

# Scott Bader: A Viable Form of Workplace Democracy

Michael Jones

## **Introduction**

In response to the question "Is the cooperative form of organisation a viable and relevant one?" I feel perfectly justified in responding "Yes it is!"

The Scott Bader Commonwealth has existed now for 43 years, within a highly competitive sector of business; the chemical industry. Therefore, it could be argued very strongly that this form of enterprise is no longer an experiment but has in fact proved to be extremely viable, and very durable.

The history of Scott Bader dates back to 1920, when Ernest Bader formed Scott Bader Company Limited, a merchandising venture with the sole agency for Swiss celluloid in the United Kingdom. The name Scott Bader is an amalgamation of two family names; Dora Scott being the maiden name of Mrs Bader. Ernest Bader turned to manufacturing in 1937 from premises in the East End of London.

To escape the London blitz, the company moved to Wollaston in 1940 and settled there in rural Northamptonshire. A new factory was built in a 44 acre site, and production commenced. 1951 saw the formation of The Scott Bader Commonwealth, when 90% of the shares of Scott Bader Company were given to the employees, then numbering around 150. They all became members of The Scott Bader Commonwealth and thus co-owners of Scott Bader Company Limited.

Ernest's son Godric was appointed Managing Director in 1957. This was in keeping with our Constitution which made provision for Ernest Bader followed by his son Godric, to hold the position of Chairman for life, or until they chose to retire. This was the only concession made to the Bader family and even though they remained as Chairperson, the organisation ran under a one person one vote system, so the family had indeed given up control of the enterprise. I think it is fair to say at this stage that the Bader family retained a fair degree of influence over the company, but certainly did not control it. In 1963 the Company Articles were revised and the remaining 10% of the shares were released by the family in favour of The Commonwealth, which conferred total ownership to the workforce.

Shortly after, in 1965, Ernest Bader retired as Chairman and was appointed "Founder President" - an honorary title. His son Godric became Chairman and Managing Director the following year. The Constitution was again revised in 1971 and important changes were made to increase the opportunities for participation and democracy. In 1976 the Common Ownership Act was passed by the British Parliament. This recognised common ownership companies in law. The first certificate was awarded to Scott Bader Company.

Ernest Bader died in 1982 at the age of 91. In 1990 Godric Bader retired as Chairman, having given up the Managing Director's role many years before. He is now "Life President" in recognition of his support for the ideals of the Commonwealth.

The ethos on which The Commonwealth was founded was a deep conviction of Ernest Bader that labour should employ capital, and not capital employ labour. This is obviously a sharp contrast to the current apparent move towards contingency working. He also fervently believed that workers should exercise

some control over their destiny through some form of democratic structure within the workplace. All shares in Scott Bader Company Limited are held by The Commonwealth on behalf of the members. There are no individually held shares. This means that even at the outset, the structure was such that, upon conversion in 1951, we embarked on a one person one vote system, including the previous owners.

The structure of Scott Bader is designed to effect a diffusion of power so that no one group of people can obtain ultimate authority without reference to other parties. It has also been described as a "checks and balances" structure, whereby each elected body both checks and balances the others. Details of our structure follow at the end of this paper.

### **The Benefits of Cooperation**

Cooperation is all about team work and to operate successfully requires the commitment and goodwill of all concerned. It is certainly not an easy option and, in fact, can be much more demanding than working in a conventional business. There is also a much greater emotional involvement, simply because people are much more aware of what is going on within the business and would know of any problem areas.

What cooperation does offer is opportunity, and the chance to become much more involved in the way we provide for ourselves through work. I feel this is a very important aspect because if something in which we are involved becomes a success, there is a natural pride in that achievement. I believe that the level of pride is much higher in a participative organisation.

In the case of Scott Bader, where no shares can either be bought or sold, it has also ensured our independence as we cannot be taken over. This has not stopped us acquiring other companies however, and we have expanded considerably through acquisitions over the years.

One of the problems has been the market pressures on size, where in the late sixties and early seventies, we were forced to expand to remain in our markets. This created problems in communications and other areas and was in contradiction to the concept of "small is beautiful" introduced by one of our early Trustees and friend of Ernest Bader, the late Fritz Schumacher.

An advantage of being commonly owned is that we are not continually under pressure to maximise profits in order to pay a dividend, although it is true that we have to continue to be commercially successful in order to survive. We can in fact, make long term plans without the pressures of very short term investment paybacks.

On average, people tend to stay longer in a cooperative environment. This gives rise to a fairly stable workforce (our labour turnover is around 3%). This can be both an advantage and disadvantage. On the plus side it does mean that we can enjoy and benefit from a well trained, experienced, and highly motivated workforce. The down side is, of course, that a stable workforce does tend to block promotion channels. This then leads to feelings of frustration among the more ambitious members of the company and, in the long term, can lead to a demotivating situation.

Cooperation, by its very nature, implies participation in decision making, and it is a common myth that cooperatives are not as productive as conventional companies because of the number of

meetings they tend to hold. Although this would vary between organisations this is not generally true because many conventional companies lose time through industrial disputes and they also hold meetings.

Another misconception is that decisions are never actually made because the mechanisms are too slow and ponderous. This again, I feel, is not really true. It is of course essential for any cooperative to set parameters regarding the types of decisions in which different categories of workers could, and should, be involved. Especially in the larger worker owned businesses it is essential that managers are allowed to make management decisions with a minimum of input if they are of a purely business nature. In the case of decisions of a more community or social base, then as many people should be involved as is practicable and as much time taken as necessary in order to reach a decision which is acceptable to the majority of the workforce.

The third and most difficult decision is a business decision which has a very large people content. In this case, the people who are most likely to be affected, should certainly be given the opportunity to participate in the decision making process. I have long believed that it is relatively easy to influence a decision whilst it is being made, but much more difficult to change it once it has been reached.

I believe that being a cooperative should also offer a very strong selling point to customers. Although the image of cooperatives is sometimes of a somewhat offbeat amateurish organisation, in reality they can be exactly the opposite. A cooperative can offer a customer stability of supply because it is very unlikely there will ever be withdrawal of labour due to industrial dispute. This

does not mean that problems do not occur, but that most cooperatives have at their disposal mechanisms whereby issues can be resolved internally. Also because of the stable workforce, customers and suppliers know that they will be dealing with the same people on a day-to-day basis and good and trusting relationships can be built up over time.

Scott Bader products are manufactured worldwide and in past years this was done mainly through a network of licensees. Now we have manufacturing sites owned, or partly owned, by us, in France, South Africa and the United Arab Emirates. This is bringing us a new set of problems in deciding how we can embrace the different laws and cultures in order to expand our philosophy into our acquired businesses.

I also strongly believe that as in any democratic situation, there must always be the maturity to accept that all decisions may not be the ones you want. Having worked at Scott Bader since 1961 and having had connections with the wider cooperative movement for much of that time, it is obvious that cooperation is a better option than the conflict model. However, there is a danger, especially in some smaller enterprises, which can be prone to self-exploitation. Many cooperatives which are successful are only so because they pay very low wages. In my view these cooperatives are not viable businesses.

To sum up, I accept that Scott Bader is somewhat unique because the company was gifted to the employees which means we started on a debt-free basis. In their early years many emerging cooperatives are paying back loaned start-up capital. If the trend towards contingency labour continues then what will be lost to industry is the loyalty of the workforce. It will become a dog eat dog economy where only the best will survive and the lucky few

will command huge salaries. A sense of belonging will no longer exist either with the individual or the corporation.

What we at Scott Bader are able to enjoy is that sense of belonging in two ways. Firstly, the Commonwealth belongs to us, and secondly, we in turn belong to the Commonwealth. A description of our structure follows, with brief notes on how it operates.

## **Structure**

To enable us to operate in the way the Constitution dictates, the structure is very well defined. Of necessity we have a fairly conventional pyramid structure of management as we have to work in an efficient and safe manner, but we also have various elected bodies to furnish the additional needs of the enterprise.

Although the structure appears very conventional, what happens within it is not. We at Scott Bader enjoy a very open management style in which people at all levels are freely accessible. However, this does not mean we should trouble senior managers with trivial problems which could, and should, be dealt with elsewhere within our structure. Christian names are used at all levels, but there remains respect for position within the Company. The difference here is that the respect has to be earned and does not come automatically with a management position.

## **Company Board**

As in any company, we have a Board of Directors and their task is to instigate policy and direction and ensure that the company operates with the constitutional requirements. Our Board

includes the Company Chairman and Managing Director plus four elected directors who are elected from the workforce. Provision is also made for up to three external directors who are appointed by the Chairman, but subject to the approval of members through the Community Council.

### **Community Council**

The Community Council is the standing committee of all members and staff (not all employees are co-owners). Representatives are elected to the Community with those they represent. Councillors are elected for a three year term of office but half the Council retires at eighteen month intervals to ensure continuity. The remit of the Council is very wide; they can in fact discuss any issue they choose, or any issue raised by a member of staff. Recommendations can then be made to the Company Board. Since two members of the Community Council are elected to the Company Board they have a strong input into policy making at Board level.

On matters of discipline the Community Council plays a very important role as an appeal mechanism. The first channel of appeal is always through the management structure up to the most senior managers. If the problem cannot be resolved through this mechanism then an appeal can be lodged with the Community Council and they will discuss the issue and reach a decision. This decision, once made, is binding on both the appellant and management.

The Community Council carries out many more tasks within the areas of working conditions and employee welfare and works closely with management on these issues. They also raise budgets and administer funds for social and educational functions.



## **The Trustees**

At the time the shares of Scott Bader Company Limited were gifted to the employees, it was illegal for a company to own its own shares. The Scott Bader Commonwealth was formed in 1951 as a separate legal entity to take on ownership in common of all the shares in Scott Bader Company Limited on behalf of the employees. There are no individually owned shares. The 10% of shares initially retained by the family were gifted to the Commonwealth in 1963. To compensate for the lack of family input a body of Trustees was installed to carry the mantle of safeguarding the Constitution. They retain the right to match the votes cast by members on constitutional issues.

In addition to this important function, the Trustees are arbiters should a serious difference of opinion arise between any of the elected bodies. They are further charged to step in if the Company is running at a loss, and advise the Company Board on actions to rectify the situation. However, this requirement is currently under review.

## **The Commonwealth Board of Management**

The Scott Bader Commonwealth Limited holds the share of Scott Bader Company Limited and membership of the Commonwealth is made up of Company employees.

Being a separate legal entity, the Commonwealth also has a Board which consists of six elected directors, a community member, appointed by the Board, to represent the local area, and the Chairman of Scott Bader Company. The Chairman of the Commonwealth Board is elected from within.

The Commonwealth Board has three main duties. The first of these is responsibility for membership. It is this Board which grants Commonwealth membership to employees, upon application, and following a specified period of employment with the Company. They also have the right to remove membership if an individual is not behaving in a satisfactory manner.

The second task is administration of the charity fund. The Commonwealth itself is a registered charity and therefore tax exempt and all its income is donated to other charitable organisations. However, large donations need to be approved by members in a General Meeting, following proposals from the Commonwealth Board.

A third area of responsibility is that of philosophical development. This means that the Commonwealth Board is charged with ensuring that the enterprise is run within the parameters of the Constitution. Ethical issues such as our dealings with South Africa would be raised under the philosophical banner and discussion would be initiated with the Company Board on this type of question.