

**THE MANAGEMENT IN DEMOCRATIC AND SOLIDARY BASES:  
DILEMMAS AND CHALLENGES**

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**ABSTRACT**

The self-management firm in the base of cooperative principles could or should obligated rethinking the methods and productive process to attempt to establish, also in relation to processes, democratic forms that consider and are in accordance with administrative frameworks and policies of cooperatives. More knowledge about the difficulties in this scope could appoint many important and certainly necessary courses for reflection of this theme. Meanwhile, the solutions for this claim are not replied satisfactory, and yet are in development stage.

**KEYWORDS:** Social Economic, Self-Management, Cooperatives, Democratic Management, Productive Process.

**1. INTRODUCTION**

The Social Economic movement has grown every day, in search to fetching options of attainment of work and income. As a worldwide trend, it has become one of the main forms of population's reorganization. Social Economic configures itself as "*a mode of production and alternative (...), created and recreated distribution for that if they find (or they fear to be) kept out of society of the work market. The Social Economic marries the principle of unity between ownership and use of the means of production and distribution with the principle of the socialization of these means*". (SINGER, 2000). Synthetizing: it is an economic organization, where solidarity predominates among workers in search of democratic forms to make survival possible.

Inserted in the Social Economic, there are organizations on the basis of the self-management companies, cooperatives or associations - for presentation effect, all these forms will be called self-management companies - which are conducted by the principles of cooperativism, having as one of its pillars democratic management, transparency and collective decision. We can see through reports of entities and authors that self-management companies have fortified more and more in Brazil (OCB, 2000; ANTEAG, 2000; SINGER, 2000). However, the problem persists: control the management or control the means of production? Currently the given emphasis is in the control of management, which is correct, therefore has been the problematic greater in the beginning of any company based on self-management. In this transformed environment, the classic forms of management enter in conflict with the democratic process that are the base of the self-management companies.

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This text search to rescue the concepts of functioning of this type of organization and point out the joined difficulties and dilemmas in the present day literature to answer these questionings considered for the associate-workers of the self-management companies

## **2. TYPES OF MANAGEMENT SYSTEMS**

The management system in the companies not necessarily is become done in the same way. The approach that is used in the text is of the self-management; but as this term may be confused with other systems of management, we will appraise to the meaning of each system (DRULOVIC, 1976; GUILLERM & BOURDET, 1976, MOTTA, 1982; MOTTA et al, 1987):

**Self-management:** It is the management that comprises the autonomy of the members of the company to decide on the destinations, the processes and the results of work. Its general ideas are:

- End of the engage;
- Organization of the work on the basis of the democratic management;
- Election of self-management commissions;
- Elimination of the hierarchy;
- Participation in decisions that concern surplus.

**Hetero-management:** The opposite of the self-management, that is, the management is managed by another person, who can be the controlling (Managing, Administrators, Engineers) and/or by owner(s) of the company. The Hetero-management is the most common model found in companies.

**Participation:** It is not a self-managing, restricting the action to the participation of an existing activity of individual form, where the worker has that to have for in its activities, interest and persistence. This model inside of a company would have to be of spontaneous form, where the worker collaborates freely in the decisions of the company, but in the truth, this participation finishes being imposed for the owner, or directors. The motivation is obtained with the participation of profits, where the company remunerates the contribution and persistence of the worker. Inside in this way of management the Hetero-management prevails.

**Co-management:** It is a more advanced level of participation, where the participation in the profits is not alone, which the worker must be interested. It can disclose to the level of the organization of the work (in most cases) and/or in the level global politician of the company (co-administration). These types of participation are obtained by motivating the workers to attenuate the task's monotony, mobilizing them in a type of auto-organization in the production's level.

## **3. THE SOURCES AND PRINCIPLES OF COOPERATIVISM**

For the self-management companies to be based in the principles of cooperativism, it is necessary to make a description of historic and principles of this. The cooperatives had appeared have a century more than, from the pioneering experience of Rochdale in

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England of 1844, as a reply and opposition of the workers of the textile industry to the traditional forms of production. Currently, the diverse forms of cooperatives are considered very important, as much in the developed countries, how much e, mainly, in the developing countries. The originally principles of the cooperativism had suffered a reformulation to leave in the International Congress of the International Co-operative Alliance (ICA) in Vienna (1966), where some principles were established: voluntary adherence, a man a vote, interest limited to the capital, to distribute the surplus according to work, promotion of the education between partners and cooperation between the cooperatives (AMATO NETO & RUFINO, 2000).

More recently, in the declaration approved in 1995 by ICA, in Manchester - United Kingdom, had been proposals some modifications that can be summarized in seven principles: voluntary and opened adhesion; democratic management on the part of the partners; economic participation, autonomy and independence; education, formation and information; cooperation between cooperatives; interest for the community. It has, therefore, in this declaration of Manchester a clear reference the values. The values of the cooperation if present in the following way: the cooperatives are based on the values of mutual aid, responsibility, democracy, equality, equity and solidarity. In the tradition of its founders, the cooperative partners respect the ethical values of honesty, transparency, responsibility and social vocation (AMATO NETO & RUFINO, 2000).

The peculiarity of the cooperative company is the end of the hegemony of the capital, is about a company based on the work, in the activity carried through in common, in the person, who is who carries through the activity. Boarded of this form, the cooperative can be understood as a human company, in contraposition of the traditional company.

The explication of the ethical values consists in an excellent fact in the declaration of Manchester, a time that if show oportune to the reference the values such as the transparency of vital importance in the relations between the partners and the social responsibility, tied with the new cooperative principle of interest for the community.

### **1st Principle: Voluntary and Open Membership**

Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

### **2nd Principle: Democratic Member Control**

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives, members have equal voting rights (one member, one vote) and co-operatives at other levels are organized in a democratic manner.

### **3rd Principle: Member Economic Participation**

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

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**4th Principle: Autonomy and Independence**

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

**5th Principle: Education, Training and Information**

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

**6th Principle: Co-operation among Co-operatives**

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

**7th Principle: Concern for Community**

Co-operatives work for the sustainable development of their communities through policies approved by their members.

The comparative picture below searches to evidence the main differences between cooperative and mercantile company.

<b>Cooperative society</b>	<b>Traditional Company</b>
Man is base.	Capital is base
The partnerworkers are always owner and user of the society.	The partners sell its products and service to a mass of consumers.
Each person counts as a vote in the assembly.	Each stock or quota counts as one vote in the assembly.
The control is democratic.	The control is financial.
It is a society of people that functions in a democratic way	It is a society of capital that functions in a hierarchical way.
Quotas cannot be transferred to others.	Quotas can be transferred to others.
Remove the intermediate	They are, many times, the intermediates
The results return to the partners in proportional order of work.	Shares return to partners proportionally to number of stocks.
Opened to the participation of new co-operators.	It limits, for times, the amount of shareholders
Valorize members and its conditions of work and life.	Contracts the worker as work force
Defends right prices	Defends the biggest possible price.
Promotes integration between cooperatives.	Promotes competition among societies.
The commitment is educative, social and economic.	The commitment is economic

There are three basic cooperative models, from which the too much possible variations of cooperatives are elaborated: The first is the cooperatives specialized in the attendance of specific economic necessities. The second one is a mixed cooperatives, that match two or more types of cooperatives, and, finally the integral cooperatives, that is destined to the

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attendance of the some specific necessities of its partners and its families, as the case of the *Kibbutzim* in Israel.

The models are basically the following ones (AMATO NETO & RUFINO, 2000):

- Consume model, that if destines, basically, to supply to the associate-users the foodstuffs and good of personal and domestic utility the prices most advantageous of than the others companies;
- Production model, also known as cooperative laborers of production or cooperatives of workers, the production cooperatives destine themselves, logically, to the autonomous organization of the workers in the production of an specific good;
- Credit model, that, in function of the particularities of each region, diverse specific subtypes present especially in Germany and Italy. Today the most successful organizations in this segment are people's bank.

It has, in the current world, and especially in some countries of the Europe, a great number of successful experiences of the cooperativist movement.

But to mention some of the expressive examples, the case of the Cooperative Complex of Mondragón can be commented, in the Basque Country (Spain), the *Kibbutzim* in Israel, and the cooperatives of production, service, consume and credit of some regions that compose the call Third Italy. In its set, such cooperatives involve hundreds of thousand of associates.

#### **4. THE COOPERATIVISM IN BRAZIL**

From the historical experiences of cooperativism in Europe in the XIX Century, cooperatives started to spread all around the world. In Brazil, the first cooperatives appeared in the end of the XIX Century. Despite the traditional associativist laws in the Brazilian agricultural field, it was in the sector of urban consumption centers that the first cooperatives appeared in Brazil.

The pioneer experiences were: the Cooperative Association of Employees of the Telephonic Company in the city of Limeira, in the State of São Paulo in 1891; the Military Cooperative of Consume in Rio de Janeiro, at that time Federal District, in 1894; the Cooperative of Consume of Camaragibe, in Pernambuco, in 1895 and the Cooperative of Consume of Employees of the Cia. Paulista in the City of Campinas - State of São Paulo -, in 1887.

It was only later that the cooperativist movement reached the agricultural area, with the first agricultural cooperatives of Caxias do Sul, in the State it Rio Grande do Sul, in 1902, and the cooperatives of coffee, cotton, cassava, rice and maize growers, and of dairy producers in the State of Minas Gerais, from 1907 (PINHO, 1982).

The expansion of the cooperativist experience brought to the creation of some entities that started to congregate the diverse cooperatives; amongst them it is interesting to recall the Organization of Brazilian Cooperatives (OCB), as an official representative of the national cooperative system, created in 1971, and also ANTEAG (National Association of Workers of Self-management and Shareholding Participation Companies), formed in 1994; Unisol Cooperative (Union and Solidarity of the Cooperatives of the State of São Paulo) formed in 1999; ITCP (Technological Incubators of Popular Cooperatives), of university scope,

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being the first Incubator formed in 1995, at UFRJ (Federal University of Rio de Janeiro), and in 1999 at USP (University of São Paulo); ADS (Agency of Solidary Development), organism created by the CUT (Central Unique of Workers), where the first agency appeared in 1999.

However, what one realizes, is that there is a great atomization of the single cooperatives (cooperatives not bond to any entity or federation). Even in the South and southeastern regions where the performance of the cooperatives is more significant (it corresponds to 65% of the country total) the confederate movement of cooperatives is still inexpressive.

Despite its pionerism in the urban area, it was in the agricultural sector, through farming cooperatives, where the cooperativist movement was more spread throughout the XX century, reaching by the 80's approximately 75% of the total number of cooperatives in Brazil, followed by the habitations cooperatives tied to the now extinct National Bank of Habitation (BNH), with about 15% of the total, and the cooperatives of credit, registered in the Central Bank, representing the remainder. Another important modality is relative to the cooperatives of work, that have been growing and taking form in the last years (although there isn't yet an explicit legislation to support this type of organization), in all sectors of the Brazilian economy (metallurgical, textile, agroindustry, civil construction, etc). In this perspective, there was an increase in the number of cooperatives of work of 24.5% in 1999, and 62% in the last three years (OCB, 2000). This vertiginous growth in the last years is explained by the current conjuncture of the country, where the austere politics of the federal government and the process of globalization of the economy has magnified the index of unemployment in a general form.

## **5. MODE OF ORGANIZATION IN SELF-MANAGEMENT COMPANIES**

Perhaps the great challenge of initiatives in self-management companies is to conciliate and to assure its principles of solidarity with its self-sustainment in the market. This last one demands that these self-management companies are competitive, without having to follow the rules and to reproduce the traditional model.

We could observe through the research carried (GAIGER, 1999; ANTEAG, 2000, HOLZMANN, 2000) that workers initiatives for generation of work and income, included in the Social Economic, are articulating both the entrepreneurial logic that targets results by means of a planned action, optimization of productive, human and material factors and the solidary logic, that works as a regulator for the economic rationalization, bringing real benefits to all workers, where rationality and efficiency is based on the cooperation, GroupWare potentialities, in favor of themselves.

The self-management companies have as principles: self-management, democracy, participation, and equality work cooperation, self-sustainment, human development and social responsibility. However, to the market, it does not matter its internal structure of management, but the quality and efficiency of its products and services in competitive terms. Then, for that to occur, the competitive strategies of self-management companies will have to head towards the adoption of the necessary elements to its subsistence (technical qualification, productivity, market conquest and capital increasement), searching the rationality and optimization of the potentialities of each worker to the benefit of all partner-workers. In this context, the following dichotomy will have to be surpassed:

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Common Property Cooperation Democracy Self-management	<b>X</b>	Management Planning Qualification Efficiency Economic Viability Quality
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When rescuing the question: to control the management or to control the means of production? We observe that while giving emphasis only to the control of the means of production the self-management companies lose their identity, because the implementation of management of traditional market operations as a direct and single form, wounds the principles of cooperativism, for this would tend to establish a hierarchic level of subordination and specialization which could exclude the partnerworkers of the participate decision environment of the company.

Besides the self-management companies growth during the last years, they still show fragilities related to the organization of their production, because many times they do not have the capital to maintain its activities, or knowledge on the types of management of production operations that exist in the market (ANTEAG, 2000). This results in many difficulties and conflicts to control the production, which many times lead to failure.

## **6. MODELS OF ENTERPRISE MANAGEMENT: ALTERNATIVES FOR SELF-MANAGEMENT COMPANIES**

All company must think for its subsistence, in the questions related to the safe and trustworthy taking of decision that involves financial, commercial, accounting and fiscal questions, human resources, production, supplements and distribution.

The existing models to attend these problems are well know and widely used in the market, sometimes with the aid of softwares or hardwares. However, what is available is made for the use of traditional companies, mainly for medium or large companies, or public institutions.

Apparently there aren't, in the market, solutions to enterprise management directed specifically to the self-management companies, mainly to the self-management companies of production and services, except for the ones in the agricultural sector, for its size and long presence in the Brazilian market, and this last one does not answer the necessities of the two previous ones.

The necessity of having a specific solution for this model of company, with an adaptation of methodology, is because they present organizative, fiscal, legal, accounting, patrimonial peculiarities etc, because self-management companies do not aim at profit.

There are existing organizations (ITCPs, ANTEAG, ADS, UNISOL etc) that are searching for adequacy of methodologies of these models for self-management companies, although

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still in an exploratory and initial phase, due to lack of professionals studying and searching in this field and aggravated by the lack of formation of university staff in this field.

The current possible alternative to extend the research of methodology adequacy is to search to broad the space of these problematic in the university in terms of research and development, to enlarge the professional staff who works with management in the self-management companies aid organizations, and it's also necessary that the self-management companies accumulate knowledge in self-management.

In a posterior moment it will be necessary, to integrate the set of acquired background of self-management companies with the knowledge developed by both the aid organizations and the professionals involved. This new methodology also involves rethinking approaches, technologies (information technology, software and hardware equipment), processes, organizational culture, quality, and efficiency (PEIXOTO, 2000).

## **7. FINAL CONSIDERATIONS**

By the showed panorama the questions related to organizational and production management in the self-management company scene still need primordially conceptual solutions which can lead to an effective solution in terms of the daily practice of these companies.

The research, both theoretical and empiric, has not yet reached in the Brazilian ground responses capable of guiding (actions to solve) necessities. In the companies' point of view, the traditional culture of work is an element that makes it difficult, but does not annul that democratic forms can be daily found.

These experiences can be analyzed in the scope of this new paradigm that searches to reorganize the models and adequate technologies, without being impositive and standardized.

Concerning the initial problematic between controlling the management or controlling the means of production, the more suitable reply is that both controls cannot be carried through in separate or isolated form. A self-management company, which worried only about self-management system questions, risks not to fit market requirements, and not subsisting for much time. On the other hand, by giving emphasis to the management of organization and production, self-management companies run risk not following the principles of the cooperativism and ending up transforming themselves into traditional companies or even in a collapse of the organization.

Thus, what is presented is a false dilemma, for only with full and transparent internal democracy, with an efficient and rational management, will self-management companies have chances, both in marketing possibilities and in developing a full model of self-management.

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