

Co-operatives Can Weather the Crisis with a Succession System that Will Elevate Servant Transformational Leaders

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ABSTRACT. *Co-operative literature has ignored the leadership factor despite its essentiality for retaining egalitarianism and democracy amid success and growth. Though leadership theory is problematic, when its high-moral types, Greenleaf's (1977) servant leadership and Burns' (1978) transformational leadership, are combined a leadership type emerges that suits co-operatives, one that enhances social capital and innovation, using democratic trust and consent management. However, even such leaders with office tenure and co-operatives' success and growth enter a dysfunction phase and tend to become conservative oligarchic autocrats. Autocracy that makes use of market forces and hierarchy negates co-operativism and engenders covert abuses of power to keep leaders' high-moral image intact and to conceal dysfunction, autocracy and democracy suppression. Problematic leadership and trust concepts have helped this concealment and have veiled leaders' roles in the degeneration of democracy from students. Leaders' timely succession before they enter the dysfunction phase, becoming autocratic and irreplaceable, is thus decisive for survival of co-operativism in large co-operatives, especially when facing a global economic crisis that challenges viability. Past solutions to this problem have failed, but by using lessons of both failures and political leaders' succession systems, a new, politically-feasible solution is developed that will elevate servant transformational leaders.*

'The topic of leadership represents one of social science's greatest disappointments' (Sergiovanni, 1992: 2).

'Social entrepreneurs are one special breed of leader, and they should be recognized as such' (Dees, 2008: 39).

Introduction

Professor Fairbairn's keynote address to the May 2007 Co-operative Innovation and Social Economy Conference in Saskatoon, Canada, emphasized the need for a leadership that is 'different... one that is collaborative and networked', 'innovating through group action and co-operation', a leadership that 'use networks, access and build social capital'. If such a leadership was essential for co-operatives in prosperous 2007, it seems decisive in the harsh 2009 economic environment, as prospects for weathering the world economic crisis largely depend on innovation by such leadership. Unfortunately, 'co-operatives neglected for decades the training and education of leaders' (MacPherson 2008, p. 17) and this is likewise found in co-operative literature. For instance, only two among the hundreds of articles of the thirty volumes of *Economic and Industrial Democracy* studied leadership, and only among middle managers of

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capitalist firms, not prime leaders who have been decisive in the successes of large co-operative systems such as kibbutz (Near 1992-1997; Shapira 2008) and Mondragon (Whyte and Whyte 1988). The opposite is true for organization studies: Leadership has become a major research topic, 'one of the most (over)analyzed and saturated areas of research' (Jones 2005, p. 259). Accordingly, a search of the Library of Congress catalogue limited to recent decade found 255 book titles with both 'Organization' and 'Leadership', as against 172 titles with both 'Democracy' and either 'Industry' or 'Industrial' or 'Organization' (searched 11.3.2009). This growing interest in organizational leadership is explicable by findings that point to the pivotal roles leaders play in the success and decline of organizations, questioning their neglect in organizational democracy research.

A basic democratic tenet is that public trust installs leaders, while distrust replaces them, but it is well-known that politics encourages Machiavellianism and violation of this tenet (Scharfstein 1995). An initially successful leader may keep office for decades despite growing public distrust by veiling, camouflaging and blaming others for his/her own mistakes, misdeeds and dysfunction, using image building campaigns, bluffs and other abuses of information that are protected by his/her powers and various capitals (Michels 1959[1915]; Hughes 1958; Dalton 1959; Bourdieu 1977; Hase et al. 2006; Shapira 2008) (In order to simplify writing hereafter male wording will be used, although equally referring to women). He may continue long beyond the usual effectiveness phase of six to eleven years (Hambrick and Fukutomi 1991, p. 723) by autocratic conservatism and promotion of staff according to personal loyalty, building a clique of clients who support his rule as he privileges them and himself, gaining status symbols that enable adding more privileges and greater power, while critical thinkers and innovators who seek solutions to problems are suppressed, sidetracked and/or ousted (Michels 1959[1915]; Lenski 1966; Hirschman 1970). Moreover, followers' distrust grows also because power continuity corrupts leaders, as Lord Acton said, and has negative metamorphic effects on them (Kets De Vries 1993), multiplied by the meager conscientiousness that helped their promotion to leadership (Keltner et al. 2006). Worse still, succession tends to retain power behind the throne as loyalists succeed such leaders, and such a loyalist leadership may be worse than that of predecessor due to lack of critical thinking that elevated him (Hirschman 1970).

In the above keynote address Fairbairn mentioned co-operative 'leaders who have spent lifetimes building movements and organizations', but according to these studies such longevity eventually engenders ruinous self-serving conservatism and suppression of creativity required to maintain co-operative principles amid success and growth (Stryjan 1989). Creativity explains the success of both the Mondragon co-operatives (Whyte and Whyte 1988, p. 261), and the kibbutz system, consisting at its peak, in the mid-1980s, of some 100.000 adults, 270 kibbutzim (pl. of kibbutz) and 250-300 inter-kibbutz federative organizations (FOs for short. Numbers are inexact due to meager FOs' research. Stryjan 1989). Currently most FOs have shrunk to a tiny fraction of their peak size or vanished altogether, and most kibbutzim have largely abandoned co-operative principles. Changing practices by prime leaders along half century tenures explain both past successes and recent declines: Initially these leaders were transformational public servants (Burns 1978; Graham 1991), encouraged pioneers to establish innovative communes whose FOs took care of functions that required scale and societal involvement (Shapira 2008). However, with success and enormous growth the leaders, Tabenkin of Kibbutz Meuchad federation (some 50%

of kibbutzim) and Yaari of the Kibbutz Artzi federation (some 30%), centralized rule, castrated democracy, became conservative and suppressed radicals who sought solutions to problems. FOs adopted capitalist norms, including undue privileges to staff and to the leaders, themselves, but they kept radical images by a turn to revering the USSR which most members rejected (Shapira 2008: Ch. 10). They then weakened due to dysfunction and anti-kibbutz practices of FOs, as well as crises caused by this reverence. Hence, innovators entered the leadership vacuum to rejuvenate FOs and kibbutzim bringing successes and growth similar to Staber's (1989) Canadian co-operatives' mid-life resurrection. But both FOs and most kibbutz factories continued the capitalist conformity that engendered conflicts and brain-drain as innovators were pruned by the old guard and/or their loyalists. After the old guard had vanished, co-operativism further declined because successor loyalists lacked critical thinking, continued mistaken policies, but implemented them poorly due to this lack (e.g., Hirschman 1970). Thus, a prime reason for co-operativism decline and the 1980s kibbutz crisis had been a shift in the 1940s of leadership practices from democratic servant transformational to autocratic self-serving conservative.

These findings accentuate the decisiveness of leadership in co-operatives. Those leaders who members have entrusted democratically with offices and have supposedly ratified their policies and decisions, if they are not replaced when entering dysfunction phase become oligarchic autocrats who negate this supposition, and because of their ample powers and capitals they may deceive both the public and hundreds of researchers for many decades, as in the kibbutz case (Shapira 2005, 2008). Thus, a major reason for the neglect of the leadership factor is the power of such leaders to prevent real time studies that might untangle their dysfunction and its role in co-operative degeneration (e.g., Beilin 1984; Kafkafi 1992; Cornforth 1995). Another reason for neglect is flawed leadership research (below), while a third reason seems to be the uniqueness of co-operative and social enterprises leaders, depicted as a special breed that 'should be recognized as such' with their capacity 'to help us find new avenues toward social improvement' (Dees, 2008, p. 39). But what exactly is this uniqueness and how has it helped in missing the leadership factor in co-operatives research? Does this uniqueness vanish with extra tenure, negating Fairbairn's (2007) longing for a 'different [leadership] that is collaborative and networked, innovating through group action and co-operation'?

The Problematic Leadership Concept and Research

Indeed, the very concept of leadership used by social scientists is problematic. Sergiovanni (1992, p. 2) wrote: 'The topic of leadership represents one of social science's greatest disappointments'. Echoing it Barker (1997) asks: 'How Can We Train Leaders if We Do Not Know What Leadership Is?', and Gini (1997) finds most leadership studies lack clarity and consensus regarding the very meaning of the term, as 'Leadership is never tidy. Any attempt to describe a social process as complex as leadership inevitably makes it seem more orderly than it is' (p. 323). McGill and Slocum (1998) assert that all those who add answers to today's 'leadership crisis' help little in resolving it, as they are not asking the right questions. Barker (1997) and Gini (1997) agree that the most significant aspect of leadership is leaders' ethics, which engender a value-laden process. This accords many works on high-moral, servant transformational leaders who have created high-trust climates and/or cultures, enhanced innovation and succeeded (Guest 1962; Burns 1978; DePree 1990; Graham 1991; Semler 1993; Shapira 1995, 2001; O'Toole 1999), while low-moral leaders have engendered distrust, conformism, conservatism and failures (Banfield 1958; Dalton

1959; Shapira 1987, 2001, 2008, Chaps. 12-15; Keltner et al. 2006).

The question of leader morality is not new; Adam Smith in *The Theory of Moral Sentiments* (1790) saw the danger of capitalist owners taking too much of firms' revenues for themselves and sought to develop 'the propensity to orient one's actions to the needs of others' (Muller 1993: 7). Much earlier, ancient Athenians tried to enhance this propensity by yearly officer succession (Fuks 1976), while kibbutzim did this after two-three years (Krausz 1983). Following Enron, Worldcom and other such scandals, recent studies have furthered Smith, untangling a widespread managerial tendency to low-moral, distrustful behaviors, especially by 'high-flier', 'fast-tracker' executives (Hill 2006; Keltner et al. 2006; Thoms 2008). However, many factors impact leaders morality, as Gini (1997, p. 329) concluded: '...leadership is a delicate combination of the *process*, the *techniques* of leadership, the *person*, the specific *talents and traits* of a/the leader, and the general requirement of the *job* itself' (italics original). For instance, low-moral autocracy is common where ignorant workers are doing routine jobs that require little specialization and many unemployed are ready to substitute them, but not where markets do not offer true substitutes for highly specialized operators, technicians and engineers who hold rare knowledge and expertise that require much discretion to perform successfully. In the latter cases autocracy is largely ineffective and managers tend to seek consent and trust, allow discretion, model high morality and care for employees' interests (Dore 1974; Fox 1974; Shapira 1987, 1995, 2008, Ch. 16; Semler 1993; Saxenian 1994; Fukuyama 1995).

The delicacy of leadership can also be seen when autocracy has failed despite most jobs being non-specialized, as work hazards have barred outsiders from substituting current workers (Gouldner 1954). Another sign: poor results of the many leadership succession studies made since the 1960s; no agreement has been achieved on succession etiology and outcomes, and past findings have been recently brought into doubt (White et al. 1997; Poulin et al. 2007). For instance, some studies found that outsider successors enhanced performance and innovation, but others found these effects to be short-lived: outsiders got a grip on power by preferring instant successes that boosted prestige at the expense of long-range goals (Gabarro 1987; Shapira 1987; Bower 2007). A major reason was lack of trust: An outsider tends to distrust employees he is not acquainted with and to negatively interpret their behavior; he finds hints that they will not follow orders and uses coercive means which elicit resistance that proves his suspicions, encouraging autocracy (Kipnis 1976). Yet, co-operative research has largely ignored trust (see below).

Trust and Distrust in Transformational and Charismatic Leaderships

The delicacy of leadership, its research dominance by psychologists with essentialist conceptions (Gleeson and Knights 2008, p. 50), the failed leadership succession research and the misplaced tendency to explain leadership by leaders' competencies although their practices are more decisive (Carroll et al. 2008), may explain the confusion concerning two types of radical leaders, charismatic and transformational. In accord with Fairbairn and Dees, radical innovative leaders are essential for co-operatives which according to Stryjan (1989) can maintain democracy by creatively coping with isomorphic pressures of capitalist society amid success and growth (e.g., DiMaggio and Powell 1983). Unfortunately, most leadership literature confuses the two types and misses their principal difference, opposing trust climates: A charismatic leader emerges in a crisis situation as a savior with assumed exceptional skills and talents, a 'magical gift', by

which he offers a radical solution to the seemingly insoluble public plight. He distrusts followers' capabilities and faculties as they have failed to solve the crisis, grasps that his solution is too sophisticated for them to comprehend, and asks them to identify with him, to believe in his solution and to obey his orders without questioning their logic, which only he fully understands (Tucker 1971; Barbuto 1997). In contrast, Burns' (1978) transformational leader is viewed by followers as very talented but not magically gifted. He motivates them rationally to achieve higher moral aims, pointing to the importance of the outcomes of radical solutions he proposes which will better serve public aims, needs and wishes, inspiring them to make extra efforts by explicating new ways for achieving the noble goals, modeling high commitment to required tasks, encouraging them to follow suit and to use their own faculties for innovative problem-solving. He trusts followers, allows them much discretion and implements their solutions, promoting efficiency, effectiveness and innovativeness (ibid; Shapira 1987; DePree 1990; Graham 1991; Sergiovanni 1992; Barbuto 1997; O'Toole 1999; Weibel 2007).

The above difference is decisive for co-operatives because only trustful transformational leadership fits the democratic idea that employees' capabilities and faculties are the best basis for a management system that serves public interests, needs and wishes rightly, justly and fairly. According to Barbuto (1997), a charismatic leader suppresses democracy by autocratic practices and distrust of followers, by disempowering them and limiting their discretion, curbing their trust of democracy by minimizing participation in decision-making. A transformational leader whose high-moral trustful practices enhance followers' participation in decision-making is the opposite. Decisions are grasped as representing public will and implemented faithfully even if the leader objects to some of them, furthering trust and participation in democracy (Shapira 2008, Ch. 16-17). Professor Fairbairn considers a proper organizational culture 'essential to innovation' and asks: 'what kind of cultures are conducive to innovation?', while a vast literature answers clearly: high-trust cultures (Guest 1962; Dore 1973; Fox 1974; Ouchi 1981; Shapira 1987, 1995, 2008; Semler 1993; Saxenian 1994; Fukuyama 1995; O'Toole 1999).

A kibbutz study exposed an additional reason for confusing the two leadership types: Long lasting leaders may change from servant transformational to conservative self-serving oligarchs, and then to seemingly charismatic saviors, as Tabenkin and Yaari managed to be grasped in later years. In their conservative dysfunction phase, after 14-15 years in office, capitalist conformity and Machiavellian reverence of the USSR caused failures, major crises and mass exit, but as they kept positions while innovators used their weakness to promote successful rejuvenation, their supremacy enabled them to appropriate credit for the success and to create an image of charismatic saviors in the eyes of both the minority of members who did not leave and social scientists who did not study leadership. Most historians did not use oligarchy theory but rather, psychologists' essentialist conceptions of leaders, and depicted them as charismatic despite ample proof refuting it (Shapira 2008, Chaps. 10-11).

Co-Operatives Require High-Trust Cultures that are Hard to Manage

The above trust difference between two types of radical leaders and the common change of a trusted transformational leader into a self-serving autocrat who covertly or overtly violates co-operative principles and engenders its decline, as did Tabenkin and Yari, makes trust a pivotal concept for the study of co-operatives leadership. Pestoff (2008, p. 29) pointed out that 'trust

could and should provide many organizations found in the third sector, like social enterprises and co-ops, with a natural competitive advantage in the provision of welfare services, if correctly understood and put to use'. However, trust is a problematic concept; its meanings in the literature differ considerably (See reviews: Bigley and Pearce 1998; Korczynski 2000). It has become a major concern of organizational scholars, discussed in conferences, special workshops, articles and books (See below and: FINT News 2008), but rarely in co-operatives literature. For instance, in 1995-2009, 21 article titles of *Organization Studies* included 'trust', as against 3 such titles in *Economic and Industrial Democracy*. Explaining trust in organizational settings is complex because of the impact of societal culture. While it is clear that societal culture has major effects on organizational trust (Huff and Kelley 2003; Casimir and Waldman 2007), much ambiguity has remained, as indicated by contradictory findings. For instance, some authors found Japanese firms to have high-trust, consensus-based cultures (Dore 1973; Ouchi 1981; Fukuyama 1995), while others have found their cultures to be low-trust and coercion-based (Kamata 1982; Huff and Kelley 2003; Mehri 2005). The same is true for kibbutz cultures: A kibbutz is supposedly a trust-based egalitarian and democratic commune (Rosner 1991), but ethnographers have found many low-trust, coercive market- and hierarchy-based managed kibbutzim and/or kibbutz factories (Kressel 1974; Topel 1979; Shapira 1987, 2001, 2008).

A clue to these contradictions is offered by ethnographies of new leaders who within a few years either turned a high-trust local culture into a low-trust one, or who have done the opposite (Gouldner 1954; Guest 1962; Semler 1993; Shapira 2008). This happens because trust is personal and created between specific actors like friendship, and one can manage by either low-trust coercive means that use market forces and hierarchic authority, or by consent and trustful relations (Fox 1974). A manager can create a high-trust climate by trusting employees, encouraging their trusting reactions, and their proved trustworthiness furthers his trusting acts, such as openness of information and allowing more discretion in an ascending trust spiral (ibid; Guest 1962; Shapira 1995; Whitener et al. 1998; Weibel 2007). Another manager's distrusting acts engender the opposite, a descending trust spiral and a climate of distrust, secrecy, suspicions and conflict as each side tries minimizing the other's discretion to defend own interests (Guest 1962; Kipnis 1976; Shapira 1995; Collinson 2005; Hase et al. 2006).

However, a high-trust climate becomes a high-trust culture only if practices are ethical. Trust is based on one's expectation of ethically justifiable behavior on the part of the other person, on his morally correct decisions and actions in which public interests take a degree of precedence over the interests of individuals which is right, just and fair (Hosmer 1995, p. 339). On the one hand, the right, just and fair degree is situation-specific, but, on the other, it depends upon the organizational context and gravity of the field of which an organization is a part (Bourdieu and Wacquant 1992). This complicates the decision to trust, since actors' positions in local and societal hierarchies impact their subjective views concerning what is just, right and fair, as for instance mentioned above concerning one's fair share in a firm's wealth. Another complication is co-operative unique mores that differ from surrounding organizational mores. However, contrary to new institutionalists (DiMaggio and Powell 1983), unconventional high-trust management succeeds even in capitalist firms: The Gallup Organization found that best managers among the some 80,000 studied over 25 years were those who violated 'all the rules' and created much trust (Buckingham and Coffman 1999). Vast literature points out such violators

are trusted due to high-moral credibility, competence and authenticity, using authority rationally and skillfully to serve public ends (Deutsch 1962; Guest 1962; Gabarro 1987, Ch. 5; Kouzes and Posner 1993; Terry 1993; Shapira 1995, 2008). However, trust may not be created if workers' culture differs considerably from managers', if cultural differences depress trust and provoke destructive conflicts (Deutsch 1969; O'Mahoney 2005), and if rapid turnover causes a lack of time for judging actors trustworthiness (Axelrod 1984; Shapira 1987, 1995).

But managers may prefer low-trust autocracy for an even more fundamental reason: it is simpler, its impact is clearer and immediate, and its use proves a leader's supremacy and assures his self-worth (Kipnis 1976) to a greater extent than the long, complex and hazardous process of leading by high-trust practices that require building a consensus on aims, means and allocation of duties and rewards. A manager who at first tries high-trust practices may abandon them in favor of coercive means when facing resistance to changes he proposes, and may try to wield authority and achieve successes that boost prestige and power even at the expense of long-range goals (Gabarro 1987; Shapira 1987; Bower 2007). He may be encouraged by knowledge of the many ineffective managers who advanced careers this way, helped by cliques, patronage, scapegoating, subterfuges and camouflages, as well as 'jumping' among firms (Dalton 1959; Shapira 1987; Luthans 1988; Hase et al. 2006). Employees may also use such practices, signaling mistrust and discouraging a manager from using high-trust practices that enlarge his own vulnerability, as for instance, openness of information which untangles discrepancies between his discourse, policies and actions (Shapira 1987; Jackall 1988; Whitener et al. 1998; Simons 2002).

Absolute Democracy May Not Assure Trusted, Effective Leaders

Maintaining democracy in large co-operatives is problematic (Meister 1984; Stryjan 1989; Shapira 2001; Varman and Chakrabarti 2004). It requires high-trust cultures that are relatively complicated to manage and lead, needs a long time horizon to enhance trust and creativity and high-moral managers who are barer to members' critique of mistakes, misdeeds, insincerity, etc. (Axlerod 1984; Jaques 1990; O'Mahoney 2005). Usual managers can safeguard status and power by the above cited low-moral means and similar behavior on the part of deputies and aides (Hughes 1958; Dalton 1959; Shapira 2008), but high-trust cultures require transparency and high-moral integrity that forbid these means. In addition, a co-operative manager's tangible rewards are limited by egalitarianism, his greatest rewards are intangible: status, prestige, power, pride of success and satisfied motives for achievement and altruism. These rewards enhance vulnerability. Hirschman (1984) found that when a recession deprives co-operative members of success, frustration turns into despair more easily than among employees of a usual firm and makes a crisis probable. This is true, as well, of a co-operative manager: As his main rewards are success-dependent, if he is deprived of them by internal and/or external unfavorable circumstances, he is bound to despair and to become dysfunctional to a greater extent than a usual firm manager who retains considerable tangible rewards.

These difficulties accentuate the fundamental problem of co-operative leadership: How to ensure that leaders and managers prefer trust-based practices over coercive ones? Co-operative members entrust one for office, but he may not lead them by consent and trust if he does not feel obliged to reciprocate their trust, for instance, if he perceives that he has been chosen due to his superior managerial record and his own efforts to develop competencies. This is more probable if

he heads a large co-operative and barely knows most members except those of the department from which he has climbed to the top, and even more so if he is an outsider (Gouldner 1954; Kipnis 1976; Shapira 1987, 1995). This is also the effect of leadership stemming from academic degrees which are also grasped as outcomes of one's own efforts, while an MBA scarcely helps one to develop a moral compass (Hill 2006) without which he may not reciprocate members' trust. The kibbutz case points out that even co-operative-owned business schools may not assure managers' morality: Many graduates acting as managers introduced capitalist practices in kibbutzim that enriched and privileged themselves, ignoring fellow members whose work paid for their schooling, while these practices impoverished them (Topel 2005).

An FO Enhances Co-Operatives' Servant Leaders if Led by a Servant Leader

There are other reasons in addition to those mentioned as to why the democratic election of a leader and democratic decision-making norms cannot assure servant transformational leaders that co-operatives need. Because of space limits, only those related to the main problem large co-operative system face will be discussed: the need for a federation/FOs that, besides offering functional help, also encourages high-moral servant innovative leaders by promoting them to high-status federative jobs while suppressing self-serving conservatives, as Tabenkin and Yaari had done initially but stopped later on. The ICA Committee on Co-Operative Research recently asked students, 'How can federal bodies and consorzi strengthen the [co-operative] sector?' One answer seems clear from all of the above: They can fulfill this task only if led by servant transformational leaders who encourage high-trust, democratic cultures in co-operatives by modeling them in FOs/consorzi.

A prime reason for the vanishing of such leaders in co-operative FOs/consorzi is that the success of a co-operative movement encourages its leader to continue indefinitely (Michels 1959[1915]). Fairbairn (2007) depicted co-operative leaders who for dozens of years built 'movements and organizations, struggling to have them recognized by governments, citizens, and financial institutions, are reluctant to abandon the socio-economic brands in which they have invested'. However, the literature suggests that after some 10-15 years, such leaders stop coping innovatively with public problems, shifting involvement to private ends (Hirschman 1982), foremost their own supremacy, veiling and camouflaging the shift from both themselves and their followers by various distractions and excuses in order to retain an image of commitment to movement goals while becoming irreplaceable due to the reasons cited above and their own reluctance. Most members are also reluctant to succeed the leader: During so long a period critics and radicals have been suppressed and ousted (Hirschman 1970), and without hearing credible critique and radicals' voices who challenge the leader's dysfunctional policies and untangle their self-serving nature, most members tend to believe the image of a committed public servant and grasp replacement as undue ingratitude. But without replacing him and rejuvenating the FOs/consorzi role as supporter of innovations aimed at co-operativism, brain-drain of critical thinkers and radicals who try to innovate is inevitable. Worse still, the process is usually enhanced after succession because a loyalist without critical thinking replaces him (ibid).

Only Studies Surely Untangle When a Leader has Become Self-Server

One can object and point to some co-operatives/co-operative movements that have survived for long periods despite life-long leadership, such as Mondragon (Kasimir 1996). However, the delicacy and complexity of leadership obscure and help conceal its true reality, enabling a leader who controls information channels (Hiefertz 1995) to conceal from members and researchers the self-serving aim of conservatism, especially since he denies it to himself. Moreover, as he identifies himself with the movement and becomes narcissistic (Michels 1959[1915; Kets De Vries 1993), he rejects criticism of his decisions, practices and/or policies beforehand, grasping them as aimed at taking from him control of the project in which he invested all his energies for decades. Such rejection may commence quite early. In Tabenkin's case it began after he had been in power for a decade, and mounted after 17 years when he and his loyalists rejected as completely untrue the sincere and seminal Landshut's (1944) kibbutz study (Kressel 2000).

Democratic leadership is especially delicate and complex because its processes involve many people and it is hard to know who really shapes, makes and implements major policies and practices. For instance, Tabenkin's authority in the Kibbutz Meuchad Movement dwindled in the 1950s and two younger deputies gradually took the baton. He formally retired in 1961, but nevertheless, in 1965, the two formally in charge could not make a major change without ensuring that he would not object to it publicly, and in 1967 he defeated them both on two decisive policy issues (Izhar 2005; Kanary 2003). Tabenkin was clearly a 'collaborative and networked' leader who innovated 'through group action and co-operation' until 1942, in accord with Professor Fairbairn longing, but since 1935 he used these means to suppress critics and innovators up to his death in 1971. Yaari acted quite similarly in the Kibbutz Artzi movement from 1939 to early 1970s (Shapira 2008, Ch. 10). However, the two leaders' role in the suppression of creative innovators and thus, kibbutz co-operativism remained largely unknown; only recent research that has used sociological, historical and anthropological studies of FOs and kibbutzim helped by 50 years of kibbutz membership experience untangled it (Shapira 2008). Such a combination overcame limitations of each discipline (Wallerstein 2004), suggesting how hard it is to find out for sure when a long lasting head of a co-operative federation has become a dysfunctional self-serving conservative.

It is hard to know this because the old guard always presents façades of high-moral public servants they believe themselves to be. Thus, students of successful co-operatives often face such hard-to-penetrate façades. Berger (1966, Chap. 2) points out that formal facades mask social reality and that it is the task of the social scientist to penetrate them. Behind the facade of being kibbutz servants, Tabenkin and Yaari became self-servers, but even most historians missed this (Shapira 2008, Ch. 10).

The Timely Succession Problem Has Never Been Solved for 2500 Years

In fact, the problem of a timely succession of leaders has never been solved despite many attempts. One clear failure was the kibbutz solution of *rotatzia* (meaning: rotation), succession every two-three years; it enhanced oligarchization instead of curbing it, as rotational kibbutz officers weakened, their career advance was dependent on FO heads' patronage as the latter overruled the norm using their powers and capitals and continued at their positions for decades

(Shapira 2008: Ch. 6). Fixed term rotation failed in ancient Athens, 2400 years ago, in Imperial China from about 1300 to 1949, in Latin American presidential regimes, in the US army and in the Israeli armed forces (Gabriel and Savage 1981; Linz 1990; Mainwaring 1990; and below). Office terms were short to prevent accumulation of power and capitals by which officers could prevent succession, but the price was inexperienced, weak and ineffective officers who were either controlled behind the scenes by veteran patrons who nominated them (Topel 1979), or were independents who soon learned that they could not promote public aims because of conservative patron rule and they shifted to personal ends (Chow 1966; Watt 1972; Hirschman 1982). Low morality was endemic: Aristophanes, Athens' famous playwright, depicted rotational officers as 'the rule of embezzlement and evil... leadership is the interest of complete ignoramuses and the lowest of degenerates' (Fuks 1976, p. 56). Colonel (Reserve) Vald (1987, p. 158) found that in Israeli armed forces '*rotatzia* turned into a sacred ritual kept zealously because it served promotion needs ...of unprofessional, inexpert and inexperienced officers'.

Large American corporations try to obviate the oligarchic process by a norm of early retirement of CEOs: they are rewarded by generous severance benefits known as 'golden parachutes'. Vancil (1987, p. 83) found this to be a success, as only 13% of CEOs stayed longer than the maximum anticipated tenure of 12 years (p. 79), but this expensive solution is, like *rotatzia*, formally unrelated to a leader's efforts and successes, and it encourages low-moral deeds such as adding outsiders who had approved generous 'parachutes' elsewhere to the Board of Directors (Davis 1994, p. 220); it prevents stagnation but not oligarchization.

Some Ideas for a Democratic Solution for Timely Successions

US Presidents Washington's and Jefferson's solution was a refusal to a third term in office, creating a norm that let public trust decide who continued for a second term while avoiding more terms (Sobel 1975). Both Roosevelt's violation of this norm in 1940 and violations of *rotatzia* by kibbutz FO elites pointed to the vulnerability of a normative limit. Thus, a more robust solution is required. Roosevelt's violation was not entirely an outcome of voters' trust in him, but to a great extent, it was an outcome of powers and intangible capitals accumulated during eight years in office that also gave him the support of influential figures, loyalists he promoted, etc. The 55% of the votes he received included a significant sector of the public that did not genuinely trust him but voted for him due to the impact of these capitals. Thus, if the trust level is to decide continuity in order to promote servant transformational leaders, the effect of such accumulation should be neutralized. Neutralization can be a threshold of higher public trust required for a re-election. For instance, Israel's Labor Party made a minimal 60% support in its council a condition for a candidacy to the parliament in the 1977 elections for veteran MPs who sought a third or more term in office, and this threshold pruned many of them (Brichta 1986, p. 23).

207 years of American presidential elections proved that even without such a higher threshold many leaders were not re-elected to a second term; hence such a threshold seems essential for a second re-election or more, that is after eight or more years in office. The possibility of a third term in office accords Hambrick and Fukutomi's (1991) finding that the usual limit of functional periods of large firm leaders has been eleven years, and Vancil's (1987, p. 83) finding that large US corporations have aimed at a CEO's tenure of up to 12 years. However, history indicates that some decisive successful leadership acts were made by leaders who continued beyond this limit.

For instance, Ben-Gurion's most praised decision, to establish the State of Israel in 1948, was taken after he had headed the Jewish community in Palestine for 13 years and Mapai Party 18 years, and Tabenkin's most praised decision, the establishment of the Palmach underground army was made after 15 years of Kibbutz Meuchad leadership.

This suggests allowing exceptional leaders up to four 4-year terms, provided the higher threshold solution ensures that they are replaced after 16 years. Since democracy means replacing leaders in accord with members' trust, the logical solution is to elevate the trust threshold for each additional term, and the percentage of the elevation threshold with each re-election will make a fifth term impossible by stipulating the threshold for this term beyond 100%. In order to decide thresholds that will assure impossibility of fifth term, one question is whether the elevation gradient should be linear or exponential? Goode (1978) found leaders' prestige tended to exponential growth with continuity; thus, in order to neutralize this growth and assure that trust and not accumulation of prestige decide reelection, exponential elevation of thresholds should be required for consecutive terms. As a departure point one may take the Israeli 60% threshold for a third term, but then, even an exponential elevation will not reach the 100% threshold for a fifth term. However, if a two-thirds majority is required for a third term, the fourth term will demand a threshold of 88% support, and this bars a fifth term since the same elevation gradient means a 122% threshold, i.e., impossible. Thus, this solution allows more than two terms if a leader is highly trusted, while it assures that no leader will become irreplaceable since a maximum 16 years are possible, and the institutionalization of these thresholds in all elected offices of a co-operative system (see below) will make the norm robust.

Constituency: Membership and Eligibility to Participate in Voting

A major question which must be answered is: Whose vote decides leadership? In a co-operative of up to a few hundred participants, where everyone knows all major officers, all those with some years of seniority know the current leader's performance and his prospective successors' records; thus, they are the proper constituency. However, what about hired workers? Should only members who own a co-operative vote?

In accord with Fox (1974, Ch. 2), this is not essential; high-trust relations require that everyone is considered an equal partner in decision-making concerning his work, and not an employee whose fate and the fate of his work is decided by superiors who others have chosen. In Brazilian Semco, in which Semler (1993) and his family hold equity, democracy and high-trust seem to prevail, as everyone votes on all major decisions, including the choosing and replacing of managers and their remuneration. In Mondragon a hired newcomer who was found trustworthy and qualified worker after some months was usually invited to start joining process because of a norm limiting hired labor to 10% (Whyte and Whyte 1988, pp. 4, 70, 203), and then he could vote. Ownership differences must not hamper trust and democracy if constituency is decided by minimal years of seniority due to proved capability and trustworthiness that assure prospects of job continuity. As an employee's livelihood is tied to the fate of the co-operative, he has a vested interest in the improvement of decision-making and in preventing short-sighted decisions. These can be anticipated from short-term hired workers who are considered a replaceable commodity and naturally prefer immediate gains. As Dore (1973), Ouchi (1981) and others found, a lifetime employment system was integral to high-trust cultures of some Japanese firms, while its breach

degraded trust in others (Kamata 1982; Mehri 2005). High-trust cultures flourish due to creative solutions (Shapira 2008, p. 23; Whyte and Whyte 1988, p. 261) that both owners and non-owners may invent for the common good, and participation in decision-making encourages it.

No Bi-Partisan Politics, Parliament of Directly Chosen Delegates

In large co-operative federations/FOs the question of constituencies who choose and replace leaders is more complex and more decisive as oligarchization is an immanent threat. Lipset et al. (1956) concluded that only bi-party politics prevent oligarchy in a large trade union, but Stepan-Norris (1997) found that competing ideologies without organized parties also retained democracy for a long period. Parties are inappropriate for choosing leaders because co-operatives can thrive in competitive markets only if they muster the best talents and creative, critical minds in authority jobs, while party politics negates this, rewarding loyalty, acumen and Machiavellianism which deter such talents and minds and hamper competitiveness. In the Kibbutz Meuchad movement, bi-partisan politics enhanced oligarchization, conservatism and brain-drain from late 1930s (Shapira 2008), and partisanship in Israel's large bus co-operatives Egged and Dan encouraged incessant scandals, corruption charges and counter-charges, postponing elections to hold power, co-opting the opposition and other tricks including criminal offenses (Russell 1995, Ch. 4).

Without parties, who will choose federation heads, decide continuity or succession, and how will they be chosen? A presidential-like vote by all federation members who are mostly not role-partners of an incumbent or his challengers, is not suitable as they are not knowledgeable enough, while limiting decision to his role-partners may mean too many uncritical loyalists. Cornforth (1995) found that even in small co-operatives, democracy was enhanced by representatives making some major decisions while members made others. Thus, a parliament of delegates chosen by co-operative federation members is necessary; delegates who are frequently convened to decide major decisions can closely observe a leader's behavior and would discern his dysfunction and moral decline earlier. They are better equipped with information for making wiser choices of federation heads and succession timing, provided they are high-moral and committed to co-operativism. This is plausible if their own oligarchization is prevented by the same succession norm as leaders, unlike the unlimited continuity of US and Latin American congresses, as well as other powerholders such as trade union heads (Drury 1959; Linz 1990; Mainwaring 1990). In addition, an independent press is required to disseminate trustworthy information, unlike the kibbutz case up to 1975 (Shapira 2008), and a third necessary provision is that many of the delegates come from among lower officers and artisans to curb the pitfalls of elite cliques, patronage and the like.

The question of how many co-operative heads and federation officials a parliament may include versus lower echelon delegates is a constitutional question, and there are others: Who will choose a federation's executive committee? Will executives hold portfolios like cabinet ministers and will their tenure be limited like leaders and delegates? What kind of judiciary will solve disputes? Answers to these questions determine power structures and require the balancing of rights and duties of all concerned, while, unlike state constitutions, these answers must assure competitiveness and must suit both size and ramifications of a federation. Mondragon students alluded to the parallel governance structures of Social Councils and Managerial Councils, but ignored different tenures, although managers continued for life, as against Social Council

members' maximum two four-year terms (Whyte and Whyte 1988, pp. 37-41, 96-102). In accord with oligarchy theory, Kasmir (1996) found that the latter were quite powerless as against managers, another proof of the decisiveness of leaders' office tenure limitation.

Can the Proposal Make Co-Operatives Sustainable for Long Periods?

The last question to be answered is whether the proposed solution will assure sustainable co-operatives. Critics may be right in pointing to recent analysis of the kibbutz which has proved that problems of retaining genuine democracy and high-trust cultures in a large and complex organizational field cannot be solved by just one measure, a new succession system of leaders (Shapira 2008). On the other hand they have to put the proposal in context: It will not only enhance leaders' morality, engender high-trust cultures and creativity by itself, but one can presume that the leaders who adopt the proposal will be transformational and will cope creatively with derivative constitutional questions and other problems of sustaining such cultures. They will surely use kibbutz and other co-operative lessons to enhance participative democracy and creativity, as these factors are now known to be decisive, and their etiology is much clearer. Every history of a viable democracy has witnessed constitutional amendments, and the same will be true of co-operatives once their unique cultures become sustainable for long periods due to the basic, decisive change proposed here.

This is also plausible because once the principle of a higher majority among a relevant constituency decides a leader's tenure he will have strong incentives to promote participants' high quality public judgment (Yankelovich 1991) which would appreciate his achievements, enhancing trust and re-election prospects. This incentive is often lacking in extant large co-operatives which are led by veteran leaders who have little incentive for this as their dominance is assured. High quality public judgment is feasible where information and knowledge flow freely and sincerely, which is more plausible in high-trust cultures led by high-moral leaders. The case of Kibbutz Kochav proves that such a culture has its own self-enhancing tendencies (Shapira 2008, Chaps. 16-17). For instance, it breeds cultural creativity, which enhances value consensus that, in turn, encourages trust, and critical journalism which diffuses information that enhances high quality judgment. When the basic laws of the democratic game are changed by the proposal, self-enhancing tendencies will emerge, and ascending trust spirals due to competent, high-moral and creative leaders will expedite the suppression, sidetracking and exiting of self-server officers and power mongers. These exits will curb opposition to radical solutions, which will enable co-operatives to win over bureaucratic rivals in markets (Whyte and Whyte 1988; Semler 1993; Altman 2002; Shapira 2008).

The proposal could also change the fate of co-operatives because it prefers trusted, effective leaders who have proved themselves by many years in low- and mid-echelons, over 'high fliers', 'meteoric' careerists who advance due to seemingly outstanding performance, achieved by brilliant solutions which are often proven to be spurious after the 'high fliers' are off the scene (Dalton 1959; Shapira 1987). 'High fliers' are endemic to low-trust bureaucracies where only superiors decide promotion, resulting in a negative correlation between career advance and managerial effectiveness (Luthans 1988). The proposed solution will change this by preferring genuine effective leaders because the main yardstick for effectiveness will not be an officer's few brilliant moves, but years of effective, creative leadership with a long-time horizon (Jaques

1990), continued high performance of his co-operative or FO achieved by mustering participants' intangible resources for optimal solutions by a high-trust culture. Some brilliant 'high fliers' will advance faster than less brilliant candidates to lead co-operatives, but more effective and committed leaders will solve cardinal problems by seeking their deeper understanding and creating better solutions in the long run. Since the latter will be re-elected repeatedly as co-operative leaders, they will surpass the 'high fliers' in the race to head the federation or its FOs because of the conspicuousness of exceptional levels of trust in them. Thus, the proposal could reverse the common negative correlation between effectiveness and career success (Luthans 1988), and this would help co-operatives to best bureaucracies in markets.

Last though not least: The proposal is feasible politically; it may be abided by veteran leaders without efforts to retain power if they fail to pass the stipulated threshold when seeking another reelection, as they may not grasp this solution as a Machiavellian tactic aimed at taking their offices, but as genuine care for the future of co-operativism.

Conclusions

Servant transformational leadership is essential for maintaining democracy in co-operatives and their federations amid success and growth. Such leadership is based on trust and consent and it engenders success and growth, but with tenure beyond effectiveness phase of up to 12-16 years, sooner or later dysfunction is inevitable for reasons untangled by oligarchy theory and other studies. Dysfunction leads to a covert and/or an unconscious shift to self-serving conservative autocracy and suppression of critics and innovators, while members' trust is retained by excuses, camouflages and distractions that conceal the change. Such autocracy uses market forces and hierarchy like capitalist cultures; it is simpler than leading by trust, but it negates co-operative principles and engenders covert abuse of power by leaders to defend facades of trustworthy public servants, since just images of successful leaders may not be enough to keep members trust upon which power largely depends. Such a facade masks reality and the social scientist has to penetrate it (Berger 1966, Ch. 2), but tenured leaders of large federations/FOs use power and capitals to bar penetration and divert researchers to seek causes of degeneration elsewhere. Together with problematic concepts of trust and leadership and the need for a profound study including historical research to pinpoint when a leader's dysfunction has commenced, one can explain the unfortunate lack of co-operative leadership and trust research that has prevented scholars from untangling how changing practices of tenured leaders shattered creativity without which co-operative cultures are doomed (Stryjan, 1989).

The timely succession of leaders when the dysfunction phase commences, before their accumulated power and capitals make succession impossible is decisive. This also holds true for choosing successors not from among loyal conservative deputies who advanced due to a lack of critical thinking, acumen, ingratiation, Machiavellianism, etc., but from among high-moral officers committed to co-operative principles who have innovated practices to serve the interests of all participants justly and fairly. Only timely succession of leaders before the oligarchic process makes this impossible can keep co-operatives democratic, but no proved solution has been devised for this. The norm of fixed tenure rotation is undemocratic since the public will not decide succession, and it has failed whenever tried for many reasons, including its overrule by successful and/or Machiavellian leaders who became irreplaceable, and its practice of elevating

unofficial and irreplaceable patrons who have ruled behind-the-scenes over elected officers and members. Nor can formal democratic procedures prevent oligarchy as Presidents Washington and Jefferson already knew and they devised a solution that was better as trust in leaders decided second terms, sparing the US the perils that have troubled Latin America's rotational presidents dominated by oligarchic congressmen and other non-replaceable patrons. However, many historical cases prove leaders can remain effective beyond eight years. Thus, the solution proposed here is to allow a leader third term if he passes a threshold of 66.6% majority, a fourth term if more than 88% vote for him, and no additional terms, as histories suggest that oligarchic tendencies emerge anyway when a successful leader is in office 15-20 years.

With all due modesty required of ideas which stem from the work of a single student, the decisiveness of this proposal may be similar to Washington's and Jefferson's norm. One has to notice also that the positive effect of their solution was achieved despite its partiality: it presumably caused some premature successions of presidents while still amid effectiveness phases, and it exempted Senators, Congressmen and officials like J. Edgar Hoover who became oligarchic. Secondly, the proposal supposes that other institutions that promote democracy such as a federative structure in case of a large co-operative movement, as well as other constitutional rules that enhance high-trust cultures such as inclusion of all workers with some seniority in voting constituencies, parliaments that include many non-elite delegates, succession norms of delegates and executives like that of leaders, etc. The above ideas may not assure optimal leaders and optimal succession timing in every case, but they can prevent negative oligarchic processes in most cases, making co-operatives sustainable for long periods by elevating enough servant transformational leaders, the ultimate condition for co-operatives succeeding bureaucracies as hegemonic organizational form.

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