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# Member Participation in Japanese Consumer Co-operatives

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## I. Introduction

The achievements of the Japanese consumer co-operatives are especially noteworthy in the 1980's when consumer co-operatives in industrialized capitalist countries are experiencing serious setbacks. Recent difficulties and failures of consumer co-operatives in Western industrialized countries have led both scholars and those involved in consumer co-operatives to ask: why are Japanese consumer co-operatives successful? One key to success, although not the only key, is the organization of han groups which are the base of democratic control by the membership and the development of a successful business.

Japanese consumer co-operatives are doing well, surpassing many of the longer established European co-operatives. Table 1 indicates that Japan has three places among the world's ten largest consumer co-operatives. Nada-Kobe Co-op, Sapporo Shimin Co-op and Kanagawa

Table 1 Consumer Co-operatives of the World ~ 1984 Ranking

Rank	Co-op Name	Country	Total Supply (Million US\$)	Growth (%)	Members (1,000)
1	※ Co-op AG	West Germany	2,946	0.7	200
2	※EKA Co-op	Finland	1,186	7.9	495
3	※C R S	Great Britain	1,116	4.2	1,561
4	※Konsum Osterreich	Austria	1,114	9.4	819
5	Nada-Kobe Seikyo	Japan	956	10.5	696
6	※F D B	Denmark	898	9.0	512
7	Stockholm Co-op	Sweden	692	10.7	299
8	Dortmund Co-op	West Germany	624	8.0	395
9	Sapporo Shimin Seikyo	Japan	468	4.8	438
10	Kanagawa Seikyo	Japan	429	14.8	517

(Source : International Co-operative Alliance)

※ Group organizations

Co-op, the three largest societies in Japan, respectively hold fifth, ninth and tenth place.<sup>1</sup>

The success of a co-operative is not easy to evaluate because it is a business and a social organization. Table 2 indicates the development

1 Nada-Kobe Consumers' Co-operative (776,000 members), Konsum Stockholm, Sweden (303,000 members), and Coop Dortmund, F. R. G. (4111,000 members), are the largest individual consumer co-operative societies according to 1985 statistics compiled by Nada-Kobe Co-op for the ICA's Joint Meeting of Women's and Consumer Committees, Tokyo April 15th 1986.

## Member Participation in Japanese Consumer Co-operatives

**Table 2** Evolution of JCCU Member Co-operatives

Fiscal year	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
No. of co-ops	594	619	652	661	651	657	658	659	653	656	649	659
No. of members (million)	4.6	5.1	5.4	5.9	6.1	6.4	6.7	7.2	7.9	8.4	9.2	10.3
Share capital (billion yen)	22	27	33	42	48	49	52	59	70	82	96	113
Total turnover (billion yen)	474	570	680	778	832	941	1,108	1,240	1,359	1,516	1,691	1,884
No. of citizen co-op mem- bers (million)	1.6	1.8	1.7	2.2	2.4	2.6	2.9	3.3	3.7	4.2	5.0	5.7
No. of "Han" members (million)	0.80	0.97	1.14	1.26	1.31	1.44	1.87	2.14	2.36	2.63	3.26	

of the Japanese consumer co-operative movement from 1974 to 1985. During this ten year period, the total membership has doubled and the membership of citizen co-operative societies has tripled. The han groups have more than tripled and members' share capital has quadrupled. The annual turnover has increased more than three-fold and the number of new stores have continued to increase. In 1985 consumer co-operatives had 1.9 percent of the retail market share. Although this percentage is small it indicates significant market power in Japan where there are more than two million retailers and three quarters of all consumer shopping still occurs in "mama papa" stores.<sup>2</sup>

According to quantifiable indices Japanese consumer co-operatives are doing well. However, it is the unquantifiable indices such as, transformation of the market place and the improvement of the quality of life for members that are most important to consider when looking at the success of a co-operative and also the most difficult to evaluate. One way

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2 For a discussion of retail business and the Japanese distribution system see McMillian (13) pp. 242-251.

to assess how effective a co-operative is at fulfilling members' needs is to look at the structures and processes of democratic control. In fact, I propose that member participation through han groups is the key factor of democratic control and the successful establishment of regional consumer co-operative societies in Japan.

The purpose of this paper is, therefore, to discuss democratic control and its relationship to the success of Japanese consumer co-operatives. Case study research is used to explain how consumer co-operatives in Japan are organized and what processes are established so that democracy and member participation have significant meaning in the daily operation of the business.

## **II. Democratic Control**

Democratic control in a co-operative organization requires structures and processes so that members can define their needs and change needs into services. This section will discuss the theoretical components of democratic control in co-operative organizations. Models of the traditional patterns of structures and processes and power relations within co-operatives which have been developed by Craig are presented as a framework for analyzing Japanese consumer co-operatives.

### **A. Structures**

Figure 1 A and B shows the basic structures of centralized and federated co-operatives as described by Craig. In addition, I added C, the general model of Japanese consumer co-operatives based on my own study research.<sup>3</sup>

The advantages and disadvantages of these types are often debated. An obvious disadvantage of the centralized structure is that members and

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3 Models A and B are from Craig (9) p. 185. Japanese model is based on my case study research.

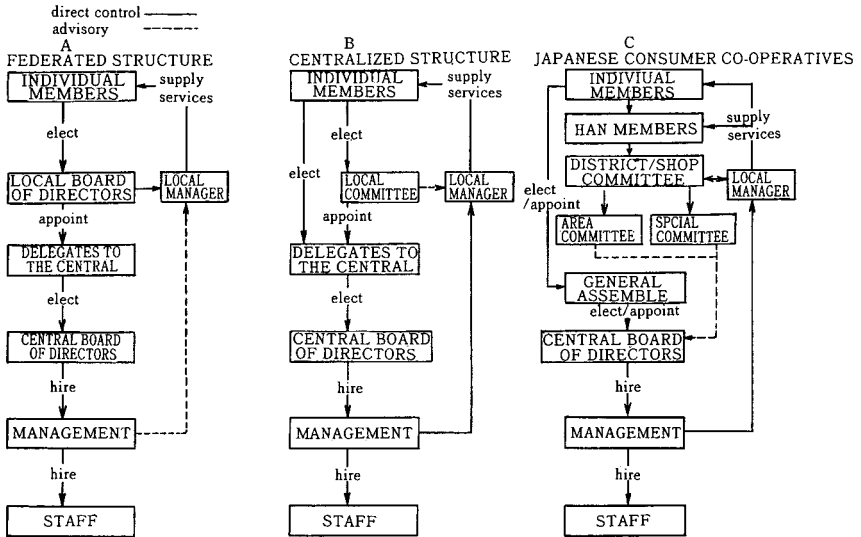


Figure 1 CONTROL STRUCTURES IN CO-OPERATIVES

local management have no direct means of communication. In comparison, the federated structure may seem to give members a closer tie to their local store through the local board of directors, but one of the disadvantages may be that local boards of directors do not have the expertise to choose and advise management.

### B. Processes

Processes that enable members to have an input into the operation and make changes when needed are a necessary part of democratic control. To explain the importance of democratic processes, Craig has developed two models which illustrate the logic of information flows and the logic of democratic processes in organizations. (Figure 2,3)<sup>4</sup>

Figure 2 shows how management makes decisions in organizations and

4 Craig (2) p. 2.

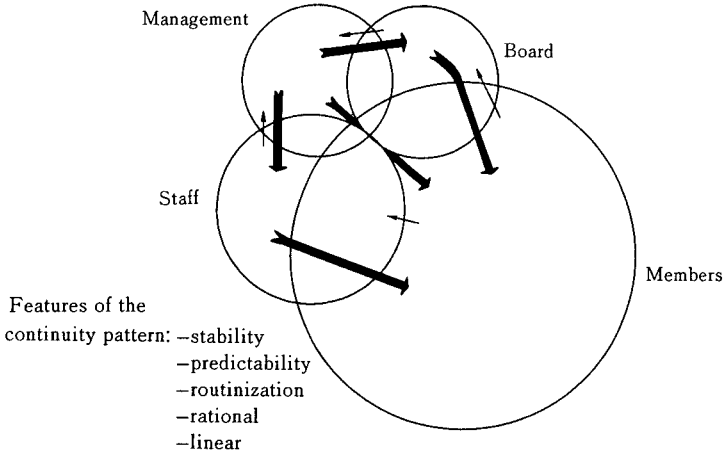


Figure 2 The logic of information flows in organizations

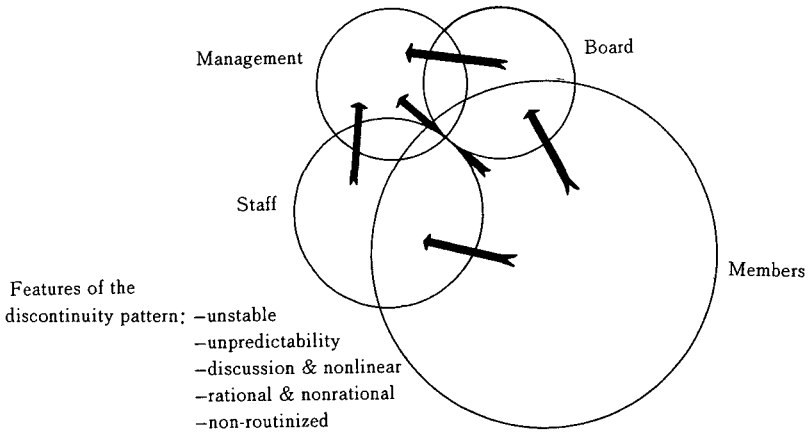


Figure 3 The Logic of Democratic Processes in organizations

Source: J. G. Craig, "Consumer Co-operatives in Trouble: What is the Problem?" (1985).

then informs boards of directors, employees and other members. Figure 3 shows how co-operative organizations make decisions. Here managers and boards of directors are expected to listen and incorporate the views of members into daily operations. Craig has analysed the democratic processes and the long term business success of forty of Canada's largest co-operatives. His results suggest that successful co-operatives have developed democratic processes that allow them to learn from their members.<sup>5</sup>

### C. Power Relationships

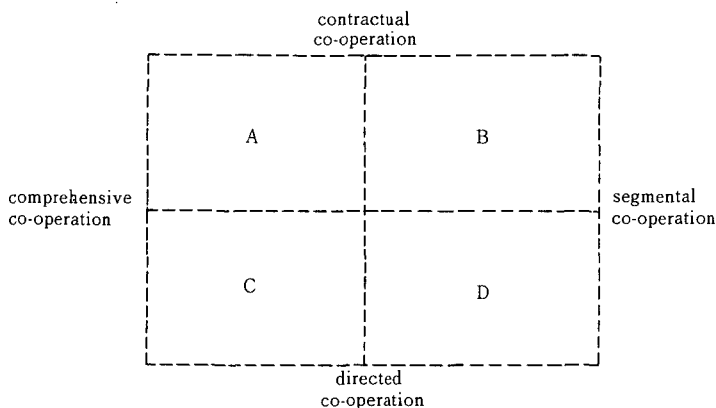
One of the crucial elements of long term success is members' influence in the power structure of a co-operative. Craig has developed a model (Figure 4) to show the possible types of power relationships in the operation of a co-operative. The model shows four types of co-operation that are determined by two sets of variables.<sup>6</sup> Vertically, there is a distinction made between comprehensive and segmental co-operation. Comprehensive co-operation is when people co-operate together in face to face situations. This involves intensive interaction and rarely involves large groups. Segmental co-operation is when people interact with an organization and do not co-operate in a face to face basis with other members. It began in Western Europe during the industrial revolution when people created co-operative organizations for the purpose of participation in the market place.

Horizontally there is a distinction made between directed and contractual co-operation. "Directed" means top down co-operation where people co-operate because they are told to do so. "Contractual" means co-operation that is entered into by conscious choice by members themselves. Exchange processes are clearly understood by individuals.

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5 See Craig (2) for case studies of Canadian Co-operatives.

6 Craig (6) p. 1.



**FIGURE 4** RELATIONSHIP BETWEEN TWO TYPES OF CO-OPERATION AND THE INTERNAL POWER RELATIONS ILLUSTRATING THE DEVELOPMENT OF CO-OPERATION WITHIN THE MEMBERSHIP

Source: John G. Craig, "Co-operative Development: The Process of Cultural Integration and Commitment Building" (1983).

Craig theorizes that comprehensive and segmental co-operation may be started by directed or contractual elements, but the degree of contractuality is in fact crucial for long term success in a co-operative organization. Co-operatives may start as type C or D but need to increase their contractuality with their members to move to an A or B type in order to be successful.

#### **D. North American Co-operatives**

The above models are based primarily on co-operatives in North America and developing countries where case study research indicates that the clue to building a viable co-operative business may be member participation that is significant in actual daily operations. Craig argues that the long term business success of retail co-operatives is directly related to how well managers learn and respond to the changing needs of consumers. Two of the questions he addresses are: can members actually be a

vital part of the management process? Can members be involved in the actual planning and day to day business of the co-op?<sup>7</sup>

Throughout North America one of the most noticeable problems and perhaps the reason why retail co-operatives have not been fully realized is the lack of member participation. Craig's research would indicate that structures, such as general members' meetings, do not equal member participation. There must be structures in addition to the general meeting, and there must be processes to ensure meaningful member involvement so that opinions are heard and can be reflected in the daily operation of the co-op.

### III. Japanese Consumer Co-operatives

In this section I will examine how the Japanese consumer co-operatives fit into these models of democratic control described by Craig. Figure 1 C shows a generalized model of the structure of Japanese consumer co-operatives. Management is centralized, but the special characteristic of Japanese consumer co-operatives is that at the local level there are district committees that act to advise local managers and top management about store operations, service and merchandise to keep decision makers informed about local opinions.

District committees are not just made up of elected representatives, but they are composed of interested members. A district which covers 30 to 50 han groups or members in the same elementary school district organizes such committees as: cultural, social welfare, child education, purchasing, food additives, peace movement campaigns and environmental preservation. District committees report directly to their local store manager as well as to the board of directors. Local managers can then act immediately on simple matters and not waste time having to consult with central management. Furthermore, there are area committees and

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7 Craig (4) p. 12.

special committees that are made up of representative members from various districts and they report to the board of directors who in turn inform local managers about members' demands.

Han groups are basically joint buying groups, but they are the first level of structure in democratic control. This mechanism assures that the opinions of the general membership are transmitted to decision makers. Frequent informal meetings while members pick up food orders, product testing by han members and occasional meetings to talk with member relations staff and committee members are all basic structures for the involvement of the general membership.

In Japanese consumer co-operatives a central representative council is combined with areas of direct democracy at the everyday level. This achieves responsiveness and accountability of representatives and immediate, relevant and practical experience in participation for members. Experience of self-management at the familiar everyday level is essential if the democratization of the organization as a whole is to be meaningful and accessible to members.

In terms of process the Japanese consumer co-operatives are closer to Figure 3. Managers rely on the opinions of members when deciding on merchandise policies and members are instrumental in the development of co-op brand merchandise. The member organizations of the han and the district/shop and area committees could be placed in the center of the interface and intersections of the management, staff, board and members' circles. Here these groups and committees provide a forum for a wide cross section of members so that members' views can be considered in the planning and business operations of the co-op.

In terms of power relations described by Craig, Japanese consumer co-operatives are segmental because they are general merchandise organizations, but members have organized committees that address larger community issues which suggests expansion toward greater comprehensive co-operation. Han groups provide a strong contractual element, since

members have face to face contact in small group situations. They meet regularly to order or pick up commodities and this gives them an opportunity to discuss the quality of merchandise and service and express their opinions to the co-op worker who can relay this information, however informally received, to management. By asking han members to test products, their opinions are considered in the development and marketing of merchandise. In addition, members are asked to hold meetings so that co-op staff and committee members can directly hear members' opinions about any aspect of the co-op. In this way members feel that they really do play a part in the operation of the co-op. It is this natural process of members having the opportunity to talk to other members and employees that builds contractual co-operation and places Japanese consumer co-operatives generally in an A or B quadrant.

Based on Eric Trist, Craig has explained the reason why co-operative organizations themselves have not been realized after more than 150 years of historical development. According to Craig, within organizations, the dominant model used by managers has been the bureaucratic model which assumes a rigid hierarchy of control and inhibits democratic processes because the people at the top have complete power. The root cause of failure in many North American Co-ops has been the way the organizations have been built and managed on the bureaucratic paradigm rather than on one more compatible with co-operation.<sup>8</sup>

The han groups in Japanese consumer co-operatives show many of the characteristics of a new emerging paradigm. From the bureaucratic paradigm han groups do not make much sense and appear to be an unnecessary hassle for managers. A new merging paradigm is evident in the Japanese consumer co-operatives because managers listen to members before deciding on a business policy.

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8 See Trist (19) and Craig (3) for a discussion about organizing co-operatives within the dominant bureaucratic paradigm of business organizations.

#### IV. International Co-operative Survey

Japanese consumer co-operatives are receiving world wide notice. In April of this year, JCCU, hosted the Joint Meeting of the ICA's Women's and Consumer Committees. The theme was member participation because most large scale consumer co-operatives in industrialized capitalist countries have admitted that the lack of member participation is one of the major problems in the 1980's.<sup>9</sup> Co-operative leaders from ten countries came to Japan to discuss this problem and to look at member participation in Japanese consumer co-operatives.

In July, I sent out a questionnaire to the participants of the ICA meeting and to other co-operative representatives who have recently made trips to visit the Japanese consumer co-operative societies. I sent a total of 26 surveys and I received a total of 13 replies back from co-operative representatives in Sweden, Hungary, Britain, U.S.A., Finland, China, and Canada.

The questions asked for general impressions about the level of business and member activities of consumer co-operatives in Japan in relation to those in the respondent's country. The respondent's answers are mostly based on observation of Saitama Co-op, Nada-Kobe Co-op, Shimouma Co-op and the Japanese Consumer Co-operative Union (JCCU) in Tokyo; therefore, the results are rather limited. Nonetheless, the survey is of interest because all replies indicated that the han groups show new ideas about member participation that appears to be reflected in the business success of Japanese consumer co-operatives.

Summarizing the results of some of the questionnaire, eleven respondents replied that the level of member participation in Japanese consumer co-operatives was higher than that in their own country. A reply from Britain stated: "exceptionally high participation and a real feeling of ownership which is declining in my country." A U.S.A. representative

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9 Suomela (16) p. 1.

commented: "the level of participation seems quite high and goes beyond a narrow definition of just food buying." Eleven replies also indicated that the level of retail business was higher than the co-operative societies in their own country. Again, a British added a comment that "the stores are very impressive and show high standards of merchandise and presentation." Nine of the respondents indicated that they had observed a han group meeting and all commented that they were impressed. A Swedish representative said, "Fantastic! Members were very proud of their own achievements. They felt they could influence and be able to change the composition of goods." "I was extremely impressed with the force of the han groups and the mixture of product and co-op policy which seems to have a great balance," said a representative from the U.S.A.. A reply from Hungary noted that, "I was very impressed, but I am convinced that people in Europe or North America are more egocentric and could not be brought together the way they are in Japan."

And when asked to comment on what impressed them the most about Japanese consumer co-operatives comments included: "han groups and product testing" (Britain); "the orientation to the whole co-operative way of living—the well-integrated and co-ordinated systems and the commitment to the full economic and social potential of co-operatives—the han" (U.S.A.); "the han-growth over the past few years due to the excellent ability to serve the consumer and respond to needs in the market place" (Sweden); "han groups—social activities and the high standard of goods" (Israel). It is clear that "han" is recognized as an important element in Japanese consumer co-operatives.

With respect to the question what is unique about consumer co-operatives in Japan, six out of the seven countries that replied stated that member participation and the han groups are unique. And when asked whether they thought co-operatives in their country could learn something from Japan, all replies said yes and comments included member participation, recognition of the value of active members, directors

listening to the complaints and suggestions of the members and democracy in consumerism.

The comments that I received indicate that at least from a rather superficial point of view, Japanese consumer co-operatives are very impressive. In particular, the level of member participation is high in comparison to consumer co-operative movements in other countries and the organization of han groups appears to be a significant factor in not only the rate of member participation but also in the success of the business. However, real studies have not been done on this hypothesis and further analysis is necessary. The following section will look at how Nada-Kobe, one of the most successful co-ops in Japan, organizes member participation.

## V. Nada-Kobe Co-op

In the Kobe area consumer co-operatives have established themselves as the leading retail organization. Nada-Kobe Co-op is the largest society in Japan and in the world. In the list of the Top 1500 Japanese Companies for 1986 Nada-Kobe Co-op ranks 444. This is up 76 places from the previous year. Within the list of the 15 top retailers (general merchandisers) Nada-Kobe Co-op ranks 11 with an income of 7,159 million yen.<sup>10</sup> This business success is related to the long history of establishment and to the fact that in some communities in the Kobe area as many as 80 to 90% of households are members.<sup>11</sup>

What does member participation mean in a co-op with 760,000 member households? Nada-Kobe Co-op has set a goal of at least 40 percent member participation and in 1985 they estimated that 48 percent of the members were organized into some form of participation. To achieve such a

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10 Japan Times (10) pp. 34,74.

11 *Consumers' Co-operative Movement in Japan*, (Tokyo: Consumer Co-operative Union, April 1986), p. 4.

high participation ratio, they have developed processes and structures appropriate to all levels of interest so all members who want to be involved in the co-operative can.

Figure 5 shows how Nada-Kobe Co-op facilitates member participation.<sup>12</sup> The operational area of the co-op is divided into seventy-six districts which are grouped into seven districts. Members from each district appoint a representative congress and these all come together to form the general congress which approves the appointment of the board of directors. There is no voting. Representatives are appointed and notices are posted in stores and members' newsletters so that members can voice objections before appointments are approved.

For the general membership, there are a variety of options which allow for member participation in the co-op. Members have the choice of joining a joint buying group or a store group or both.<sup>13</sup> Members who live in close proximity to Co-op stores may not need the services of the joint buying home delivery groups, but if a member wants to be a part of group activities and wants to receive the same discount on items that the joint buying clubs do, members can join a store group. These store groups each have a mail box in the store where they receive information about co-op products and activities. Each store has a members' meeting room for group meetings or other activities.

Members who want the convenience of home delivery can join one of the joint buying groups in their neighborhood or can organize six households in their neighborhood and form a new group. The group decides on a representative, the place the goods will be delivered and the day of delivery. All orders go directly to warehouses where they are filled on

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12 Diagram based on *Nada-Kobe Consumers' Co-operative Society Annual Report* (14) p. 11 and on field work done in 1984.

13 Nada-Kobe prefers to use the term "group" instead of han to refer to members' joint activities.

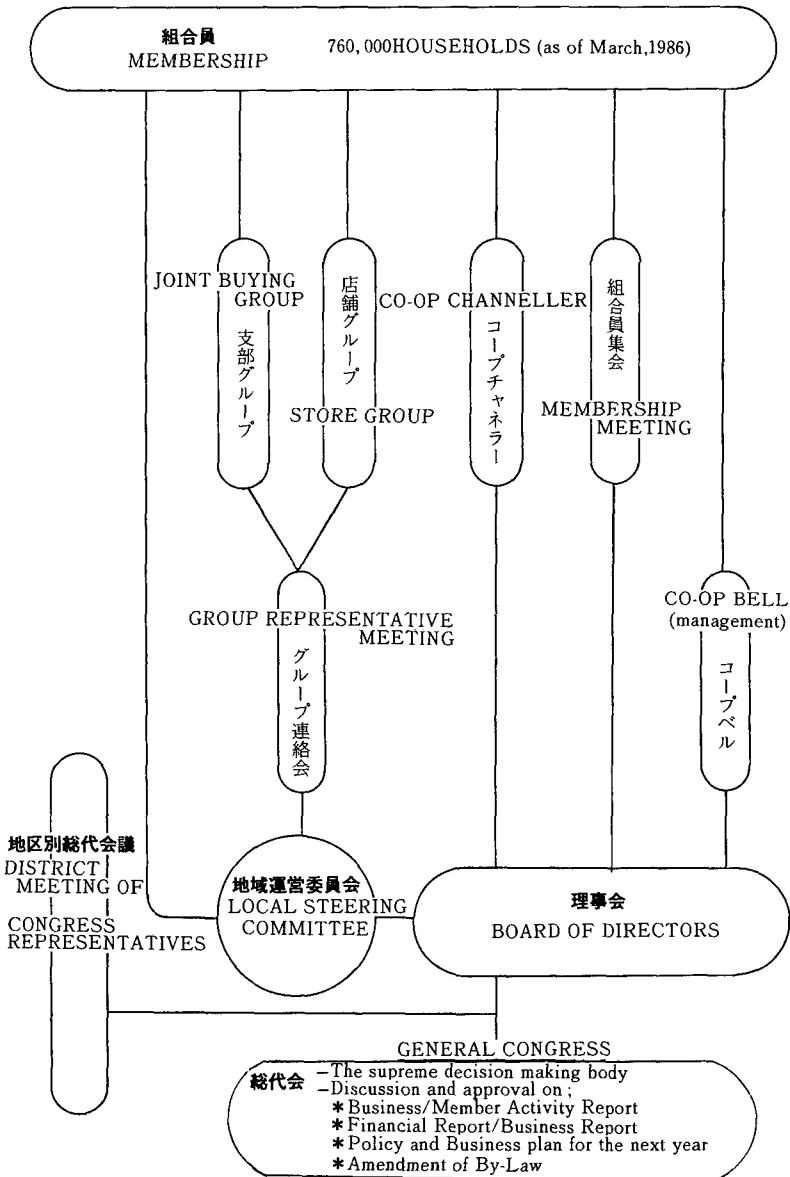


FIGURE 5: BRIEF SKETCH OF THE MEMBER ORGANIZATION OF NADA-KOBE CO-OP

computerized assemble lines. Computerized ordering sheets makes ordering easy and there is no direct exchange of money because members sign an agreement with the Co-op to have the amount of purchase withdrawn from their bank accounts.

Groups are primarily buying clubs and members do not necessarily call regular meetings but they do meet some or all of the members regularly when they order and pick up merchandise. With their weekly deliveries members receive co-op news and information. Members have contact with other members; they all order from the same list of goods, and this may be focus for a conversation. As stated earlier, this conversation is how members learn from other members and this is a necessary process in developing democracy within the membership.

In one district, the representatives of joint buying and store groups meet at least twice a year to discuss merchandise and co-op services. Group members and individual members are encouraged to join their local District Steering Committees. Districts will periodically hold meetings to discuss special events or to look at community problems. At these meetings district representatives and board of directors are present so that members can get to know them personally and feel free to talk with them.

The Steering Committees (Chiki Unei Iinkai) are the core group of members that develop merchandise policies and get involved in the community. In particular, the committees concerned with merchandise have worked with the management and the members to develop co-op brand products and have tested over 20,000 products. In addition they conduct seminars and produce information on nutrition guidance. Other committees organize visits to farms that have contracts to sell produce directly to the co-op, pollution clean up campaigns, and children's camps. All seven district Steering Committees report members' opinions directly to the board of directors.

The "Co-op Channeller" is a bimonthly newspaper that informs all the

members about business, community and recreational activities. Also, there are suggestion boxes in all of the stores. For those members who want to talk directly to the board of directors there is the "Co-op Bell" which is a direct number to the office of the board of directors. Members are encouraged to phone and give opinions about any matters related to the co-operative business or the community.

Figure 5 stands to illustrate how members of Nada-Kobe Co-op participate in the daily processes of democratic control. The many channels of participation provides for continuous feedback among the members, representatives and directors. In these ways the co-op continues to be responsive to the members' changing needs and continues to be the leading retailer in the Kobe area.

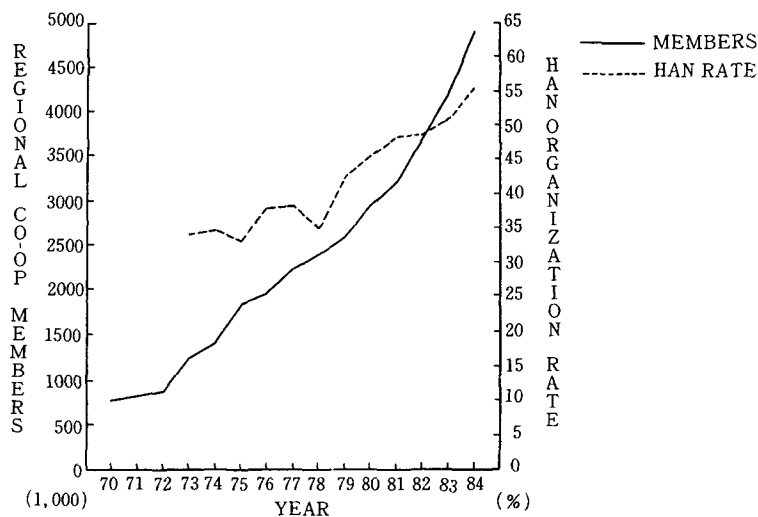
## **VI. Importance of Member Participation in Defining a Role for Consumer Co-operatives**

I have said that member participation through han groups is one of the key factors in the success of Japanese consumer co-operatives. To support this hypothesis further discussion is needed about the importance of members defining the role for consumer co-operatives in the community.

Citizen co-ops appear to be filling a need in Japanese society and the increase in membership and han groups is evidence for this. In Figure 6 I plotted the trend for membership, and han groups of regional co-operative societies. The fluctuation of han groups during the seventies may be due to the problems of expansion during this time. However, the steady increase of han groups since 1978 indicates that co-operatives have increasingly stressed the importance of member participation. In the eighties, membership and han group are both on the increase and this may be the result of co-operatives trying hard to establish a role for themselves within Japanese society.

Initially co-operatives become established because they fill a recognizable need in a local community. However, conditions change, mem-

## Member Participation in Japanese Consumer Co-operatives



**FIGURE 6: REGIONAL CO-OP MEMBERS & HAN RATE**  
HAN RATE=HAN MEMBERS/TOTAL

bership changes and consequently needs change and if co-operatives don't respond to these changes they are bound to lose to their usefulness. The history of activities of Japanese consumer co-operatives suggests that they are very much aware of the changing role of co-operatives.

To help define the role of consumer co-operatives, the Japanese Consumer Co-operative Union organizes regular questionnaires. In both 1983 and 1984 they surveyed over thirteen thousand members from forty-two co-operatives to investigate why members joined their coop. The results of both year's surveys indicated that over eighty-five percent of members joined because good quality products have become available. Also, in 1984, they asked 12,071 co-op members what social issues they hoped the co-op to tackle and the following issues received over 25 percent affirmative replies: eighty-three percent hoped the co-op would address the problems of harmful foods and food additives, 57 percent said they were concerned with prices, 41 percent wanted direct purchasing

from producers and 38 percent were worried about detergent pollution and other environmental problems.<sup>14</sup>

From these surveys it is clear that members see the role of co-operatives in the eighties to revolve around selling high quality additive-free food at reasonable prices. In fact, over the past ten years citizen co-ops on average deal 70 percent in food and about 40 percent in fresh foods. This is in contrast to chain stores which stock a great diversity of merchandise and have tended to decrease the proportion of fresh foods.<sup>15</sup>

In order to get good quality fresh food at lower prices many citizen co-ops are developing direct distribution channels between producers and consumers. By bypassing some of the primary and secondary wholesalers in Japan's complicated distribution system, citizen co-ops feel more confident about the quality of fresh food they offer. Furthermore, they assist in promoting local agriculture.

In the surveys, members indicated that co-operatives should provide an outlet for members to fill a sense of social purpose. In other words, co-operative members expect co-operatives to be more than just food retailers. Public awareness and government regulations about food additives in Japan has generally lagged behind other industrial countries and co-operatives, therefore, have found a role in promoting public awareness about food additives and problems related to the use of chemical dependent farming. Also, co-operatives organize campaigns to improve environmental problems and they lead Japan's peace movement activities. Co-ops actively involve themselves in community affairs and organize local festivals for members and non-members.

Consumer co-operatives are the leading organization conducting food additive research and proposing policy changes to the Ministry of Health

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14 Source : Livelihood Problems Research Institute, "Life and Awareness of Consumer Co-operative Members" (1984&1983).

15 Tai (27) p. 13.

and Welfare . Under the request and support of members, co-operative societies and JCCU conduct tests on both domestic and imported food supplies, in addition to developing their own "Co-op" brand goods. Member committees and han groups are instrumental in the development of "Co-op" brand goods.

Ohya has described the process by which over 10,000 products have been developed.<sup>16</sup> Members are an integral part of every phase from the conception to the final product. In all primary co-operatives there are special merchandising committees that monitor opinions of members and organize direct testing by members. First, the need for a product must be identified by looking at sales of current products on the market and the members' opinions. To plan the product, committee members discuss all aspects such as the design and size of the container, the contents and the price. This can involve conducting commodity studies to develop products which are competitive or superior to products already being sold. When the conception of the product has been decided the plan then goes to the laboratory or the office where it can be developed. Any questions that arise during the development phase can be readdressed by the committees for further consideration. Before the product goes on sale, some han group members are asked to test the product and are consulted about the price. Logic suggest that if members develop products according to their preferences when it come to shopping they will exercise that preference by continuing to support co-operative societies.

Kyoritsusha-Tsuruoka Co-op has developed an interesting concepts in member participation. They have captured 8 percent of the total retail share in their operational area by fostering community support through developing a merchandise policy in accordance with local producers. In each of their stores they have established areas where local craftsman

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16 Ohya (25) pp. 16-21.

and producers can sell their products. They are promoting local cottage industries such as tofu, tatami, home appliance repairs, bicycle repairs etc. In addition they have made contracts with local primary food producers. Tsuruoka is the best example of a co-operative finding a role for itself in the community by integrating member and local needs into a retail co-op business.<sup>17</sup>

## VI. Qualification

I have stressed the success of consumer co-operatives and the high rate of participation, but it is important to note that there is great diversity among consumer co-operative societies in Japan. Citizen co-operatives have developed mostly around large metropolitan areas such as Tokyo, Osaka, Yokohama, Nagoya, Osaka, Kyoto, Kobe, Fukuoka, Sendai and Sapporo.<sup>18</sup> JCCU states that, generally co-ops which are located in the capital cities of prefectures and in cities with a population of over 30,000 residents have about 30 percent of the households as members.<sup>19</sup> As described in section V, Nada-Kobe Co-op is an exception to this, but Sapporo Citizens' Co-op fits this generality. In Sapporo, about 36 percent of households are members and 34 percent of these are han members.<sup>20</sup> However, in Tsuruoka city there are more than 30,000 residents and Kyoritsusha-Tsuruoka Co-op has 70 percent of these households as members and 40 percent of all residents are organized into han groups. This means that 63 percent of the members are also han members.<sup>21</sup>

From this brief comparison we see that generalities do not give the most accurate picture of the state of consumer co-operatives in Japan. Nada-Kobe Co-op has a history of more than sixty years and has

17 Tai (25) p. 11.

18 (21) p. 26-29.

19 (11) p. 4.

20 See (26) p. 7. and Steinhoff, (15) p. 18.

21 Funami, (20) pp. 30-43.

achieved noticeable success, but there are 216 other citizen co-operative societies that should be considered when analyzing the consumer co-operative movement of Japan. Sapporo Citizens' Co-op has grown to have the second largest membership in just twenty years of development. However size alone does not ensure success and since their near crisis in the seventies they have been working to overcome their weaknesses in management and member relations. Kyoritsusha, on the other hand, began in 1879 and has continually changed to keep informed of citizens' needs in the community. They created the idea of han groups and their innovativeness apparently continues, for they have built one of the model co-operative societies in Japan. There have also been some close calls with failure. Okayama Co-op and Sagata Co-op are two examples of co-operatives that would have been forced to close if they had not amalgamated with nearby co-operative societies. Although investigations into the reasons why these co-operatives ran into difficulties have not been done, one can speculate that they failed to obtain sufficient member support to sustain their businesses. As one can see not all co-ops have obtained equal success. Therefore, this study of member participation needs to be more refined by taking into consideration regional variations.

Another word of caution is needed. Member participation through han groups looks like it fits into a new paradigm of decision making within organizations. However, further research needs to be done in this area. In han groups, members themselves do not make decisions, but ideas are handed out to han members so they can think about and discuss the issues before decisions are made at higher levels. In this way all members are informed and they feel a part of the decision making process. This concept of making all people in an organization feel that they are included in the decision making process is an important aspect of co-operatives, but may not be unique to co-operative organizations in Japan. Without further research to compare decision making in other large organizations in Japan, it is difficult to judge whether the idea of han is un-

iquely co-operative or uniquely Japanese.

Furthermore, in order to explain the significance of han the sociological aspects of the Japanese society must be included. In particular, the fact that the co-op membership is nearly one hundred percent women and the strong society pressures for married women to stay in the home not only gives members the time to participate, but they also feel the need to get out of the house to meet with others and contribute to their local co-op society. Also, volunteer and church centered community groups are not very organized and the co-operative provides community based activities. As discussed in the previous section, the lack of strict regulations on food standards, has fostered the growth of han groups because members feel confident about the quality of co-op merchandise. In addition houses are small and refrigerators are small so that most women go shopping nearly everyday. Stores usually don't have sufficient parking space and housewives really appreciate the home delivery of heavy and bulky goods through the han groups.

However, times are changing and the degree to which Japanese consumer co-operatives can organize member support in the future is yet to be seen. Of concern is the fact that more and more women are entering the work force. In 1985 there were more women employed than non-working women, compared to the period before 1983 when there were more non-working women than those working.<sup>22</sup> Ideas about members' activities and home deliveries to han groups are being altered to fit into the schedules of working women. This means scheduling some activities and deliveries on Sundays and in the evenings, but women in the future may not have as much time nor feel as strong a need to participate and this is something that consumer co-operatives must consider in the future. In addition, current pressure from small stores and the Commerce and Industry Committees may force consumer co-operatives to

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22 "Rate of Working Women Still Going Up," *Japan Times*, September 30, 1986.

tighten restrictions on the utilization of co-op services by non-members. The changing role of women in Japan and the proposed changes in the laws governing consumer co-operatives are just some of the changing conditions that will effect the future of consumer co-operative development.

## VII. CONCLUSIONS

The paper has outlined the theoretical components of the structures and processes of democratic control and its significance to long term success of consumer co-operatives. Many of the shortcomings of the traditional patterns of democracy in co-operatives in North America as described by Craig have been included to show how the Japanese consumer co-operatives are developing new ideas about the meaning of democratic control and the role that members can play. The examples presented here generally convey a very positive picture of consumer co-operatives in Japan. But it is not my intention to suggest that Japanese consumer co-operatives are an ideal organization which should be imitated by co-operatives elsewhere. Also, I cannot conclude that the only factor that has contributed to the success of Japanese co-operatives is the grass root member participation through han groups.

On the contrary, I would suggest that the Japanese society has matchless features which make han groups and other member activities expedient for members as well as for co-operatives. These features include the fact that women do not play a large role in the full-time work force and find that co-operatives fulfill their needs and time. Likewise co-operatives are under attack from other retailers so they rely heavily on member housewives for patronage and business performance. The group nature of the Japanese people certainly contributes to the high rate of organizational success. The basis of han is joint buying and this reflects the fact that the majority of consumers do not shop by car so transport of bulky goods is a great advantage to the members. Also, land

prices are very high in urban areas so the co-op can use space much more efficiently if members use joint buying clubs.

This research does show that the Japanese consumer co-operative movement as a whole is successful. Case studies show that some co-operatives have a very high level of member participation which has contributed to the business success. There is also evidence to show that there are other co-operatives which have not been very successful in developing member participation, but still in terms of membership numbers and sales they appear successful. Further research is needed to investigate other factors that are involved in the successful establishment of consumer co-operatives. I would predict that there are national and cultural factors that are constant throughout Japan as well as other factors which are specific to regions.

Japanese consumer co-operatives have achieved noticeable success in recent years. The course of development which has led to this success merits serious analysis for co-operatives elsewhere not for its adaptability, but for what it tells us about co-operative development.

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