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Hostage Taking Shows a Difference¹

A useful starting point for analyzing the operations of co-ops is to make the commonsensical observation that co-operatives should be different from for-profit businesses. If they are not different, what is the justification for their existence? That is, if credit unions were just like RBC or BMO, why would anyone bother to belong and what would credit unions have to “sell”? If all co-op grocery stores were just like Loblaws, who would bother joining the co-op?

Co-operative businesses also face stimulating what psychologists might call “cognitive dissonance”. It is the distressing mental state in which people feel they "find themselves doing things that don't fit with what they know, or having opinions that do not fit with other opinions they hold." (Festinger, 1957) What happens when a worker in a co-operative reads the co-operative values posted on a wall or in a newsletter and observes that his business does not apply those values to its relationship with her/him? Does it improve or erode morale and productivity?

These are relevant questions because many for-profit businesses have begun to mimic aspects of traditional co-ops. Consider the similarity of patronage refunds and air miles cards, for example. Or the membership in consumer co-ops versus the membership in COSTCO. At the same time, many co-operatives have embraced the “modern management practice and ideas” thought to reside in for-profit businesses with minimal consideration as to how those practices or ideas might have to be modified to fit co-operative values, principles or purposes. Many managers in co-operatives have been recruited from investor owned business and have little or no understanding of co-operative values or how those might apply to the relationship between workers and the co-operative. Small wonder then, that the lines we have always thought distinguished co-ops from for-profit businesses begin to blur.

¹ This paper is an updated and reworked version of a paper presented at the 2006 meeting of the Canadian Association for Studies in Cooperation held in Toronto, May 2006.

Yet there are some aspects of the operation of co-operatives that are generally seen to be different from for-profit businesses. Governance in co-operatives is different if only because of differences in legal structure and obligations.² There is wide acceptance that there is or can be an advantage to exploiting the co-op difference in marketing (Webb, 1998). It is argued that there are or should be differences in accounting when it comes to co-ops.³ Daniel Côté (2003) has documented the differences in how *caisses populaires* should understand their strategic alternatives in light of co-operative differences. Côté (2004) has also researched the impact of cohesive co-operative values in the corporate culture in the management of large co-operatives.

In other areas of operations there is less agreement that co-ops are different from for-profit businesses. The different approach to financing of co-operatives is still being worked out, with the fate of the Saskatchewan Wheat Pool as a standing example of the importance of finding a distinctly co-op way. The purpose of this paper is to provide a small anecdotal contribution to understanding the co-op difference in the area of staff management.

Logic and experience tell us that, just because a co-operative business adopted the internationally accepted values and principles of co-operation at its inception, does not mean they live them. Logic and experience also tell us that, just because a capital-based company does not, as a result of its nature, adopt any value other than maximizing shareholder benefit, they may adopt values espoused by their board or management that go well beyond shareholder benefit and might even be more demanding than co-operative values. It is, nevertheless, reasonable to make the hypothesis that a set of firms that adopt a well thought out and developed set of values and principles might be more likely to act in line with that set of values than a set of firms that may or may not adopt any values beyond maximization of return to shareholders. This paper does not set out to prove that hypothesis but to explore it by comparing how two firms, one capital based and the other co-operative, reacted to a hostage taking.

² However the legal rules vary widely from country to country and industry to industry. Some organizations that are legally co-ops behave not at all like co-ops, while others that are legally something other than co-ops behave very co-op-like.

³ The world wide fight of co-operatives against the attempt by the major international accounting firms to impose hegemonic accounting standards is one demonstration of this. In June 2005 a group of co-operators interested in accounting met in a colloquium at Saint Mary's University in Halifax to discuss what accounting for co-operatives should look like.

In Nova Scotia in 2004, two retailers experienced hostage taking incidents. One was a co-operative, one was not. Their responses to the situations were different and along the lines that might have been predicted by considering the co-op values under which the one operated and the for-profit values of the other.

The organizations

- COSTCO Wholesalers

COSTCO has grown from a 1976 start-up on the west coast of the US to the largest membership warehouse retailer in the world with sales of over USD 50 billion, more than 125,000 employees and almost 500 locations around the world. (Wikipedia, 2006)

The organization's code of ethics is noteworthy in two respects: It sets out five principles including "Take care of our employees . . . Take care of our members . . . Respect our suppliers" (COSTCO, 2006) and it adheres to this code to the point that one Deutsche Bank analyst opined that "it's better to be an employee or a customer [at Costco] than a shareholder." (Greenhouse, 2005)

- Consumers Community Co-operative and its wholesaler Co-op Atlantic

The CCC is the largest consumer co-operative east of Calgary. In the Fall of 2003 it was a multi-outlet co-operative with 27 stores across the four Atlantic Provinces from Wabush to Bridgewater and from Woodstock to Sydney. It and other co-operative retailers and agricultural co-ops in the region own their wholesale and service co-op, Co-op Atlantic. The CCC was created to turn around a number of co-operatives experiencing difficulty and it is supported by and collaborates with CA. The CCC buys much of its product and many services from CA. Both CA and CCC have head offices together in Moncton.

The situations

In late 2003 and in 2004 two hostage-taking incidents occurred, one at a COOP Atlantic store in Bridgewater, Nova Scotia and one at a COSTCO store in Halifax, Nova Scotia.

- **COSTCO**

On July 30, 2004 a number of masked and armed thieves took about 30 COSTCO employees hostage as they arrived for work. The aim of the thieves was to make off with cigarettes.

Just after 4am, four or five masked thieves, armed with handguns, somehow got into the warehouse of the Bayers Lake Business Park wholesaler, threatening the handful of workers who were opening for the day. As more employees arrived between 4am and 5:30am, the thieves bound them too, leaving between 30 and 40 victims tied up on the warehouse floor.

One relative of an imprisoned Costco worker, who didn't want to be named, said some of the workers' eyes and mouths were taped to prevent them from seeing anything or crying out, which frightened the workers who came into the warehouse. (Boomer, 2004)

Eventually the thieves had their cube van filled with smokes and drove away. The police were called and found the hostages "obviously shaken up" but none were injured.

COSTCO employees kept customers at bay, and the Ottawa office of COSTCO declined comment. One customer who had preordered food for his wedding being held that day was told that the store might reopen at 5 pm (Chronicle-Herald, 2004).

The store reopened at about 6 pm based on the decision of operating management. As far as we can determine, the employees had no part in the reopening decision. We have attempted unsuccessfully to contact officials at the COSTCO Canada head office for comments on the above description of what happened during and after the hostage taking.

- **Consumers Community Co-operative (CCC) and Co-op Atlantic (CA)**

On the 19th of November 2003, the estranged husband of a CCC employee in Bridgewater arrived at the store armed with a gun and held a decreasing number of employees hostage until talked out by police. At the beginning of the incident local store manager Dave Williams called Moncton and was advised to co-operate in any way to keep people safe and call and co-operate with the police. A 20 hour stand-off followed. Early on all the employees but the manager and one other were let go, then the manager was freed leaving one staff member still held. The hostage taking ended when the armed man finally surrendered to police. No one was injured in the incident, but the hostages were, like those in the COSTCO incident, somewhat shaken up by their experience. Some suffered more dramatically than others.

The response of Co-op Atlantic was interesting.

"Co-op Atlantic CEO John Harvey and I chartered a plane and were on the ground in Bridgewater within three hours of the hostage taking and remained for more than a day until the hostages were all released," said CCC Manager Kevin Young (2006). In Moncton the Human Resource Department and CA's Vice President of Human Resources, Leo LeBlanc (2006a) dealt with immediate issues. "I began looking for the employee counseling service in Halifax with the best reputation for handling a crisis, selected one and made arrangements for them to be on scene as soon as possible." Then the VP of Human Resources and a key staff person, Angela Vautour headed for Bridgewater by car. The Co-op Atlantic Area Manager Leo Barker was also quickly on the scene.

The [local store] manager was a key person in this hostage taking since he was able to convince the armed hostage taker to release all the staff except one and pleaded with him to release the woman and take him in her place. He was filled with guilt when that didn't work. The hostage taker finally hit the manager in the face with the gun butt and told him to get out. Faced with that threat he left. He was really shaken and it took him a long time to recover. (LeBlanc, 2006b)

Two operational focal points were established, one at the motel closest to the store, and another in a community hall closer to the store. The community hall, supplied with refreshments and management support, gave staff members, their families, co-op members and close friends a

place to meet, share as accurate as possible information and console and support each other. Co-op officials met with and briefed the media and held meetings with the staff as a group as needed and with individuals as requested both during the hostage taking and in the period following. Leo Leblanc was one of the first into the store when police had disarmed the hostage taker.

The counseling meetings with the staff, consultants and CA HR personnel were held at a local motel. All the employees were there with some of their family members. The woman hostage came to meet the group after the incident to tell her co-workers that she was OK. (LeBlanc, 2006b)

In the meetings with the staff they were offered short and long term assistance but a key issue, once all the hostages were released, was when the store would re-open. LeBlanc was clear about how to proceed, "We waited for the employees to ask the question as to when the store was going to reopen." (LeBlanc, 2006a)

The objective was never muddled. "We wanted the staff to tell us when they were ready to walk back into that building and face the scene of the hostage taking, co-op members and customers." (Young, 2006) "We wanted the workers to tell us when they were ready to open the store. We told them that no individual had to return to work until they felt ready. We arranged for them to be on disability until they were ready. We encouraged staff to talk to the co-op members as part of the healing process." (LeBlanc, 2006a)

The process for deciding when to open the store was simple. The question was asked without any pressure for an immediate answer or any suggested date. Management had faith that the staff would make a good decision, that making the decision was part of the process of coming to grips with the event. They believed that if the staff made the decision the return to work would go smoothly and minimize negative impacts of the event individually and collectively. When it was clear that the workers were agreed, the decision was communicated to Moncton and supported without question.

Two aspects are interesting here: first, the responsible managers from the top to store level acted as a team. People persons and operations staff operated from a single script and people

considerations were driving the agenda; second, the views of the employees were paramount in making the decision. The idea of strong management was to let the workers decide.

Discussion

It appears that the response of the Co-op organization was very much oriented towards the employees while COSTCO appears to have been more managerial and business-like in their reaction to their hostage taking.

This is particularly noteworthy because COSTCO is an exemplar of a caring employer among for-profit businesses while Co-op Atlantic and CCA are good employers in the co-operative context but not, by repute, particularly outstanding.

COSTCO was prepared to let their employees fend for themselves. “Employees huddled around the loading bays behind the police tape yesterday, talking and hugging each other. “My husband was in there,” one woman said, dabbing at her eyes.” (Boomer, 2004) The Co-op arranged for counseling for all.

The Co-op apparently was far more concerned about its employees than its member-owners. COSTCO apparently had no pre-plan or organized response to its members (customers)

So did these incidents demonstrate the existence of a co-operative difference in the realm of people management?

Our sense is that the instinctive response of co-operative management was to care for and nurture employees and to empower them by giving them control over what could be seen as a financial/operational decision about reopening the store.

COSTCO management held tightly to their prerogatives, making few announcements and deciding at the management level (and based on operational criteria) when to get the employees back to work.

Anecdotally at least, there appears to be a real difference in the approach and practice of staff management between co-ops and non-co-ops.

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