

Curricular Cop-Out on Co-ops

Business schools ignore a key form of enterprise



Pat Kinsella for The Chronicle Review

By *Nathan Schneider* | OCTOBER 09, 2016 ✓
PREMIUM

If what they say about millennials is true — that we are not satisfied merely to do well but also want to do good — then Annie McShiras represents her generation admirably.

While studying in southern Mexico and Argentina, she saw factories managed

democratically by the people who worked in them, and upon graduation she set out to support that kind of enterprise in the United States.

She joined alternative-economy working groups at Occupy Wall Street, through which she helped open a print shop owned by its workers. She got a job with the Working World, a nonprofit organization that finances and advises worker cooperatives. In many of the co-ops she encountered, she perceived a lack of knowledge about the planning and marketing they needed to be competitive. And so, in order to be a more effective doer of good in the world, she decided to go to business school.

"I started looking into programs that at least had some understanding of alternative models," McShiras says — programs that used terms like "sustainability" and "social justice" on their websites. She found a few she liked and accepted a scholarship to her first choice, Mills College, in Oakland, Calif. But soon after arriving, she noticed that whenever the conversation in class turned to cooperative business or managing

resources democratically, she was doing more teaching than learning. After the first semester, she dropped out. "I felt like I wasn't actually getting the expertise around shared ownership and cooperative economic thinking I wanted," she says. Now she's back to learning by doing, having found a job at a credit union.

McShiras is part of a new wave of enthusiasm for the old legacy of cooperative enterprise — businesses that are owned and governed by the people they serve rather than seeking to maximize profits for outside investors. According to the National Cooperative Business Association, one in three people in the United States belongs to a co-op; major brands like REI, True Value, and Organic Valley use the cooperative model, as do insurance companies like Northwestern Mutual and State Farm. A 2014 report by the United Nations counted 2.6 million co-ops globally, with revenues equivalent to 4.3 percent of the global GDP. Cooperative businesses also succeed in meeting needs that capital-driven markets fail to serve, such as by enabling immigrant women in New York City to manage their own child-care or housecleaning businesses, or by bringing power lines to remote areas. Rural electric co-ops, promoted by the U.S. government in the early 20th century, still serve around three-quarters of the country's territory.

Among many of us who came of age around the time of the 2008 financial crisis, the prospect of a democratic, people-centered economy holds fresh appeal. In contrast to the big-name banks, member-owned credit unions were largely innocent of the widespread malfeasance that led to the crash. Co-ops in general fail at a lower rate than do other kinds of businesses, and their earnings tend to stay in the communities from which they come. They often pay living wages to their employees and set caps on executive salaries. Social media, a platform that brought Bernie Sanders surprising success in the Democratic primary elections, especially among the young. But this new wave of interest comes with more enthusiasm than know-how, and college curricula have yet to catch up. Among 20 leading American M.B.A. programs I polled, not one reported a single course devoted to cooperative enterprise.

You've received free, 24-hour access to this p
Stay a step ahead of your social netw

"Young people who are frustrated are totally correct that there are not lots of places where one can go and have a focused curriculum on cooperatives," says Christina Clamp, a sociologist at Southern New Hampshire University, who has studied the extent of education on the subject.

Despite representing a sector with significant scale and a distinctive logic, cooperative principles and practices nearly disappeared from economics textbooks after World War II. According to one report, published in 2000, only six of 17 North American introductory economics texts even mentioned co-ops, and almost always briefly and dismissively. Several professors of management and economics I queried about cooperative business weren't sure what I was talking about.

This would come as a surprise and a disappointment to Leland Stanford, the robber-baron founder of Stanford University. Accompanying his initial endowment were instructions to promote "the right and advantages of association and co-operation." As a U.S. senator, he championed legislation to support worker-owned cooperatives, which he saw as preferable to the investor-owned enterprise that had made him so wealthy. He told the university's first class of students, "Co-operative societies bring forth the best capacities, the best influences of the individual for the benefit of the whole, while the good influences of the many aid the individual." This was guidance that his university, including its elite business school, has mainly ignored.

The situation is somewhat better abroad. Elandria Williams is a co-op developer at the Highlander Research and Education Center, a nonprofit organization based in Knoxville, Tennessee, for the civil-rights movement. Her father, a co-op developer, worked at Tuskegee University, but to hone her skills she went to the University of

Mary's University, in Nova Scotia. Its business school offers a master's degree in cooperative management, though it is open mainly to those already in management positions at co-ops. Emma Yorra, who helps organize co-ops among immigrant-service workers with the Center for Family Life, in Brooklyn, N.Y., turned to an online program available through Mondragon University, in Basque Country, in northern

You've received free, 24-hour access to this post
Stay a step ahead of your social network

Spain. It's the education arm of the Mondragon Corporation, a 74,000-strong worker cooperative — an option for Yorra only because she is fluent in Spanish.

Education has been a basic feature of the modern cooperative movement since a group of textile workers established its now-canonical Rochdale Principles in 1844; promoting education is still part of how the International Co-operative Alliance defines cooperative identity. Mondragon itself began with a school. Informal study circles have been a persistent, formative feature among black-led co-ops in the United States, according to Jessica Gordon Nembhard, a political economist and author of *Collective Courage: A History of African American Cooperative Economic Thought and Practice* (Penn State University Press, 2014). Now she is helping continue that tradition in her teaching at the John Jay College of Criminal Justice, at the City University of New York, and by speaking across the country.

"I do get worried that, with all the excitement about co-ops now, people will end up forgetting how much work it is," she says. "Part of that is making sure that we have enough trained developers, but a lot of it is public education."

Early last year, I arrived in Nairobi, Kenya, to visit family members living there. Starting with the drive from the airport, I began noticing co-ops. As we inched through traffic, the taxi driver told me about his *sacco*, a kind of small credit union and mutual insurance company that he and his fellow drivers manage. When the city's skyline came into view, I saw that one of the towers was marked "Co-operative Bank." More than half of the country's population derives its livelihood from cooperatives, largely half of the total GDP.

You've received free, 24-hour access to this p
Stay a step ahead of your social netw

After asking around a bit more, I hitched a ride to the city's outskirts to visit the Co-operative University College of Kenya, a public business school devoted to training managers of co-ops throughout Kenya and neighboring countries. The students walking between classes in finance and entrepreneurship looked like business students anywhere. But faculty members described the differences.

"In cooperative training, we are not just thinking about disseminating business knowledge and skills," says Esther Gicheru, a former principal of the college who now directs its Institute of Co-operative Development. "We are thinking about the growth and the advancement of people at all levels, in a way that an ordinary stock company will never do. What we teach is an awareness of how members can help themselves to advance from one stage to another, working with other members."

This year AACSB International, the chief organization for management programs, celebrates its 100th birthday. William H. Glick, dean of Rice University's business school and board chair of AACSB until earlier this year, told me that the centenary has spurred a series of conversations centered on "the role of business schools in enabling global prosperity"; there has been talk of sustainability, of a "triple bottom line" to account for social and environmental value alongside profits. This represents a departure from a tendency in recent decades for business schools to teach that the chief objective of any business is to maximize value for shareholders alone. But the new approach doesn't necessarily include models of democratic ownership like co-ops.

Glick himself has been a member of a food co-op, a credit union, and REI. But a whole curriculum on the subject strikes him as far-fetched. Co-ops "have unique challenges in terms of managing broad stakeholder groups, but by and large it's a matter of degree rather than being totally different from any other organization," he says. "I wouldn't expect or even encourage somebody to do something specifically targeted on co-ops, outside of maybe a class or two."

Yet even that isn't available to most Business School, for instance, Rebec

decades-long series of Harvard case studies on Mondragon, and she teaches it in her "Reimagining Capitalism" course. As far as she knows, though, that's the extent of exposure to co-ops available at the school.

The exceptions to this lacuna are generally found not in M.B.A. programs but in the less glamorous discipline of agricultural economics. Producer cooperatives are part

You've received free, 24-hour access to this p
Stay a step ahead of your social netw

of American farmers' essential infrastructure, and the U.S. Department of Agriculture has long supported university research on co-ops, especially at land-grant campuses. Agriculture-oriented co-op centers can be found at Kansas State, North Dakota State, and Texas A&M Universities, the University of Missouri at Columbia, and the University of Massachusetts at Amherst. At Cornell University, in addition to its agriculture-oriented Cooperative Enterprise Program, the School of Industrial and Labor Relations has produced Ph.D. dissertations on co-ops every few years since its founding, in the 1940s.

Among the most prolific of these centers is the University of Wisconsin at Madison's Center for Cooperatives, established with federal assistance in 1962, whose very existence is required by state law. Yet when the center was running the search for its current faculty director, it had trouble finding qualified candidates. Brent Hueth, the agricultural economist who ended up getting the job, had been studying co-ops largely in isolation. "I pretty much stumbled into it on my own," he says.

What drew him to co-ops was the recognition that they were uniquely effective in enabling independent farmers to purchase supplies and sell to markets with an economy of scale. "It's not idiosyncratic to the country, it's not one-off," he says. "There seems to be something fundamental about these set of markets and these economic environments where the investor-owned model doesn't get the job done."

Keeping the Madison center open and funded hasn't been easy; the co-op sector doesn't have access to the kinds of wealthy benefactors that furnish M.B.A. programs with names and fortunes. "Cooperatives are concentrated in a small number of people, and it's hard for a co-op to fund university programs compared to the prospect of leaving a legacy.

Still, with a combination of grants and industry partnerships, the center's doors remain open. It offers two undergraduate courses on cooperatives every year, holds an annual conference, and provides support to diverse co-ops throughout the region.

You've received free, 24-hour access to this page
Stay a step ahead of your social network

Co-ops themselves are eager to hire graduates who already know something about how they operate. When Christina Clamp studied Mondragon for her dissertation, she was told that it took new managers about five years to learn how to work in the cooperative context; to shorten the learning curve, the company preferred to hire candidates whose parents had been employees. In the United States, students generally don't know to consider co-ops when they're looking for jobs. Todd M. Schmit, an economist affiliated with Cornell's Cooperative Enterprise Program, notes that "agricultural cooperatives are really interested in getting on the radar of students as employment opportunities."

How best to do that, however, remains unclear. Judy Ziewacz, chief executive of the National Cooperative Business Association believes that the co-op community should advocate for representation in M.B.A. programs, but she doesn't expect it to be easy: "Based on past efforts, trying to get a position within an existing M.B.A. is pretty much an uphill battle." She suspects that since prospective students are still relatively few and far-flung, there might be more promise in reaching them through online courses, with or without university accreditation.

Part of the problem, co-op researchers say, is that peers sometimes dismiss their work as mere advocacy, not serious scholarship. Perhaps this shouldn't be surprising. If the rules of business (or any other field of study) are understood to be more or less fixed and teachable, and you happen to study cases in which the rules are different, it's hard to avoid the perception that you are an insurgent. But even some co-op researchers themselves worry that their colleagues' activism might harm the sector's soundness.

"I believe cooperatives have been hurt by the fact that some of their proponents are far too optimistic about what they can achieve."

It's certainly the case that McShiras, Williams, and Yorra aren't studying co-ops merely out of academic curiosity or in pursuit of a respectable job. Many in this new generation of co-op entrepreneurs, along with scholars like Gordon Nembhard and Clamp, envision cooperation as a tool for confronting

You've received free, 24-hour access to this p
Stay a step ahead of your social netw

inequality, racial injustice, fossil-fuel dependency, and food deserts — zones of potential that go far beyond farming and rural electric companies. The evidence supporting their hypothesis remains less than ironclad, but it's strong enough to teach and study. Doing so may also present opportunities for educators.

There are early signs that the study of cooperatives may have a ready constituency in American universities. Pinchot University, a Seattle-based institution that pioneered sustainability-focused business education, began offering a cooperative-management certificate in January 2016; the program continues under the aegis of Presidio Graduate School, which has since acquired Pinchot. Jill Bamburg, who was Pinchot's president, says that as far as cooperative business goes, "there's this huge hole in the market."

The City University of New York, meanwhile, has piloted a course on worker cooperatives at its labor-oriented Murphy Institute to see if there's enough interest for a certificate or even a full degree program. CUNY's School of Law is collaborating with Mondragon to support co-op development, giving students hands-on experience in the field. Just a few years ago, UMass-Amherst established an undergraduate certificate in applied economic research on cooperative enterprises. And at Laney College, a community college in Oakland, Calif., several local organizations are developing an academy on worker cooperatives. Since 2014 two cohorts have completed the 16-week course; once the program achieves accreditation, it will be able to award credits transferable, at minimum, to any community college in the state.

Starting with community colleges seems like a good idea, says Hoover, executive director of the Democracy Center.

worker-owned co-ops. Such programs could help jump-start cooperative businesses among those who need them most. "If we could develop a standard curriculum on cooperative business offered at community colleges across the country," she says, "that would have greater impact than an M.B.A. program."

Hoover, in any case, doesn't want to wait for a cooperative-education revolution. She

You've received free, 24-hour access to this p
Stay a step ahead of your social netw

needs co-op entrepreneurs, as soon as possible, who know how to work with the nuts and bolts of existing capitalism. "I reject the special-snowflake version of cooperative education," she says. "Move, people. Go to traditional business schools and politicize your own learning."

A lot of the co-op business education that does take place nowadays happens in nonaccredited academies run by community organizations. The lessons are often experiential and group-oriented, evaluated by real-world success. But a co-op sector of any scale and seriousness will need formal, accredited programs, too. To Michael Peck, the North American delegate of Mondragon, "The opportunity is so huge, and what's being done is so infinitesimal."

The system of higher education itself might be said to have its origins in cooperation. Europe's early universities emerged from self-governing guilds of scholars, a legacy that lives on in today's faculty meetings and committee work. Some have suggested that the legacy is in need of revival. Joss Winn, a lecturer in education at the University of Lincoln, in England, calls for universities to be owned and governed by not just faculty members but by stakeholders ranging from students to custodians. And studying cooperative economics does seem to correlate with actually practicing it. At UMass-Amherst, where one can earn a certificate in the subject, there is also a Cooperative Enterprise Collaborative, which supports student-run businesses on campus.

"With a greater intelligence, and with a better understanding of the principles of cooperation," Leland Stanford said

practice will, in time I imagine, cause
carried on by these cooperative asso

You've received free, 24-hour access to this p
Stay a step ahead of your social netw

kind of research and teaching would usher in a cooperative commonwealth. But despite his best efforts at the university he founded, and those of others since, his supposition remains mainly untested.

Nathan Schneider is a scholar in residence of media studies at the University of Colorado at Boulder and co-editor of Ours to Hack and to Own: The Rise of Platform

Cooperativism, a New Vision for the Future of Work and a Fairer Internet, *to be published this fall by OR Books.*

A version of this article appeared in the October 14, 2016 issue.

Copyright © 2016 The Chronicle of Higher Education

You've received free, 24-hour access to this p
Stay a step ahead of your social netw