

Co-operative Management

by

S. T. Meng and *Rewi Alley*



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EDITOR'S NOTE

It is intended to publish in this library pamphlets of interest to workers and organisers of industrial co-operatives—Studies of existing industrial co-operatives; pamphlets on organisation, financing, management, accounting; information on technical aspects of small industries and technical monographs useful to different types of industrial co-operatives; suggestions for development of social and cultural activities for the benefit of members of industrial co-operatives; brochures on ideals of industrial co-operation; and other allied subjects.

FOREWORD

S. T. Meng (Meng Shou Tseng) and myself, appreciate the honor done us by the Industrial Co-operatives Organising Committee of India, in asking us to submit these pages. We regret that we do not have the time or ability to present a more polished manuscript. S. T. Meng is very busy, acting as Chief Inspector of the Association for the Advancement of Chinese Industrial Co-operatives, while I myself have my hands full as Headmaster of the Sandan Indusco Bailie Technical Training School.

We arranged to meet in Sandan in June, and to write on this subject, but it was not until the end of that month that we were able to get together, and in between the various demands of each day, set down our thoughts on Co-operative Management.

Much of what had been written on the production and business side, is, what had occurred to us as being of possible use in the larger co-operative unit, and will be somewhat complex for the group of seven to carry through. We do not want to discourage the group of seven. It has made a great contribution to the work in China, and we hope that it will do likewise for India.

Now that India approaches a greater measure of political freedom than she has had for a long time, we hope that the "movement" side of Industrial Co-operation may be developed, and prove to be an inspiration to all who work for People's Industry, in our newer world. Wherever Industrial Co-operation in the villages succeeds, we all succeed.

S. T. Meng.

Rewi Alley.

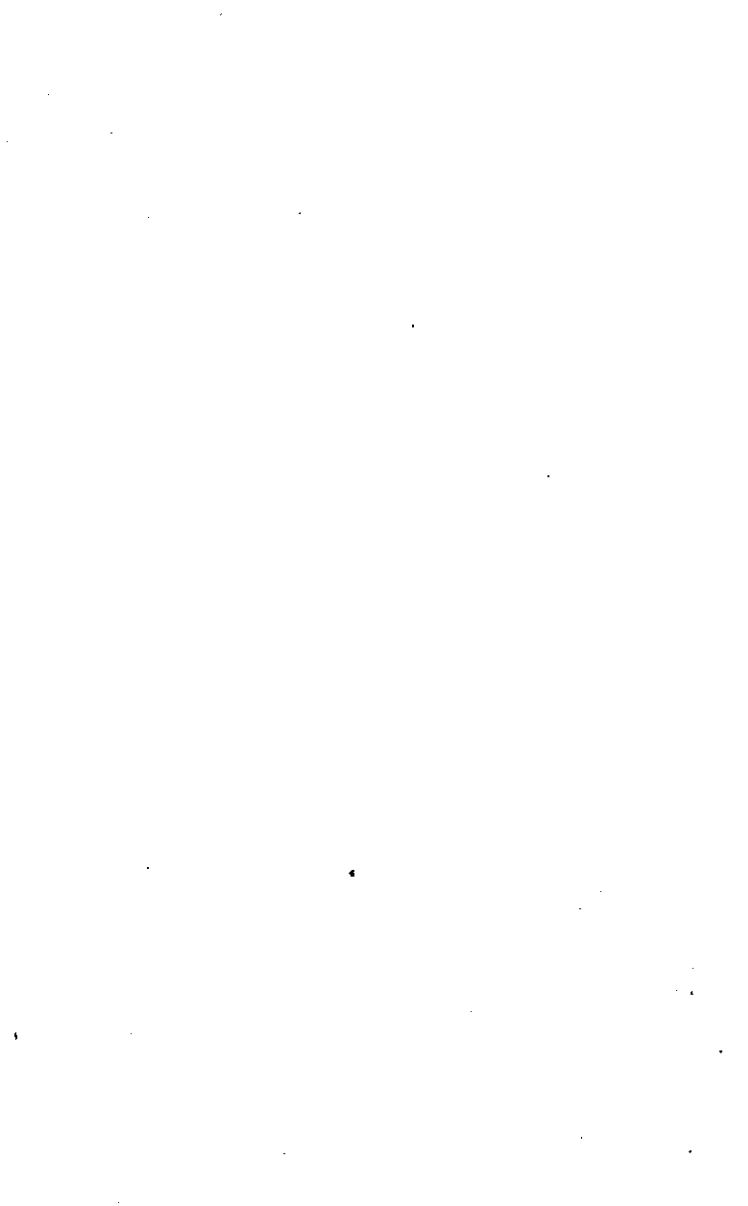
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Co-operative Management in Relation to Organization

The Human Side.

A co-operative is not a dry as dust organisation—a specimen to be analysed and dissected by intellectuals—hidden under a mass of rules. It is a living thing of living common people, who have caught the fire of understanding, whose creative, living work is their finest expression, their contribution to the better human society, for which it is finer to live, than to be shot for.

Colour, warmth and light are necessary in co-operative management. Movement, music, all help to hold a group together. Not only to work together but to play together. Just rules for better co-operative organisation, technique and accounting will not solve all difficulties. The emotional side is all important. In this the East can show the West much. It can help industrial co-operation to

leave the heavy, matter of fact philosophy which so easily smothers a movement.

In China many have said, "Why do you always put your trade mark on the outside of your goods? On rugs, on handbags, on blankets?—Why, no factory would ever do such a thing—" but the co-operative members went on so putting their mark—because it was a mark of working together—the highest philosophy they had—and people bought what they produced, and were proud of Gung Ho also. In China's wartime NW "Gung Ho" was seen everywhere.

The training of co-operative managers, therefore, is a great problem. It would seem to be the crux. Managers who will stand in the group, even behind it, and build up comradeship in common effort. They will know the value of co-operative members' education, of newspapers, of songs together, of debate, of benefits organised with the help of the common good fund for the families of members.

If the human side is well looked after, the problem of co-operative management becomes easy. The discipline, a group imposes on itself, is the strongest discipline of all. But before there can be work discipline, there must be understanding.

Before there can be credit, there must be experience. Much depends on the kind of experience the leading spirits of the group have been able to gain before laying the foundations of the very human organisation they are going to help.

ORGANISATION

The co-operative is a live organisation, with its own special make up. A good co-operative is more forceful in its management than a good factory. The elements that go to make up a good co-operative, are as follows:

1. Systematic functional structure, consisting of members' meetings, setting up of the Board of Directors, the Board of Supervisors, the General Manager, different committees and different sections.
2. Executive Leadership, which will consist of picked members, specially trained, highly respected by their fellow members, so that they can be elected as leaders. They will be historically related with their organisation, and have a good understanding of the functions and possibilities of the industrial co-operative movement.
3. Democratic control by Members, will come through the initiative of the membership.

They are bound tightly together by bonds of friendship, to operate a common enterprise, which entails attending meetings and discussing all co-operative matters. They all stand in equality and have the obligation to express their ideas, to make a common plan for work, so that their maximum potential for their work can be realised.

4. Regulations and rules. To guard against hasty or emotional decisions in the members' meetings and to strengthen the hand of the executive leadership, certain regulations and rules will be necessary.

Co-operative management must strive to maintain interest, to inspire willingness among the membership, and to avoid falling back into a mere driving policy, familiar to the ordinary factory.

The member's opinion regarding policy may be immature, but it is important that it be expressed. His insistence on better living conditions will provide a valuable spur to action. The idea of a unit of the group being a "coolie" or in western parlance a "hand" will not enter the organisation. The main emphasis is on self government and self management, of course, and members will slowly be trained to

that point. In the first instance, the emotional bonds of friendship might hold where the more scientific attitude of management has not been developed.

They will come to the point of making mutual contracts between themselves, after they have learnt what are sometimes very bitter lessons. As work progresses they will provide mutual checks on workmanship, and the creative desire for technical improvement will be fostered.

It must not be forgotten, however, that membership comes from the common men, with a historical background of oppression and exploitation. They have not had the opportunity to get training for the systematic thinking modern industry demands. It is often not easy for them to discuss together on an even basis, for, as already stated, their development may be slow. Therefore, some necessity for regulations and rules, which will apply to all co-operatives, exists.

In the first stages, the co-operative group may have to face considerable difficulty. There may not be good markets or marketing facilities for their production. Local taxes may be increased after their production starts. There may be difficulties in arranging capital. There may be losses through bad planning and bad management. There will, most

probably at first, be internal disputes in the group itself. As the accounting system will not be well established in the first period, there will be a good deal of suspicion amongst the membership also.

There will be technical troubles, and difficulties in getting raw material at first. Industry in many country villages has died and the pioneer industrial co-operative that seeks to commence the process of bringing it back, will not have the advantages of the interlinking system of centralised industry of the city, until federations have been established, and the movement widespread.

Sometimes these difficulties may prove too many, causing the membership to despair, and lose confidence, feeling that there is no future for the movement. They may dissolve their cooperative and fall back into hopelessness. The greatest safeguard against this kind of defeat is good leadership. The trained leader will be able to prevent many a human situation from developing to the point where it is a danger to the group. He will give confidence and hold the membership together over the critical periods.

The good leader in each group will make up for the lack of knowledge and ability of the membership by coordinating and correlating the work of

the membership. He will know how to deal with each individual in the group use his best points. Yet in spite of the responsibility that is his, he must still leave the controlling force in the co-operative membership. It will therefore be wise for him to delegate as much authority as is possible to the other members in accordance with the functional structure agreed upon. This will give him enough time to study co-operative problems objectively, and to plan for progressive action.

The demands of modern industry make the new production unit for the new village a somewhat complicated, though progressive organisation. The different aspects of the work itself makes people think in different ways at times. So the adherence to certain rules will be an advantage, should they be well worked out.

To a certain extent, co-operative management is easier than factory management. Its enterprise is owned by the members, who are directly related to the gains and losses of the co-operative. There is no employer-employee problem. Initiative and energy is used to the utmost and creative faculties developed.

The unit is small and each can see the work of the other and get inspiration from it. The

mutual check up cuts cost of management. What management there is is based upon the conscious understanding of this group. The organisation follows a natural human trend and is not an artificial thing as is the huge factory unit. In China, where there is a genius for working together in small groups, it is very easy to organise production in this way.

Then there are the things which make the co-operative more difficult to operate than the usual factory. For instance the multiple functions of a factory have to be fulfilled in the co-operative also. They will not have members so highly specialised as the factory can afford. As the movement progresses, research and experimentation can be carried, but it will be difficult in the beginning. In the first instance, co-operative members are less able to produce industrially than the factory workers of the city. Ability comes after organisation has been perfected, of course. The poor co-operative may develop into a "master" co-operative, co-operative only in name and "squeezed" by an able manager. Its production will be poor and its financing difficult.

Co-operative organisation is in progress all the time. Every development is a part of a process.

In the beginning, it may just be an inefficient oil press, or a couple of rickety old wooden looms. It may be staffed by the minimum number of seven members, who bring in their own oil seeds, or homespun cotton yarn as raw material. They may bring back the product after processing and sell it in the market place themselves. Another type of co-operative may have the actual work done in the members' homes and the co-operative organisation meet for purposes of finance and marketing.

After the first efforts at production have succeeded, much local interest will be aroused. More material and a larger membership will become possible immediately. Success brings success, and local financing organisations will be glad to advance capital. Better markets will become possible. The weavers will find a spot in the river and instal a waterwheel and do elementary machine spinning, or find some other elementary technical improvement possible. As the co-operative accumulates capital and experience, so does their technical ability improve, and so do they begin to enter the field of mechanised industry, with all its benefits to village people's livelihood.

It will be seen that no very dramatic, quick results are possible. Yet it cannot be said that the

process is a "slow" one. The movement side is all important, and there is human interest all the way. The solid thing is credit with the local people, so that the movement is liked. The small start is the surest way to build strongly.

It has been said that "co-operation is meetings and accounts". The members' meetings are therefore all important. They are the highest authority in the organisation. They determine the whole plan for the working year, the budget, the management policy, executive action regarding general co-operative regulations, and in making what additional rules are necessary, together with the election of committees.

The Board of Directors of the co-operative is its most important committee. Its functions are in drafting policies, plans and budget. It should help the manager to carry out the plan agreed on, to make personal arrangements, and should backing be needed for any approved executive action, to provide such.

If the Board of Directors feel that certain aspects of the duties of the manager are too heavy for him to handle alone, they can organise sub-committees for such things as marketing and supply, credit and finance, technical advance, wages, and

living conditions. It may be that the Board of Directors will feel confident to have such sub-committees represent them instead of having matters continually referred to them all the time.

Perhaps the most important thing for the Board of Directors, however, is for them not to be over-zealous and take over functions that will kill the initiative of the manager and the rest of the membership. It can perform the very useful function of standing between the manager and the membership in matters such as those of discipline, etc. It is better for the Board to carry out some disagreeable action than have the manager shoulder the whole responsibility.

For a middle sized co-operative, or say twenty five members, the following responsibilities can be divided out amongst them. .

Manager : General administration.

Treasurer : Handling money.

Accountant : All accounting.

Store keeper : Tools, Material, Products.

Production Manager : Production management, Technical side, etc.

Business Manager : Linking up with Federation, marketing and supply, Co-operative Finance, Link with co-operative Bank.

Members Livelihood Secretary: Responsibility for food, living quarters, etc.

Social Affairs Secretary: Members' health, training classes, linking with promotional organisation for help with such.

General Affairs: To act under manager for building etc, repair, dealing with local community, etc.

Co-operative Management in Relation to Selection of Members

Co-operative members are the cells of the co-operative body. Unless they are healthy, the co-operative will not be strong. There will be no good co-operative management. The enterprise will be doomed to an early failure.

It is therefore necessary that selection of members is done with care, and in relation to the potential seen in the person by a man of experience.

Members should come with a background of village life, be of the kind of person who can absorb ideas and who can be counted on to have sustained energy for the work in hand.

The best course for the established co-operative to follow is to carry its new membership through from an apprenticeship or a period of probation. Such lads will have an interest in their own locality and will be dissatisfied with the op-

portunities for advancement presented under the peasant economy they have grown with. They will be on the look out for new ways of doing things. Older men, who will form the bulk of the first co-operatives, will understand credit well, but will often be unwilling to change and meet modern requirements. They also have a tendency to keep younger people "in their place" and to brook no criticism in the conduct of their affairs.

The co-operative must also be careful of the fast talking intellectual with fine ideas but no experience in living a life of practical struggle. Of the suave businessman on the look out for a new group to exploit with the advantage of cheap capital and freedom from some of the taxes the co-operative movement might gain exemption from. The man with a big family on his back, the small merchant, or the landed gentry class have little if anything to offer the industrial co-operative movement, but personal trouble and confusion with their own individual aims.

As soon as the co-operative has a well laid foundation, it will be able to exert a considerable moral influence over the ordinary man who seeks to join. It can become a melting pot to bring people back to practical, creative working together. In

China many co-operatives have taken in crippled soldiers and other people who have become a liability and have given them a way out—being repaid well in loyalty for this social service. The old co-operative member who has the opportunity to pass on his co-operative ideals to someone else has a sense of achievement in thus being able to express himself in this way.

Although the background of the first membership may differ in many ways there will have been one thing in common. They have been poor. They have had no kind of economic freedom. They are anxious to improve their condition and to become creative men through the organisation offered. They may be of different language or religious groups, pastoral or agricultural background. They may have been handicraft workers or city factory workers. There is a place for them all under the sign of "Work Together", to correlate their work and to do business together. Industry on the co-operative form is a cement next to none.

The co-operative management must interview prospective members, and keep a careful record of work that is done. The home background and other details should be made clear. They should be taken into the co-operative family and not isolated in any

way; talked with and made to feel at home. If there are any medical inspection facilities in the federation, prospective members or apprentices should be medically examined. If not, then the older members of the co-operative can see if there is obvious TB, VD, pellegra, beri beri, or some kind of malformation. Diseases of the poor, trachoma, pyhorrea, etc. which are common to most people of some localities can be treated in the co-operative later, and will not disqualify.

During the probationary period, the new member should have his vision enlarged, so that he becomes cognisant of the role he can play as a member of a dynamic organisation.

Experience in China has shown that there is always a danger of small cliques in the group, which can do great damage to true co-operative practice. There is the "fellow student" group, the "fellow provincial" group, the Master and Apprentice—"Shih-fu and Tu-di" group, the "fellow tradesman" group. In some co-operatives, all the membership is related in some way, but in others small groups of relatives create havoc. Then there is the danger that the old member may introduce some family friend, so as to get his support in co-operative meetings.

There will of course, be opposition to the co-operative organisation in many places. The craftsman, who has an exploited group of apprentices, will try and do his best to prevent this organisation that is so all embracing, so far ahead of anything he can hope for, from succeeding. Merchants will not like to see marketing and supply facilities succeeding. Such reactionary groups will send agents into the co-operative, if possible, to upset the organisation.

Living together is an art. It will not come at once. Struggles to achieve it will be fraught with difficulty. The education of the prospective member is an essential first step.

In Szechuan in many rural districts, the old native silk industry was ruined by competition from the coast. Then came the war, and a new demand for the products of the old silk weavers. Old men who had not worked at their craft for a decade or two, emerged and asked for co-operative finance. Some were so old that they seemed on the verge of departure for another world. Help was given them. They found a line of old temples above a river, amongst the pine trees, and there 17 of them went about their business. Their organisation was more free of personal troubles than any we have seen.

They made money, and old backs straightened a little, and old eyes glinted through their spectacles as grandson's wives and grandchildren came to share their rice bowls. But they would not admit any younger man or any new member to their group. They remained a piece of the past, soon to be forgotten.

Disputes between old members and the probationary members must be listened to patiently, and as much justice as is possible brought to bear to even over the emotion an old technician feels when a newer man comes in to do a job as well as he can do it.

Member's Living Conditions will, of course, approximate those that already exist in the village.

However, there is no need for the production group to remain satisfied with conditions that make for poorer living. The industrial co-operative will be looked up to as the most modern thing in the community and what it does will be followed by most of the other people.

The proper use of the common good fund will do much not only for the members but also for the rest of the population of the village. Where there is no education schools can be provided—even if they are only in some temple courtyard and the

teacher is a literate from one of the member's families. There can be a simple clinic, even if the clinic has only simple medicines, such as eye-drops, iodine, etc. It is not easy to work with inflamed eyes and simple relief means much.

It is not good to have members' families living in the compound where work is carried on. In many co-operatives the men who are members so live and have their families elsewhere. The barracks type of co-operative, with houses in neat rows, flowers between, and notices to keep off the grass, has not yet been successful to our knowledge. It is a promoter's dream, perhaps, if he wants to use such for political advancement.

In the village construction is simple and can be carried out by the members themselves in off seasons. This is where they win over the city worker, who has to pay high rent for cramped quarters and in no way can supplement his livelihood. The co-operative worker in any Chinese village almost can rent or buy premises and improve them at his leisure. The villager's close relation with the co-operative worker enables grain to be bought on better terms than it is possible for the city worker to obtain.

In China, it has been noticed that in those

villages where co-operatives have gained a hold fruit trees as well as ordinary trees are planted and a keen interest maintained in many forms of community progress outside the actual co-operative production. The co-operative form of organisation will be discussed over many tea tables and the fortunes of the whole venture watched with a very great deal of interest by the neighbours. Country people are as keen, or keener, to progress as city ones and to grasp opportunity when they recognise it as such.

Much can be expected from the children who grow up around a co-operative. They can be helped best if they are allowed to see co-operatives in other places and come to a realisation of the strength of the movement. A truck that carries the goods of their co-operative is "their truck." The school is "our co-operative school"—and so is the hospital, so are the clothes they wear, and so is the industrial co-operative mark whenever they see it.

As co-operation grows, co-operative health insurance can be arranged. The first steps in co-operation, however, make so many demands on the forward elements that there will be little time to deal with more than the terrific struggle of mere living, and for linking up with other work, for

the first.

There can be one thing certain, however. Put a group of craftsmen and their families in co-operatives and place the co-operatives in villages where they can succeed, and given security and a freedom from exploitation, the communities will surprise the most ardent advocate for industrial co-operation, by their community spirit and by the contribution they can make to a more wholesome society.

Work Safety.

Factories of centralised industry on the China coast have only been able to compete with other countries when they have been able to use underpaid labour and long hours.

In consequence elementary safety conditions are often neglected. Machinery, jammed into poorly lit, congested housing has not allowed for proper safety devices to be installed. The very nature of slum industry make fire and explosion hazards high. As has been shown in many studies already made—including those of the Henry Lester Institute in Shanghai—in few, if any, industrial processes where lead, antimony, and such materials are used, are the workers free from the effects of the poisons they encounter.

The pitiful cry, "Workers of the West had to go through this stage in the Industrial Revolution—our people must do also"—sounds very hollow as one goes through the wreckage modern industry has brought to so many millions of lives, which famine, flood, and war have thrown up at the feet of those who would use them in mockery of real creative effort.

The industrial co-operative should strive in its management to do better than this. It has much in its favour that the city industry lacks. The villages have space. When the sun shines, work can be taken outside. A man can leave his shirt off and take on a coat of golden tan. He can watch his children and puppies play down by the duck pond. He can work longer hours without fatigue for his work can often be his recreation also.

Yet in spite of this what do we often find? Country workers sitting in lice infested clothing, in dark rooms filled with dust and smoke. Beds full of bugs, dust on the floor with fleas. Sore eyes, inflamed and red. Apathy and dirt. These are all things the industrial co-operative can combat in a simple way, as it spreads its influence.

Simple talks on the things that can best preserve the co-operative member's most important

capital—his body—can be encouraged. In China's Northwest, they will want to know about typhus, typhoid, dysentery, diphtheria, T. B. and V. D.—scourges that are only too common. They will need to know about silicosis, lead poisoning, and so on, as they advance in technique.

On the machine side, it is perhaps better to suggest good spacing in machine work than to bother too much with complicated guards for machines, that get out of order and are a menace in themselves. To try and have as little clothing as possible worn for it is usually loose clothing which catches up and pulls the worker in. There is a great hazard in a country village from the local people who will come around to visit—wearing masses of clothing and so absorbed in watching something being made that they forget the dangers around them.

Charts can be made, showing the dangers of the loose spanner and the eye injury, of the long gown and the cog, etc. and posted up on the premises on certain days of the year. Or at exhibitions of industrial work the federations might arrange.

Cleanliness can be encouraged by teaching swimming and making it a recreation. In winter by erecting simple bath houses on the Swedish model, where water is thrown on the stones, and all

the members of the co-operative bathe together with little expense. A Russian-born Canadian textile expert brought such small bath houses to the co-operatives in one Northwest area of China with much success. Each Wednesday and each Saturday bath night became a social function for co-operative members in several units. The fuel cost is negligible and construction very cheap.

In rice eating areas, the great problem is how to get rice that contains enough vitamin B 2 to save the worker from beri beri as his fatigue increases. Beri-beri is rampant in Shanghai and South China industry.

Co-operative Management in Relation to Education and Training

Management means that the group must take the right action at the right time. It will be easily seen, therefore, that the education and training of the co-operative member is a matter of great importance.

Co-operative demands for better education are many. Amongst those which we would place first are

- a. Ability to grasp co-operative ideals. This entails a background of practical education, which the more able promoters may be able to pass on.
- b. Ability to see co-operative prospects.
- c. To cultivate the habit of analysis, which will assist in leaving the ingrained superstition and habits of older craftsmen.
- d. Ability to live together as well as to work

together and to understand the necessity of continual struggle for its betterment.

e. Ability to understand co-operative practice.

Ordinary every day work in a co-operative means that the member must know how

1. to hold meetings and hold discussions;
2. to make policy and plans;
3. to chose the right personnel for the right positions;
4. to understand the necessity for budget, accounts and costing;
5. to work on production intelligently;
6. to understand the process of marketing and supply through a federation;
7. to understand the process of accumulation and circulation of capital;
8. to improve technically;
9. to understand the necessity of records;
10. to do audit, inspection, etc.

In education, members at first simply receive some basic knowledge on co-operative ideals, which

will be taught with the background of their own local environment. The new philosophy will make apparent to them that they will no longer stand alone, that a way out is being offered them, that their lives take on a new significance.

In addition, a basis for understanding natural and social science can well be offered them. No co-operative should be satisfied if they have illiterates amongst their membership.

The second step on co-operative education is for members to continue to acquire knowledge themselves through reading and discussion, through contact with other people who can assist them.

The third step is for the group to act as the group teachers. All can give something and all can receive. Every week they can gather together and inspire each other with a desire to know more. Real co-operative education cannot be separated from the members living conditions, their hopes and aspirations.

The Chinese craftsman usually lives with his family in rural surroundings, spending a goodly portion of his time with his crops and the rest of his time getting small jobs from whosoever will employ him. Stone masons, carpenters, weavers and many other tradesmen are employed this way.

This kind of system makes them tend to be individualistic and to stand to the opposite side of the co-operative system. Better education in the group helps them to make a new adjustment and find in the co-operative the virtues of the family system the peasant knows so well.

Before a member is put to a production job he should have his work thoroughly explained to him—its purpose, the means of doing it, the time in which it should be accomplished, and its relation to the total effort. This may not be made clear in one conversation. It may need patience, demonstration, manipulation and much follow up work.

Co-operative member's education must be done on different planes. In the stage of a business depression with inflation such as we have in China today, training can be stressed. Morale can be held up in this way. Whereas if members float off to a tea shop and only discuss their present troubles, it will not be easy to hold co-operatives together. In the summer evenings the discussion group out under the big tree by the river is a frequent sight in good co-operatives. In winter time the bath-house group meeting is congenial. Folk songs with co-operative ideals are liked by many members. Visits to other co-operatives, visits to places where better tools are

used, all stimulate. Badges, distinctive clothing and so on, all help to bring about better co-operative fellowship.

Family members joining in co-operative entertainment and in discussion also assists the educational process. In the CIC many small primary schools have been operated with success.

There are many human factors which will cause difficulties. The domineering capable wife, anxious to get better treatment for her children, will cause many an otherwise reliable man to leave the co-operative path and try to exploit his fellows in some way. This has been the cause of many a good group's failure. On a long range program education of the girls in co-operative families or of families likely to be joined with co-operatives is important.

There is a necessity for training material to be printed for the mass education on co-operative lines, which is needed. The first book should be of primary standard, easily read and well illustrated. It should be supplemented by reading material which include folk songs, novels and co-operative history. The sense of belonging to a world wide effort of the common man for his own co-operative welfare is valuable.

There is a wealth of material in the form of stories about co-operative members during the hectic days of war when in so many sections there was no other production but that which was done by the CIC in China.

Sun Yang was a weaver thrown out of employment by the war. Having no land he simply lived in poverty with his parents. He heard about a co-operative movement for industry and came to promotional office to register. He was introduced to other weavers and desperate because of his brother having been conscripted for the army, leaving him with a number of people to support, came to join them in a common effort for livelihood. He quickly learnt that all had problems like his own and that here was a new kind of venture. Co-operative ideals took a ready hold and gave life a new meaning. He became a co-operative enthusiast. Then the Japanese made an advance and he led the evacuation of his co-operative and the member's families to a point two hundred kilometers to the rear. All equipment and all material was moved with them. In the new set up co-operative work improved. He conducted classes for the women of co-operative families and tightened the whole organisation. But then the Japanese advanced again, with great swiftness, and

this time there was no way to evacuate the material and equipment. It was burnt by the invaders and one of the members was shot through the legs. Sun Yang now held his group together by hiring them out as carriers to wealthy people seeking to escape. He had the wounded member taken to safety also. Then when the tide of war turned, he reappeared at the co-operative office with his group intact and keen to find ways and means of starting anew with newer machines and new possibilities. Now in the province of Chekiang the co-operative flourishes and there today co-operative songs are being sung and members gather in the evenings for discussion and to find happiness in their group. It took time and experience to educate Sun Yang and it took Sun Yang to hold the work through.

The experience of the beginnings of an Industrial Co-operative movement in China is littered with efforts at training, most of which were failures. In the interests of better co-operative management the causes of these failures may be profitably analysed.

1. Training period too short. This varied from three months to two years. Most of the trainees went to other work than

the CIC.

2. Trainees from the wrong class of people. Middle class refugee families rather than from the ranks of the co-operative members or prospective members.
3. Training done in the wrong locality. The temptation to place training near cities rather than in the village where work must be done was too great. Boys invariably strayed off to city occupations.
4. Training of the wrong type. Military training is suitable for soldiers. The creative technician must have a different kind of training. He must be trained in responsibility. He must understand the village. He must have a broad knowledge of the branch of production he is to follow.
5. Training in book co-operation rather than training in living co-operation together.
6. Training by wrong people. Mostly by intellectuals without practical knowledge of the rough and tumble of industrial co-operative production.
7. Trainees too old when training is

commenced. The younger one gets the lad the better the chance there is of making him into a leader. It is best to get boys from working groups who are in the 12-15 age category. Boys who are in the 18-21 category are already set in their ideas. They often are married and have heavy family obligations. Naturally they want to get what is possible out of the training offered so that they can better support their families—and get it by the shortest possible cut. It is difficult for them to grow up in comradeship with those who will be fellow co-operative men.

8. The non-co-operative group—in China called the “lao-ban” co-operative—would resist the entrance of a new-comer with better knowledge than they had because the manager was already exploiting his group and was too short sighted to see that it must be more co-operative or fall in the end—the trainee without enough experience to combat this situation and consequently easily discharged by the manager and his supporters

Efforts at training for responsible co-operative work in China have crystallised in a hinterland village. It is that of Sandan in Kansu—a place well removed from urban areas where there is pastoral, agricultural and industrial work existing. It has a good industrial future being situated on rich coal beds. There is useful mineral wealth nearby—wool, cotton, etc. There is ample scope for giving responsible work in timber, wheat and raw material purchase, in surmounting transport difficulties, in construction and in maintenance. There are the constantly presented problems of agricultural, pastoral and industrial workers on a bare sustenance level; the usual problems of the village—deforestation, erosion, irrigation ditches dried up, poor fertilisers, as well as the human side—poor sanitation, disease, poor education, insufficient clothing and food. These things are constantly presented—the child emerging from the coal pit, lugging a few pitiful pounds of inferior coal from top strata, the naked shepherd boy with a few scraggy sheep, the farmer struggling to make his pitiful acres produce enough to feed his ever growing family. The trainee knows that 85% of China is in the villages, that his work in the future is there, that the integration of the various types of

economy is something worth giving his life for and that he has the knowledge, the friends, the backing to help him to start on such.

One great lesson the years have shown us is that short cuts do not pay in industrial co-operative organisation. The tough, polite, business man who comes along with the proposal to organise a co-operative and take advantage of freedom from taxes, from any other benefits the association might bring him, is a menace. He may have several kinds of an approach. He may come politely and say how the technical standard of people is so poor, education so bad, backwardness so great, that the best way for procuring the immediate results needed in consumer goods is to call the place a "Co-operative Experimental Factory". He then may go ahead and collect a few well chosen relations and friends and instal them in office positions. He will call these "workers" and will perhaps suggest that they have shares in the business. The real working group he will try to confine to children or any other easily exploited group, whose living conditions and working conditions will be worse than that of an ordinary factory. He will be the most vocal member of the Federation, for a time may make money and will produce a large amount

of material, which will endear him somewhat to the co-operative promoter who wants showy results. The success of his factory may bankrupt some of the smaller real co-operatives in his federation, but as he is certain to be well versed in small politics, he will be able to gloss this over with many words.

Another approach will be to pay complete lip service to the whole co-operative idea, paint up many co-operative slogans, etc. but so pick his membership so that he has them completely under his thumb. He will not welcome co-operative education, though he will agree with every proposal put up—in words. As soon as any member gets ideas into his head of co-operative rights, he is fired. The annual meeting is held—just a matter of form. The accountant will either be his relation or his very close friend. This kind of a co-operative is a deadly enemy of the movement as it disillusiones the ordinary man who has come in with hope. The co-operative itself will not stand for long as it depends too much on the one man.

Against these evils there seems to be one remedy—training of cadres for industrial co-operative work. Give groups of rising co-operators contacts and a group check. A man who organises in poor ways will lose face with his group. The

industrial co-operative movement is a human thing. It is difficult to put into words—cold hard words—the intensely personal aspects of its organisation.

It may be said, then, that the first decade of industrial co-operation in China has brought us down to the need for intensive training of essential personnel for various kinds of co-operative management.

The main difficulties in meeting the needs are:

1. *Difficulty in getting staff* who will understand what kind of approach to the problem must be made. The man who would train in a group atmosphere for creative Indusco work must be an exceptional man indeed. He has to stand by often and see things being done wrong—or not so well as he could do them—simply because it is essential that trainees carry out the job in hand. He must be more than a father, teacher, guide, friend. He must have background in the movement and a belief in its possibilities.
2. *Finance.* The co-operatives themselves are too weak to carry the burden of technical training which needs so much in the way of equipment. Trainees have

to be kept in everything over many years—as they must come from the groups which will make co-operatives. In China we have thrown this burden on to friends of the movement in other countries. This is not satisfactory as contributions vary and good work has to be closed when support is not available. In China an effort was also made to set aside certain loan funds and make an equipment trust to finance essential training but this plan was defeated by inflation. It may be said that any group of industrial co-operatives wishing to keep up with modern industry and modern trends and to adapt such for the use of the village must find a way to finance training.

Something of the general philosophy given trainees may be gleaned from the following extracts from English lessons given to some of the older boys in the Indusco Technical Training School at Sandan.

“What are some of the things that make our school different from other schools? The first is that we train people for a definite purpose—the advancement of the industrial co-operative movement. We are the only school in this part of our

world that does this so that our method of training will not be the same as that in other schools.

We have to train people so that they will be creative and so that they will be able to analyse all they see and hear and adapt it to the better living of the villages where they will work later.

The "Gung Ho" movement is a movement for the widespread co-operative organisation of the common man throughout the villages of China. The man who would learn how to promote such industry must be a somewhat exceptional man. He must have learnt co-operation by co-operating. So in our school we try to live co-operatively. We try to place as much responsibility on our students as they can carry and then test them as to whether they can carry it or not. We try to make the group responsible for the credit of the group. The tendency in Western education is to train a man in rugged individualism. There is the tradition of the man who fights through to personal success. The idea of personal heroism is common. With us, on the other hand, we try to make our group stand. When we train for leadership we aim to lead from the group—standing to the rear of the group instead of in front of it.

Of course this is not easy. To get something

we have to give up something. To make a strong group we are proud to belong to we have to give up a certain amount of personal freedom. We have to do many things we do not like doing. We have to make friends with people who believe as we do and work towards the same aim. To believe in the CIC may cause us to leave old friends and even families. It is essential for our own progress that we see clearly and make definite decisions. We cannot serve two masters. If we find the ideal in co-operation to which we must shape our lives then we cannot leave it.

Our training, therefore, must help us to make the kind of organisation that will hold up. It must help us to adapt, to co-ordinate mind and hand and to take a scientific attitude. We do not want to be like bits of straw floating down a river, being carried to and fro, without any control by ourselves, any relation with other bits of material, unless we happen to bump into them and float along with them for a while. We want to be like the river itself, deep, clear, purposeful, sparkling as it shines up to the sun and sweeping along to do its work.

We go to class so that we shall get better mental equipment. We set up various kinds of training departments so that we shall get experience

in running them. In machine drawing we learn to be precise. In the machine shop and transport workshops we learn the value of one thousandth of an inch. On the playing fields we learn how to give and take in group action. In the dining hall and dormitories we learn how to live with each other. Out on the road we learn how to use public money and how to account for it. We see that to squeeze is easy enough but that to hold credit is not so easy. We learn how to eat bitterness and not to bother talking about it. How to meet people and make requests from them.

A co-operative manager and a man who looks after machinery must have patience. No use to get angry. No use to worry about face. To build a group is like building an engine. All the square pegs must go into the square holes.... There is great power for production in the villages if we find the way to give it technique and organisation...

What is industry? It is making things. What is agriculture? It is growing things. What is pastoral work? It is looking after stock. In the village of our Northwest these things are tied together in the simple way. We make leather, woollen cloth and rugs. We grow wheat and we try to raise stock.... We buy and sell and in this

way we learn how to live together.... We must help people who are around us to use the material they have for papermaking, pottery and so on. It is easy to say all for each and each for all but we must be practical and see what we can do in a practical way to make this slogan true."

When we want to grow wheat do we go to Shanghai and try to grow it in the streets there? When we want to train village technicians it is not easy to do it on a University campus. In the village of Sandan we see much of the difficulties of rural life. It is a very beautiful old village of some five thousand people and in its organisation it is very like most of the villages of China where 85% of the population lives.

Before we use material in industry we must test it. Before we can use a bit of native iron to make a pick or a pair of hinges, we must beat it well. So in our training for co-operative leadership we must learn how to take responsibility, must progress technically and must keep our accounts in good order. We must learn how to struggle, how to suffer and how to fight not for personal glory, but for group success.

There is a world of difference between the consumer and credit co-operative which are only

a part of people's lives and the industrial co-operative into which a group puts its whole creative self. In industry in the field, we are not middlemen bartering the produce of others. We start at the very grass roots in the villages, produce and link together so that we will help to supply each with raw materials and to sell our goods. This is all embracing as it means the first steps in the integration of the agricultural, the pastoral and the industrial.

The manager of a co-operative has to be selected by the members of that co-operative. We hope that many of the trainees here will become co-operative managers. It is not an easy position to hold, as many of us here understand well, for we have to be members of the student body and yet have authority over the other lads in many things. We try to train boys so that they will co-operate as members of a group, yet when they are given work of directing others the rest of the group will not feel that they are being dominated over. Education for real, practical comradeship is not easy. When we have high skill we perhaps feel that it is not easy to live with those who have not. When we can see things clearly, it is not easy to be patient with those who will not leave old ideas.

Co-operation is an attitude to life. Much modern education takes us to the opposite extreme. Knowledge makes us proud, individualistic, un-co-operative. It is very easy for lads to forget the families of good, common folk they have come from and try to ape the manners and thought of bureaucrats they envy. They forget that a technician who has mastered his craft has become a real man, worthy of the greatest respect. Instead, they worship clothes, titles and what is called in China—"face". A little puppy yelping up at a big dog looks funny.

In indusco we have to try and get ideas which will help us to see that we must be humble. The sum total of a youth's knowledge is so very tiny and his childish conceit so great that his main difficulties for advancement lie in himself rather than in others.

We get better co-operation from amongst common people than we do from the educated classes because the common people know more. Know more of what? Know more of living together and how to evaluate sturdy human qualities. Most of the trouble that has come to the CIC has come through personal problems amongst those whose very first duty was to forget themselves and work for co-operative organisation. An utterly selfish

man cannot organise a co-operative. No matter how clever he is he will be a co-operative failure. We ask boys to be creative and to analyse. This is not easy. It is easier for some to be arrogant, sly and lazy. It is easier for others to not to try and face reality. To live in a dream world of their own. To hope for a place where there will be no troubles.

Honest regard for the best qualities in our fellows is a good basis for comradeship—the beginnings of co-operation. If we let ourselves be consumed by jealousy or by some emotional and unjustified hate we shall make ourselves into little individualists of very small importance to the progress of the task we have set ourselves to accomplish.

We face a very hard world. A world still not recovered from long and painful wars. Much depends on what we get here, as to whether we will ever be as useful to our fellows as the older technicians who now try and help us with their ability. To be really strong we need to be simple and to think cleanly.

Thomas Jefferson was President of the United States. He said, "The time to guard against corruption and tyranny is before they shall have gotten hold of us". We can learn from these words. In

our organisation we make rules to see that real democracy is preserved. Many young people think that democracy is anarchy. They think that it means complete freedom of the individual regardless of his group. This mistake leads them further into anti-social action. They regard the property of the group as their own personal property to be used without taking any notice of group rules. They get such a highly developed ego that they become sulky and bad mannered when they are in any way checked by the group. So one fault leads to another and they go through life perpetually unhappy because on every side they will meet checks which they will not be able to overcome alone. They forget that in a society that is democratic he who is first will sometimes be last. Then he may be chosen as first again. It will depend on how useful he is to his group. It will not depend on whether he wants to be the leader or not.

It has been said that "manners make man." We do not believe this is so when it relates to superficial manners. But there is a code of manners that rises from group living that is important. If one member exploits the rest of his group by refusing to play the part assigned to him—and tries to pass this off by big words in the loafer way, he has not

been educated to the point of good manners. He is more uneducated than the simplest countryman. It may be that he should clean up the lavatory or sweep the yard. He exploits his group by making it lose face if he does not. He may be sent out on work of trust and become corrupt by betraying his trust and his group. He may try to get more of the property of the group than the other man by some cheap swindle. He may fool himself and his group by cheating and lying.

It is good to be able to look into the faces of our comrades and to be pleased in seeing them. To feel that they are a part of our own lives and that we are loyal to each other. If education can help us to live and work together so that the difficulties of our struggle will be lightened by being together then we shall have succeeded well.

It is often difficult for practical men to hold to an ideal. It is often still more difficult for idealists to be practical. To promote Gung Ho it is necessary to have an ideal, of course, and so sometimes we see promoters who do very unpractical things. Men are complex and the man who spends much time trying to solve human problems sometimes forgets to be practical in matters of technical progress, training and production. To be a whole

man is not easy. It is easier to play small politics, to be jealous and destructive.

Then on the other side the practical man is often very subjective and cannot imagine what will happen tomorrow. He is liable to become selfish and ruthless in his grabbing for material things for himself. He moves away from the co-operative and becomes a co-operative enemy too often. Many such men have used the CIC movement during the past ten years to rise to powerful positions or to get opportunities for trade of their own.

We must all search for our own aim in life. It is more important for us than much wealth. We hope that our lads will walk the CIC way and make an Indusco movement we can all be proud of. We hope that they will think before they act and by the habit of analysis come to greater understanding. In this way they will be able to make their creative technique more effective and serve mankind so very much better during the short lives we all have to live.

After all being practical is a habit we can acquire. We can develop the desire to have things clean and neat; to find out that the best way of doing things is the easiest way in the long run. If we have things well ordered—definite times for getting material from

the store, for putting tools away, for keeping proper accounts and for sweeping out our bedrooms—all of these can become habits, leading to a more practical attitude in dealing with work of reconstruction.

To win the battle of life we have to find its beauty—sermons in stones, books in running brooks and good in everything. On one hand we develop our faculties for seeing and understanding and on the other hand we order our creative selves so that they achieve their maximum potential.

Co-operative Management in Relation to Planning

Co-operative management should lay considerable emphasis on planning, for without it there cannot be good efficiency.

There should be planning in the three principal roles—organisation, production and business.

With regard to the organisation of the group it could follow the outline given here.

Membership.

1. (a) To raise the group spirit to a degree and in a time to be decided upon. This would entail planning for
night classes,
monthly or yearly training courses with or without other co-operatives' participation,
number of co-operative books to be read and discussed,

creation of a desire for learning amongst the membership,
talks and discussions,
participation in local co-operative activities, singing, sports, etc.
good discipline under co-operative rules,
selection and support of the best leadership.

- (b) Planning for what degree standards of living would be increased in
food, clothing and housing;
sanitation and health facilities;
recreational facilities;
improvement for family living conditions.
- (c) Elimination of un-co-operative practice, which would include planning for
methods to become free from relations with any financial speculation etc. outside the movement,
ways to bring those whose actions have been against the group back into the fold;
decrease absence from co-operative work and meetings;

decrease waste and theft of raw materials and tools;
decrease poor technical handling and resultant loss.

Board of Directors.

2. There should be a close study made of all past work of the co-operative each year by the Board of Directors so that they can more accurately plan for its work in the future. A frequent fault is for the Board to lose itself in daily routine detail and to leave the broader planning untouched. This leads to another fault—that of dealing with a situation on the spur of a moment when such a situation might not have arisen had there been adequate planning.

The internal situation on the Board itself, needs constant watching and planning, so that friction can be kept at a minimum and the whole strength of the Board used objectively.

The Co-operative Manager.

3. He will carry through the plan and the decisions of the Board. His own planning will be largely in relation to

the co-operation he will hope for from the membership; how to maintain harmony and gain support so that the maximum effort can be exerted.

In the plan for production there are many factors to be considered. It is necessary to take into consideration

- a. The amount of labour available in the co-operative and also what temporary hired help can be obtained from the locality should it be needed.
- b. What capital is available and on what terms. Whether co-operative share capital, Federation capital, Industrial Co-operative Bank capital—or from outside financing organisations.
- c. What raw material is available. Locality, price, transport, quality and quantity. Whether supply is seasonal and what taxes are related to its purchase.
- d. Marketing facilities. What portion of this work will the Marketing and Supply service of the federation be able to take over. Size of local markets. Taste of possible consumers, their purchasing power, seasonal change in demand and so on.

- e. **Technical advance.** To what extent can the technical ability of the membership with their tools meet the demands of the market. Can equipment be bettered to meet such demands and what is equipment capacity.
- f. **Local conditions.** Will these be likely to hinder over the planning period or can they be made to help in any way.

After a careful consideration of the above factors the quality and quantity of the production can be worked out and arrangements can be gone ahead with to set the wheels in motion. The manager will go into detail regarding plans for

- a, the manufacturing process.
- b. specifications for products,
- c. time contracts,
- d. division of labour,
- e. delivery of different types of raw material.

With regard to the plan for business and finance this could cover

- a. the volume of business and its value,
- b. expected total production and its value,
- c. Costing,
- d. net profit expected,

- e. Capital repayment plan,
- f. Profit distribution plan.

Co-operative Management in Relation to Production

The production plant of the co-operative should be arranged according to the best procedure laid down in regulations governing workshops accepted by most countries. This means adequate space for health and safety, and for carrying out the business in hand. In economically undeveloped countries this may not be possible at first-where the only building is a village temple. Provision for adequate storage facilities is necessary, even under the most primitive conditions. As it becomes possible to use power, proper arrangements should be made for such installation using the best means at hand.

Light and warmth are important, though in many co-operatives in the cold North of China, economic conditions have not permitted the purchase of fuel except for such purposes as for keeping

tanning vats from freezing, etc. An advantage that village industry has over its city counterpart, is that sunlight and air are available.

Cleanliness of the workrooms is essential, and may have to be struggled for during the period it takes to make a habit of this aspect.

The machinery used should be such as will come within the technical understanding of the membership. The complicated machine may be just so much junk, in a co-operative where there is no member with experience enough to use it. There is the tendency to pass over the simple for the complicated. The better waterwheel should be developed wherever possible. In some places, a small water turbine can be used, giving excellent direct power. Where there is fuel standard power units of about five h. p. (British Rating) may be used. Where steam is possible, it is usually ideal. Engines should be of simple design, with as few fast moving parts as possible, because of the difficulty in rural areas of obtaining good lubricants.

In each area, serving several federations if possible, there might be a mobile machine shop co-operative, capable of producing spare parts and for repair jobs.

Handicrafts. There has been much confusion

of opinion as to the line Industrial Co-operation should take in the village. Some say it should confine itself to handicrafts and try to keep the women folk at home, instead of letting them drift into the sordid conditions of the new industrial centers. Some say that the co-operative should try and make the villager more content and act as entrepreneur for big business that wishes to collect lace and embroidery for sale abroad. There has even been the suggestion that country people should not weave rugs, but that co-operatives be formed to collect carpet wool for the use of big mills abroad.

As a general rule, it has been found that the working hours in handicrafts are too long and that members have been found too tired to take adequate interest in their own organisation. It is our feeling that there must be mechanisation and every means taken to keep up with centralised industrial production.

Handicraft workers have little knowledge of machines. However, the peasant and the Mongol of the steppe shows an astonishing ability to grasp the essential details of mechanisation and he will soon find how much can be done with them. Steps will be necessary but they need not be too slow.

Care of machinery comes readily. Overhaul and cleaning on definite dates, correct kinds of lubricants, adequate repair facilities, kinds of coal use of technicians whom the federation may send and higher technical training for apprentices when possible, all will assist.

As new machines become available, to make efforts to purchase such, to try and adapt what mechanisation is possible to the complex needs of the unit.

Raw material should be kept in hand so that production may continue through all seasons. This means that it must be bought once a year. There should never be less than two months' material in hand.

A close check should be maintained on all incoming and out-going material from the raw material store. The Raw material store should be inspected by personnel designated by the Board of Directors once or twice a month. There may be damage from insects, from chemical change, from damp or from theft, etc. which can be easily detected.

With such materials as wool, for instance, there is the necessity for sorting and grading before it is sent to the workshop. It is poor practice to

have working material mixed together.

Co-operative members and hired workers will be anxious to see that a good system of time recording is kept. There may be a bonus system, in which case time keeping is doubly important. Hours should be in conformity with those of the factory acts of the countries concerned, even if, as in China, workshops employing under thirty regular workers are exempt from the provisions of that act.

Time may be kept having a gong or some such instrument used. Many co-operatives in wartime China suspended the rim of a truck wheel and time was kept by beating this.

Wages should be based upon work done. Higher technical skill brings higher wages, of course. Piece work is rarely suitable to co-operative organisation.

Before manufacturing commences, the following steps should be carried out :—

- a. machinery brought up to its greatest efficiency,
- b. a decision made as to what hired men are needed for work the membership cannot carry out itself,
- c. production charts for each machine prepared.

During the process of manufacture the following work will be necessary :—

- a. Maintain maximum efficiency. Guard against over fatigue, and arrange for tea, and other necessary refreshment. Efforts to be made to eliminate unnecessary effort. Time records and production charts to be checked from time to time. Even where the process is simple, craftsmen need the stimulus of something after the nature of production charts to assist them.
- b. Coordination maintained between all departments so that poor work in one will not affect the other. Help to be arranged for work that shows signs of falling behind.
- c. Accuracy—the value of one thousandth of an inch does take some learning by the average peasant at first must be pushed for. Accuracy in the weighing of fuel and raw material and in making records are first essentials.
- d. Standardisation of products must be continually struggled for. The most efficient steps in production should be

found and standardised also.

- e. **Orderliness.** The organisation of the tool room to which tools are returned after use. The cleanliness of the premises themselves. There is only one place for everything in a productive workshop and that is the right place. It will be difficult, again, for the peasant to realise this but as work proceeds and as during meetings waste of time and effort is discussed so then will changes come. When the reasons for such demands become apparent carrying them through will not be difficult.

Co-operative Management in Relation to Technical Improvement

Chinese Industrial Co-operatives throughout the last war showed that industrial co-operation works. The lessons of the five thousand co-operatives then organised are many. It will be of interest for students to study them. Here, we may take just one instance relating to the stages of technical improvement. It concerns a typical wool working co-operative organised to meet the need for army blankets in China's Northwest. It also aimed to meet some of the local demand for serges. Prior to the war these processes had been neglected. Chinese wool went to the coast or to foreign countries to be made into carpets for the luxury trade and woolen or cotton waste blankets were imported for the army. Woolen serges were little used.

When the newly organised co-operative came into being it had no experience but many orders

for goods. Work proceeded by the process of trial and error and improvements were slowly evolved that became standardised. Wool came and was sent out to the country families for them to spin. The art of rural spinning had been forgotten, so that wool came back uneven, too tight and stiff, or filled with dirt. The tightness seemed to be the chief difficulty. They brought simple locally made cotton carding machines and tried to card with them, using waterwheels for power. Still the result was far from being satisfactory. Then they cut the wool fibres and carded again but still little better. Then they found that the wool was too dirty, so they washed it. Methods of washing improved. Local women were trained to spin faster, better spinning wheels evolved, so that efficiency increased over thirty percent. They learnt how to spin loose yarn, to use the foot treadle instead of the hand treadle and progressive effort finally brought them up to the required standard.

In weaving the old narrow looms had to be widened to make full width blankets, shuttles changed to take the thick yarn and machines for shrinking and raising the nap evolved.

In this process, the gradual transition from the most elementary hand process to the machine

can be noted. In some places progress was faster and old boiler plate was found, riveted into boilers, and steam engines installed. Old truck heads were operated charcoal, gas producers providing the fuel. Refugee technicians from coastal cities found many demands were being made on them.

On the chemical side, too, improvisation had to be made. Gallnuts, and other materials were combined to dye the blankets an army grey. Colours were not good at first. Uncleaned wool gave anthrax. Then processes improved, until with the experience gained good serges were being produced for the open market also. The Chinese peasant in the Northwest, steams his bread in circular steamers over a large iron "kuo" or kettle. After the bread was taken out, in many co-operatives, the steamers would be washed and serge put in to have it steamed in the same way.

All kinds of ideas were used to make designs for rugs and blankets for the open market. Catalogues from foreign countries ransacked, Buddhist caves college books gone to for ideas, to give a stimulus to creative art. For many of the common men, life began anew and took on meaning, as they caught a glimpse of the possibilities organised hands and organised minds could produce together.

Co-operative Management in Relation to Finance

The working capital of a co-operative is naturally an object of great concern to the membership. Co-operative finance must provide for the following needs :—

1. Machinery, tools and other production equipment,
2. Land and buildings,
3. Raw materials, products during the process of manufacture, finished products.
4. Ordinary production expenses, such as wages, marketing and supply, management,
5. Development expenses.

The industrial co-operative is a poor man's organisation. From the resources of its membership it cannot provide enough capital for the above needs. It is therefore necessary to raise loans

from outside sources. In China such loans have always demanded high interest, running as high as 15-18% a month. If the utmost use is not made of this loan co-operative failure is too often the swift result. In China there has been rapid inflation making for a trader's paradise dealing in imported goods. Traders have been able to pay such interest. The consumer goods producer has been heavily penalised however and the industrial co-operatives which survived many hard years of invasion, evacuation, bombing and other troubles, found their greatest difficulty meeting new financial conditions imposed by peace. In this part of our world a successful financing organ for the co-operative producer has not yet been evolved. There is still the opportunity for a CIC Bank and many co-operators hope that a plan for this can be speedily put into action.

A mistake to be guarded against is in investing too much money in unproductive portions of the total investment. In some cases membership succumbs to the temptation of erecting flashy buildings or buying a pile of equipment, just because it happens to be cheap. It is better at the beginning of an enterprise to rent land and buildings as a rule. Where it is possible in rural areas it is good to have

the producer of raw materials to be a member of the production co-operative. In pastoral areas where wool is the chief product this is very possible.

It is often possible for the co-operative to receive orders for produced goods, the raw material being provided. This, however, is rarely satisfactory, as the cloth shop or big merchant leaves the very smallest margin of profit for the co-operative and work conditions in the co-operative are liable to degenerate to those of the average sweat shop.

On the other hand, easy co-operative credits made to co-operatives which have not gained sufficient co-operative experience, have been shown to be very often damaging also. The co-operative Chairman or the Board of Directors have the temptation to put aside some of the money and keep it for private trade, if they can keep it from the rest of the membership. Sometimes the whole co-operative uses money to go into trade. Sometimes there is the temptation to re-invest the money at high interest and just live off the proceeds. There is also the temptation for members to "take it easy" and not put their whole heart into the work in hand. Many co-operatives have been ruined by kindness, especially when some promoter has been a good

enough "lobbyist" to get easy loans for the groups over which he paternistically reigns. His charges become "laoban" or "master" and eventual failure results.

It is important that there be no gambling in co-operative loans. Only when there is a definite need and results can be shown to be reasonably possible should loans be contracted for. It is better for a co-operative to close some of its work for the time being rather than run into debt from which there is no hope of extricating itself.

It has been shown that it is sound to increase share capital steadily so that financial independence can be gained. The co-operative should think of paying off its debts before it pays out showy dividends to its membership. It is sound to take 20% of the profit and to put it into a common reserve fund which will accumulate year by year.

In the early stages of co-operative organisation the greatest care should be exercised in making business expansion. To mortgage property or produce to outside organisations often brings unwelcome complications. If a co-operative becomes too prosperous it runs the danger of being swallowed up by some powerful group. It is better to keep finance inside the family as far as possible and get

loans from the Federation or the Co-operative Bank. There may be, in countries where widespread, decentralised industry throughout the villages is an objective to be struggled for, an opportunity for Government loans on a long term basis. These should be handled through the medium of the Co-operative Bank. Such can be extremely valuable for the purchase of modernised equipment for which the short term loan is inadequate.

It is necessary that repayment of loans be done punctually. On this depends not only the credit of the co-operative itself but also the credit of other co-operatives in the federation. Loans not properly planned, undertaken in order to meet some emergency, will always prove a source of trouble.

In a financially stable society it is very desirable that the co-operative agrees on its budget and that the manager works within that budget, item by item. He should authorise all expenditure.

Co-operative finance should be open to all. The more publicity within the movement the better. Understanding of the financial position is the best check against corruption and squeeze.

The co-operative cannot cut its members as an ordinary factory would cut its workers. So that there needs to be a contingency fund if possible, to

provide sustenance in times of depression or any other emergency. In China there have been many cases of membership holding together under the most terrible handicaps during the war years—of members who had to undertake all kinds of work to keep body and soul together during times of adversity so that they could come together as a group again when the opportunity arrived.

Co-operative Management in Relation to Marketing and Supply.

Old village crafts aimed at providing enough consumer goods for the immediate use of the local people themselves. There may at times be a surplus which can be sold at the annual fair in honour of the City God, but by and large, the product was used in the families where it was produced. In some districts of Western Kansu, for instance, farmers use linen for clothing. They simply plant the strips that separate their crops from those of their neighbours in flax and in that way there is plenty to go round.

As transport opens up such country areas to the impact of cheap goods from the centralised industries of cities habits begin to change. There are new demands. New opportunities begin to appear. Integration of the industrial with the agricultural comes to mean more. There are more surplus

products to be disposed of, raw materials to be brought from other areas. One village has good gypsum. Another has much wool and not much water. The gypsum will be used for wool cleaning and the productive organisation will have blankets to dispose of, to exchange for other things other co-operatives can make. The need for marketing and supply begins to become apparent. Problems also become apparent. They are

- a. Keen competition from foreign or city goods;
- b. Small scale enterprise cannot afford to pay for marketing facilities that big scale industry can afford, so long as small scale enterprise remains individualistic;
- c. As short term loans are the rule and are limited, small scale industry in the village is hardly able to hold goods for a long time and to realise the highest prices;
- d. Untrained personnel with no real belief in their future as an industrial organisation will tend to be corrupted by the loafer elements of the village and go into trade on their own;
- e. Irregularities of supply to one unit, cannot be easily solved, especially when the

unit is in a remote village;

- f. No one unit can afford to hold transportation equipment and keep it idle for a portion of its time.

These problems can best be solved when small scale units in the villages are organised as co-operatives and when the co-operatives take the next step, which is that of organising themselves into a federation and giving that federation the work of marketing and supply for all the co-operatives it serves. As federations themselves link with other federations the beginnings of large scale facilities serving the smallest units will be seen to emerge.

One of the greatest drawbacks to small scale industry in the village, is that its dearth of capital leads it into the hands of the cloth merchant, or the usurer. In the co-operative organisation, should the Federation Marketing and Supply organisation be well supported, this can be avoided.

There is also the tendency in the village for the local merchants to combine together and purchase all the raw material the productive units will need, and so resell it to them when the price is highest. In this way they will gather all the profit of production which rightly belongs to the co-operative member.

The Federation Marketing and Supply can

have strength enough to take good premises in the central marketing situation. They can have warehouses stocked with goods, on which they can raise loans from banks, while its credit department can absorb deposits, all of which will give financial strength enough to combat the above.

The co-operative must use every effort to lower costs, increase the quality of its products and so be in a position to change its finished goods for raw materials and credit from the Federation Marketing and supply.

The Federation Marketing and Supply on its part must give all kinds of information to the co-operative. Not only the fullest statement on its business dealings but also on what kinds of goods are being demanded by the public, what improvements in design are possible. Price levels must be studied and reports on the same circulated.

The closest contacts between the co-operative and the federation must be maintained and it must never be felt by the co-operative members that the Federation is a superior organisation, to which they are privileged to send their goods. It is their own organisation and they must always realise it. In the small co-operative the manager will keep in touch. In a larger group a business manager may do the

federation business. Before the federation is established and when the co-operative is struggling with its own marketing and supply valuable business experience will be obtained, even if it is gained by the members themselves taking a wheelbarrow and marketing their own produce around the villages or in market places. Such experience will make them value the facilities that can be gained by joining together in a federation.

The co-operative unit will act as agent for the federation in purchasing raw material for the use of other co-operatives. A weaving co-operative, for example, may be situated in a locality where Tibetans bring down hides which the Marketing and Supply organisation needs for the leather co-operatives. In this way the business of the whole movement will be furthered by a new type of commercial traveller.

A good instance of the strength of a Marketing and Supply division of a federation was seen in the bombing of a co-operative center in Shensi during the war. Most of the shops in the neighbourhood were entirely destroyed and contents lost. When flames spread to the Marketing and Supply, however, members appeared from everywhere and in spite of the danger carried all goods to safety, as well as localising the fire to a small part of the

buildings.

In many instances where evacuation had to be made the federation marketing and supply was successful, with the assistance of the total membership, in getting enough material to the low locations in the hinterland, to enable a new start to be made in production.

Co-operative Management in Relation to Rules and Regulations

In the co-operative form of producers organisation many human difficulties will arise. To keep production at a high level there should be a continual struggle against unco-operative behaviour. The real co-operative will be the most efficient co-operative.

The stress of production is not only felt by machines. It is also felt by the membership and faults not detected previously in human attitudes will manifest themselves as surely as weaknesses in the machine set up will.

To come into a co-operative is like changing worlds to many a member. Members have different backgrounds which makes the human situation more complex. Little by little experience is gained, weaker members drop out and those with strength of character and determination remain to struggle

on with their organisation. Rules of conduct, regulations regarding procedure begin to evolve and the basis for correct co-operative living is laid.

Development in organisation, in scientific thinking, in technical progress may make for changes in these rules and regulations. A co-operative is not a static thing. Its emphasis on the creative makes for continual change in every part of its endeavour.

Such regulations and rules as are made should be as simple as possible and as few as possible. Some may not be stated as regulations but stay in the mind of the management who by continual reminder makes them into habits followed by all. The development of the individual co-operative member's personality is important. The co-operative manager may be looked upon as a supporter rather than a leader in the military sense.

It is of the utmost importance that every rule and every regulation should come from the whole co-operative group. Although the co-operative manager or the Board of Directors may inspire rules it is the co-operative member's general meeting which must pass upon them and make them binding.

Rules and regulations to have credit must be

observed and punishments decided upon for infringement must be carried through meticulously. The Board of Directors is responsible for execution.

In addition to the co-operative constitution there may be rules and regulations governing the administration of

- a. The Board of Directors
- b. The Board of Supervisers
- c. The treasurer
- d. The accountant
- e. The store keeper
- f. The manufacturing manager
- g. The business manager
- h. General affairs.

There will be rules for

1. member sworking in the plant
2. members' living and family allowances
3. travel
4. leave of absence
5. meetings
6. payment of wages
7. increase of share capital
8. taking of records
9. technical improvement and education
10. bonuses and dividends.

Co-operative Management in Relation to the Federation

The Federation must be the mouthpiece of the whole co-operative group in a district. It must not be a group of privileged managers, doing trade together outside their co-operatives and leaving their co-operatives whenever possible to join in a group who all want to trade and leave the more difficult and less exciting of production to their "signboards".

The co-operatives should be sure that they have leadership in the federation which will help them in a very real way to solve their daily troubles. The federation should not obscure the co-operative and should be the co-ordinator and correlator of all units. It should promote co-operative education, give the co-operative members some kind of a gathering center, where group activities covering all units can be conducted.

In China it has been found that federations

organised on district lines, with units carrying out diversified production, are better than federations organised of co-operatives of the same trade. Industry is interlinking and co-operatives in one federation can help each other and get orders for each other. They will not be running in bitter competition with each other.

The federation will assist co-operative management by operating a credit department to absorb what capital is possible and so being in a position to advance it to the co-operatives. This function may be taken over by an Industrial Co-operative Bank should such be organised, leaving Marketing and Supply as the biggest business function of the Federation.

The federation can also assist bettering local relations—entertaining local officials and visitors and acting as promoters of the movement with them.

The great danger from a newly organised federation to co-operative wellbeing is that in their enthusiasm to make a large organisation, standing on an even footing with the biggest local organisations, the membership will set up something that will be a burden. They may have the active support of the co-operative promoter in this, as he too, will hanker after "face" as a first essential. A big

flashy building heavily staffed, with co-operative membership working and living in poorly lit, unsuitable housing, is not desirable. Better to have the federation housed in an unpretentious building and the staff small enough to enable the co-operatives to support it well.

The Federation staff should be intimately related with the co-operative membership. They should know of the difficulties of each unit and should not become a class of their own.

In addition to the Board of Director's and the Board of Supervisor's meeting which is held monthly, the Federation should hold a Business Meeting which should be attended by a representative from each unit, should distance permit.

As a general rule the co-operative unit is left with production and all marketing and supply facilities possible given to the Federation. Local conditions will determine as to how far this rule can be maintained. There should be continual interchange of visits between the co-operatives and the federation members. Everything should not be left to the co-operative or the Marketing and supply managers to be recommended. To use the full strength of the co-operative members should be encouraged to have discussions with all manner of

persons interested in the kind of production they attempt and to make their own recommendations in meetings or to the Managers.

The co-operative management will ascertain from the Federation the exact specification of the orders his co-operative is expected to fulfil, time etc.

Business relations between the co-operatives and the federation should be carried out in a businesslike way. Contracts should be signed when necessary. Whatever regulations and rules are made should be followed. The minimum amount of commission may be collected to maintain the federation's minimum needs.

It is important that all goods marketed through the federation's agency be strictly to standard. The common trade mark should build up credit for itself. Small, weak co-operatives, struggling with poor technique and without being part of any well organised federation, have brought loss of credit for the movement in many parts of wartime China.

Unless the federation is organised and undertakes all of these functions it will be very difficult for the individual units to stand in competition with older business organisations.

An interesting example of a successful

federation in wartime China was that of the Nanyung group in Kwangtung. Their principal export was paper. By wise business procedure they marketed their produce through the federation facilities existing in the city of Kweilin, capital of the neighbouring province of Kwangsee. This took considerable business organisation but the result was that "Gung Ho" paper, bearing the CIC watermark was the best known paper of that cultural center until finally both Nanyung and Kweilin fell to the enemy.

The good federation manager can assist the co-operative managers by helping to place workers who have special skills or who are unemployed. He can assist to readjust business after the demand for certain kinds of production has fallen off.

Co-operative Management: The Co-operative Manager

It is easy to think of the co-operative manager but not so easy to realise that he is just the chosen executive of the group who are all managers. His work is not easy as he has to face the group in meetings on a basis of equality though in daily work he must give them direction. None of the co-operative group will put their best into their work if they do not feel that they have direct stake in the management of their own business.

In the production plant he will have to be responsible that the members who undertake the various duties apportioned to them are carrying them out in the correct manner. In business management he stands between the Board and the membership, though in executive action regarding personnel, the Board will stand between him and the membership. Amongst the duties he must

carry out are the following :—

Personnel. He must make recommendations to the Board of Directors, on the termination of hired worker's services, on the employment of part time workers and on the value of co-operative apprentice work in relation to the desirability of raising the status of an apprentice to that of a junior member. The selection of a new apprentice is a matter of some concern to the future of a co-operative and care must be taken to see that this is not done on a basis of favouritism.

Planning. He must take an active part in all business and production planning in accordance with the best practice.

Personal Influence. The Manager must be a man who in the co-operative sense is a somewhat exceptional person. He must not only be practical but he must also be able to influence his fellow members by his example. He must work harder than his fellows if he is to maintain their respect. The small decentralised production has this advantage over big centralised industry—the influence of the co-operative manager for good far exceeds that of the driving factory foreman. This is especially so in economically undeveloped countries where the worker is liable to be badly

exploited in the newer industrial centers.

Friction. Usually comes with favouritism. This is one thing the good manager will try to avoid, even though he cannot help giving the better jobs to the more able people. Meetings and thorough discussion will often help him to avoid the pitfalls.

Complaints and Suggestions. To listen to complaints and to deal with them on the spot when possible. If they are serious complaints he may have to take them to the Board of Directors. The manager should be open to suggestions from all the members at all times and if these are useful, put them into practice at once.

Democracy. The democratic nature of the organisation must be sustained. Corruption rigidly kept in check, in itself a difficult thing to do should outside economic conditions be upset by inflation or by civil commotion of some kind or another.

Federation. He will maintain correct relations with the federation.

Co-operative Management in Relation to the Promotional Agency

Centralised industry in the big cities of the East has been promoted by vast interests with great capital. It has wrought havoc and has almost eliminated the craftsman from the villages. The need is with us, for those with an ability to see, analyse, create and to sacrifice, to come together and find a way to promote a new type of people's industry to replace that which has been lost.

Finance to support such a promotional agency is not easy to obtain. Friends of the co-operative movement everywhere may help. Federations when they get strong enough may help. There may even be Government grants to assist.

The good aspects of the promotional agency are many, should it stay in the hands of co-operative enthusiasts with a common aim and not become the pawn of any ambitious group of politicians.

The dangers of the promotional agency are many. They may take too much on their own shoulders and so kill the initiative of the membership. They too have their family complications, their anxiety for security and their little ambitions. They may perhaps unconsciously use the movement to gain political prestige. They may select poor managers and impose them on co-operatives because they are "yes" men rather than co-operators.

Another danger is that the promotional agency may consider itself to be the movement and so look down on co-operative members as being "mere workers". The official conception of the scholar gentry dies hard.

The co-operative management, on the other hand, does not always fully appreciate the help that the promoter can give. They sometimes expect him to be more than the intellectual he usually is and make demands on him that he cannot fulfil.

In the early stages of the industrial co-operative movement in China it has usually been the promoter who has made or broken the chances of co-operative members to stand on their own feet and begin on the interlinking work which is the surest guarantee of success.

Co-operative Management : Local Relationships

As co-operatives achieve financial success the management will find it useful to join in every local effort for reconstruction possible. This will bring it the backing of the majority of people who though often inarticulate yet have considerable power.

In the more highly industrialised countries business can go ahead almost unrelated to local conditions. Laws protecting it have become well established and are not questioned in any way.

In the hinterland villages of much of the East, however, conditions are not quite the same. There may be a landlord group who have always controlled everything in their area. There may be secret societies or other strong organisations. The common man has a tradition of trying to keep anything pertaining to human relations away from the local magistrate and his "yamen". Yet the

“yamen” have had to be placated, as have the local gentry, the local garrison and any other human organisation in the vicinity with whom dealings must be made. There may be groups who will at first very strongly oppose any organisation to which they do not belong, yet to admit them to co-operative membership would surely be fatal.

So the co-operative Chairman must be somewhat of a diplomat—not to join into old anti-social practices yet to be able to meet the powers that be and gain their respect. As things are so personal in the village, there will be exactions of one kind or another, which may have to be met. It may be better to give way on some of the small things than on any question of main co-operative policy. The organisation of the federation usually assists in making such exactions less disastrous—but the fact that something must be done about them is a problem that must be faced. The world co-operative movement is a part of the world labour movement and strength will come also when good relations are made with all other organisations of the ordinary man.

The co-operative should also study local needs and try to meet these first even at the expense of giving up more profitable business elsewhere.

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