesale federations securing scale advantage was attempted in the face of legal area regulation, the leadership of the co-op movement was moved from the hands of the local charismatic leaders of the previous generation to the management technocrats of the new era.

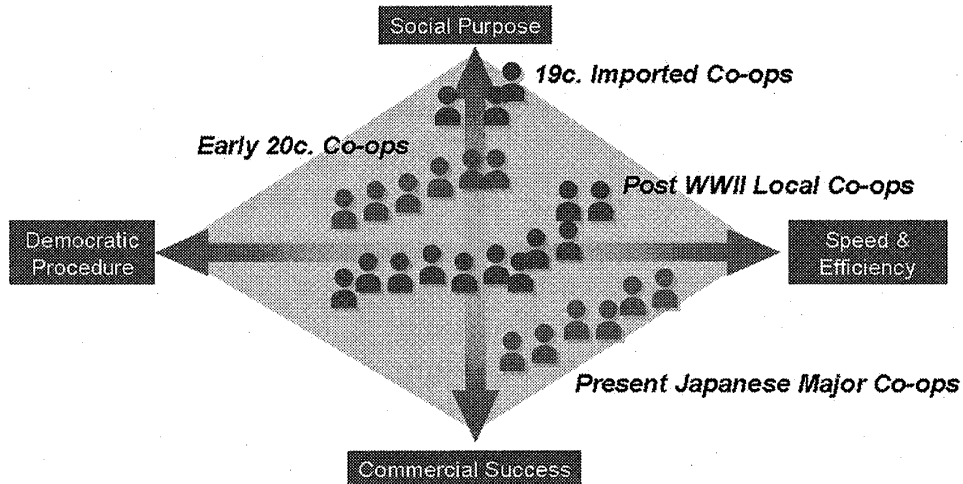
Such managing experts lead Japan's consumer co-op movement now. The JCCU is being reinforced as the national wholesaler and leading federation for local co-ops. It may also be possible to see a similarity to what happened in Britain, where the CWS converted the co-op from a movement pursuing the ideals of Owen or Holyoake to an enterprise which existed for the daily benefit of the consumer.

Chart2 indicates the transformation of the character of Japanese co-ops.

However, in the 21st Century the social responsibilities of the consumer co-operatives are questioned and are needed again both in Britain and Japan. It goes without saying that commercial success is not all in all for the co-operative movement. Initiatives such as Fair Trade movements led by British co-operators or the Green activities of Japanese co-ops are in line with the new Co-operative Principle that

¹⁷ As a result, the debates on the governance in consumer co-operative organisations arouse in Japanese co-operative movement and academic world in the mid 1990's. See the articles in the *CCIJ News* published by the Consumer Co-operative Institute of Japan (<http://www.co-op.or.jp/ccij/english/main.html>).

Chart 2: Balance Chart of Japanese Consumer Co-operatives



applies the ethical stance of the co-operative movement to sustainable development of the community.

Conclusion

We should be able to learn from this history that the role of co-operative leaders should not be dictatorial. It should aim at pursuing, keeping and restoring the balance between a social movement and a business enterprise, and between democracy and efficiency.

Chart 3 shows the role of co-operative leadership.

If the co-op is located at A, its leader should try to move the society in direction B. The target should be the centre point showing the ideal balance. In the case of the co-op located at C, leadership working in the direction D would be required.

Such "reactive" power will be essential for true proactive co-operative leadership in the business and the movement.

Chart 3: Role of Co-operative Leadership = Keeping of Ideal Balances

