

MICHELS' IRON LAW OF OLIGARCHY

MICHELS 1915

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POLITICAL PARTIES

by believing that by flocking to the poll and entrusting its social and economic cause to a delegate, its direct participation in power will be assured.

The formation of oligarchies within the various forms of democracy is the outcome of organic necessity, and consequently affects every organization, be it socialist or even anarchist. Haller long ago noted that in every form of social life relationships of dominion and of dependence are created by Nature herself.³ The supremacy of the leaders in the democratic and revolutionary parties has to be taken into account in every historic situation present and to come, even though only a few and exceptional minds will be fully conscious of its existence. The mass will never rule except *in abstracto*. Consequently the

question we have to discuss is not whether ideal democracy is realizable, but rather to what point and in what degree democracy is desirable, possible, and realizable at a given moment. In the problem as thus stated we recognize the fundamental prob-

**OPERATIONALIZATION OF
CO-OPERATIVE
OWNERSHIP – A TOOL
AGAINST CO-OP'S
OLIGARCHISATION**

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ARISTOTLE'S TYPOLOGY NUMBER AND INTEREST

Number of rulers (Competence)

| | One | Few | Many |
|-----------------|----------|-------------------------|-----------|
| Interest | | | |
| Self-interest | Tyranny | Oligarchy | Mobocracy |
| Common interest | Monarchy | Aristocracy The best | Democracy |

INDICATORS OF OLIGARCHY:

- Lack of leadership turnover,
- Minority control of resources,
- Low levels of participation in governance,

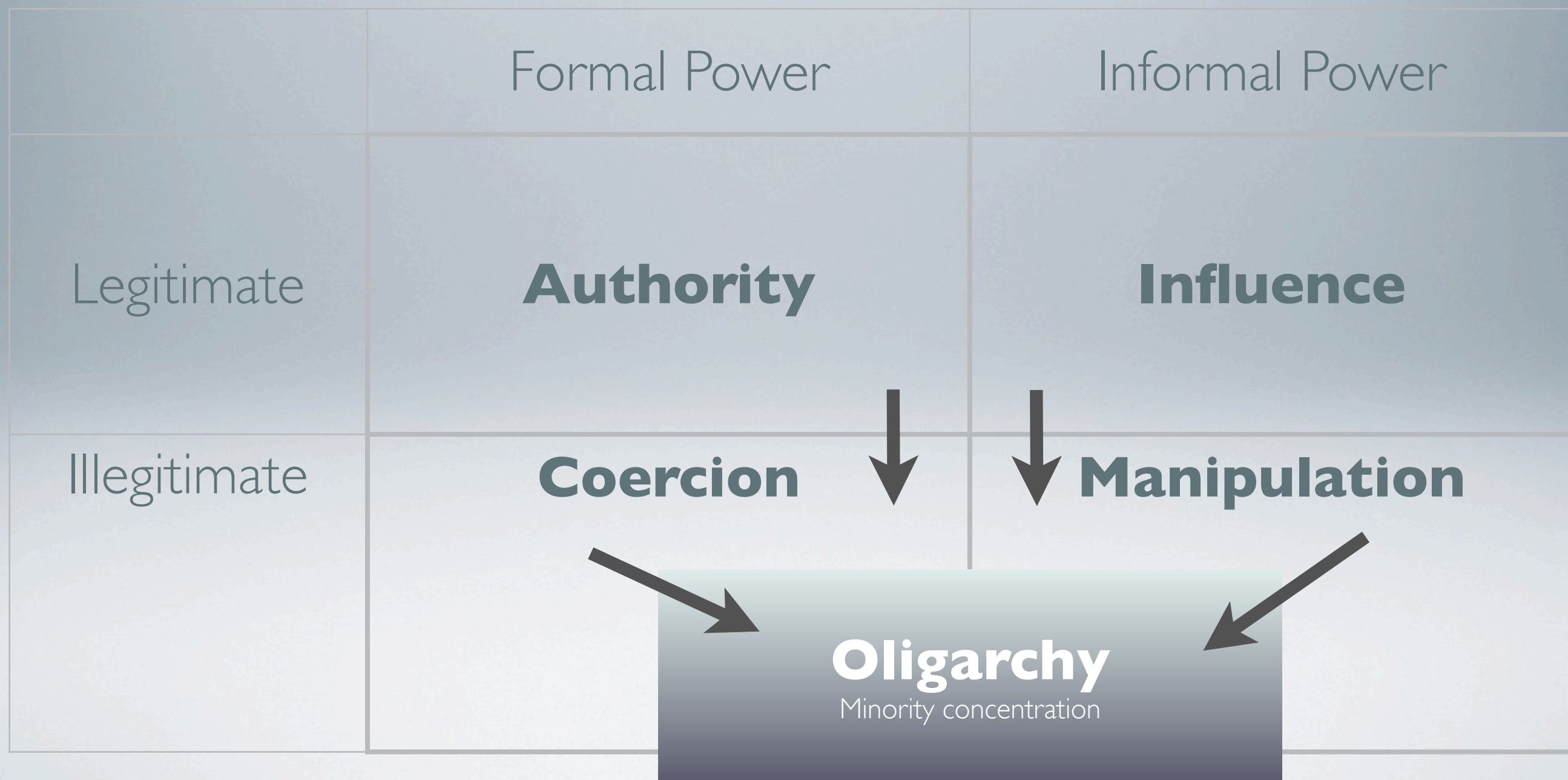
OLIGARCHY DEFINITION

D. K. LEACH, 2005

Oligarchy, then, is a concentration of entrenched illegitimate authority and/or influence in the hands of a minority, such that de facto what that minority wants is generally what comes to pass, even when it goes against the wishes (whether actively or passively expressed) of the majority.

LEGITIMATE AND ILLEGITIMATE FORMS OF FORMAL AND INFORMAL POWER

D. K. LEACH, 2005



CHALLENGES

HOW OLIGARCHY STARTS?

Pursuing self-interest

- Blood equity
- Literacy (competence)
- Sweat equity (time, effort, suffering)
- Material equity (financial and material resources)
- Any other way of expecting a reward for an investment

Lack of trust in people

- Evil intentions
- Lack of competence
- Lack of experience
- Irresponsibility
- Lack of engagement
- Narrowmindedness

Low expertise in leading

- Isomorphism (corporate or military mindset)
- No team skills (how to conduct meetings)
- Inability to use democratic procedures
- Ignorance of social media
- Ignorance of management software.

Receiving reward - material, emotional (public recognition), power (influence), gratefulness, etc.

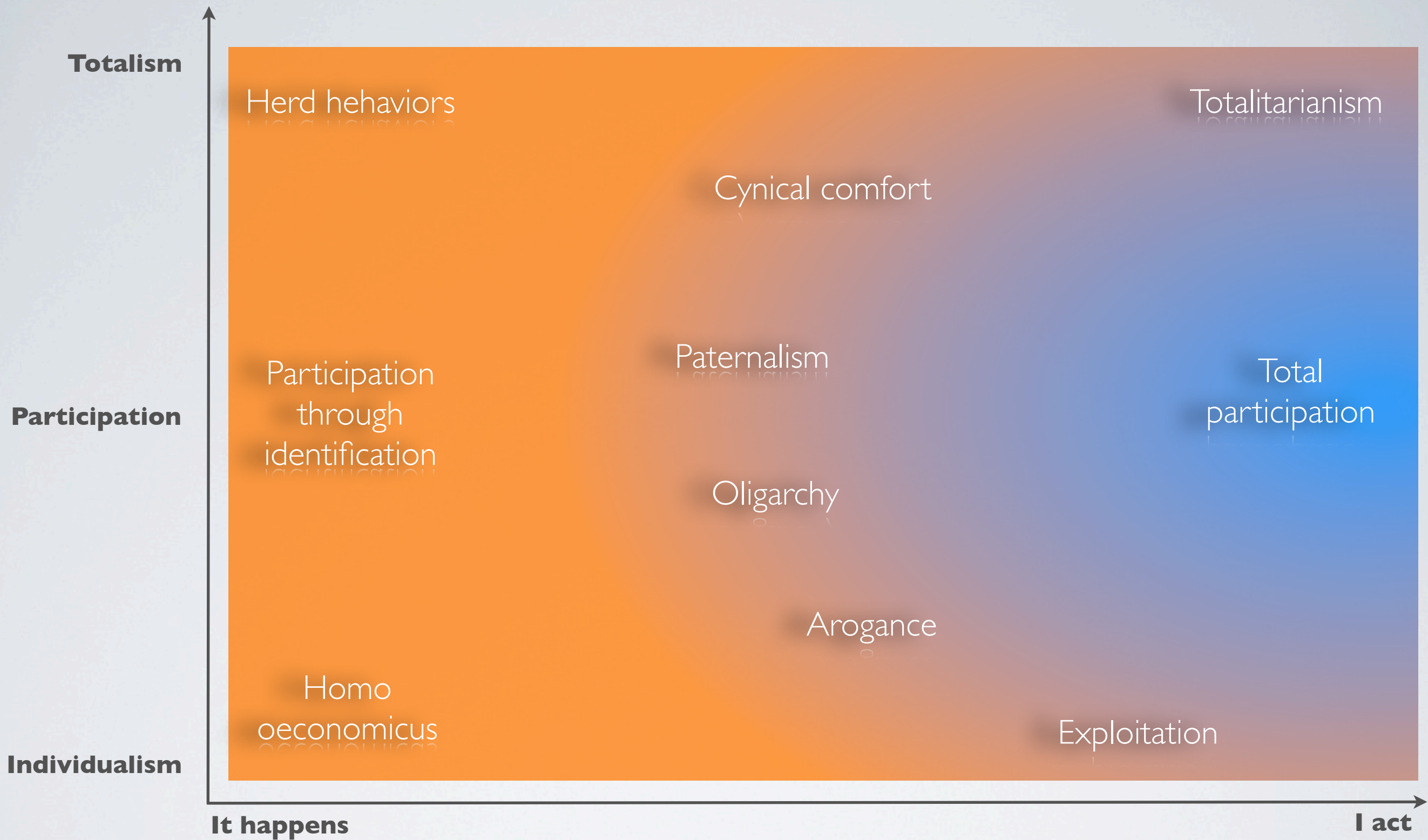
COLLECTIVE ORGANISATIONS' MANIPULATIONS

- Agenda setting (what is discussed (voted) what is not),
- Withholding information
- Non-material sanctions (ridicule, shaming, guilt)
- No decision (where decision should be made)
- Availability of persons in time
- Time for voting and deciding

Conclusion: both majority and minority may not be aware of oligarchy being slowly installed

REACTIONS TO OLIGARCHIC GOVERNANCE



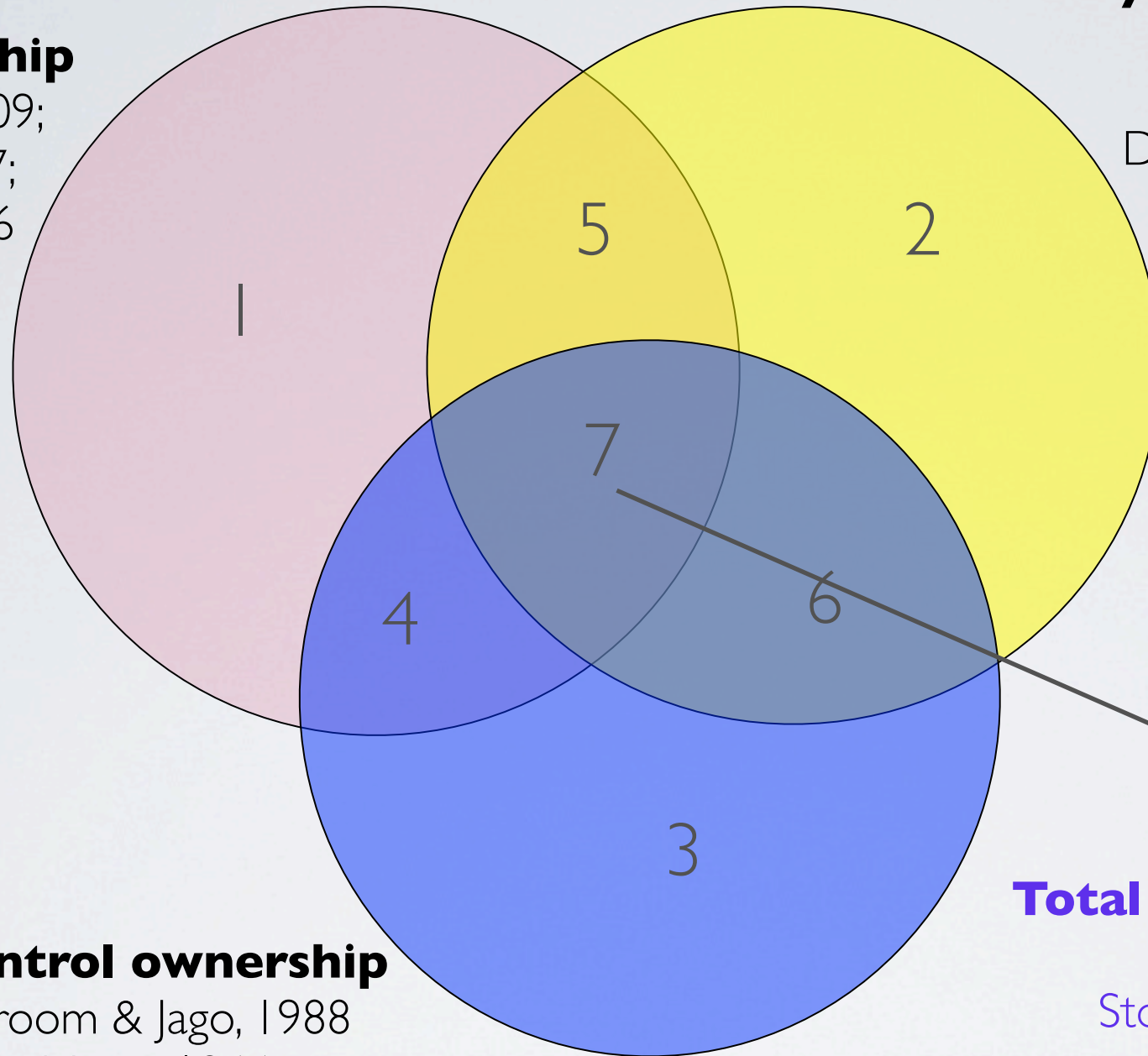


ORGANIZATIONAL BEHAVIOR IS ON THE CROSSROADS BETWEEN PERSONALISTIC VALUE (HORIZONTALLY) AND THE SOURCE OF SECURITY (VERTICALLY)

SOLUTIONS

Legal ownership

Kaarsmaker, 2009;
Ben-Ner, 2007;
Ellerman, 2006



Psychological ownership:

Pierce et al. 2004;
O'Driscoll, 2006;
Dwyer and Ganster, 1991

Control ownership

Vroom & Jago, 1988
Mazur, 1966

Total participation in management

Graham & Titus, 1979
Stocki, Prokopowicz & Żmuda, 2008

THREE FORMS OF OWNERSHIP
(IDENTITY SOURCES)

GOVERNANCE CHANGE

STEP TO RECOGNIZE OLIGARCHY IN A DEMOCRATIC ORGANISATION

- Show that a minority is wielding illegitimate power,
- Show that the majority is in some way resisting that power, and
- Show that there is a pattern of the minority being able to overcome such resistance on issues it feels are important.

CONTROL BASED ON EXPERTISE

CORRECTED ARISTOTLE'S TYPOLOGY NUMBER, INTEREST AND REAL PARTICIPATION

Number of rulers (Competence)

| Interest | One | Few | Many |
|-----------------|---|-------------------------|--------------------|
| Self-interest | Tyranny | Oligarchy | Mobocracy |
| Common good | Spectrum of participation techniques Different groups and sizes depending on the nature of the problem and situation | | |
| | Expertise | Meritocracy | Common Meritocracy |
| Common interest | Monarchy | Aristocracy The best | Democracy |

SITUATIONAL GOVERNANCE

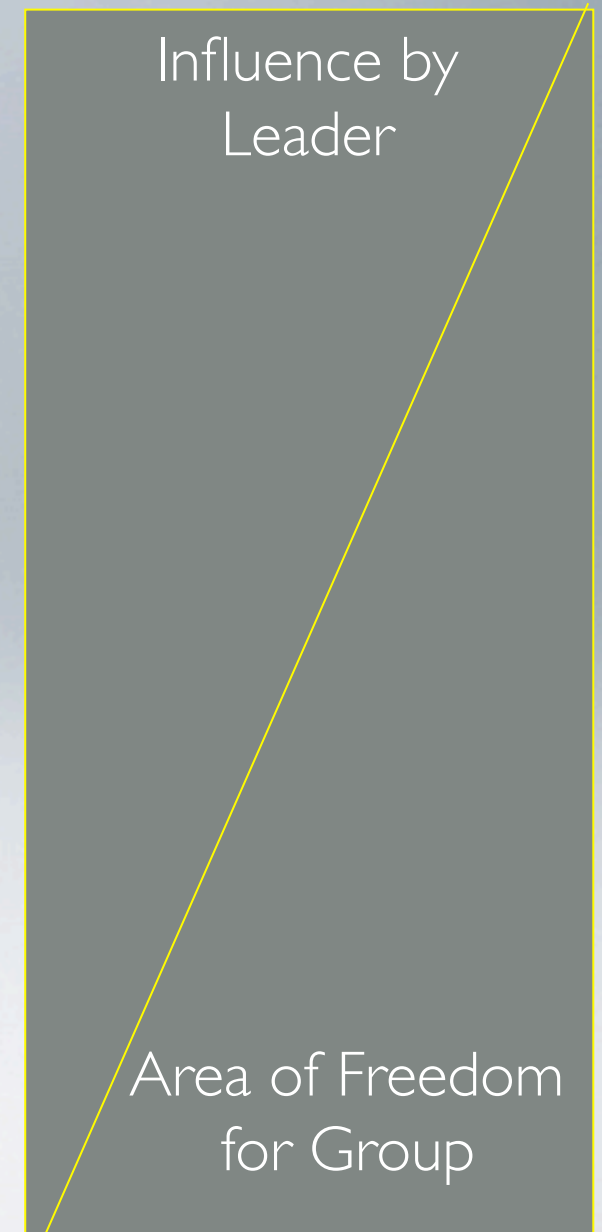
Group decision making - Vroom & Jago, 1988

Manager-Centered Leadership



Group-Centered Leadership

| | |
|------------------------|-----------|
| Decide | 0 |
| Consult (Individually) | 3 |
| Consult (Group) | 5 |
| Facilitate | 7 |
| Delegate | 10 |



Group decision making - Vroom & Jago, 1988

Strategy



Interaction Constraint

Value of Time

Goal Alignment

Values



Value of Development

Likelihood of Disagreement

Team Competence

Expertise

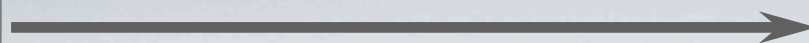


Leader Expertise

Group Expertise

Decision Significance

Situation



Importance of Commitment

Likelihood of Commitment

Leader's competence

DETERMINANTS OF DECISION MAKING CHOICES

MEASURE PSYCHOLOGICAL OWNERSHIP

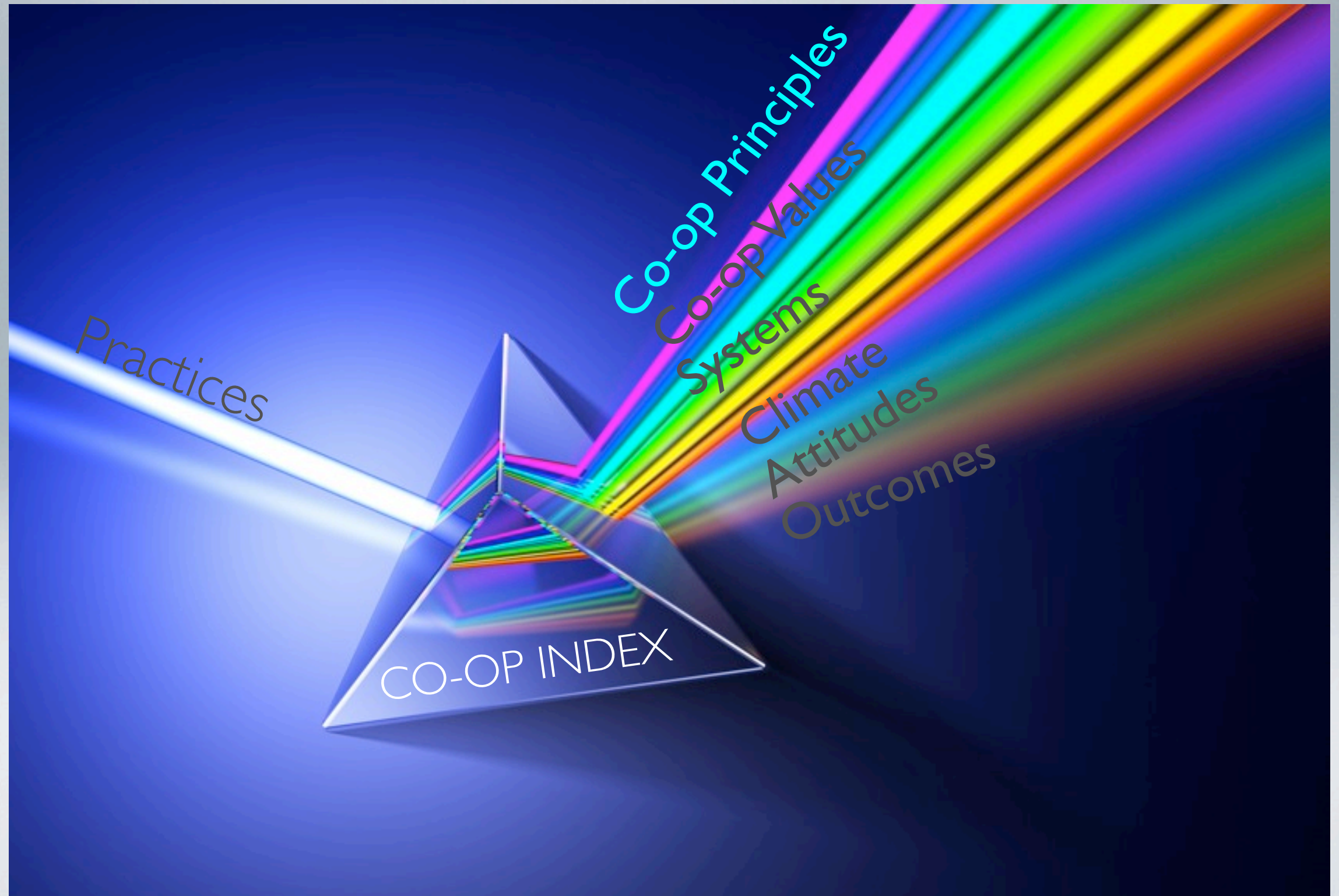
MEASURE INPUT AND ITS NATURE

- Measure everything be transparent and give feedback (especially measure sweat equity by hours)
- Audit human mental models - e.g. by CoopIndex
- Educate people (business literacy, co-operative literacy).

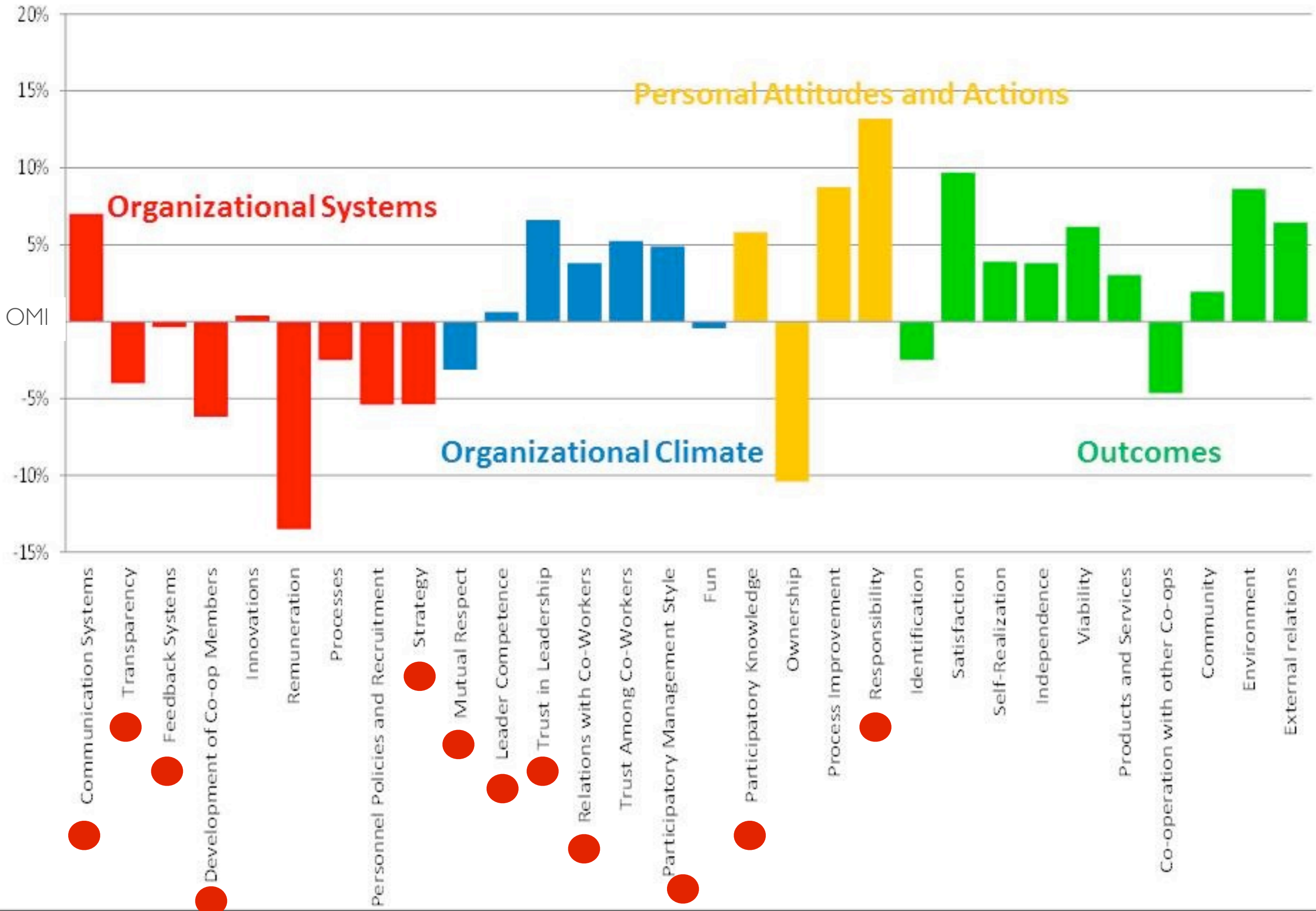
Diagnostic process



HOW DOES IT WORK? - REAL TRANSPARENCY

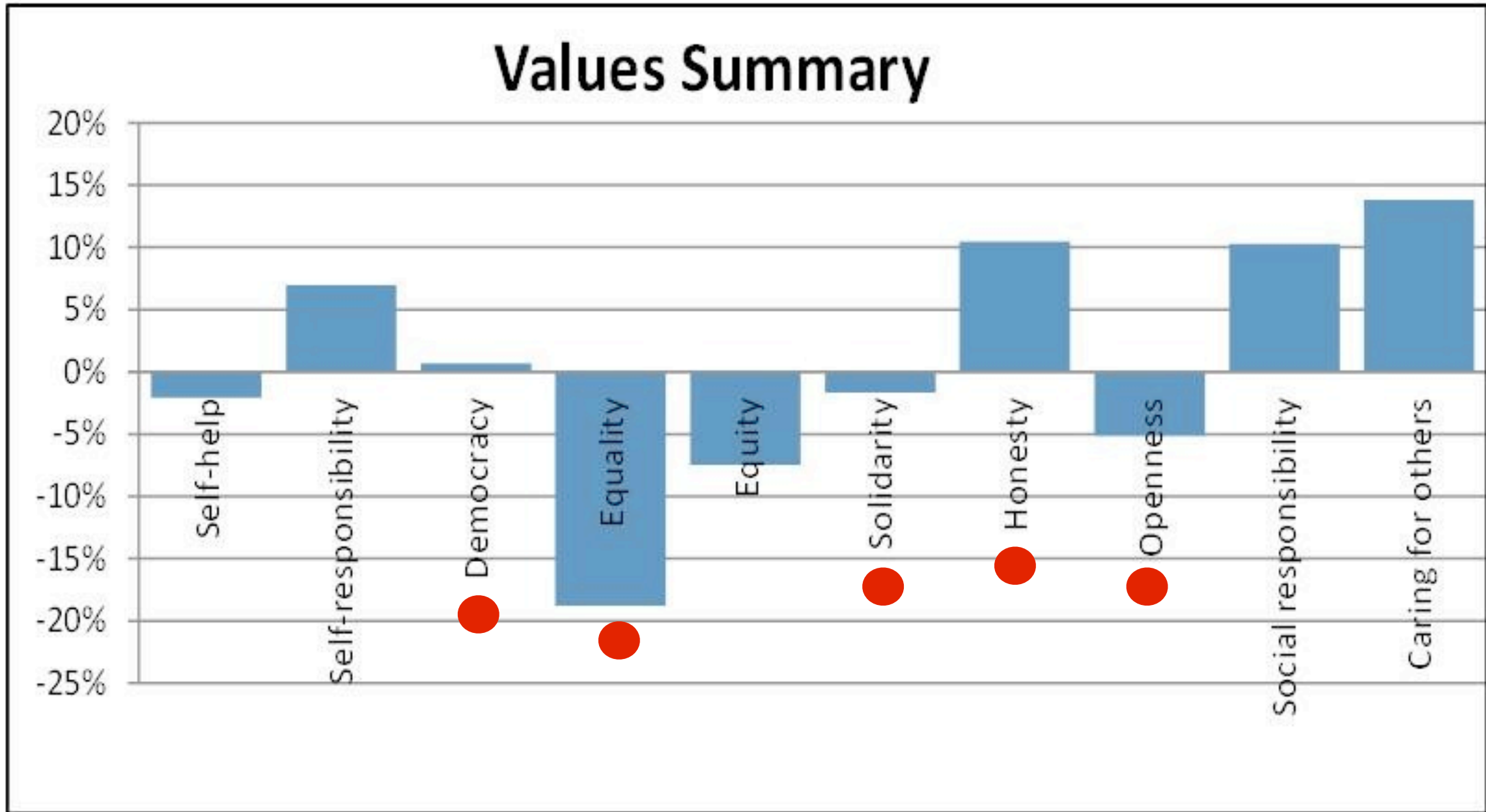


Dimensional Summary

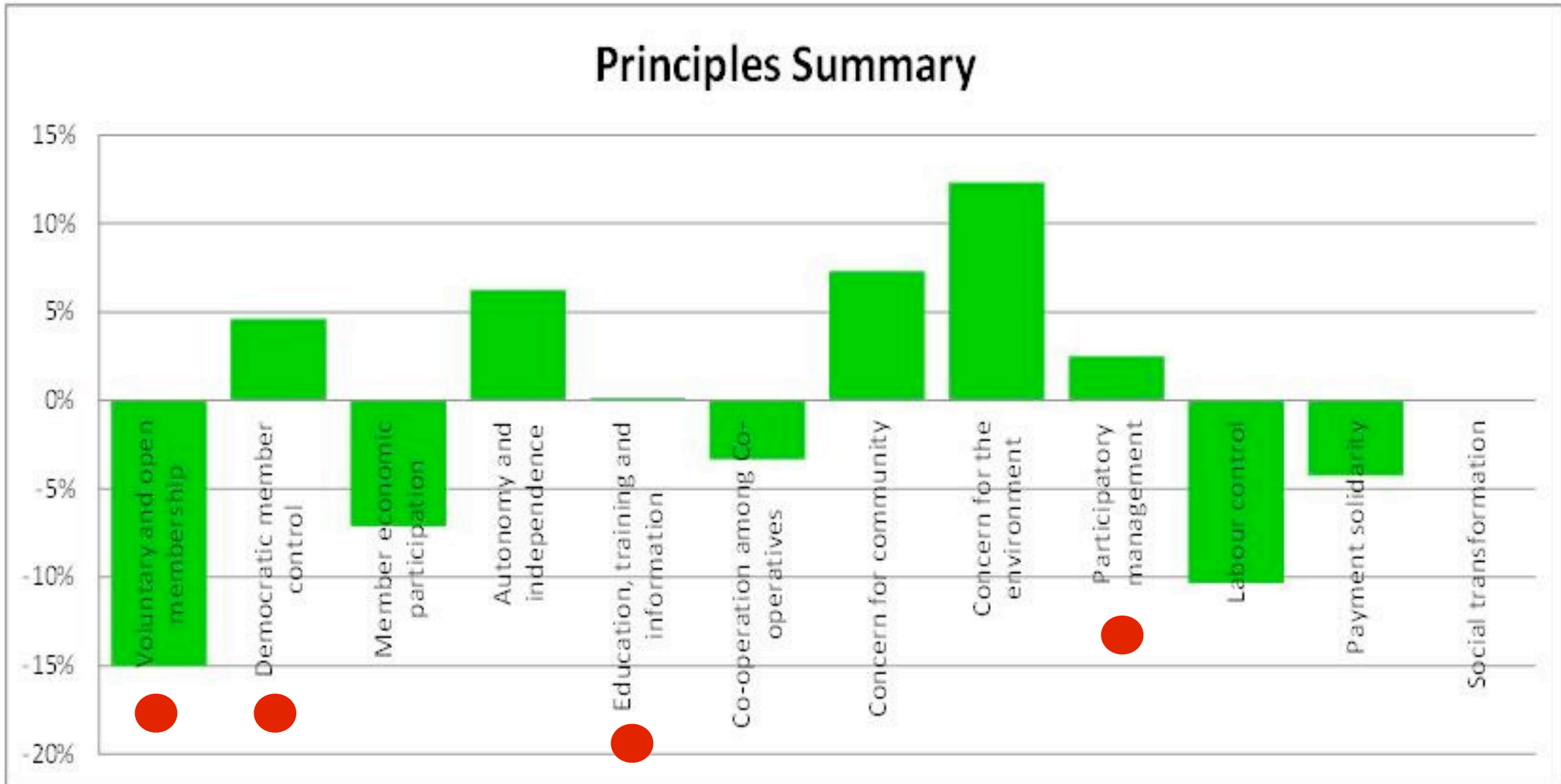




Application of co-operative values



Adherence to Co-operative principles



WHAT NEXT?

- (2012). Stocki, R., Prokopowicz, P., & Żmuda, G. *Pełna partycypacja w zarządzaniu: Tajemnica sukcesu największych eksperymentów menedżerskich świata. (Eng. Total participation management: The secret of the success of the greatest management experiments in the world – Second updated edition)*. Kraków: Oficyna a Wolters Kluwer Business.
- (2012). Stocki, R., Prokopowicz, P., & Novkovic, S. Assessing participation in worker co-operatives: From theory to practice. In: McDonnell, D. and E. Macknight (eds). *The Co-operative Model in Practice: International perspectives*. Glasgow: Co-operative Education Trust Scotland.
- (2012). Novkovic, S., Prokopowicz, P. & Stocki, R. Staying true to co-operative identity: Diagnosing worker co-operatives for adherence to their values. *Advances in the Economic Analysis of Participatory and Labor-managed Firms*, 13, 23-50. Eds.: Alex Bryson and Takao Kato.