THE EVOLUTION OF RECYCLES LTD. 1977-1983

BY NICK OLIVER
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1977-1983

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Cardiff, July 1987

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1. THE HISTORY OF RECYCLES

1.1 Origins and Objectives

Recycles Ltd began trading in Edinburgh in 1977. It represented the attempts of three people to pool some of their talents and meagre resources in order to make a living out of repairing bicycles. At that time there was a strong demand for second-hand bicycles in Edinburgh, and the founders of Recycles perceived a need for a bicycle shop which carried out repairs and also stocked a range of small parts for bicycles; some such components were virtually unobtainable at other bicycle shops in the city. The founders were all active in the Edinburgh cycling community, and so knew something about bicycles. They managed to raise about £1500 between them and obtain premises in a derelict council-owned shop; this was situated on a side street in the South Side of the city, close by the University. After two months of rewiring, replumbing and general shopfitting, Recycles opened for business on 1 August 1977. It held just £300 worth of stock.

1.2 Recycles 1977-1983

1.2.1 Why a Co-operative?

There seems to be no shared version among the three founders as to why they decided to start a co-operative, as opposed to some other form of business. Of the three founders (Jerry Murray, Chris Hill and Morag Ogilvie) Jerry suggested the idea initially; partly because he felt the idea of co-operatives was sound ideologically, but also because Chris and Morag were a married couple and Jerry was wary of entering into a partnership under such conditions. Although unaware of the latter consideration, Chris and Morag were sympathetic to the idea of co-operatives, and were amenable to the idea of setting up the business in such a way.

1.2.2 The First 18 Months

The early months were tight financially. Wages were £14.99 a week - about the same amount as the dole in those days - and the shop was open from 10 am - 6 pm, 6 days a week. At first, everyone was in the shop all the time, but the premises proved too small for three people to do repairs at the same time, so this practice was soon dropped, bringing the average working week down to about 40 hours. In the early days, it was not possible to obtain credit from the suppliers - all transactions were cash-on-delivery. This and the tight cash situation meant frequent visits to suppliers - even to other shops - to get parts. Jerry comments:

"A bike would come in for repairs and it would be 'Cheerio, I'm just off to Brown Bros.' (the local wholesalers). We were always running messages to McDonald's (another bicycle shop) to buy 30 pence worth of parts."

Sales of parts were not substantial - a good day might bring in £10 - but advertisements in student newspapers brought in plenty of repair work, and there was usually a waiting list for repairs.
Although the business was surviving, it was not making sufficient money to support all three founders. By Christmas 1977 it was apparent that someone had to go. It was also becoming clear that the reason why no other bicycle shops in the city were doing repairs was because it did not pay very well. Consequently, Chris went back onto the dole in December 1977, with the brief of examining options to boost the profitability of the operation.

The founders knew that they had to do something apart from repairs if the business was to survive. Bicycle manufacturers claimed that they had enough dealers in the area and refused to supply them with new bikes to sell, so selling new bikes was not an option. However, the idea of providing a bicycle hire service looked promising, as Edinburgh is besieged by tourists every summer. Finance was raised from a number of sources - the Industrial Common-Ownership Fund (ICOF), a personal bank loan, sympathetic individuals. The bicycle manufacturers, though not prepared to allow Recycles to deal in their products, were prepared to supply them with new bicycles for hire purposes. Premises were obtained (from one of the sympathetic individuals who had lent the co-operative money) and by May 1978, Edinburgh Cycle Hire (ECH) was ready for business.

Morag and Jerry continued to do repairs in the small shop. Chris was joined in the hire operation by Mike Sweatman, one of the members of the 'greater co-operative': the set of seven names on the co-operative's registration document. Recycles now had two shops (about 1 1/2 miles apart) and four staff. Wages were up to about £17 per week.

The two sites operated more or less autonomously during the rest of 1978. The hire operation demanded hard work and long hours - it was open 7 days a week, 12 hours a day during the summer months. It was, however, making money and was entering a different league from the original repair shop. Edinburgh Cycle Hire now had accounts with major manufacturers such as Raleigh and Viscount, and it was easy to slip from selling off almost-new ex-hire bikes to selling brand new bicycles. Sales representatives actually began visiting the co-operative, inviting it to open accounts with them. However, the bubble burst around the Christmas of 1978. Partly due to the separation of the two sites, ECH had been operating without always seeking the approval of the other members of Recycles who were 'out of sight, out of mind' in the original shop. New bicycles were ordered and bought without consultation, in the knowledge that approval for this, if sought, would probably not be given. Chris, aware that the hire operation would virtually cease in the winter, bought in a range of new bicycles in order to try to capture some of the Christmas market. For a number of reasons - lack of a proper showroom, the sudden popularity of skateboards and a generally poor Christmas for the bike trade - these bicycles did not sell. This precipitated a chronic cash flow crisis - Recycles had a large stock of unsold bicycles, creditors demanding payment for them, and no immediate means of meeting these payments. Fortunately, ICOF bailed the co-operative out, providing a loan to pay off the creditors who were demanding payment. Recycles survived, but the episode had soured relations badly, particularly between Chris and Jerry. Mainly as a result of this incident, Chris left the co-operative in early 1979.
Recycles appeared to have moved into a second stage of its development by early 1979. In the months following Chris’ departure three new members joined the co-operative - Patrick Eldale, Ken Fisher and George South. Their arrival produced a number of changes, over and above those occurring as a consequence of the Christmas crisis. In the months preceding the crisis such financial management as had been exercised at all had been carried out by Chris, who had kept most of the co-operative’s 'accounts' in his head. Neither he nor any of the others had had any training or previous experience in financial control and planning. There was no system of regular reporting; the general impression of the first year and a half seems to have been one of no-one really knowing how the business was doing. The cash-flow crisis meant that external assistance from the Scottish Co-operatives Development Committee (SCDC), was sought; SCDC helped Recycles put its books in order and provided advice on fairly basic accounting techniques and cash-flow forecasting. This, plus Chris leaving, seems to have led to an increased awareness of how the business operated, and of the activities which had to be performed to keep it alive. The arrival of two new people, George South and Ken Fisher, assisted in this; not only was business awareness developing among the existing members, but they now had to educate the new members in the ways in which the co-operative operated.

George and Ken were both enthusiastic about co-operatives and about bicycles, and fitted in to Recycles quickly. Throughout this and the following year there also appears to have been an improvement in the quality of democratic processes within the co-operative. There had been weekly business meetings after the shop had closed on Thursday evenings since the opening of ECH, but these do not appear to have been very satisfactory:

Morag: "They took such a long time; they went on and on for hours. It was probably the best we could do, but it wasn't very satisfactory. We ended up going off at tangents, not keeping to the agenda, getting side tracked. People got pissed off with it."

This, plus the rather strained interpersonal relations of the early months had led to problems at the co-operative's meetings. The arrival of new staff served to dilute some of the inter-personal tension which had often manifested itself at meetings.

Financially, 1979 was something of a boom year. The co-operative now had 6 full-time staff and wages were up to £50 per week; still low, but considerably better than the previous years' subsistence rates. Towards the end of the year the cyclical nature of the bicycle trade created cash-flow problems again, but nothing as serious as those of the previous year which had nearly wrecked the enterprise. As well as hiring out bicycles, the co-operative were now selling a reasonable volume of new bikes. With the increased activity at ECH there was a shortage of space, particularly as the hire and sales operations were occupying the same building. In August 1979 the property adjacent to ECH fell vacant; this seemed an ideal solution to the problem, but substantial funds were required for fitting out the potential new premiaes. For the third (but not
the last time ICOF provided a loan, and a lease was taken out on the adjacent property. This was at street level, and provided a shop-front, showroom, office and workshop space. It was acquired in December 1979. The fitting out was carried out over the winter, in readiness for the 1980 season. Recycles now had three shops; the original spares and repair shop, a hire centre, and a shop selling new bicycles (and spares), though the latter two, being adjacent to each other have always been counted as one shop.

Business meetings in this period (1979/80) were marred by frequent and ferocious arguments mainly between Morag and Jerry. Prior to Chris's departure most of the antagonism within the co-operative had been between Jerry and Chris; subsequently it was most evident between Morag and Jerry, to the extent that the other members of the co-operative found their 'warfare' at meetings to be disruptive and embarrassing. Largely as a result of this conflict, Morag left Recycles in August 1980.

The summer of 1980 presented Recycles with both a problem and an opportunity. The landlord of one of the ECH shops gave notice that he intended to sell the property. The opportunity was that he gave the co-operative first option to purchase it; the problem was that they had no money to do so. Again, ICOF was approached and a loan was arranged in conjunction with the Department of Industry, secured against the property. For the fourth time, ICOF had assisted in the provision of finance for Recycles.

Ironically, as the business appeared to be gaining in strength, labour turnover was quite high. In 1980 5 people were taken on on a permanent basis (as distinct from summer staff taken on temporarily). Two of these people had left within five months of starting; the two who replaced them both left within about a year. The end of this phase of Recycles' history seems to be marked in two ways: at the end of 1981, Jerry, the last of three founders left the co-operative, and the small repairs shop, the site of the original "Recycles" was given up. Having reached a peak of 7 permanent staff in 1980-81 the co-operative was now down to 5 members, in premises on one site.

Those who had been keeping an eye on Recycles' accounts, such as ICOF and the co-operative's accountant, viewed the reduction in staff with relief, as they considered the size of the wage bill relative to turnover to have been getting uncomfortably high. For Recycles itself, the closing of the repairs shop simplified the running of the business enormously; travelling between the two shops had been inconvenient, and there had been the added nuisance of maintaining two book-keeping systems. The small shop had required extensive repairs; that and a substantial rates increase had rendered the operation very marginal.

1.2.4 1982 Onwards

The beginning of 1982 represented another discernible change in the co-operative. There were now only five members, Mike, Ken, George, Lindsay McDermid (who had joined in late 1980) and Dave Jones (who joined in December 1981). The orientation of the people in the co-operative appeared to be changing, and this was reflected in a variety of ways in the organization as a whole. For the first time
in its history there were no women working at Recycles, which affected the tenor of meetings. More importantly, there was a marked shift away from selecting new members according to their ideological bent via vs co-operatives to instead seeking out people whose primary interest lay in bicycles. Dave Jones was the first person to be chosen according to the new criteria. At the time everyone in the co-operative commented on the change; it was quite a conscious shift. This shift may have been provoked by the succession of new co-operative members in 1980-81 who 'didn't work out' and who left after relatively short periods of time with Recycles. Being generally unskilled as bicycle mechanics they were not particularly at ease with the work; this made them unhappy, and placed extra strain on those who were more competent at working on bicycles.

In 1983 this trend of recruiting people who were primarily bicycle-orientated was continuing. Two new staff - Richard Peploe and Andrew Davies - had joined the co-operative, both of whom were cycling enthusiasts. The co-operative was sound economically, though wages were still not as high as was wished. (£70 for a 4 day week). Recycles was by now regarded as Edinburgh's second bike shop, and the leading supplier of specialist bicycle parts in Scotland.

1.3 Summary

The picture of the first six years of Recycles appears to fall into three distinct phases:

(1) The first 18 months: in which the foundations for the business were laid and the most potentially catastrophic mistakes made. In this period the nature of the business was changed as it was found that the initial operation of bicycle repair carried insufficient earning power to support three people.

(2) The period of 1979 to 1981; in this period one of the founders left and new members entered the co-operative. Though accounts of this period in the co-operative's history still present a picture of disorganization, there were signs of increasing formalization of business procedures, meetings and so on. During this time the co-operative expanded extensively, funding this expansion mainly by loans obtained via ICOF. Labour turnover was at its highest during this time; there were a succession of members who were sympathetic to co-operative ideas, but who were of doubtful competence as bicycle mechanics.

(3) 1982-83. By the end of 1981 all the founder members had left the co-operative and the small repairs shop had closed. Recycles now only employed five people (all male), and the 'specialist' cycling ethos within the organization was stronger than it had ever been. By mid 1983 the co-operative was employing seven people again and its financial situation appeared sound. Its image was now glossy, and consistent with its position as Edinburgh's second cycle shop, and as one of the leading specialist bicycle shops in Scotland.
2. DEVELOPMENT OF RECYCLES AS A BUSINESS

In order to structure the following account, the description of Recycles' business development will be broken down into 3 sections: the pre-start up phase; the switch from idea to action; and then the development of the business year by year. Within each section aspects of the business such as capitalization and economic performance will be considered, along with indications of the developing business skills within the co-operative, and the contribution of outside support agencies.

2.1 Pre-Start up: Skills, the Market and External Advice

2.1.1 Skills and Knowledge

When Recycles began trading none of the founders possessed what could be described as business skills in terms of knowledge about business procedures. Chris and Morag had engaged in "small scale wheeling and dealing", such as buying bicycles at auctions, renovating them and selling them from home, but this had been a very low volume operation. Morag had some experience of shop-work and basic clerical work. Chris was mechanically competent; he knew about relatively obscure parts of bicycles and was prepared to fiddle with something to find out how it worked. Jerry's interest in bicycles started only months before Recycles began trading - through his friendship with Chris and Morag he had picked up some fairly minimal skills and knowledge about bicycles. Like Chris and Morag he had no knowledge or experience of business procedures.

All three founders were unemployed; Jerry and Chris spent quite a lot of time together, and the idea of opening a shop arose during conversation one day. Bicycles were a common interest and hobby, and there seemed to be few alternative means of making a living. The idea of opening a bike shop originated from Chris; that it should be a co-operative was Jerry's idea. Once the idea caught hold, the enterprise began to take on something of a life of its own and momentum built up; Recycles slipped from being an idea into an emergent business.

2.1.2 The Market

The founders were all familiar with the cycling world in Edinburgh and as such were aware that there were few cycle shops which provided a repairs service. Also, they knew from their experience of buying and selling bicycles from auctions that a market existed for second hand bikes. Some months before Recycles began trading the founders had spent an afternoon in Jerry's house watching the number of bicycles which went past; the proportions of each type of bicycle (3 speeds, 5 speeds and 10 speeds) were estimated, and an impression of the type of people who were riding bicycles was gained. (Although this elementary 'market research' was perhaps more a means of seeking reassurance for an enterprise the course of which was already decided.) However, having a feeling for the relative proportion of each type of bicycle on the road proved to be helpful when purchasing stock shortly before the shop opened.
2.1.3 External Advice

Very little external advice was obtained in the pre-start period. The idea of forming a co-operative - as distinct from some other form of business - was helped along by a talk given to Edinburgh Friends-of-the-Earth by John Pearce. John Pearce was a leading figure in the Scottish Co-operative Development Committee (SCDC), which in 1977 was itself in the process of formation. Jerry approached John Pearce for advice and he recommended that Recycles adopt Industrial Common-Ownership Movement (ICOM) model rules, which they subsequently did. The founders also approached the small firms section of the Scottish Development Agency, but only received leaflets which proved to be of limited usefulness.

Chris and Morag received some advice from their bank manager. However, their branch dealt mainly with personal, rather than business accounts; this advice they received was seen as more-or-less useless and Recycles moved its account away from that particular bank after some months of trading.

Some legal advice was obtained from Jerry's girlfriend, who was a solicitor; no assistance was sought from other professions, such as accountancy. In fact, Recycles had no accountant at all for the first 18 months of its existence.

2.2 From Idea to Action

By their own description, the founders of Recycles 'slid' rather than 'launched' themselves into business. From being in a situation in which a bicycle co-operative was just an appealing idea the founders became co-owners of the corporate entity of Recycles Ltd. The occurrence which created this shift was the procurement of suitable premises.

The founders had been keeping an eye open for premises for about six months before suitable ones were obtained. They viewed a few potential shops but these were too run down, or there were other people interested in them. They had put in a couple of offers for leases, but these turned out to be too low and their bids were unsuccessful. Eventually, in the Spring of 1977 they put in a bid for a small shop on a side-street, close by the main University complex in the city. The premises were all on one level and consisted of a small room with a shop window fronting onto the street, with two other rooms behind it. The shop was tatty, but rent and rates were low - about £10 per week in 1977. Morag recounts:

"We hadn't really thought about it (the business) as reality until we got the premises - it concentrated the mind wonderfully."

Jerry's account of the start of Recycles is similar:

"It seemed to happen by default ... we started going along looking at premises 'for a laugh', and eventually saw these which were OK, so we took them. We had no idea that signing a lease was committing us to working and finding money ... It just didn't hit me that it was taking shape."
Having signed the lease, the founders began thinking about the business in earnest. None of them had much capital, but about £1500 (£500 each) was scraped together to get the business off the ground. Jerry borrowed money from his mother; Chris and Morag took out a personal loan from the Bank of £400. Some of this £1500 comprised various bits and pieces of bicycles which had been accumulated over the years of buying, selling and generally tinkering with bikes; thus the original capital input to the business was rather less than the notional £1500 on paper.

Recycles had the use of its premises from the end of May 1977. The shop required a considerable amount of fitting out, and certain major work such as re-wiring also had to be carried out. This work went on through June and July. During this time suppliers of new bicycles and of spare parts were approached, but these were unenthusiastic about supplying Recycles. The manufacturers did not show any wish to develop new outlets; the suppliers of spares refused to give credit due to the absence of any business record on the part of the founders. Four days before the shop was due to open the founders hired a van and went through to a spares supplier in Glasgow. They bought all they could for the £300 cash which they had, and took the entire stock for Recycles Ltd back to Edinburgh in the back of a Transit van. On 1 August 1977 Recycles began trading.

2.3 Business Development

2.3.1 Introduction

For the purposes of structuring this case-study we shall be pursuing two distinct themes; how Recycles has developed as a business since it began trading, and how it has developed as a social institution. The first theme encompasses factors such as financial measures of performance, changes in business policy, relations with agencies which provide capital and so on. The second theme concerns the non-financial side of the business - how the co-operative is performing as a democracy, the extent to which it is satisfying the needs and desires of its members and so on. To identify and pursue these two separate themes is to some extent an arbitrary choice as economic performance and social performance are obviously not independent. However, such a framework is necessary to make the account comprehensible. So, whilst recognizing that there are problems in describing Recycles' 'evolution' in these terms, we shall employ them in so far as they are of use in providing a structure within which to describe the co-operative's development.

In considering Recycles' business development, it is useful to think of the co-operative as using certain resources such as capital and labour to create certain outputs such as profit, wages, growth in assets and so on. The ratio of input resources to output resources will be determined by the efficiency with which the input resources are combined - how the capital is used, what working practices are employed and so on, and by the earning power of the market in which the enterprise operates. Diagrammatically this is represented in figure 2.0. (See Overleaf)
Figure 2.0
Recycles Ltd: Factors Affecting Economic Performance

- Capital
- Labour
- Investment Decisions
- Skills, Knowledge, motivation
- Choice of Premises
- Stocking Policy
- Sales Policy
- Shop hours
- Advertising
- Working Practices
- Volume, type of Sales
- Customer Demand
- Competitors
- Gross Profit
- Net Profit
- Added Value
- Wages
- Overheads
- Bonus
- Funds ploughed back
On the basis of this somewhat simplified representation of the factors affecting the economic performance of the co-operative there appear to be four areas worthy of examination:

(i) The capital input to the co-operative
(ii) The labour input to the co-operative
(iii) The efficiency with which these are combined, e.g. type and amount of stock held, working practices, advertising, shop 'image' and so on
(iv) The measurable outputs of this process. The crudest measure is the sheer value of goods sold in a particular trading period or turnover. A slightly more informative measure is gross profit - the difference between (1) the cost to the co-operative of the goods sold in a given period and (2) the amount brought in by the sale of these goods. If the difference between (1) and (2) is expressed as a % of (1) we can obtain a figure for the gross margin; which provides an indicator of the earning power of the market. This is likely to be affected by factors such as the level of demand for the product(s) and the presence of competitors. Breaking the outputs down still further, it is useful to construe the gross profit as being consumed in 2 ways; to pay overheads such as rent, rates, interest on loans and so on and to pay labour costs (wages).

In the case of Recycles, any remaining surplus (the net profit) may be either ploughed back into the business or distributed as a bonus to the members. (In fact it has always been ploughed back.)

In a conventional business, where labour is seen as a cost to be set against gross profits, it is acceptable to take net profit - usually in relation to capital assets - as a measure of performance. In a co-operative where both wages and profits theoretically accrue to the same people, it makes less sense to do this. Hence the division between the resources comprising net profits and the wage bill is to an extent arbitrary - reflecting perhaps the members' preference for immediate versus distant financial reward. For this reason, some writers (Abell and Mahoney, 1980) have argued that appropriate measures of performance for co-operatives should consist of ratios of value-added (comprising net profits plus wages) to the inputs to the business - in this case capital and labour.

In tracing Recycles' economic development we shall follow the model of the business shown in figure 2.0, and use ratios of inputs: value-added as the primary measures of financial performance.

It is perhaps worthwhile pointing out that the conception of Recycles implicit in this diagram is as a mechanism for transforming capital and labour into economic rewards for the membership. This is consistent with views expressed by members of the co-operative; a number of them saw the business as vehicle whose main mission was the provision of a living for those in it at any one time. It is debatable whether the same 'core-mission' would emerge if this diagram was re-drawn for the owners and/or controllers of a conventional business.
So, using the diagram shown in figure 2.0 as a device to structure the account, how has Recycles developed as a business since it began trading in 1977?

The measure of performance we shall be using have been computed from the co-operative's annual accounts and therefore each one covers a period of 12 months (15 months in the case of the first set of accounts). We shall look at indicators of business performance for each year and then relate these to significant events and developments that have occurred within the co-operative for that year.

2.3.2 August 1977 - October 1978

As we have seen, Recycles' first year was a turbulent one, with the early realization that the repairs shop could not support three people causing Chris to go back onto the dole only 4 months after the co-operative had started trading. The search for a more profitable operation led to the establishment of Edinburgh Cycle Hire in May 1978.

Considering Recycles' inputs for that period, at start-up there was a notional capital investment of £1,500 (slightly less in cash terms); the labour input consisted of 3 enthusiastic, but relatively inexperienced people (inexperienced in both a technical and commercial sense). With meagre financial resources, there were few important investment decisions to be made - the shop had to be fitted out to a certain minimum standard, certain tools had to be purchased, which only left a small amount with which to purchase stock. That the co-operative managed to acquire cheap, well-sited premises appears to have been a stroke of good fortune, as the co-operative's proximity to the University meant it was also close to a major group of cycle-users in Edinburgh. Due to their knowledge of the Edinburgh cycling scene, the founders knew there was a demand for a bicycle repair service in the city. Also the 1974 energy crisis was still fresh in peoples' minds; partly as a consequence of this cycling looked set to grow in popularity. Thus, Recycles seemed to be setting up in a rising market, and not simply slotting in to an existing, stable market. Certainly demand in the early months appears to have been there; aided by advertisements in the student newspapers, there proved to be plenty of work during the autumn of 1977, although the seasonal nature of the trade asserted itself in the winter when business became very slack. It was at this time that Chris left to explore options for boosting the earning power of the operation.

Morag comments:

"What we found was that though the service which was needed was a repair one, it wasn't a money-making venture ... which is presumably why no-one else was doing it. It got the punters in, but we didn't have anything to sell them to make the money on."

The tightness of resources was a chronic problem which manifested itself in a number of ways. There was insufficient money to carry a reasonable load of stock to sell, which in turn meant a reliance on low-profit repair work. Recycles were also unable to carry a sufficient stock of parts to support the repairs operation, which
meant frequent (and time-consuming) visits to suppliers, or to other bicycle shops, for very small quantities of parts.

The idea of branching out into cycle hire presented an opportunity to break out of this situation. Chris visited a London-based cycle hire company and found out about the problems which they had encountered, the balance of bicycles they used in their hire fleet and so on. In addition, they obtained a copy of feasibility study for a cycle hire operation in Scotland which had been done as part of a thesis at Edinburgh University. This information was assembled into a proposal for a cycle-hire business and submitted to the Industrial Common-Ownership Fund (ICOF) in support of a request for a loan for £4,000. In addition, the assistance of Cairns Campbell, then the development worker for the recently formed SCDC was sought and his assistance proved to be crucial in obtaining money from ICOF. Cairns actually took the application to ICOF himself, and spoke for it. Norman Lowe (ICOF) comments:

"In those days most co-operatives used to approach ICOF directly. Here was one that had an agent between it and ICOF that looked at the co-operative independently, and was there to help co-operatives in Scotland."

David Ralley, secretary to ICOF, adds

"We actually made the loan more out of wanting to help SCDC than out of business sense. We said 'This is SCDC's first approach, let's take a flyer, let's loan £1,000' ... we could have said no on the basis of what was presented."

So Recycles obtained £1,000 from ICOF 'on faith' to put towards the establishment of the hire business; this left a considerable shortfall from the amount required to obtain and fit out premises and to purchase a hire fleet. Chris and Morag managed to obtain a £1,000 personal loan against the security of their flat (their bank manager was unsympathetic and out-of-touch with respect to business loans; indeed, to their astonishment he suggested that they sell some of their stocks and shares - which they had never had - to raise money for Recycles!). Chris managed to obtain a loan of £1,000 from a personal friend, who also provided the solution to the problem of premises for the hire business. Finding appropriate premises for the hire business had looked like being a real headache. Such premises had to be fairly large to accommodate the hire fleet, yet they had also had to be close to the city centre. The personal friend who had lent Recycles - or, more accurately had lent Chris - £1,000 also owned a shop with a large basement within a mile of the city centre; it was on the edge of a park, just across the road from Edinburgh's youth hostel. Chris's friend only required the use of the basement, and so Recycles was able to rent the shop area for the cycle hire business. Although in an ideal site for cycle hire, the shop was not a prime retail site, so rent and rates were correspondingly low.

Once again, Recycles appear to have been fortunate with premises. By the Spring of 1978 they had raised £3,000 to fit out a shop and purchase a hire fleet. They had suitable premises, in a good site and at a reasonable (though still market-rate) rent. Moreover they had made contact with Cairns Campbell and gained his support,
something which was to prove invaluable in the months to follow. Furthermore, the bicycle manufacturers who had steadfastly refused to supply them with bicycles to sell agreed to supply bicycles to hire. These could then be sold off at the end of each hire season, and hence get more money flowing through the business.

In May 1978 Mike Sweatman joined Recycles to work with Chris in the hire operation. Mike had worked in another bicycle shop in the city for a couple of years and so was skilled and experienced in the bike trade. He had been a 'sleeping member' of Recycles since its inception and so was familiar with its internal workings. He had been keen to join Recycles when it started up, but it was not until the hire operation began trading that the business could support four people. The hire business proved to be successful during the summer of 1978 and also allowed Recycles to begin dealing in new bicycles.

Although the money was coming in, the tight resources and lack of business experience within the co-operative meant that little routine administration was performed. Chris looked after the financial side of the co-operative, but appears to have run the co-operative’s finances in the style of a personal account, rather than a business account. Although occasional financial statements were provided, in general Chris spoke little about the co-operative's finances. The other members tended not to ask questions about finances, and effectively the business was operating with no financial control for the first 18 months of its life. A similar story is evident with respect to book-keeping. All the bills and receipts were kept, and Morag entered these onto a general ledger; but once this was done no-one really knew what to do with it. Morag herself recounts:

"All I was doing was copying down figures and adding them together; if they didn't balance, that was just tough."

and Jerry:

"We had a big red book which was columnized and totalled every week by Morag. We also had a petty cash book, which didn't work very well. We had repair slips which we kept in shoe-boxes. When we eventually realized we needed an accountant - after about 18 months - he came and asked us lots of questions we couldn't answer like 'Where did you get this loan from?'".

The event which led to the realization that these procedures were inadequate for controlling the business was the cash crisis of the winter of 1978. Up to the end of the summer of 1978 few business decisions had had to be made - in the fervour of starting two shops within 12 months on a tight budget there had been so little room for manoeuvre that there was an apparent inevitability about what was to be done. However, the decision to stock up on bicycles for that Christmas revealed the absence of financial control and elementary business skills such as cash-flow forecasting. By December it was apparent that all was not well; creditors were demanding payment and there was simply no money available to meet these demands. In desperation, Cairns Campbell was called in, and the inadequacies of Recycles' business administration were revealed. Here the
intervention of SCDC and ICOF appear to have been crucial. Cairns Campbell helped Recycles prepare an application for funds to ICOF, and also suggested remedies for their financial plight. He showed them how to keep the books properly so that it was possible to interpret the co-operative's finances, and how to do forecasts for the coming year:

Up to then, Jerry says:

"We couldn't even get it together to do the accounts for the last year, let alone do a forecast. He showed us how you had to check things month by month and make changes to keep to targets. Things still got left undone, but the idea was imprinted in our minds."

Cairns also recommended an accountant to Recycles who subsequently proved very helpful in assisting them develop a discipline for their accounts.

ICOF's assistance at this point was also vital, if a little unconventional. Recycles requested a loan for £2000 for a period of six months to tide them over their cash crisis. It appears that the way in which this was done was construed as moral blackmail by both Recycles and by ICOF... Recycle's members felt 'a bit guilty' about the approach which they used. Chris:

"The moral blackmail came in in that we were saying 'We're a co-operative, we want to stay a co-operative and you're the only people going to give money to co-operatives. We can't get money from anywhere else unless we cease to be a co-operative, so it's up to you."

At the trustees meeting at ICOF the loan was agreed; Cairns Campbell lobbied strongly for Recycles. Again, ICOF were swayed by his intervention, not only because he was speaking for the co-operative, but also because he had a commitment to helping it manage its finances. The minutes of that ICOF meeting record that the secretary was to convey the strong feeling of the trustees that they did not like being pressurized into making decisions in this way. The co-operative also requested a term loan of £3,000 from ICUF for stock for the coming year, which was also granted.

In its first 15 months of trading Recycles had achieved a turnover of £23,353. This was based on a capital input of £5,682, giving a ratio of value-added/capital resources of 1.31:1. A total of 206 member-weeks of labour had gone into the business, giving a value-added figure of £32.70 per member week. These figures in isolation cannot in themselves say very much about the co-operative's performance, but they do indicate the starting point from which Recycles as a business began to develop.

2.3.3 1978-1979

Recycles was through what was to be its worst financial crisis. It was at this point (January 1979) that Chris left the co-operative, and the combination of the departure of a key figure plus the crash course in business education caused by the cash crisis led to a change in the way the business was conducted. That Spring, the
arrival of George South and Ken Fisher further advanced this change. George was Canadian, a cycling enthusiast and was set to pick up a career in either local government or the Trade Union movement. However, he had considered opening a bicycle shop himself, and so when the job at Recycles was advertised he applied. Ken had recently completed a post-graduate teaching qualification, but had decided against teaching. Although not particularly experienced with bicycles he was conscientious, and took what he did at Recycles very seriously. Although none of the new members brought any business skills with them, they brought fresh enthusiasm.

Morag:

"We took George because he was so keen. He kept on saying how he could help turn Recycles into a great business ... how it had potential but was a bit sloppy ... Ken just seemed a nice guy ... and was keen on the idea of working in a co-operative."

She goes on to describe the general rules they used in choosing new members:

"We thought that bike skills were something that could be picked up pretty easily, that there wasn't that much to it. So it seemed better to have someone we could get on with, rather than someone who was a real whiz with bikes, but a pain in the neck."

During 1979 the business gained an increasingly sound footing, as the members wrestled to master business procedures. It was not so much that they now knew how to do everything - but they at least had an idea of what had to be done. They regularly drew on the knowledge of SCDC, and people began to pick up responsibility for specific tasks in the co-operative. For example, one person looked after the ordering and stock control of new bikes, another for the ordering and stocking of spares, another for financial planning and so on. Of these tasks, the most daunting was financial planning and control; it was this task which Ken Fisher picked up shortly after his arrival.

Jerry says of financial planning:

"It was so bad that we decided that someone was going to have to devote their full time to it for two weeks; to go away, get it sorted out and come back and tell us ... so Ken said he would do it. He came back after this time and said 'Er ... it's a bigger problem than I realized.' He was like that for about a year ... I think it's the most difficult job in the whole co-operative - everything else is a piece of cake compared with it. But it wasn't enough for Ken to understand it ... people had to pay attention and act, like, for example, Ken would say we should have a sale next month to generate some income, but it would sound a bit too dynamic a thing to do, so we'd say 'We'll wait a bit and see'."

And Ken himself says of the financial control situation:

"I expected it to be a mess ... but I had no idea it would be such a big one!"
During 1979 the co-operative's meetings began to function more effectively as mechanisms of management and co-ordination. Weekly meetings became compulsory from the time Ken and George arrived - everyone would sit down before the meeting and an agenda would be compiled. This would consist of matters arising from the previous week's meeting (of which minutes were kept) plus items which had arisen during the week. From this time it was obvious that the repairs shop and the hire and sales operation were once again one operation; during 1978 they had been operating more-or-less autonomously. In addition the influx of new people served to dilute, though not remove, some of the tension between the two remaining founders; tension which had proved disruptive at early meetings.

1979 proved to be a boom year for the bicycle trade. Sales of new bicycles were buoyant; Recycles now had the use of the large basement area of their shop at No. 8 Alvanley Terrace, which functioned as a showroom for new bikes; the shop itself was used as a showroom for spares and accessories and as the base for the hire operation. The small shop in West Cross Causeway continued to do repairs and to sell a modest volume of spares and accessories.

Turnover in this year was over double that of 1977/78 at £76,276, for an input of capital (as measured by net assets at the end of the year) of £6,811 and a labour input of 286 member-weeks. Computing these into simple input/output figure produces a figure of £56.20 of value-added per member week (72% up on the previous year) for labour productivity; and a ratio of 1:2.06 for units of capital/units of value-added (55% increase on the previous year). Thus, although its members were still struggling to learn about the business side of the operation, Recycles was enjoying a rapid expansion. It was at this point that the opportunity of acquiring the lease for the property next door (5/6 Alvanley Terrace) arose, and Recycles again turned to ICOF for funds; this time they requested £17,000 to cover stocking and fitting out the new shop; a readvance of the £3,000 they had borrowed earlier in the year plus a new advance of £14,000. ICOF granted them a total of £12,000 over five years. By this time, despite the crisis of the previous winter, Recycles appears to have developed a good relationship with ICOF. With respect to this particular loan, Norman Lowe (ICOF) comments:

"We knew that the people were OK, the property was OK and the bikes were OK; SCDC were there, and John Pearce, who was an ICOF trustee, was in Scotland as well ... so although we were 400 miles away, we had people who were there. And unlike some other co-operatives we have lent to they sent us projections to keep us in the picture of what was going on."

2.3.4 November 1979-October 1980

At the start of 1980 Recycles technically occupied 3 properties - the small shop on West Cross Causeway, 5/6 Alvanley Terrace and Alvanley Terrace. Being adjacent, the latter two functioned as one shop. As the co-operative expanded, more staff were taken on. Recycles was about to enter a period of relatively high turnover of members, which eventually was to lead to a marked shift in selection and recruitment practice.
In the Spring of 1980 Malcolm Bruce and Maureen MacDonald joined Recycles. Both were "University drop-out types"; Malcolm was keen on the idea of co-operatives, and also knew a little about bicycles. Maureen was chosen apparently because she was a woman, and it was generally agreed that it was a good thing to have a reasonable balance between the sexes in the co-operative. She knew little about bicycles, nor was she particularly committed to co-operatives. She sought a congenial job and Recycles appeared to provide this. Both Malcolm and Maureen left within 4 months of joining the co-operative. At this time, Morag also left, worn down by strain of the preceding three years. Three more people were taken on to replace them, Ruth McGill, Nancy Crooks and Lindsey McDermid. Neither Ruth nor Nancy "worked out"; Ruth in particular had severe difficulty in mastering the technical side of the job, even though other members of the co-operative spent considerable time going through mechanical procedures with her. Customers were returning with complaints about improperly repaired bicycles. This led to an uneasy feeling in the co-operative; neither the people struggling with the technical side of the job nor those who were struggling to support them were happy with the situation. Both Nancy and Ruth left within a year of joining Recycles.

The summer of 1980 presented a potential business crisis when the landlord of No. 8 Alvanley Terrace announced his intention to sell up. Recycles were given first refusal on the purchase of the shop, but the valuation on it was felt to be too high so the future of the shop was thrown into doubt. As it turned out, an acceptable price was negotiated, and Recycles again turned to ICOF for finance. ICOF provided money from two sources this time; from its own general fund (£2,000) and from the Department of Industry (£6,000). The property was purchased for approximately £9,000. The Department of Industry loan was simply administered through ICOF, and was made on the understanding that it would contribute towards a manufacturing operation. (Recycles at that time were planning to manufacture hand-made wheels). In comparison to some of their earlier requests for finance, the Department of Industry application stands out as being a particularly polished, glossy document; an indication that Recycles was learning to handle financial institutions.

Interestingly, whilst consolidating their position with regard to No. 8 Alvanley Terrace, and carrying their largest complement of permanent staff - seven members in all - Recycles made a loss in 1980. Turnover had increased considerably to £109,808 (44% up on 1979), but the purchase of the shop and the relatively high complement of staff meant that the cost of the inputs to the business was also considerably higher. The capital assets of the co-operative were now £18,906, and 360 member weeks of labour had gone into the business in 1980. This had caused the ratio of value-added to capital assets to drop from 2.06:1 to 1.3:1. It is perhaps worth pointing out that this change is probably in a part a reflection of of the chronic under-capitalization of assets in 1980. Labour productivity did continue to improve however; £67.83 of value-added per member week, an increase of 21% on the previous year.

There are two points of particular interest from these figures. First, the figure for labour productivity continued to rise, despite the absorption of new, unskilled members. This might indicate a
continuing rise in the market, but it also suggests increasing business and technical proficiency on the part of the longer established members. New, inexperienced members were being absorbed into a small business, yet labour productivity showed a substantial improvement. Secondly, there was the purchase of No. 8 Alvanley Terrace. Although there perhaps seemed little alternative to doing so at the time, the decision functioned to increase long-term security of the business by stretching the finances of the co-operative in the short-term. Once the loan was paid off, the co-operative would enjoy the benefits of the purchase, but the appreciation in value of the property, while building up Recycles' assets would be unlikely to benefit any of the individual members of the co-operative.

2.3.5 November 1980-October 1981

1981 saw a discernable change in Recycles. Having made a slight trading loss in the previous year 1981 began with 7 full time staff operating at the two sites - Alvanley Terrace and West Cross Causeway. In terms of strategic business decisions the year was uneventful until the Autumn, when it was decided to close down the original repair shop in West Cross Causeway. This coincided with the departure from the co-operative of Nancy, Ruth and Jerry (the last of the founder members). Only one person, Dave Jones, was taken on in place of those leaving and it was felt that five people could not run two shops. Moreover, rates and rents for West Cross Causeway had increased substantially, so that the repairs operation, never a big money-maker, had become very marginal indeed. This streamlining of Recycles seems to have occurred at a fortuitous time. Since it started, the wage bill of Recycles had been rising steadily in relation to turnover; it topped out in 1981, with wages representing 22.5% of turnover. Even at this, the wages paid to individuals were still not high at £60 per week, for an average working week of about 45 hours. ICOF had noticed this trend and had pointed it out to Recycles at the end of 1980. However, short of a cut in already low wages, there seemed little that could be done about it until people left voluntarily. To exacerbate the problem, the early 1980's saw the bicycle market, which had been so buoyant in the late 1970's declining. In 1981 Recycles' bicycles sales dropped by about 40%; nationally, major bicycle manufacturers such as Raleigh of Nottingham were making substantial numbers of people redundant. In addition to this, by the end of 1981, the bicycle market in Edinburgh had become considerably more competitive since Recycles had started trading, further squeezing the co-operative.

Ken:

"Our accountant said that he was very glad that the labour force had dropped from 7 to 5, and that if we had been a normal business it would have happened a long time ago. He has seen other businesses in our position which have kept expanding and eventually the bubble has burst. It's very easy to do; we're working hard, and we say 'We need more people', 'we need more stock' and on it goes until the bubble does burst. He was afraid that might happen to us. But it hasn't; I think we now know more about the dangers of expansion than we did 3 years ago." (Interview, February 1982).
Other signs of an increasing business awareness in Recycles were also manifesting themselves by the end of 1981. For example, the co-operative had evolved a sophisticated system of stock control, having realized the importance of exercising control over the use of their finances. This control was particularly important because of the highly seasonal nature of the bicycle business.

George South:

"... because there is a lot of money around in the summer, there is a tendency to go and spend it; so you buy things to sell, and then end up on the verge of the winter when things are slow with a massive quantity of stock."

This had caused Recycles problems every year since its start-up. Although there was little that could be done about the seasonal nature of the trade, the stock control system was an adaptation to it.

Another such adaptation was occurring with respect to staffing policy. Ken:

"... another mistake we may have been making was to take on more people than were needed for the whole year. Things are really busy in the summer, and there's a tendency to say "OK, the work's there so we must employ people to soak it up." Then the slump comes in the winter and you're not left with enough work and money to go around."

Whereas once Recycles' members might have baulked at a policy of temporary workers for the summer months, it was now recognized as a virtual necessity. By the end of 1981 it was also apparent that a change in emphasis was occurring with respect to the recruitment of new members. After the succession of people who never really "worked out" during 1980 and 1981 (Malcolm, Maureen, Nancy and Ruth) a marked change in emphasis occurred. Instead of having to demonstrate some sympathy towards co-operatives, new people now had to be ostensibly bike-oriented people first and foremost. Second to that was their potential for getting on with existing members in a co-operative setting. George and Ken describe the pressures that led to this shift.

Ken:

"In a perfect world ... there would be ample opportunity for people to acquire the skills they need to work on bikes, but in practice we found that new people who didn't have some degree of skill to start with were really lost.

George:

They never caught up, despite being given time for specific training. It's the old problem of having to double up ... in taking a knowledgeable person out of a productive capacity and putting them into a teaching role you are losing 2 persons' production. I suppose we're being wafted away by market forces in our selection procedure."
Financially, 1981 saw a continuation of the trends of the previous years. Turnover again rose (to £125,522) an increase of 12.5% on 1980. The purchase of No. 8 Alvanley Terrace at the end of 1980 now shows up in the figures for capital assets for the year of £27,310 - an increase of 31%. Not surprisingly this increase, whilst undoubtedly improving the longer-term prospects for the co-operative, did little to improve the value added: capital ratio for that year, and indeed this ratio dropped relative to the previous year to 1.18:1. The figure for labour productivity continued to improve (up 13% on the previous year to £78.37 of value-added per member week), despite the apparent over-staffing and problems with technical proficiency on the part of some of the members. The overstaffing problem manifested itself as a wage bill which constituted 22.5% of turnover; the highest since the co-operative began.

2.3.6 November 1981-October 1982

Recycles began the year in a much slimmed down form from the previous year. Dave Jones, the one person to be taken on following the departures of Ruth, Nancy and Jerry began work early in January; he was the first person to be taken on following the shift in emphasis in recruitment criteria. As had been the case every year cash was tight over the winter of 81/82. In anticipation of this the members had reluctantly foregone a £10 per week pay rise the previous summer and kept wages down to £60 per week. In addition, a substantial overdraft facility had been negotiated with the bank to cover the co-operative over the lean winter months. However, the low wages were seen as a real problem and in early 1982 the members were searching for ways in which they could increase their pay without bankrupting the co-operative.

In terms of administration, there had been a steady evolution of procedures over the preceding couple of years. By now specific people had responsibility for specific areas; for example, one person looked after wages, another after VAT returns, somebody else after stock control and so on. Everyone shared their time between carrying out their administrative functions and working either in the workshop or behind the counter in the shop. The mechanism for dividing up this time and ensuring cover in all areas was provided by a monthly rota system - the "Green sheet". This would be worked out at a weekly meeting and would involve deciding who would do what - and when - for the coming weeks. Against each person's name for each day would be written either "shop" to denote either workshop or serving behind the counter, or "paper" to denote paperwork. Although this is the only distinction made by the rota, any one person doing paperwork for that day would confine themselves to those paperwork tasks for which they had responsibility. Those allocated to 'shopwork' would work out between themselves who would serve behind the counter and who would cover the workshop. Due to the volume of work to be done, there were still shortcomings with this system but it was a vast improvement on the 'free for all' of the early years.
George:

"... things do get left out, simply because we're so understaffed; there's always a tendency to sacrifice paperwork if there's a big queue of customers ... if they're queuing out onto the street it's really difficult to turn them away.

Ken: "I think it's true to say that we now know what's been left out ...

George:

"Yes ... it won't have been forgotten, rather neglected"

As the summer trade of 1982 picked up Recycles again began to take on more staff to handle it. In the course of the year, 4 people were taken on altogether; 2 on a permanent basis, 2 on a temporary basis for the summer months. The two permanent people were both cycling enthusiasts; Andrew Davies, an 18 year old school leaver, and keen racing cyclist, and Richard Peploe, a business studies graduate, also with a keen interest in bicycles. By October 1982 Recycles had seven full-time members again. They had decided that they could afford to pay themselves £70 per week; still low wages, but an improvement on the previous year. To compensate for the low wages - more specifically, to allow those that felt they needed higher pay to earn it - a more flexible approach to working hours was adopted. First, the official working week was reduced from five days to four; and secondly weekend repair work began to be used as a means of giving those that wished to earn more money the opportunity to do so via a system of voluntary overtime.

These arrangements came into practice towards the end of the 1982 accounting period and so are unlikely to produce a substantial impact on the performance figures; one would however expect the reduction in the length of working week to influence the figures for labour productivity.

Turnover for the year was again up; 1981/82 it was £149,980, a 19% increase on the previous year. There was an increase in capital assets of 9.6%, and the ratio of value-added to capital assets fell to 1.04:1. The lower staffing levels of the early months of 1982 were reflected in the lower labour input for the year; 372 member-weeks, a 9.7% reduction on the previous year. Correspondingly, there was a modest increase in labour productivity; value added per member week increased by 6% to £83.74.

2.4 Financial Measures of Recycles' Business Development

This section consists of summary tables of Recycles economic performance in the first five years of its existence, together with some general comments on these financial measures. There are three distinct sub-sections; the first concerns the volume of business, its profitability and its expenses, the second centres on performance measures, specifically input/output ratios such as value added in relation to capital; and the third sub-section looks at the growth of assets and the changes in distribution of value-added between net profit and wages.
2.4.1 Turnover and Gross Profits

The figures for Recycles' turnover and gross profit are shown in figure 2.2. As may be seen, turnover has increased substantially every year since start-up, the most rapid increases occurring between 1978 and 1979 (170% increase) and 1979 and 1980 (44% increase). In 1981 the increase in turnover was less substantial, but by 1982 the rate of increase showed signs of picking up again. An index of how much these sales were earning for the co-operative is provided by the gross profit as a proportion of turnover, or the gross margins. Gross margins are indicative of the earning power of the operation and are sensitive to factors such as pressure from competitors, the buoyancy of the market and the supply and pricing policy of the enterprise. The gross margins for each year since start-up are shown in table 2.1. The gross margins fluctuate around 30%, about what one would expect for a retail business. What are interesting are the possible explanations for these fluctuations. For example, it may be noted that the margins were particularly low in 1979, suggesting that Recycles were selling goods relatively cheaply in relation to their cost price. Such an activity may have been caused by an active policy of under-cutting other cycle dealers in the city, or been forced upon the co-operative by one of the price wars which periodically affected the bicycle trade in Edinburgh during that period. Certainly turnover increased sharply in this year indicating either a rising market, or an increased share of the market perhaps due to price-competitiveness. It is interesting to note that in 1981, the year in which margins were highest (34.4%) turnover showed its smallest increase, and that a fall in margins for 1982 corresponded with a larger increase in turnover.

Thus, the picture for the early years appears to be of a business rapidly expanding its volume of sales, but whose gross profits are fluctuating either as a result of 'experiments' in pricing and sales policy, or as a consequence of an uncertain market; or most probably as a consequence of a combination of both.

Gross Profit: Changing Patterns of Use

Bearing in mind that gross profit provides the funds from which all the co-operative's expenses - including wages - must be paid, it is interesting to consider how gross profit has been divided up during the co-operative's existence; over time this may reveal changes in emphasis in how the business is being conducted. This information is presented in two slightly different forms in figures 2.3 and 2.4. Both these figures show the proportion of gross profit distributed to different expenses - figure 2.3 shows this in absolute terms, figure 2.4 as percentages of gross profit going to different expenses. For simplicity, expenses have been condensed into 4 categories - these are:

1. Wages
2. 'Image'; covering advertising and shopfitting
3. Overheads: rates, insurance, repairs, utilities etc
4. Interest on loans
Table 2.1
Economic Performance Figures 1977-82

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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current ratio</td>
<td>1.41</td>
<td>1.29</td>
<td>1.04</td>
<td>0.92</td>
<td>1.02</td>
</tr>
<tr>
<td>Liquid: Current assets</td>
<td>0.15</td>
<td>0.15</td>
<td>0.05</td>
<td>0.18</td>
<td>0.09</td>
</tr>
<tr>
<td>Amount owed to Creditors</td>
<td>£9,829</td>
<td>£20,373</td>
<td>£23,369</td>
<td>£13,947</td>
<td>£15,533</td>
</tr>
<tr>
<td>Creditors/stock</td>
<td>66%</td>
<td>75%</td>
<td>62%</td>
<td>51%</td>
<td>40%</td>
</tr>
<tr>
<td>Gross Margins</td>
<td>31.7%</td>
<td>26.3%</td>
<td>31.7%</td>
<td>34.4%</td>
<td>30.8%</td>
</tr>
</tbody>
</table>
Figure 2.3: Recycles Ltd.: Use of Gross Profit 1977-1982

Amount spent

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Profit</th>
<th>Net Profit</th>
<th>Wages</th>
<th>Image</th>
<th>Overheads</th>
<th>Loan Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1978</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1979</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>1981</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1982</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

£50,000
£40,000
£30,000
£20,000
£10,000
0
Figure 2.4: Recycles Ltd.: Expenses as % of Gross Profit, 1977-1982

% of Gross Profit

- Net Profit
- Wages
- Image
- Overheads
- Loan Interest

Net profit, the amount of gross profit left after these expenses have been deducted is also shown. Figures 2.3 and 2.4 are best used in combination, as some of the trends in relative spending are more clearly discernable in the latter, although the former provides more information in total.

In the first 15 months of trading wages constituted a fairly low proportion of gross profit (38%) and mainly as a consequence of this net profit constituted a substantial proportion of gross profit, although in absolute terms the net profit was quite small (£2970). As Recycles has always used its net profit for re-investment, this seems to be an example of 'sweat equity'; by taking very low wages, the members actually began to capitalize the business. Overheads took 20% of gross profit - this figure actually remains remarkably constant throughout the five year period. 'Image' which is a rather crude amalgamation of expenses comprising general expenses (mainly shopfitting) and advertising expenses took 10% of gross profit. As one might expect this was a little higher for the first period of trading than for the subsequent 3 years.

In 1979 gross profit more than doubled, but expenses also increased substantially, in particular wage costs. These now represented 53% of gross profit, most of which had been made up from a reduced proportion of net profit. The proportion of gross profit taken by other expenses - interest, overheads and image remained steady, with a slight reduction in the proportion going to 'Image'. At the end of 1979 Recycles obtained the first of its two major loans from ICUF which was invested mainly in stock, and this shows up in the figures for 1980 in the form of a marked increase in interest charges.

In this year the co-operative seems to have pushed for a major expansion and used the ICUF loan to finance it. Indeed, there was a substantial increase in gross profit (a rise of 73%) but expenses rose even more substantially, and as a consequence a trading loss resulted. Wages now took 62% of gross profit; this was noticed by ICUF at the end of the year, and they expressed their concern about the ratio of wages: sales. In addition, the proportion of gross profits taken by overheads had risen (to 25%) and the ICUF loan was making its presence felt in that 6% of gross profit was used to pay interest on the loan. As may be seen from figure 2.3, the increase in expenses created a small trading loss of £596 for 1980.

The figures for 1981 show a healthier picture, despite this being a year when Recycles was considered over-staffed, and experienced a high turnover of members. Gross profit continued to increase, but this time its increase exceeded that of the expenses. Wages as a proportion of gross profit fell to 57%; still high, but not as high as in 1980. The proportion spent on 'Image' and loan interest remained steady, whereas overheads fell, leaving a net profit of £4012.

It may be recalled from the description of Recycles' development that a marked change in emphasis occurred at the end of 1981 as the members became more 'bicycle-centred' rather than 'co-operative' centred. The 1982 figures may reflect one aspect of this shift, namely an increasing concern with the image of the business. The proportion of gross profit spent on this rose to 16% - considerably higher than it had ever been before. The closing of the repairs
shop in West Cross Causeway showed itself in the figure for
overheads which was lower both in relative and absolute terms.
Similarly, the reduction in staffing at the end of 1981 resulted in
a lower wage bill, and a net profit of £3235 was made.

2.4.2 Value-Added and Capital and Labour Inputs

As discussed in section 2.3.1, the problems associated with using
net profit as the main output measure against which to judge the
efficiency of utilization of inputs led to the adoption of
value-added as the main output measure. This will be combined with
measures of each of the two main inputs - capital and labour - to
produce the two main performance measures of value-added per unit of
capital input and value added per unit of labour input. These
figures are shown in table 2.5.

Value-added and Capital Employed

A problem which arises when calculating ratios of outputs:inputs of
capital is in deciding how to judge capital input. This is
particularly so with respect to a business such as Recycles where
net assets - especially in the early years - were low. Much of the
capital of the business was loan capital, and if the full amount
outstanding was taken into account would give a rather low figure
for net assets ... and hence an artificially high figure for value
added in relation to assets. For this reason, capital inputs for a
given year were taken to be the total amount of capital at Recycles'
disposal for that year, less current liabilities, less loan
repayments due in that year. An example of how this calculation is
performed is given in appendix I. Using this convention, the
computed capital/value-added figures for Recycles' first five years
are shown in figure 2.6.

Here it may be seen that capital productivity increased rapidly in
the first two years of the co-operative's existence; such an
increase is probably attributable to the combination of low initial
capital and the rapid growth in turnover and gross profit. In
combination, these create an impression of a huge return on capital.
What these figures do not show are some of the problems caused by
the low capitalization, such as persistent liquidity problems, the
most chronic of which nearly caused the co-operative's collapse in
the winter of 1978. As the capital base has built up with
substantial injections of loan capital at the end of both 1979 and
1980, the winter liquidity crises have eased, though the seasonal
nature of the trade still tends to cause cash flow problems at this
time of year. That capital productivity should continue to decline
during 1982 is a little puzzling and raises questions about the
efficiency of capital utilization. That said, it should be noted
that the pre-tax rate of return on capital for companies in general
shows a similar pattern, suggesting an influence from the wider
economic environment (figure 2.6).

Value-added and Labour Input

The measurement of labour input is almost inevitably a crude
process, and the possibility of error in the following figures
should be recognized. A 'member-week' is used as the unit of
measure of labour input, that is, one week's labour of one person.
Three points should be noted with respect to this measure:
Table 2.5
Recycles Ltd: Value Added Figures 1977-1982

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Profit</th>
<th>Wages</th>
<th>Total Added Value</th>
<th>Labour: (Member weeks)</th>
<th>Capital Assets</th>
<th>Value added per m/w</th>
<th>Value added per unit of capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977/78</td>
<td>2970</td>
<td>3769</td>
<td>6739</td>
<td>206</td>
<td>5082</td>
<td>2.70</td>
<td>1326</td>
</tr>
<tr>
<td>78/79</td>
<td>3680</td>
<td>12,394</td>
<td>16,074</td>
<td>286</td>
<td>7811</td>
<td>56.20</td>
<td>2058</td>
</tr>
<tr>
<td>79/80</td>
<td>(596)</td>
<td>25,018</td>
<td>24,422</td>
<td>360</td>
<td>18,906</td>
<td>67.83</td>
<td>1292</td>
</tr>
<tr>
<td>80/81</td>
<td>4012</td>
<td>8,280</td>
<td>32,292</td>
<td>412</td>
<td>27,310</td>
<td>78.37</td>
<td>1182</td>
</tr>
<tr>
<td>81/82</td>
<td>3235</td>
<td>7,924</td>
<td>31,159</td>
<td>372</td>
<td>29,943</td>
<td>83.74</td>
<td>1041</td>
</tr>
</tbody>
</table>
Figure 2.6: Value-added per unit of capital employed, 1977-82

Value-added per £1000 of capital

Pre-tax rate of return on capital
Industrial and Commercial Companies

Value Added per unit of capital
Recycles
A 'member-week' in the early months of Recycles' existence is likely to have represented a bigger input of labour than would a member week later in the co-operative's history, due to some of the long hours put in in the early days.

It is assumed that the time lost due to holidays, sickness and so on has remained constant throughout the five year period.

The four-day week which came into operation in the latter half of 1982 has not been taken into account. The likely effects of (1) and (3) are to under-estimate rather than over-estimate any increases in labour-productivity. Bearing this in mind, the figures for labour input:value added are shown in figure 2.7.

The curve for labour productivity shows an interesting contrast to that for capital productivity, and resembles the classic 'learning curve'. A number of mechanisms are likely to be operating - and hence determining the shape and gradient of this curve. It shows a steep increase in labour productivity in the first two years of Recycles existence followed by a gradual levelling off. Undoubtedly the capitalization of the enterprise will have had an impact on labour productivity, so to ascribe changes to - for example, skill acquisition - may be unwise, although not implausible.

A further problem with the use of value-added and labour input lies in the inevitable co-relation between the two measures.

Labour-input is measured in member-weeks, and member-weeks over a year reflect the level of staffing for that year. Value-added comprises net profit plus the annual wage bill; the latter of those not only comprises the most substantial proportion of value-added, it is also directly related to the number of member-weeks worked in the year. If one assumes the net profit is almost insignificant in relation to wages, then it could be argued that figure 2.7 is in fact showing little other than how the average weekly wage has changed over time. When other indicators of labour productivity such as sales/member-week or gross profit/member-week are employed, results which are more straight-forward to interpret are produced (see figure 2.8).

Taking turnover per member-week first, it may be seen that the curve rises steeply during 1978 and 1979, begins to level off in 1980, and then reaches a plateau during 1981. This pattern seems to make sense, as 1981 was the year in which Recycles was apparently over-staffed - of at least, employing more staff than it could afford to in the longer term. This was also the time when a number of relatively unskilled people were taken on and failed to "work out". In 1982, 40 member-weeks fewer were worked, yet sales still increased, producing an increase in labour productivity. Although one should exercise caution in interpreting this, it is possible that the shift in recruitment practice was also influencing labour productivity.

Turning next to gross profit per member week, a similar pattern may be seen. Encompassing as it does the amount of money made on sales, gross profit can indicate both the volume of sales, and the earning power of these sales. Thus, for example, greater knowledge of the
Figure 2.7: Value-added per Unit of Labour Employed, 1977-82

Value Added
per member-week

£90
£80
£70
£60
£50
£40
£30
£20
£10

77 78 79 80 81 82
Figure 2.8: Labour Productivity, 1977-1982
(Turnover and Gross Profits Per Member Week)
market could enable on retail business to selectively deal in those items on which a higher margin can be charged, thus bringing in more money for the same value of sales. In this case the ratio of gross profit/labour input might show an increase, whereas turnover/member-week might not. This contrast may be seen with respect to 1981 in figure 2.8; in this year sales per member-week showed no increase, but because a higher margin was earned on these sales the gross profit per member-week figure improved. On this index labour productivity shows a constant increase throughout the five year period, although there are signs of a levelling off during 1981, and then steepening of the curve during 1982.

2.4.3 Net Profit and Growth of Assets

A further area of interest in Recycles' business development lies in the use of value-added once it has been generated. Up to the time of writing, any net profit had been used for reinvestment in the business rather than distributed as a bonus. (Though this is not as straight-forward as it may sound; the sinking of profits back into the business occurs in stages during the year, as it becomes apparent that the business can afford it; thus there has never been, say, £4,000 left at the end of the year which demanded a decision about its disposal.) Nevertheless the charts for usage of gross profit indicate that the expense most in competition with net profit is wages, so the division between the two each year may show interesting changes in emphasis. These figures are shown in table 2.9.

<table>
<thead>
<tr>
<th>Year Ending</th>
<th>Net Profits (Cumulative)</th>
<th>Net Assets</th>
<th>Wages</th>
<th>Net Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>2970</td>
<td>5082</td>
<td>56%</td>
<td>44%</td>
</tr>
<tr>
<td>1979</td>
<td>6650</td>
<td>7811</td>
<td>77%</td>
<td>23%</td>
</tr>
<tr>
<td>1980</td>
<td>6054</td>
<td>6061</td>
<td>102%</td>
<td>-2%</td>
</tr>
<tr>
<td>1981</td>
<td>10,066</td>
<td>10,073</td>
<td>88%</td>
<td>12%</td>
</tr>
<tr>
<td>1982</td>
<td>13,301</td>
<td>13,306</td>
<td>90%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Looking first at the columns for cumulative net profits and net assets, a close similarity may be seen for the last three years, indicating that profits are staying in the business, rather than being withdrawn in the form of bonuses. Turning next to the split between wages and profit in value-added, the proportion going to wages climbed steeply in the first three years, until the loss-making year of 1980. The effects of the 'sweat-equity' of the early years, in particular the first year, are clearly visible in these figures. After the loss of 1980, and perhaps influenced by ICOF's pep-talk about watching the ratio between turnover and wages (ICOF recommend that wages should not exceed 18% of turnover), net profit constituted 12% of value-added in 1981. However, by 1982 the proportion of value-added taken by wages had crept up again, and in early 1983 looked set to rise again.
Recycles' Business Development: Summary

Overall, the picture of Recycles' development as a business is one of rapid growth from a tiny, rather shabby back street shop carrying out bicycle repairs to a glossy specialist bike shop with an annual turnover in 1982 of £150,000. A number of factors may be identified as being highly significant, if not crucial, influences on this development. These factors are:

1. The preparedness of the members to work long hours for very low wages to compensate for the lack of capital (and perhaps skill) in the early days.

2. Being able to obtain appropriate premises at reasonable cost on no fewer than 3 occasions.

3. Early recognition of low profitability of repair operation and swift move into the more lucrative area of hire. This also provided the way in to the new bikes market for the co-operative.

4. The availability of loan capital at critical times (from both ICOF, and in the early days, Chris and Morag, via sympathetic friends).

5. The availability of business advice from SCDC, particularly at the end of 1978, when what could have been a disaster instead became a rapid (and powerful) 'learning experience'. SCDC's lobbying of ICOF on Recycles' behalf also facilitated the granting of loans.

6. The recruitment and retention of a sufficient number of enthusiastic members who were willing and able to learn about the business, and via the establishment of 'systems' - such as the stock-control system - translate their individual learning into enduring organizational arrangements.

7. The realization of the importance of the technical skills associated with the job and the corresponding shift in recruitment criteria.

We shall return to a more detailed discussion of these factors in the section 5 of the case study.
3. **CO-ORDINATION AND CONTROL AT RECYCLES**

3.1 **Introduction: A Framework for Looking at Co-ordination and Control**

Before going on to describe the mechanisms of co-ordination and control in use at Recycles, a few elementary ideas will be presented in order to provide a framework with which to explore the area. These ideas are drawn from the literature on organizational structure, and the literature on power in organizations. The former relate to the structural aspects of co-ordination whereas the latter are relevant to the process of control in organizations.

3.1.1 **Structure: Differentiation and Integration**

The starting point of the framework is that any organization, however small, has two basic questions to address when developing an appropriate structure. (The term 'structure' is used broadly in this case study and refers essentially to those regularities in the way things are done in an organization which exist to further its effectiveness). The first of these questions concerns the manner in which the total organizational task is to be divided into sub-tasks, and the second concerns the means by which these sub-tasks are co-ordinated so that their performance contributes to the overall goals of the organization. These are the problems of differentiation and integration respectively (Child, 1985), and their resolution constitutes the basic issue of organizational design. Much research has been conducted in this area with the aim of identifying the most appropriate structures for organizations operating in different environments, with varying products, technologies and sizes. 'Most appropriate' in these studies has generally been gauged by an organization's performance, usually according to economic criteria. The set of values which underpins at least some co-operatives can complicate the issue of what constitutes an appropriate organizational form for a co-operative by introducing an additional set of criteria against which such 'appropriateness' is to be judged. For example, under the general question of differentiation two more specific questions may be posed. Along what lines does one make the divisions in the first place? And having decided how to divide up the work of the organization how small and specialized does one make the sub-tasks? Although there is little in the co-operative set of values which bears on the first question, there are certain ideas within co-operative ideology -- and particularly within the alternative co-operative movement -- which have a bearing on the second question. For instance, there is a strong dislike of narrow specialized jobs in which one person performs a relatively restricted set of activities all the time. Aside from the boredom which may result from a high degree of specialization, there is a risk that democratic control may be compromised as particular groups or individuals increasingly become the "owners" of key information or activities within the organization. Thus, the degree of specialization which is optimal from a purely technical perspective may be unquestionably sub-optimal from an individual or democratic perspective. Similar problems exist with respect to some of the mechanisms traditionally employed to ensure integration in
organizations. Thus, as the discussion of co-ordination and control at Recycles proceeds, the fact that potentially competing goals may have been balanced in developing a structure should not be overlooked.

To develop the framework for looking at co-ordination a little further, Galbraith (1974) has argued that organizations utilize three mechanisms to integrate the activities of the individuals and groups within them. These mechanisms are:

1. Co-ordination by rules or programmes
2. Co-ordination by targets or goals
3. Hierarchical referral

Rules and Programmes

When tasks are routine or predictable, rules and/or programmes may be used to co-ordinate behaviour between organizational sub-tasks which are interdependent (March and Simon, 1958). Assuming that these activities can be planned for in advance, and that this planning can be embodied in rules and procedures, sets of activities can be assembled like a giant jig-saw, each set 'meshing' with its neighbour. Weber's classic bureaucratic model, which conceived of organizations as systems of roles, bound by rules, essentially advocates this mechanism of integration. The crucial element of this mechanism is that it allows interdependent (but separate) tasks to be performed in a co-ordinated way without the need for constant communication between those performing the tasks.

Targets and Goals

An alternative to the use of specific rules and procedures to control the behaviour of an organization's sub-units is the setting of targets of goals for these sub-units. In this case the sub-units are given specific goals or targets to reach and then left to get on with achieving these goals or targets in whatever way they think fit. Here, the crucial aspect from the point of view of co-ordination lies in the setting of appropriate sub-goals, the attainment of which will ensure that the parts of the organizational machine will run in harmony.

Hierarchical Referral

For a variety of reasons, there will inevitably be occasions when situations are encountered for which there are no rules, or in which the sub-goals cannot be met. Galbraith argues that in these situations the problem is referred up the organization hierarchy, until it reaches a level where (in theory) a sufficiently global perspective exists for a decision to be made either in the absence of rules, or at least according to more general rules than are used further down the organization. Conceived of in this way, hierarchy represents an information system, in which decisions which cannot be made according to the rules and sub-goals at one level in the organization are transferred to a level in the organization where the information and/or the authority to make the decision exist. Galbraith refers to this perspective on organizations as the 'Information Processing View' - doubtless because of its emphasis on
the importance of information as the 'glue' which holds organizations together by making co-ordinated activity possible. Galbraith argues that the key limiting factor of any organizational form is its ability to process information - its ability to move information from where a decision is required to where the knowledge and authority exists to make the decision, and back again to where any action must be taken. It is from this information-processing perspective that the structural aspects co-ordination and control at Recycles will be analysed, but first some consideration will be given to the process aspects of authority and power within the co-operative.

3.1.2 Process: Authority and Control

In analysing authority and control at Recycles, it is assumed that there are two key questions - where ultimate authority lies in the organization and the means by which the body with this authority secures the co-operation of the organization's members to its wishes and directives. Etzioni (1961) has argued that organizations have three methods with which to gain the co-operation of their members to ensure that they act supportively towards the organization, either in terms of fulfilling their formal role requirements or acting supportively in less specific ways. The three means are (i) Calculative means, (ii) Normative means and (iii) Coercive means, and each represents the use of a different form of power by an organization over its members. Each is described below.

(i) Calculative: In this case the organization secures the necessary behaviour from its members by offering them rewards and resources - either material or non-material - in return for the desired behaviour. The purest example of such a mechanism at work is perhaps piece-work.

(ii) Normative: For normative control to function, it is necessary for the members of an organization to possess - at least to an extent - a shared idea of what is appropriate behaviour. Typically this involves members internalizing certain organizational goals, and then being prepared to work towards them (often unthinkingly) because it seems to be 'the right thing to do'. Supportive behaviour towards the organization may thus be shown in the absence of any obvious payoff or sanction.

(iii) Coercive: Under coercive means the required member behaviour is extracted essentially by implicit or explicit threat.

Whilst calculative and coercive means of organizational control tend to rely on formal systems of reward and sanction, normative control is typically less formal, resting on the establishment of a set of group norms about what is appropriate or inappropriate behaviour. The analysis of co-ordination and control at Recycles will involve reference to both the mechanisms by which information is passed around the organization, and the system(s) of authority and control which ensure that this information is acted upon appropriately.
3.2 Authority and Control at Recycles

Although one should be wary of over-emphasizing the significance of the formal aspects of an organization, authority in many organizations may be traced up the organizational hierarchy. In an organization such as Recycles, where there is no hierarchy, the question of where authority lies is therefore an interesting one. At Recycles there seem to be two discernible levels of authority within the co-operative: the individual and the collective. The collective comprises the total membership of the co-operative and is typically represented by the general meeting of all the co-operative's members. It is this body which has ultimate decision-making power in the co-operative. Obviously, not all decisions are made by the total membership of the co-operative but important ones generally are. For less important decisions individuals have the authority to act without reference to the general meeting; this gives us the second level of authority, the individual level. If one assumes that individual and collective levels of authority correspond to the hierarchy found in traditional organizations, then the key elements of co-ordination and control at Recycles may be construed as (i) the information system(s) which move information from one level of authority to another, (ii) the system(s) which move information within the same level of authority and (iii) the system(s) of authority and control which ensure that this information is acted on appropriately. System (ii) tends to comprise relatively straightforward mechanisms of information exchange and will be discussed presently. First, systems (i) and (iii) will be described, with particular reference to those activities relevant to differentiation and integration within the co-operative.

The primary mechanism by which individuals are made aware of the collective "will" of the co-operative (and how the co-operative as a whole is made aware of the activities of its individual members) are the general meetings of the co-operative's membership; these meetings function both as arenas for information exchange, and as the ultimate source of authority in the co-operative. There are basically two such meetings: the weekly business meeting which is held from 8.00 am to 10.00 am every Thursday (before the shop opens) and 'Horizon' meetings, which are held every six weeks, in the evening in a private room in a pub. These are generally less formal than weekly business meetings (although they do follow an agenda) and are intended to provide a forum in which longer-term issues facing the co-operative can be discussed. In addition, there are occasional extra meetings (usually held in the evening in someone's house) if there are particular issues which require a prompt decision. In information-processing terms these meetings appear functionally equivalent to the hierarchy in traditional businesses; individuals bring to the meetings items on which they feel they lack the knowledge or authority to make a decision themselves, and the general meeting makes a judgement on the issue.

The arrangements of differentiation and integration at Recycles will now be described, using the concepts thus outlined.
3.3 Differentiation: Specialization and Division of Labour

In common with most organizations of its age and size (and many much older and bigger ones as well!) Recycles has never had a consciously designed organizational structure. People have tended to take on responsibility for particular functions as the need has arisen. The division of labour in the co-operative (in early 1983) is shown in Figure 3.1.

Perhaps the first point to note about Figure 3.1 is that it is not possible to arrange the various sets of activities which make up Recycles' total set of activities in a recognizable hierarchical pattern. The total set of activities are separated into two categories, "Shopwork" and "Paperwork". Shopwork refers to the basic activities of the business; serving customers, repairing bicycles, and setting up new bicycles. The majority of everyone's time in the co-operative is spent engaged in shopwork. The second category of activities within the co-operative is designated as "paperwork", and this essentially refers to the administration necessary to support the core activities of the business. Unlike the shopwork activities, which are rotated, there are specific spheres of responsibility in the area of paperwork. These specific areas of responsibility are shown in the bottom left of Figure 3.1. The divisions are shown along with the name of the person responsible for that area, because most areas have not evolved as formal 'roles' as yet - that is, positions whose basic operations exist independently of the role incumbent at any one time (which is what the situation would be in a classic bureaucracy). Particular individuals have tended to pick up specific paperwork tasks as and when a need has been perceived, and hitherto this system appears to have worked satisfactorily.

Quite how the co-operative would cope with the situation of an essential task which no-one would volunteer to do is a problem which has not yet arisen.

As Figure 3.1 shows, the only real specialization within the co-operative occurs in the area of administration. Typically information about a task which needs to be done is brought to a meeting and discussed. This would probably be raised at a Horizon meeting since there is more time available at Horizon meetings than at weekly business meetings, and task allocation tends to be an issue of long(er)-term consequences. Since people generally retain their paperwork tasks for at least a year (and sometimes much longer) their allocation is not an insignificant matter. Within Recycles there is a commitment to job rotation, but pressure on resources (it takes quite a lot of time for a 'guru' in a particular area of administration to teach his job to someone else) has forced a greater degree of specialization than is considered desirable either commercially or ideologically. Indeed, with respect to the former consideration there was an increasing awareness of the problems which would be likely to result from the departure of any of the longer service members, to the extent that moves were afoot to develop simple job descriptions. Thus a role (and a description of it) would remain, even if the particular incumbent of that role left the co-operative. A second strategy which was being implemented as this research was being undertaken was the doubling.
Figure 3.1

Division of Labour at Recycles Ltd

Counter

Shopwork

Workshop

Paperwork

All Recycles' Activities

David Jones (Income Tax, Hols, Nat Ins, Rota)
Richard Peploe (Returned Goods, Contracts)
Ken Fisher (Financial Control)
Mick Sweatman (Stock Control)
Lindsay McDermid (Image and Advertising)
George South (Bike Orders and Letter Writing)
up of people across a number of jobs - for example, two people sharing two jobs, rather than one person doing one job. It was hoped that this would also address the potentially damaging effects of particular members leaving by dispersing knowledge more widely through the co-operative.

As has already been indicated, paperwork tasks tended to be picked up by volunteers as and when they were identified as necessary. Sometimes when people were fed up with doing a particular job they would come to the meeting and say so, and someone else would take on that job. Interestingly, there have been no instances of unpleasant tasks which no-one has been prepared to take on voluntarily - although there are tasks (sorting out goods returned as faulty or working in the hire, for example) which are universally disliked. Thus, the power source behind this system of allocation would seem (almost by default) to be normative; there is no evidence of people being offered more money or any other benefit for doing a job which no-one else wants to do; nor is there any evidence of people being coerced into taking on jobs! The fact that people appear willing to take on disliked or unpleasant jobs because the jobs are there and have to be done seems to be indicative of behaviour being shaped by norms which are supportive of the co-operative, rather than by reward or sanction.

Moving on from the allocation of tasks to consider their execution and co-ordination reveals the interplay between individual and collective levels of authority. This is represented diagramatically in figure 3.2

Figure 3.2: Task Allocation and Co-ordination

The dotted line in figure 3.2 represents the boundary between collective and individual responsibility. As we have seen, task allocation would typically begin by someone identifying a new necessary task, or by someone wishing to change their current specialist task or tasks. This would be raised at a co-operative meeting; a volunteer would come forward, and the meeting would agree that that person should assume responsibility for that particular task. If this involved the implementation of new ideas or the use of a significant amount of the co-operative's resources, then the approval of the other members of the co-operative would be sought. After that a cycle of task performance, reporting to the other members, ratification and continued performance would be entered. In this respect, the pattern is perhaps not dissimilar to that found in many supervisor/subordinate relations, except that the "supervisor" is the general meeting of the co-operative's members, and the subordinate has a large amount of discretion in what he does.
and how he does it. As in traditional organizations some of these activities in Recycles are controlled by rules and targets, with the collective level of authority being consulted in the case of exceptions to the rules and/or the sub targets becoming inappropriate. This begs the question of how the individuals who make up Recycles are "controlled" in their respective roles; it is obviously unsatisfactory if people accept responsibility for a particular activity and then fail to perform it; or if they perform it but fail to feed back necessary information to the other members of the co-operative. The control mechanism which ensures that this takes place appears to be primarily informal, or normative. There seems to be a shared understanding about those actions and decisions appropriate for one person to take without consultation, and about what information should or should not be fed back to the other members of the co-operative.

The other division of labour which exists within the co-operative is between shop-work, which involves serving behind the counter or working on bicycles in the workshop and paper-work which comprises the administrative activities described in figure 3.1. In 1983 the business was absorbing an average of 6 person days of paperwork per week, out of a total of 28 person days per week (seven members, each working a 4 day week). The relative amounts of time devoted to shopwork or paperwork are essentially self-regulating. A rota of shopwork and paperwork is compiled on a monthly basis; each member asks to be allocated the number of paperwork days which they feel that they need for that period. On the basis of this information, (and the members' preferences for days when they will or will not be working) the rota (known as "the Green Sheet") is drawn up. For each day this shows which members are working and whether they are engaged in 'shop' or 'paperwork'. In this way staff resources are balanced between the competing demands of serving customers, manning the workshop and carrying out administration. The recognition that administration is an activity which needs time to be formally allocated to it is a distinct development from the early days of the co-operative, when it was assumed that the administrative function could be slotted in between serving customers and repairing bicycles. Again, the control mechanism which ensures that the mix between paperwork days and shop days is appropriate appears to be normative. Although paperwork is generally disliked, there is a feeling that it has to be done, and so people discharge their paperwork responsibilities without the need for more formal systems of reward or sanction.

3.4 Integration

Turning to the methods of co-ordination and control which Recycles has evolved, it is useful to consider Galbraith's ideas on information-processing a little further, and see how they apply at Recycles. Galbraith's basic view of organizations is that for those situations which are recurring and predictable rules for handling a situation can be formulated, and the person responsible for coping with that situation does so by following an agreed procedure. Alternatively, people with responsibility for a particular area can be set targets to meet, these targets being consistent with the overall aims and objectives of the organization as a whole, and which serve as anchoring points around which activities are ordered. There was evidence that Recycles used both these strategies in some
small measure. In the case of repairing bicycles certain procedures were followed; similarly with goods received, stock control and a variety of other tasks agreed procedures for the execution of these tasks had evolved and were followed. In the case of less routine tasks – for example, advertising – the person involved would be set a budget to work to and then more-or-less left to get on with the job. Both these strategies allow co-ordinated activity to take place without the need for constant communication between the individual members of the co-operative. That said, there are inevitably situations which necessitate information being moved around the organization to allow co-ordinated action to take place. In the following analysis, the key activities at Recycles will be considered in terms of the information systems which are used to co-ordinate them and the type of authority which backs them up.

3.4.1 Scheduling of Labour

As described in the previous section, the main mechanism by which information for co-ordinating the division of labour between shopwork and paperwork is collected and dispersed is the "Green Sheet". Everyone seemed to regard this system as satisfactory, and was happy to work to it without there being any recourse to reward or sanction; the system is regarded as legitimate by all concerned and is followed automatically.

3.4.2 Co-ordination of Paperwork Activities

This section concerns those mechanisms which ensure that the various administrative duties within the co-operative are performed satisfactorily, and in such a way so that their performance contributes to the overall aims of the organization. The general meetings of the co-operative appear to be the chief mechanism by which this co-ordination occurs. Here individuals report on their areas, and if necessary receive the necessary approval for existing or intended activities in their areas. Although in some areas (for example, stock-taking and financial control) systems and procedures had evolved, individual members generally had a high degree of discretion about how they performed their particular specialism. In nearly all the instances of where systems and procedures were in use, the person who had developed the system was still incumbent in the role. Consequently, it is difficult to estimate the extent to which a new person performing those activities would be constrained by the existing ways of doing that job.

The control of peoples' activities in their respective areas appeared to be bound primarily by informal means. For example, the person with responsibility for ordering spares and accessories was in a position to order thousands of pounds worth of stock without consulting the other members, yet instances of individuals being perceived to over-step their authority were unusual. The members of Recycles appear to have developed a sense of what is an acceptable decision to make independently and which decisions must be referred to the rest of the membership. This is not to say that the boundary between individual and collective decisions is so well-defined that confusion never arises, or that people (sometimes knowingly) overstep the bounds of their authority. For example, there was an instance in which the person responsible for the advertising and
image of the business purchased several hundred pounds worth of display material without the approval of the rest of the co-operative. This was seen by some to represent an overstepping of the bounds of individual authority, and this message was conveyed both overtly and covertly during subsequent meetings of the co-operative. Indeed, jokes about the 'plastic cubes', as the incident came to be known, were commonplace for sometime after. Such incidents aside, the general picture appears to be that Recycles' members have 'negotiated' an implicit understanding of what it is acceptable or unacceptable for individuals to do without reference to the co-operative as a whole. This provides a means of co-ordination and control within the organization which appears effective from an organizational perspective, and satisfactory for the individual members in that they do not appear to feel unduly constrained. Of course, any control mechanism has its price, be it formal or informal. Informal mechanisms such as this one depend on a shared understanding - and acceptance - of the implicit rules of the game by those involved. Typically informal control demands a relatively small group of people who engage in frequent interaction so that consensus may be reached and sustained. Viewed in this way some of the arguments of the earlier days of the co-operative could be seen as the initial stages of a process which eventually resulted in a shared understanding about individual and collective responsibilities. Incidents such as the one concerning the 'plastic cubes' may be interpreted as re-negotiation or re-affirmation of this implicit agreement.

It is interesting to note that such an implicit agreement also serves to protect against too much consultation, as well as against too little. Initially, the division of labour evolved because of the amount of time taken up at meetings by involving everyone in most decisions, and the same pressure continues to exist. It is now manifested by the groans and complaints which go up if items which are felt to be trivial are raised at meetings.

Bearing in mind the importance of meetings at Recycles, both as the seat of authority and as a system of information exchange, then participation in - or at least attendance at - these meetings by all the members seems to be essential. This too appears to be protected by a strong set of norms:

"It's not been written down, but it would be a big issue if someone didn't turn up."

"You can always tell when someone has left psychologically because they don't make it to the 8.00 am meetings ... that's when you think aha, so and so's left. You can start scheduling them out of anything that really matters until they actually leave, say a month later."

3.4.3 Co-ordination of day to day activities

Most of the mechanisms which move information around Recycles and allow co-ordination of the routine, day to day activities are more straightforward than those that cross the individual/collective boundary. This information exchange tends to be performed by standard procedures and systems, mainly by a series of record books similar to those found in many comparable organizations. For example, the repairs diary is the mechanism by which the acceptance
of repairs by the person on the counter is conveyed to those in the workshop (and also the means by which over-booking is prevented), the "goods-in" book allows the person on the counter to know if an order is in or not, regardless of who took the delivery, and so on. Recycles has a variety of means such as these to ensure that information collected at one time or place in the organization is available when it is needed elsewhere. At a more general level, a system of in-trays ensures that information can be reliably routed to those people to whom the information is relevant. Although these systems do not differ significantly from those found in many organizations, they are perhaps rather more developed in Recycles than in comparable organizations. There would seem to be at least two reasons why they are particularly important in an organization such as Recycles. First, because the members work a 4 day week (though the shop is open 6 days per week) information cannot be reliably transmitted by word of mouth. Because of the rota system, days may elapse between any two members seeing each other. Secondly, because individuals' shopwork and paperwork days are interspersed (and because shopwork involves either serving behind the counter or being in the workshop), the co-operative effectively operates a system of job rotation. Thus systems of storing information independently of the particular people who collect it or need it are essential. Here Recycle's mode of operation and division of labour seems to place a substantial information processing load on the organization if co-ordination and continuity are to be maintained; a load which its systems have hitherto met with reasonable effectiveness.

3.5 Summary

On the basis of this analysis, the following observations may be made about co-ordination and control at Recycles.

(1) Two levels of authority may be discerned; the individual and the collective. The collective level is the ultimate level of authority in the co-operative and typically is embodied in the general meeting of all the co-operative's members.

(2) Tasks are divided into two categories - shopwork and paperwork. Tasks within the category of shopwork are rotated on a day-to-day basis. Paperwork duties are rather more specialized and rotate very slowly, if at all.

(3) Although Recycles uses some of the mechanisms of co-ordination found in traditional business (for example, rules, procedures sub-targets and goals) the use of such mechanisms is relatively limited. Most co-ordination and control seems to take place via informal mechanisms and implicit agreement, with the general meetings of the co-operative playing a key role as both mechanisms of information exchange and as the site of ultimate authority in the co-operative.

These points will be further developed in the section 5 of the case study.
4. **RECYCLES' NON-ECONOMIC PERFORMANCE**

4.1 **Introduction: A Framework for Examining Non-Economic Performance**

It is perhaps arguable as to whether financial performance is - or should be - the prime measure of performance of a conventional company. In the case of co-operatives, which are constituted for the benefit of those that work within them, using financial indicators as the prime measures of performance is even more problematical. As the worker-members have ultimate control of the business, they may choose to pursue courses of action which while leading to desirable outcomes for them may produce adverse effects when the co-operative's performance is judged in purely financial terms. For example, the fact that Recycles has seven members working a four day week rather than say, six members working a five day week, indicates that a choice was made to place a shorter working week and flexibility of working arrangements above simple business efficiency or individual economic gain; although the latter arrangement would be easier to co-ordinate and would allow each member to earn more money, the former arrangement was chosen in preference.

This raises two major issues concerning the assessment of a co-operative's performance. First, it may be that the members of a co-operative have chosen to operate the business in such a way that financial goals are not maximized. To rely on financial figures as one's primary measures of performance may therefore be misleading, as the co-operative may be judged relative to targets that it is not trying to achieve.

Secondly, there is the problem of choosing other, non-financial measures with which to assess a co-operative's performance. The problem here lies in the choice of measures. Typically this choice has been made by making certain assumptions about the things co-operatives 'ought' to be doing, usually on the basis of certain co-operative principles. For example, the usage and effectiveness of democratic decision-making machinery is often taken as an indicator of a co-operative's social performance, as may be the acquisition of skills and knowledge on the part of individual members.

Up to a point, it may be satisfactory to assume that such measures do reflect important aspects of a co-operative's non-financial performance and to use them in conjunction with financial measures in order to get an approximation of a balanced picture of overall performance. However, in doing so one may be guilty of imposing one's particular set of values on a situation and judging it accordingly. To take participation as an example, it could be argued that it makes little sense to use 'degree of participation' as an indicator of social performance unless those involved view participation as important and are striving to achieve it. However, the view that participation is 'a good thing' has a long pedigree, and is by no means restricted to those interested in co-operatives.
For example, Blumberg (1968) has commented:

"There is hardly a study in the entire literature which fails to demonstrate that satisfaction in work is enhanced, or that other generally acknowledged beneficial consequences accrue from a genuine increase in workers' decision-making powers".

More recently however, Lischeron and Wall (1977) in a review and critique of the participation literature argue that although studies do show a consistent positive relationship between participation and work satisfaction experimental investigations generally failed to support a causal relationship. They go on to argue that on the basis of current evidence the participation/satisfaction hypothesis must be rejected, and comment that the it is disturbing that this conclusion is uncommon in the research literature; explicitly or implicitly most authors (particularly those of a 'Human Relations' orientation) express the opposite view. Lischeron and Wall suggest a possible reason for this state of affairs:

"It is our submission that this is a consequence of interpretation of empirical evidence becoming distorted by value orientations"

Strauss (1968) has presented a similar argument:

"Human relations is (sic) normative, not purely descriptive. The authors involved (...) are working to transform the basic value system of the enterprise so that humanistic and democratic values are infused and related to policy. (...) Combined with optimism, this may lead to a willingness to accept as proved propositions (...) that less impatient scholars might feel are still debatable. Finally, the normative approach may have contributed to the preaching, non-analytic character of some of the literature in the field".

In the light of these observations, it was decided that the most appropriate measure of non-economic performance at Recycles would be member satisfaction with a variety of aspects of the co-operative's functions. To identify the key factors to be considered, a simple model of member satisfaction was developed. This is presented in Figure 4.1, and will be used as a framework to guide the following description and discussion of the co-operative's non-economic performance.

In this simple model the co-operative's non-economic performance is judged essentially by the level of satisfaction reported by the members. This is assumed to be a product of both the expectations and values held by the members, and what the co-operative as an employing organization is providing. Viewing social performance in these 'interactive' terms addresses some of the previously quoted criticisms of the participation literature, in that no a priori assumptions are made about any organizational outcomes being of value in themselves - only in so far as they meet the needs and desires of the organization's beneficiaries. Thus, an appropriate definition of non-economic or social performance as used here is:
Figure 4.1: A Model of Member Satisfaction

Individual Members

Expectations

Perceptions and experience of co-operative working

Provision of various outcomes, e.g. Income, participation, sense of purpose etc.

The Co-operative as employing organization

Work Values

Member Satisfaction
('Social Performance')
'A co-operative's social performance represents the extent to which the co-operative is meeting the expectations, needs and desires of its members'.

In conceiving of social performance in these terms a particular level of analysis has been selected, namely that of the co-operative and its individual members. Thus, the perspective is a psychological/sociological hybrid, with the main focus being at the level of the co-operative and the individuals within it. In doing so 'social performance' indicators relevant to other levels of analysis have purposely been excluded. For example, from a political science perspective democratization may be important in itself, as it has been suggested that democracy at work is a precursor to a thriving political democracy. At a macro-economic level it has been argued that co-operatives may serve to alleviate structural unemployment as their structure renders them less likely to re-locate according to where government assistance is available, an activity observed of some capitalist companies. Thus, although co-operatives might perform socially at these levels, such aspects of performance have been excluded from this analysis.

Recycles: The People

In this section, the experiences of ten of Recycles' members will be presented as short vignettes. The vignettes are of the three founder members of Recycles (all of whom had left the co-operative by the time the main body of this research was conducted) and the seven people who were members of the co-operative in March, 1983. At that time, 15 people had worked for the co-operative, including those who were still working there. The changing workforce of Recycles is represented diagrammatically in figure 4.2.

The vignettes provide background information about each person, such as their previous employment experiences and their reasons for joining Recycles. Their activities and experiences in the co-operative, and their perceptions of the relative advantages and disadvantages of working there are also explored, along with their activities since leaving the co-operative (in the case of ex-members) or what they see themselves doing in the future (in the case of current members). These vignettes will then be used in tandem with more structured questionnaire data to evaluate the co-operative's non-economic performance.

Chris Hill (August 1977 - January 1979)

Chris was one of the three founder-members of the co-operative. He was involved in Recycles from August 1977 until January 1979.

Background

Chris was 25 when he co-founded Recycles. Originally from Sheffield, he had left full-time education having gained 3 'A' levels, and had been engaged in a variety of temporary jobs and "wheeling and dealing" between then and the formation of Recycles. He had been involved in community action activities, such as residents' and community associations. He had given most of these up by 1977, and Recycles represented "something to do" by way of a substitute. Chris had never been active in party politics, although he has been a member of the National Union of Journalists, and
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* Part-timers and temporary staff have been excluded.
active within the union, both before and after his involvement with Recycles. Although sympathetic to the idea of co-operatives, Chris would have been unlikely to have founded Recycles on that basis. However, when Jerry suggested that Recycles be formed as a co-operative, both he and Morag were agreeable to the idea.

With respect to the skills and knowledge Chris brought to Recycles, most of his bicycle skills had been learnt from the small scale buying and selling of second-hand bicycles which he and Morag had engaged in prior to Recycles' establishment. Apart from the experience gained in this small scale operation, Chris possessed no business skills.

For Chris, the main motivation for founding Recycles seems to have been simply the creation of a means of making a living; in many ways Recycles was simply a more formal version of the buying and selling activities he and Morag had been engaged in for the preceding two years.

Activities in the Co-operative

When it became apparent after four months of trading that the business could not support three people, it was Chris who left to explore the possibility of a hire operation, and who was chiefly responsible for setting up Edinburgh Cycle Hire. In addition, the main personal loan made to the co-operative in the early days - that made by the landlord of No. 8 Alvanley Terrace - was in fact made more to Chris on a personal basis than to Recycles as a corporate entity. Chris (and Morag) also raised money for the co-operative via two bank loans secured against their flat.

During his time with the co-operative Chris's main responsibility was with the finances of the business. In this respect the lack of business experience (both on his part, and on the part of the other members) meant that little financial control was exercised, and subsequently this proved to be one of the factors which contributed to the cash crisis of Christmas 1978.

Mainly as a consequence of the bad feeling engendered by this crisis, Chris left the co-operative in January 1979. Chris's account of the events leading up to his departure from Recycles presents a picture of frustration, and mis-placed optimism.

At the end of the summer of 1978 it had been agreed that the members of the co-operative would see how the hire went, sell off the bikes at the end of the season, and then decide what to do next. Chris and Mike, who were working at Edinburgh Cycle Hire, felt that there was no way the business could carry on by running the hire for the summer, selling off the bikes at the end of the season, and then laying two people off for the winter. They worked out what they thought was a reasonable stocking strategy and bought in a range of bikes to sell during the Christmas period. As has been described in sections 1 and 2 the bikes did not sell, and the co-operative faced an acute cash crisis. Chris recounts:
"So quite naturally, we - mainly me - got bollocked for that. To an extent it was personal, accusing me of doing things without authority, which was true. But I justified it by saying that there were times when I'd done things without which we would not be here today. I got fed up with it. I'd worked throughout the summer, 7 days a week, 12 hours a day, and at the end of the day was getting criticized. OK, I made a mistake which worsened the cash flow situation, but essentially it was the right decision that had gone wrong. Trying to sell bikes to keep things going was the right decision, but I was getting kicked for it, ignoring the fact that I'd set up the hire. So I left, having totally wiped myself out."

Within a year of leaving Recycles, Chris set up 'Freewheel', another co-operative in Edinburgh. Freewheel produced a national cycling magazine of the same name. The co-operative traded for about 18 months, but failed to gain a sufficient circulation and went bankrupt in early 1981. Since then Chris has worked as a free-lance journalist.

Perhaps not surprisingly given his experiences Chris has reservations about the prospects for, and advantages of co-operatives compared with traditional businesses. He sees the comparative advantages of co-operatives being that conditions in them are probably better for the average worker, and that people do have a chance to 'have a say' in the running of the business. His perceptions of the disadvantages of co-operatives are obviously coloured heavily by his own experiences at Recycles and Freewheel, and centre on the unfairness of the rewards for those who set up co-operatives in the first place. He comments:

"There are the sorts of co-op that straight business doesn't want; that's no way to start a co-op. And there are the sort that people like me and Morag and Jerry start and put in a lot of their time, money life and effort and all the rest of it and get f... all out of it. You can do it once, I've done it twice, and you don't do it again. There's not a lot in it that makes it worth doing; yet co-ops seem to need a few people to start them who are keen and prepared to put all their energies into them ...

... As a consequence of the idealistic concept, they (the founders) don't get a just reward, not only in financial terms, but in other ways as well. And that's a problem. Very few entrepreneurial-type people will do it solely for the good of other people."

On the basis of his experience, Chris favoured some sort of compromise business form; a compromise between the 'pure' co-operative form in which everyone is equal and no-one gets anything out at the end of the day (apart from wages), and a straight equity sharing business, in which those who perform an entrepreneurial role receive some reward for it.

Morag Ogilvie (August 1977 - August 1980)

Morag was another of the three founders of Recycles. She worked at Recycles from its start-up in 1977 until August 1980.
Background

Morag was 25 when she, Chris and Jerry founded Recycles. Originally from Edinburgh, she had gone on University to study English immediately after leaving school. She left University before completing her degree, but after a couple of years decided to try again and returned to University, this time to study for a science degree. Again she left before completing her degree and decided that she 'wasn't academic'. She held a number of jobs after finally leaving University, mainly jobs of a clerical nature. She also tried various informal small business activities, such as buying and re-selling of second-hand bicycles with Chris. Unlike Chris, she has not been involved in any community action, either before or after Recycles' formation, nor has she been active politically. Morag describes her politics as liberal and left-of-centre.

With respect to the skills and knowledge Morag brought to the co-operative, she had no formal business skills or knowledge of business procedures. From her previous experience of buying and selling second-hand bicycles she had developed some (self-taught) mechanical skills.

Activities and Experiences within the Co-operative

In her 3 years with Recycles Morag was involved in most of the main activities in the co-operative; she was responsible for the 'red book' (the general ledger), and worked mainly in the small repairs shop in West Cross Causeway, although she worked in the cycle-hire during the summer of 1979.

With respect to meetings and decision-making in the early days at Recycles, Morag recalls that the co-operative was genuinely democratically controlled, although it sometimes required a "great deal of effort to keep it that way." In particular she observed that new people tended not to speak up at meetings for some time after joining; considerable effort was made to overcome this by using strategies such as giving everyone something to report on at meetings. Morag felt that she always had sufficient information about what was going on in the co-operative, and comments:

"... perhaps this was partly my problem; I was determined to know everything that was going on, so I made it my business to know what was going on."

Comparing her experiences at Recycles with some of her expectations, she comments:

"I didn't think it was going to be such a strain, being your own boss, and taking responsibility for things - I under-estimated that part of it. It was fun at the start - doing the hire was great fun, and the upfront side, doing repairs and dealing with bikes and customers, was fun. It was the management side that wasn't fun."

As the above quotation indicates, Morag saw the stress and strain caused by the responsibility of co-owning and controlling a business as major disadvantages of co-operative working; this was exacerbated in Morag's case because Recycles' overdraft was secured against her
and Chris's flat - so there was a real risk of Chris and Morag losing everything they had if Recycles had folded owing a major debt to the bank.

For Morag, the most substantial advantages of working in a co-operative were being in a situation where no-one had the right to order her around, and also the fact that everyone had an equal say in the running of the business.

Morag left Recycles in 1980. Following Chris's departure, she and Jerry had often been in conflict within the co-operative, and it was this conflict which finally made her decide to leave. She comments:

"In the end I left because I just couldn't stand it any longer - I'd thought about leaving for a long time ... in the end everything just got on top of me and I left."

Subsequently Morag has had a number of temporary jobs such as collecting census data and market research work. She is adamant that she would not be involved in starting another co-operative, although she would consider working in an established co-operative, as long as it provided a reasonable wage. She comments:

"... if I started another business I don't think that I'd be prepared to put in so much effort for so little return."

Reflecting on her experience, and how it has modified her opinion of co-operatives, she says:

"I'm not disillusioned with co-operatives - just with people! I still think that (co-operatives) are a good idea."

Jerry Murray (August 1977 - December 1981)

Background

Jerry was 23 when he founded Recycles with Chris and Morag. He worked at Recycles until the end of 1981. He attended secondary school up to the age of 18 and then spent about two years working on a farm. He then attended teacher training college for two years, but left before the completion of his course. He spent a year "bumming about" in Edinburgh, and met Chris through his activities in an Edinburgh community newspaper. When Recycles was formed, Jerry had little experience with either business or bicycles. As was recounted in section one, it was Jerry's idea that Recycles should be formed as a co-operative, partly for ideological reasons, partly because of his concern at being involved in a three-person business in which the other two parties were husband and wife.

Activities and Experiences with the Co-operative

For most of his stay with Recycles, Jerry's particular responsibility (following Chris's departure) was the ordering of new bicycles. (This subsequently proved to be something of a bone of contention within the co-operative. Such a job entails a substantial amount of contact with representatives from other
companies and it was felt that Jerry, as something of a 'boundary person', was occasionally coming across as the co-operative's manager).

In general, Jerry seems to have found his experience of working at Recycles satisfactory. He reports that he found the experience of working in a co-operative different - and superior - to that of working in a traditional business because:

"... I react very badly to people telling me what to do. I don't like having bosses - even if I am doing something wrong I don't like people telling me so."

From a personal point of view, Jerry sees the advantages of working in a co-operative as being "personal growth, development and the acquisition of business skills."

On the negative side, Jerry saw the long hours and low wages as major drawbacks, although whilst at Recycles he had adequate money for his needs, and so was not too concerned by the low wages. He felt that the greater involvement in the business experienced in co-operatives could become problematical, especially if one became over-involved:

"If there's something worrying you, it can be difficult to leave your work behind."

Jerry saw a further disadvantage as being the problem of reconciling certain co-operative ideals with market forces. He sees two primary ideals as being the provision of a product or service to be proud of and the provision of decent wages for the membership. He felt that it was often not possible to achieve these aims because one was often competing against other businesses which might be putting out shoddy work whilst paying wages as low as they could get away with.

Jerry left Recycles following the birth of his first child. As his wife's income was more than his, it made sense for Jerry to be responsible for childcare. His feelings about leaving the co-operative were mixed. He says:

"I felt I'd been there four years and was taking up more space than other people ... you can crowd the new people out. I had done as much as I think I could have done."

Mike Sweatman (May 1978 - )

Background

Mike Sweatman was 21 when he began working for Recycles. He had started studying for a physics degree, but left college before completing it. He then worked as a computer programmer for the SSRC for 9 months before taking a job with McDonalds (another bicycle shop in Edinburgh), where he worked for 18 months, up until the time he joined Recycles. During this period Mike was active in Friends of the Earth, and in a community bike workshop. His contact with Chris, Morag and Jerry developed through Friends of the Earth. When Recycles was formed, Mike was a "sleeping member" - one of the other non-working members whose names were on the ICOM registration
document to make the numbers up to the necessary seven. Mike was keen to join Recycles from its formation, but was not able to do so until May 1978, when the hire operation commenced. He reports that working at the other bikeshop - a business owned by one person - was not too bad, but that he found it frustrating to see lots of things that could be done better that were not being improved. In addition, staff had no information about the business and virtually no discretion to make decisions - "it was really boring not making any decisions for a couple of years."

Prior to starting at Recycles, Mike expected the co-operative to be a lot more chaotic than McDonalds "which it was". He also expected it to be a much freer environment with more ideas floating around, and more discussion of these ideas. In common with the other founders, Mike had little idea of the amount of administration the business would demand:

"I had a good idea about customers and stock. The things I didn't know about were the hidden bits of McDonalds; like stock ordering, and paying bills. I assumed that all the shopwork was standing behind the counter talking to customers ... I was surprised that the management and administration problems were the same at Recycles."

Activities and Experiences in the Co-operative

In 1983 Mike's specific areas of responsibility in the co-operative consisted of stock ordering and stock control; these required approximately one working day per week. He had been responsible for general stock control for about 2 years; stocks of spare parts had been his responsibility since he joined the co-operative in 1978. In 1983, Mike was a little concerned that stock control was "too much of his baby"; because of his role and experience, Mike had almost total control over what stock the co-operative carried, a situation with which he felt uneasy, given the importance of stocking policy to the co-operative's profitability.

For Mike, the main benefits of working at Recycles are the freedom he has to do the things he wanted, the enjoyment of working with bicycles and the variety of responsibilities which working at Recycles entails. In part, this seems to stem from Mike's interest in the co-operative as a business - an interest which had developed considerably since he joined Recycles. For Mike (and for some of the other members) the management of the business - in its broadest sense - has become an interesting and challenging task in itself.

Mike sees the main drawback of working at Recycles as being the inadequacy of the material benefits provided. He felt this particularly keenly in relation to the incomes enjoyed by some of his friends and acquaintances. Whilst their salaries had generally increased as their careers had developed, Mike's income had stayed virtually static, which was tending to split him off from some of his friends. Related to this, he was tiring of constantly sharing flats with students, students being one of the few groups in Edinburgh with similar interests and incomes.
Mike has never seriously considered leaving Recycles, simply because he has never seen anything else which he really wanted to do. He comments:

"If something wonderfully attractive came along I would leave ... but I don't feel any pressure to do so. I have plenty to keep myself interested."

David Jones (January 1982 - )

Background

David Jones joined Recycles at the beginning of 1982. He was 20 when he joined. He grew up in North Wales, and on completing his 'A' levels went on to study civil engineering in Cardiff; he found this work "rather dry" and left before completing his course. After leaving Cardiff he worked part-time in a bike shop in North Wales and over the summer of 1981 he worked in a University library. He had a number of other temporary jobs during this period.

He saw his present job at Recycles advertised in Cycling magazine and applied for it without knowing that Recycles was a co-operative. He took the job mainly because he wanted to work with bicycles, and also because he wished to move away from home. A keen racing cyclist, Dave possessed some bicycle skills when he joined Recycles. He describes his skill level on joining the co-operative as "typical of a young assistant in a bicycle shop".

Activities and Experiences in the Co-operative

In terms of his activities in the co-operative, in 1983 Dave was responsible for the administration relating to income tax, holidays, national insurance and the compilation of the "green-sheet" - the weekly rota. These activities took about one working day per fortnight. He began taking on paperwork duties after he had been with the co-operative for about two months; he collected most of his duties from Lindsay McDermid, who shed some duties when he took on responsibility for advertising and image in the co-operative. Dave commented that he did not really feel as if he was part of the co-operative until he began to take on some administrative activities.

Prior to taking up his job at Recycles, Dave expected working in a co-operative to be different from working in a traditional business though he was not quite sure of how it would be different. At first he found it strange not having anyone telling him what to do, although he found the idea of not being ordered around an attractive one.

Dave perceived a number of benefits in working in a co-operative. In particular, he appreciated the opportunity to have a voice in decisions, and also to be able to observe all the activities of the business. Aspects of working at Recycles which he valued were the four-day week and the flexibility of working arrangements which that permitted. Although Dave would have liked a higher basic income, Sunday overtime provided him with an adequate supplement to the basic wage. Dave saw the main drawback of co-operative working as being the slowness of decision-making; he felt that on occasions decision-making was a rather long drawn-out process.
There have been occasions when Dave has considered leaving Recycles, when he has been "tired and fed up". Such thoughts have usually only lasted for short periods. If he were to leave, he might consider starting a bike shop as a partnership, but not on his own. Ideally, he would like to race cycles professionally.

Richard Peploe (June 1982 – )

Background

Richard joined Recycles in June 1982, aged 22. He had just completed a degree in Business Studies at Edinburgh University. Whilst at University he had played an active part in Spokes (a cyclists' pressure group) and the University Cycling Club. It was through these activities - and by simply being a keen cyclist in Edinburgh - that Richard came into contact with Recycles. His initial employment with Recycles was as a temporary worker over the summer of 1982; he was taken on on a permanent basis at the end of this period. Because of his extensive experience with bicycles, Richard was fairly skilled mechanically when he took up his job with Recycles.

Activities and Experiences in the Co-operative

Richard's main reason for joining Recycles was that he hopes one day to start his own cycle business; the co-operative seemed an ideal place to learn the necessary skills, because of the range of activities in which one can be involved. Had he not joined Recycles, Richard would have tried to get a job at some other quality bicycle shop. His particular area of responsibility within Recycles in 1983 was the administration involved in sorting out returned goods, and the development of a contract of service.

Prior to beginning to work for Recycles, Richard held a number of expectations about co-operative working. He expected there to be no 'management', for decision-making to be rather protracted and for jobs to be rotated. His main impression after he had been there for some months was of the breadth of experience which was available at the co-operative. Richard felt that many of his peers who had gone into more conventional jobs were not earning a great deal more money and were enjoying their work considerably less than he was.

For Richard, the main advantage of co-operative working was that it represented the next best thing to self-employment, with "no boss breathing down your neck".

On the negative side, the aspects of Recycles which Richard saw as disadvantages of co-operative working mainly concerned inefficiencies which he perceived there. He felt that there were difficulties with the flow of information in the co-operative, a problem exacerbated by the four-day week. Because people were not working for three days out of seven, Richard found it was easy to lose track of what was going on in the co-operative, such as what was or was not in stock, and so on. Although keeping written records addressed this difficulty, this strategy also had a cost, namely the time and effort of writing things down.
Richard saw further disadvantages in co-operative working as being
the amount of time spent in meetings, particularly when a particular
issue required repeated meetings before it was resolved. He also
felt that the voluntary way in which particular tasks in the
co-operative were allocated meant that certain unpopular tasks (such
as splitting stock or dealing with returned goods) tended not to get
done until someone got so fed up with the situation that they took
such jobs on.

Richard has never seriously considered leaving Recycles, although it
is not his intention to stay there indefinitely. He hopes to start
his own bicycle shop after he has gained sufficient experience in
the trade. He estimates that he will spend between three and five
years at Recycles.

Andrew Davies (April 1982 - )

Background

Andrew began working for Recycles in April 1982, aged 19. He was
initially taken on on a temporary basis for the summer, but was
given a permanent job in September of that year, along with Richard
Peploe. Andrew had left school in 1981, and worked on a YOP scheme
at another bicycle shop in Edinburgh between April and December
1981, a job which he enjoyed. He then spent three months on the
dole, mainly training for cycling racing. There was a possibility
of him being selected for the Commonwealth squad in 1982, and he
made a conscious decision in the spring of that year not to apply
for any more jobs, but to concentrate on training. However, he had
already applied to Recycles for a job, and they offered him a
temporary job, beginning in April. He did not want to take this
job, preferring to concentrate on his training, but under pressure
from his father reluctantly accepted it.

Activities and Experiences in the Co-operative

Andrew already knew something about Recycles before he began working
there, mainly via the owner of the bike shop where he worked on his
YOP scheme, who was of the opinion that Recycles' members were "a
bunch of hippies". Consequently Andrew had the idea that Recycles
was "a little strange", although he expected working there to be
similar to working in any other bicycle shop. He was initially
surprised to be asked his opinion on matters relating to the
business, but was, nonetheless, pleased to be asked. He considers
the members of Recycles to be rather more go-ahead in business terms
compared to other bike shops where there were "bits of paper
everywhere, with everything kept in people's heads". Although in
1983 Andrew had no specific responsibilities in the co-operative, he
still felt that he had much more voice at Recycles than he had in
his previous employment. He thought that wages at Recycles were
comparable with those offered by other bicycle shops. However,
although Andrew felt that Recycles was generally more efficiently
run than other bike shops, he observed that more people were
employed there than was usually found, perhaps because of the
standards to which they worked. Andrew gave the example of the
setting up of new bikes; with his previous employer he had been
expected to set up 10-12 new bicycles in a day. At Recycles the
norm was 3-4, partly, suggested Andrew, because the members at

60
Recycles tend to lavish as much care on customers' bicycles as they would on their own.

Andrew saw few obvious benefits of working at Recycles. For him, the co-operative provides a means of earning some money by doing something he knows a bit about; as a workplace, he does not see the co-operative as having any advantages over and above those of other bike shops.

The main drawback of working at Recycles for Andrew is the amount of time taken up by meetings. At times, he becomes fed up with attending meetings, feeling that many of the items were petty and drawn out. However, on other occasions he finds meetings to be quite fun, especially if they are light-hearted and humorous.

Andrew has only ever seriously considered leaving the co-operative once, and that was at the height of the summer season when he was fed up with working long hours. He has not considered any other jobs, but is "not fussed" about continuing to work with bicycles. As long as he was treated reasonably well, he would not mind working somewhere where he had little opportunity to voice his opinions.

Ken Fisher (May 1979 - )

Background

Ken Fisher joined Recycles in 1979, aged 24. Prior to joining the co-operative he had completed a psychology degree at St Andrew's University, followed by a Postgraduate Certificate in Education. He then decided that he did not wish to teach, and was involved in voluntary community work, STEP work and some building work until he joined Recycles in 1979. Although he applied for the job at Recycles in response to an advertisement in a newspaper, he had been active in 'Spokes' (the Edinburgh Cycling Campaign) and so was familiar with the co-operative. Ken took the job with Recycles for three main reasons. First, he knew a bit about co-operatives, and liked the idea of working in one. Secondly, he wanted to do something which involved some manual work, and thirdly being a fairly keen cyclist, he found the idea of working with bicycles appealing.

Activities and Experiences in the Co-operative

Ken arrived at Recycles with a number of expectations about what it would be like to work there. He expected there to be no boss, and that the enterprise would be struggling - expectations which were confirmed. He also expected that there would be considerable confusion over who was doing what; in this respect the situation turned out to be considerably better than he had expected.

During his early days with Recycles (up to 1980) Ken looked after the tax affairs of the co-operative, but since then he has been responsible for managing the co-operative's finances, which involves looking after the general ledger and compiling projections. His skills in this area have been mainly self-taught, although supplemented by a course at Beechwood College, and also by assistance from the co-operative's accountant. Ken reckons that it took him between six and twelve months to master the accounts at
Recycles; prior to that the co-operative's finances had been so disorganized that any forecasting or planning had been impossible.

For Ken, there were a number of benefits in working in a co-operative. He saw the main ones as:

1. Not being told what to do
2. The sense of teamwork created by working in a group
3. The freedom of being able to 'do what you want' - or at least, to be in a position where no-one has formal authority over you
4. Seeing your ideas taken up and put into practice.

Ken also saw a number of drawbacks in working for an organization such as Recycles, these drawbacks being that one is limited in what one can do by the wishes of others, that the earning potential in the operation is low, and that there was a marked tendency to 'take the job home'.

Ken has considered the possibility of leaving Recycles, mainly because he would prefer a job which enabled him to work out of doors. If he were to leave, he thinks that it would be to go into horticulture, or perhaps to join a land co-operative or small holding.

George South (May 1979 - )

Background

George joined in Recycles in 1979, aged 27. A Canadian, he has a degree in Social Administration, and also a qualification in Municipal administration. Prior to joining Recycles, George had worked for Lothian Regional Education Department for four years, holding the position of assistant personnel officer for the latter part of that period. During this time he was also active in NALGO, as convenor of the local shop-stewards committee and also as a member of the area executive committee. Just before he joined Recycles, George felt that he was at something of a crossroads, facing the choice of following a career either in the official Trade Union structure or in management in Local government. George recounts:

"My dream had always been to set up my own bike shop ... when the job at Recycles came up I jumped at it, half thinking I wouldn't get it. It was really just an attempt to make my life a bit more interesting at that time."

George reports that his main motivation in joining Recycles was to work with bicycles, and also to gain some experience which might later enable him to start his own business (an idea which he has since dropped). In common with Ken Fisher, who joined Recycles at the same time, George had been active in 'Spokes' before he worked for Recycles, and as a consequence knew some of the co-operative's members socially. However, like Ken, his application was a formal one, made in response to an advertisement in a local paper. It is perhaps worth pointing out that George's move to Recycles meant a reduction in salary to 1/3 of his former level.
Activities and Experiences in the Co-operative

George had a number of preconceptions about what working at Recycles would be like, some of which were confirmed, some of which were not. He expected there to be a "brown rice and sandals" type of culture, which to an extent he felt there was, and he thought that the co-operative would be disorganized, another expectation which was confirmed. With mild amusement, George describes how he had visions of turning the business on its ear and making it into a money making venture. He now feels that he can better see Recycles in relation to its wider context.

"I used to think that people would come to Recycles because it was a co-operative; this is not so. You're definitely not in an alternative marketplace at all."

George's areas of specific responsibility in the co-operative are ordering new bikes, paying bills and general 'trouble-shooting'.

In terms of his perceptions of the relative costs and benefits of working in a co-operative George sees the relative benefits as being a higher quality of work experience, a freer exchange of ideas and opinions and greater variety and interest at work.

"Work as I have always experienced it before has always been something which is outside what you really what to do, but you do it because you need the money."

In contrast George finds that at Recycles he can still get up in the morning and look forward to going in to work. In part this may be due to the barrier between work and leisure being indistinct:

"because the product line is one which we treat as a leisure activity as well."

On the disadvantages of working at Recycles, George sees a major problem as being that he and the other members of Recycles

"knowingly and continually exploit our own labour by paying ourselves low wages, so that we can do other things with the money we're not paying ourselves with."

Typically, such money goes into further investment in the business in the form of shopfitting or stock; expenditure which should ultimately benefit the co-operative - and its members - in the longer term. George feels that perhaps the long-term interests of the business were being over-emphasized, at the expense of wage levels in the shorter term.

George has no intention of leaving the co-operative in the foreseeable future. He has considered leaving just once, when a bout of tennis elbow seriously impaired his ability to work in the workshop. He then considered the possibility of moving into development work with a Co-operative Development Agency.
Lindsay McDermid (June 1980 - )

Background

Lindsay joined Recycles in June, 1980 aged 21. When he joined he had just completed an HND in Engineering at Napier College, Edinburgh, having decided against a career in Engineering because of what he saw as its 'rat-race' mentality. He was a keen cyclist, and so was familiar with Recycles through his cycling activities; when he saw an advertisement for new members he applied and was given a job. When he started his job at Recycles he had a basic proficiency in cycle maintenance, which he had learnt from working on his own machines.

Activities and experiences in the Co-operative

With hindsight, Lindsay considers his initial expectations of what the co-operative was going to be like as "pretty naive". His image of a co-operative was of a business with no boss and no management structure. He says "it was more organized than I had expected". Another of Lindsay's expectations was that the co-operative would be a political hot-bed; it came as something of a relief to him to find out that it was not.

In 1983 Lindsay's specialist activities in the co-operative consisted of looking after the advertising and image of Recycles. He took this job on in 1982, having complained about the image of the shop for some time. As has already been described, particular tasks tended to be picked up by whoever got fed up with a situation first; in the case of advertising and image, it was Lindsay who was most concerned about it, so it was Lindsay to whom responsibility for the advertising function fell. This function now absorbs one paperwork day per week, and works to a target budget of 3% of turnover.

Lindsay perceives the benefits of working in an organization such as Recycles as being the ability to work at his own pace, and being able to do things which he enjoys doing. In an earlier interview (1980), Lindsay mentioned 'feeling part of the firm', the variety of the work and the chance to have a say in decisions as advantages of working in a co-operative.

On the negative side, Lindsay sees a drawback of the co-operative as being the slowness with which things tended to happen. Because of his particular interest in the image of the shop, Lindsay was frustrated with what he saw as the slowness of change in this area:

"I'd like to see Recycles be the place, the bike shop, and I've been striving to improve its image. But it's a long, drawn out, slow process. You don't have the money to do it properly, and you can't do what you really want to do".

Another drawback for Lindsay was the low wages, something which he felt was more significant in 1983 then it was when he joined the co-operative:
"At one time I felt that my standard of living was adequate and I could put up with it. I can't put up with it much longer ... the fact that the wages are low means a lot more to me now than it did two years ago."

During his time with Recycles, Lindsay has only seriously considered leaving on one occasion. He was involved in a major shopfitting operation and was feeling particularly fed up and frustrated. There was no other job he felt he wanted to do, so he applied to do a course in Industrial Design, but was unsuccessful. If he was to leave Recycles, he thinks it would be to return to college. Outside that he would prefer to work in another co-operative, even if that meant setting one up from scratch; "partnerships don't seem right".
4.3 Perceptions and Attitudes at Recycles

Although these vignettes yield some insight into the members' perceptions and experiences of working at Recycles, it was felt that further understanding could be gained if these vignettes were supported by more structured data. To this end, a short questionnaire was constructed (see appendix 2), and completed by the members of Recycles. The questionnaire contained two standard scales (Warr et al, 1979; Cook et al, 1980) one of which indicated the strength of a respondent's 'work involvement', that is their desire to be engaged in work in general, and the other which indicated their commitment, identification, involvement and loyalty to a particular work organization. These two scales permit some comparisons between the attitudes of Recycles' members as a group and those of a representative sample of respondents from traditional businesses. Other questions in the questionnaire explored the importance people ascribed to the fact Recycles was a co-operative, their satisfaction with the co-operative, their intent to stay and so on. These questions were all structured loosely round the model of non-economic performance shown in figure 4.1. The results from these questionnaires will be presented in three parts. First, the members' perceptions of what the co-operative is offering will be presented. Secondly, the characteristics of the members (in terms of their work values) will be presented, and finally the reactions of the members to the co-operative in terms of their commitment and satisfaction will be explored.

4.3.1 Perceptions of the Co-operative

The details of the work of the co-operative and its systems and procedures have already been described in the case study. This section will concentrate on how various features of the co-operative are rated by the members. The results presented here are based on information generated by pages 6-7 of the questionnaire, in which respondents were asked to rate a number of features of the co-operative on a five point scale (very poor - very good). These results are shown in table 4.3.

Table 4.3: Ratings of Features of the Co-operative

<table>
<thead>
<tr>
<th>Mean Score</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Obtaining spares at cost price</td>
<td>5.00</td>
</tr>
<tr>
<td>2. Pay distribution</td>
<td>4.71</td>
</tr>
<tr>
<td>3. Quality of products and services</td>
<td>4.57</td>
</tr>
<tr>
<td>4. Friendliness of atmosphere</td>
<td>4.57</td>
</tr>
<tr>
<td>5. Convenience for home</td>
<td>4.57</td>
</tr>
<tr>
<td>6. Control over job</td>
<td>4.43</td>
</tr>
<tr>
<td>7. Relations with co-workers</td>
<td>4.43</td>
</tr>
<tr>
<td>8. Social usefulness of work</td>
<td>4.43</td>
</tr>
<tr>
<td>9. Amount of say in decision-making</td>
<td>4.27</td>
</tr>
<tr>
<td>10. Variety of work</td>
<td>4.27</td>
</tr>
<tr>
<td>11. Influence over future of the co-operative</td>
<td>4.00</td>
</tr>
<tr>
<td>12. Type of work</td>
<td>4.00</td>
</tr>
<tr>
<td>13. Working environment</td>
<td>3.71</td>
</tr>
<tr>
<td>14. Pace of work</td>
<td>3.43</td>
</tr>
<tr>
<td>15. Job security</td>
<td>3.43</td>
</tr>
<tr>
<td>16. Hours of work</td>
<td>3.29</td>
</tr>
<tr>
<td>17. Holiday arrangements</td>
<td>3.29</td>
</tr>
<tr>
<td>18. Opportunities for overtime</td>
<td>3.20</td>
</tr>
<tr>
<td>19. Amount of money made</td>
<td>2.43</td>
</tr>
</tbody>
</table>

1 + 2 = Very poor and poor; 3 = Adequate; 4 + 5 = Good and very good
As may be seen from the table, on average the co-operative was rated as adequate or better than adequate on all features apart from the amount of money the members were making. Being able to obtain goods at cost price was rated as very good, followed by the fairness of the distribution of pay. Closely behind this came the quality of the products and services the co-operative provided, the friendliness of the atmosphere at the co-operative, and the convenience of the co-operative for travel to and from work. At the bottom of the table, the items rated relatively poorly tended to be those which could be regarded as 'extrinsic' or instrumental ones - job security, hours, holidays, overtime and the income of the members. Obviously, with such small numbers only a crude analysis is possible, but it is interesting to note that the features which are relatively favourably rated (for example those with a mean score of 4 or above) tend to be predominantly 'intrinsic' ones, with the exception of obtaining bicycle parts at cost price and the convenience of travel to and from work.

4.3.2 Work Values of Recycles' Members

Turning to the characteristics of the members, and the importance they ascribe to various job characteristics, a broadly similar pattern may be discerned (see table 4.4). Again the features which fall into the top half of the table are predominantly 'intrinsic' ones, with 'reasonable hours' and 'good working conditions' being the only items with a mean score of 4 or above which could really be regarded as 'extrinsic' ones. Thus, although no firm conclusions can be drawn from such a small sample, the picture seems to be one of an organization offering primarily intrinsic work rewards, with a membership who on average place relatively high value on such

Table 4.4: Importance of Job Features to Recycles' Members

<table>
<thead>
<tr>
<th>Mean Score</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Friendly and helpful people</td>
<td>5.00</td>
</tr>
<tr>
<td>2. Control over job</td>
<td>4.86</td>
</tr>
<tr>
<td>3. An easy atmosphere</td>
<td>4.57</td>
</tr>
<tr>
<td>Varied work</td>
<td>4.57</td>
</tr>
<tr>
<td>5. Feeling part of the firm</td>
<td>4.29</td>
</tr>
<tr>
<td>6. Participating in management</td>
<td>4.14</td>
</tr>
<tr>
<td>Dealing with worthwhile products</td>
<td>4.14</td>
</tr>
<tr>
<td>Having an equal say in the running of the business</td>
<td>4.14</td>
</tr>
<tr>
<td>9. Reasonable hours</td>
<td>4.00</td>
</tr>
<tr>
<td>10. Good working conditions</td>
<td>4.00</td>
</tr>
<tr>
<td>Good holiday arrangements</td>
<td>3.71</td>
</tr>
<tr>
<td>12. Profit-sharing</td>
<td>3.57</td>
</tr>
<tr>
<td>13. Pleasant physical surroundings</td>
<td>3.42</td>
</tr>
<tr>
<td>14. Provision of a good income</td>
<td>3.00</td>
</tr>
<tr>
<td>15. Convenience for home</td>
<td>2.57</td>
</tr>
<tr>
<td>16. Opportunities to earn overtime</td>
<td>2.00</td>
</tr>
<tr>
<td>Tax-free 'perks'</td>
<td>2.00</td>
</tr>
</tbody>
</table>

1 + 2 = Not at all important/Not very important
3 = Not sure
4 + 5 = Quite important/Very important
To explore this idea a little further the items contained in table 4.3 were condensed into 3 categories of 'instrumental' work values, 'participatory' work values and 'task-centred' work values. (These categories had been produced under factor analysis of scores on similar scales used on a much larger group of co-operators).

Strong instrumental work values were manifested by a relatively high degree of importance being ascribed to the extrinsic aspects of work - pay, security, overtime opportunities, holidays and so on. Strong task-centred work values reflected the importance ascribed to aspects of work concerning a person's immediate job - variety, control over tasks, quality of the product and so on. Finally, participatory work values are assumed to reflect the importance placed on aspects of work specifically concerned with a co-operative structure - participation, equality and democratic control. The mean scores of respondents on items within each of these categories was then computed to establish the relative strength of each category of work values for each respondent. These are presented in summary form in table 4.5.

Table 4.5: Work Values at Recycless

<table>
<thead>
<tr>
<th>Most Strong</th>
<th>Least Strong</th>
</tr>
</thead>
<tbody>
<tr>
<td>N=</td>
<td>N=</td>
</tr>
<tr>
<td>N=</td>
<td>N=</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Instrumental Values</th>
<th>1</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Task-Centred Values</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Participatory Values</td>
<td>4</td>
<td>3</td>
</tr>
</tbody>
</table>

The figures in each cell in table 4.4 show the number of respondents for whom each category of work values was the most strong, the least strong and intermediate. Taking instrumental values first, it may be seen that only one respondent showed instrumental values which were relatively stronger than either of the other 2 sets of values. In the case of all other respondents instrumental values were the weakest of the three sets of values. For the majority of respondents (4 out of 7) participatory values came out as being the strongest of the three sets, with task-centred values falling somewhere in the middle. Although comparisons must of necessity be tenuous, this pattern contrasts markedly with that reported by Brown et al (1983) in their review of the literature on attitudes to work. They observed that for most workers (both blue and white collar) it was the more 'instrumental' aspects of work that were of prime importance (table 4.6).

Table 4.6: Workers' Views on the Most Important Aspect of a Job

<table>
<thead>
<tr>
<th>Good money</th>
<th>Shopfloor</th>
<th>Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security of employment</td>
<td>86%</td>
<td>56%</td>
</tr>
<tr>
<td>Good working conditions</td>
<td>42%</td>
<td>30%</td>
</tr>
<tr>
<td>Good promotion opportunities</td>
<td>63%</td>
<td>26%</td>
</tr>
<tr>
<td>Interesting work</td>
<td>21%</td>
<td>12%</td>
</tr>
<tr>
<td>Good workmates</td>
<td>22%</td>
<td>9%</td>
</tr>
<tr>
<td>Good/friendly management</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Thus, the picture with respect to the UK labour force seems to be one of interesting work having some salience for white collar workers, and social relations with workmates being considered important by substantial minority of manual workers. However, the great majority of the aspects referred to in the above table are extrinsic ones, suggesting a predominantly instrumental orientation to work, a situation which contrasts markedly with that at Recycles. The significance of this will be further explored in the discussion section of the case-study.

4.3.3 Reactions to the Co-operative

Having looked at the relative strengths and weaknesses of the co-operative in terms of what it is seen to offer its members, and having examined the relative importance which the members place on a range of aspects of work, attention will now be given to a range of indicators of the non-economic performance of the co-operative. The indicators used are:

1. Commitment, identification, involvement and loyalty (measured using standard questionnaire scales).
2. Job Satisfaction at the co-operative as compared with previously held jobs.
3. Overall satisfaction.
4. Intent to stay with the co-operative, for either 1 or 5 years.

Each of these will now be presented in turn.

Commitment, Identification, Involvement, Loyalty

The scale which was used to investigate these attitudes is presented in appendix 2. The scale is a standardized commitment scale (Cook et al., 1980), and is designed to indicate the strength of attachment to an organization (and its goals and values) for its own sake, rather than for instrumental reasons. The scale contains three subscales:

(i) Identification: which denotes pride in the organization and internalization of the organization's goals and values.
(ii) Involvement: a willingness to invest personal effort in the organization, for the sake of the organization, and
(iii) Loyalty: a sense of belongingness to the organization manifested as a wish to stay.

The mean scores of Recycles' members on these scales, along with the population norms and the scores produced by a group of 'Alternative' co-operators are shown in table 4.7.

Comparing Recycles and the population norms first, it may be seen that although Recycles members showed mean scores which were higher than those for the general population on all the indicators bar identification, it was only in the case of loyalty that the difference proved to be statistically significant; a rather surprising result. This contrasts markedly with the results of the study into alternative co-operatives in Scotland in 1981 (table 4.7) in which respondents from the alternative co-operatives (which incidentally included Recycles) showed significantly higher mean
Table 4.7
Commitment, Identification, Involvement, Loyalty

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>SD</td>
<td>Mean</td>
</tr>
<tr>
<td>Commitment</td>
<td>45.37</td>
<td>9.56</td>
<td>55.54</td>
</tr>
<tr>
<td>Identification</td>
<td>15.77</td>
<td>4.00</td>
<td>19.21</td>
</tr>
<tr>
<td>Involvement</td>
<td>16.58</td>
<td>3.08</td>
<td>18.96</td>
</tr>
</tbody>
</table>

N = 260 N = 24 N = 7

Significance levels are those at which each co-operative sample differs from population norms.

* Source: Cook and Wall (1980)
** Source: Oliver (1984)
scores on all the indices. It may be that in their early days co-operatives tend to generate a particularly high degree of commitment, which declines as the enterprises mature, although the data do not permit firm conclusions.

Satisfaction

Two questions were asked with respect to satisfaction. First, respondents were asked to indicate on a five point scale (Definitely less satisfied - Definitely more satisfied) how satisfied they were with their job at Recycles compared with other jobs they had had. Secondly, they were asked to indicate, again on a five point scale, how satisfied they were overall with their job at Recycles.

Responses to the first of these questions are shown in table 4.8.

Table 4.8: Job Satisfaction at Recycles in Comparison to Other Jobs

<table>
<thead>
<tr>
<th>Response</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Definitely less satisfied</td>
<td></td>
</tr>
<tr>
<td>2. Less satisfied</td>
<td>1</td>
</tr>
<tr>
<td>3. About the same</td>
<td></td>
</tr>
<tr>
<td>4. More satisfied</td>
<td></td>
</tr>
<tr>
<td>5. Definitely more satisfied</td>
<td>6</td>
</tr>
</tbody>
</table>

(7)

As may be seen from table 4.8, Recycles' members were unanimous in experiencing greater satisfaction with their jobs at Recycles than they had in their previous jobs; perhaps not surprising, given that a high proportion of the membership had joined Recycles because of dissatisfaction with their previous employment arrangements. A similar pattern was discernible with respect to overall satisfaction, although responses were not as strongly positive as they had been in the case of the previous question (see table 4.9).

Table 4.9: Overall Satisfaction at Recycles

<table>
<thead>
<tr>
<th>Response</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Not satisfied at all</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>1</td>
</tr>
<tr>
<td>3.</td>
<td>4</td>
</tr>
<tr>
<td>4.</td>
<td></td>
</tr>
<tr>
<td>5. Very satisfied</td>
<td>2</td>
</tr>
</tbody>
</table>

(7)

Although all the responses fell in the upper part of the scale, only 2 people indicated that they were very satisfied with their jobs at Recycles. Nevertheless, the scores on this measure are very much bunched towards the top of the scale, indicating that, overall, no-one is dissatisfied with their job at the co-operative.
Intent to Remain at Recycles

The questionnaire contained two questions concerning intent to remain with the co-operative; both questions asked respondents to estimate the likelihood of them still being with Recycles in the future, but one question put the time period at one year, and the other specified five years. Responses to these questions are shown in table 4.10.

As may be seen from the table, most members seemed to regard it as highly likely that they would remain with the co-operative for at least a year. The picture was rather more mixed when the time scale was set at five years, with only two of the members' responses falling into the upper two responses.

Table 4.10: Likelihood of Remaining at Recycles for 1 and 5 years

<table>
<thead>
<tr>
<th>Response</th>
<th>1 year</th>
<th>5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Highly Unlikely</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>3.</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>4.</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>5. Almost certain</td>
<td>4</td>
<td>1</td>
</tr>
</tbody>
</table>

(7) (6)*

* one 'don't know'

Work Values

The simple model of social performance outlined at the start of this section assumed that member satisfaction would be determined essentially by the 'fit' between what the members of the co-operative desired or regarded as important with respect to work organizations and what the co-operative was perceived to be offering. As we have seen, the responses to the satisfaction items on the questionnaire indicated that no-one was actually dissatisfied with their job at the co-operative, although some seemed to show higher satisfaction than others. To explore the effects of work values on commitment and satisfaction, simple correlations between strength of work values and the indices of commitment and satisfaction were performed. These are presented in table 4.11.

Table 4.11: Work Values, Commitment and Satisfaction

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Instrumental Values</th>
<th>Task Centred Values</th>
<th>Participatory Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identification</td>
<td>-0.82**</td>
<td>0.21</td>
<td>0.31</td>
</tr>
<tr>
<td>Involvement</td>
<td>-0.45</td>
<td>0.64</td>
<td>0.29</td>
</tr>
<tr>
<td>Loyalty</td>
<td>-0.66*</td>
<td>-0.29</td>
<td>0.04</td>
</tr>
<tr>
<td>Overall satisfaction</td>
<td>-0.38</td>
<td>0.14</td>
<td>0.53</td>
</tr>
<tr>
<td>Comparative Satisfaction</td>
<td>-0.86**</td>
<td>0.21</td>
<td>0.60</td>
</tr>
</tbody>
</table>

Significance * = p ≤ .05; ** = p ≤ .01
Table 4.11 shows an interesting pattern. All the simple correlations between strength of instrumental work values and the commitment and satisfaction indices were negative, indicating that it is those who place a relatively high value on the more instrumental aspects of work (such as pay, holidays, security and so on) who show low commitment to and satisfaction with the co-operative. In general, strength of participatory and task-centred values tended to be positively related to satisfaction, though none of these relationships attain statistical significance. A closely similar pattern has also been noted in a study of a much larger co-operative, the Scott Bader Commonwealth (Oliver, 1986), with strength of instrumental values showing consistently negative relationships to commitment and satisfaction.

Summary

Overall, Recycles appears to be satisfying the needs and desires of the majority of its current members. In general, it is what could be termed the more 'intrinsic' aspects of work that are most favourably rated in the co-operative. The 'extrinsic' aspects of work - in particular pay - are rated as being relatively poor. However, the simple model of member satisfaction presented at the beginning of this section assumed that particular aspects of work were neither sources of satisfaction nor dissatisfaction per se, but only in so far as they matched or failed to match the expectations and desires of the membership. Given that the aspects of work at Recycles which are particularly favourably rated are the 'intrinsic' ones, then one might expect it to be those who show relatively strong participatory and/or task-centred values to also show relatively higher commitment and satisfaction, which indeed seems to be the case. However, it is worth pointing out that the data generated by the standard commitment scales indicate that commitment in the co-operative overall is not significantly higher than in a representative national sample, a finding which differs from those of a comparable study of commitment in Alternative co-operatives undertaken in 1980 (Oliver 1984).

The vignettes indicate that it was two of the founders, Morag and Chris, who experienced the least satisfactory outcomes from their association with Recycles; both felt that they put a great deal into the co-operative yet had enjoyed very little return, in either economic terms or otherwise. This will be further explored in the final section of the case study which follows.
5. ISSUES AND INTERPRETATION

5.1 Introduction

Many issues arise in an account such as this. In this section a number of issues which arise from this case-study will be highlighted and discussed in more depth. These will be dealt with under the headings of (i) Business Development, (ii) Co-ordination and Control and (iii) People in the Co-operative.

5.2 Business Development

Along with the financial indicators of Recycles' development as a business which in a sense speak for themselves, there is an additional, and perhaps crucial indicator of such development. This is the extent to which a 'business awareness' is developing on the part of Recycles' members - an understanding of how the business operates, and an ability to act on this understanding. There were a number of signs that such an awareness was developing within the co-operative, such as the changes in recruitment practice, stocking policy and stock control procedures, advertising and the use of financial information. Two aspects of this increasing business awareness will be considered here; (i) the changing emphasis with respect to recruitment policy and (ii) the signs of an increasing understanding of the market in which the business operates.

5.2.1 Recruitment Policy

As was described in section 2.3.5, a combination of external pressures and unsatisfactory experiences with members who lacked skills and knowledge about the cycle trade led to a marked change in the criteria used to recruit and select new members; from their sympathy to co-operative ideals to their prowess as bicycle mechanics. This shift was provoked by a succession of members who were relatively unskilled when they joined the co-operative and who never really caught up with the more skilled members. This situation was unsatisfactory in a number of ways. First, the work carried out by the less skilled members was often not of an acceptable standard, and bicycles were being returned because repairs had not been done properly. Apart from the embarrassment caused to the other members, this was potentially damaging to the co-operative's reputation. In addition, such a situation caused a drain on resources within the co-operative; the less competent required assistance from the more competent, though sometimes this only took the form of a watchful eye. When a more direct intervention was required, two people's time was effectively absorbed in the task - the time of the person doing the job, and the time of the person watching them or guiding them. As a consequence, the emphasis in the recruitment and selection criteria for new members shifted from being based on personality (and perhaps ideology) to technical proficiency.

Although this change in emphasis addressed one problem, it could have led to additional problems in other areas. For example, as new members came to be selected first and foremost on their skills, knowledge and experience vis-à-vis bicycles, one might have expected any subsequent improvement in economic performance to be
at the expense of aspects of the co-operative's non-economic performance such as the effectiveness of the democratic control or the quality of social relations. Interestingly, this does not seem to have occurred; in fact, if anything, the reverse seems to be the case, with a number of the longer-term members remarking on how harmonious the co-operative had been in the period following the shift in recruitment emphasis. Although a range of interpretations of why this is so are possible - from a fortuitous 'good mix of people' to the fact that certain routines have developed as the co-operative has matured - one plausible explanation is that the higher level of skill in the co-operative has created the organizational 'elbow room' to permit a more relaxed climate to develop - and perhaps also to permit the members to devote more time to discuss important issues. Viewed in this way, the relationship between level of participation and performance noted in a number of studies of co-operatives (Bellas, 1967, Jones, 1982), and in which it is frequently assumed that participation leads to greater performance could be re-interpreted; it may be that it is only those co-operatives who are high performers (and which therefore presumably have a reasonable degree of organizational elbow room) who can afford the luxury of high levels of participation in decision-making.

5.2.2 Market Awareness

A second area in which there has been a noticeable development in Recycles is in the members' awareness of the market environment in which the co-operative operates, and of the co-operative's position in that environment. On the part of the longer term members of the co-operative this has been manifested as a growing awareness that not everyone thinks as they do, the result being a compromise between how they would ideally like to run the business and how they feel they must run it to make money. Reflecting on this, Mike Sweatman commented that what actually went on in the co-operative represented a compromise between a number of (sometimes competing) forces. For example, he observed that there was a "make more money" force within the co-operative which was sometimes in competition with another strong force, the desire to provide a high quality service (which sometimes involved spending more time on setting up a new bike than the co-operative felt it could charge for). Similarly, there appeared to be two competing pressures with respect to repairs; one was to do exactly what the customer ordered, the other was to do 'a good job'. There is anecdotal evidence that on occasions the desire to do a good job and to repair a bicycle properly has triumphed over a sense of obligation to do exactly what the customer ordered - the result being customers who were aggrieved at the size of their bill for what they saw as overly perfectionist repairs.

Mike comments:

"We had an interesting experience last Spring when our prices (of new bicycles) were not competitive in Edinburgh by £10 - £15. It was very noticeable that some extremely trendy left-wing hand-knitted culture people went and bought their bikes elsewhere. And one particular person who we know to say hello to - incredibly much part of our strata - also went and bought a bike elsewhere because it was £15 cheaper. You very quickly get a notion that all this stuff about quality and friendliness and being a co-operative is a very weak marketing force. There's one big force which is price."
One of Recycles' responses to this increasing awareness of its relationship to its market was the production of a newsletter/magazine in 1983 (See appendix 3). "Recycles News", as the newsletter was called, consisted of reviews of bicycles and equipment which were available from Recycles, the idea being that the co-operative could attract customers on the basis of the information and advice it could provide rather than simply on the basis of the price at which it sells its products. Additionally, Recycles saw the range of its stock as being a potential marketing force. Mike:

"Last year (1982) our image was to be the good guys in the bike trade. Now our image is to be the good guys in the bike trade who have everything".

Along with an increasing awareness of its markets, Recycles was also developing a more analytical approach to how these markets earned money. At the time of writing the co-operative was developing a system which enabled the various activities of the business (sales of spares, sales of new bicycles, hires and so on) to be separated out in order to establish the profitability of each one; with this knowledge it would be possible to make much more informed judgements as to which areas to allocate resources of labour and capital within the business.

Part of Recycles' more recent development in business awareness seems to have developed as a consequence of its members meeting and discussing business philosophy with a major supplier of up-market bicycles, components and accessories.

Mike:

"They considered the whole of the business to be 'when to move'. You didn't keep stock because it was a good thing, you kept it because it was moving fast, and when it wasn't moving fast you shifted out of it and moved on to something else ... We're never shifted out of anything in our lives! We sometimes shift into things, but slowly."

"If we were sharp businessmen we'd be much more into a 'quick-buck' type of buying and a 'quick-buck' type of selling. We're much more in the traditional retailing style which is maybe not so good in the 1980s"

In 1983 considerations such as these were causing Recycles to reflect on the earning power of its operations. There was concern that the co-operative was approaching a plateau in their business procedures 'learning curve', with a corresponding concern that wages were also approaching a "ceiling" of what staff in relatively well run bicycle shops were paid. The idea that some action was required to boost the earning power of the operation was under discussion in the early part of 1983.

5.3 Co-ordination and Control

As was described in section 3, the question of co-ordination and control at Recycles was approached by examining the structural aspects of the organization - specifically the systems by which
information was moved around the co-operative - and the authority in the co-operative which supported these systems. It may be recalled that a number of information systems were identified, the key one being the general meeting of all the co-operative's members. Authority and power within the co-operative appeared to be predominantly informal, or normative, to use Etzioni's terms, and it is the question of how and why these informal means of control appear to work at Recycles which will form the main bulk of this section. This question will be approached by examining the factors which appear to important in the establishment and maintenance of informal or normative authority, and then looking at Recycles in relation to these factors.

The starting point of this analysis is the assumption that for a system of normative control to function effectively two conditions are necessary:

(i) A set of norms (usually implicit) must exist
(ii) These norms must be internalized by the individuals concerned if they are to serve as a guide to behaviour.

Figure 5.1 is based on ideas from Handy (1985) and is a representation of the key factors in the development of a cohesive group. (For the purpose of this section it is assumed that a cohesive group is one which has a strong sense of common-purpose and is able to exert a high degree of influence over the behaviour of its members. A cohesive group therefore has the potential to exert strong normative control). In the text which follows figure 5.1 the factors critical to group cohesion will each be considered in turn, along with their relevance for normative control at Recycles.

5.3.1 Size of Group

It has been argued that small groups (less than about ten members) tend to be more cohesive than large ones. In a relatively small group people are likely to experience greater involvement and feel themselves to be part of the group to a greater extent than they would in a larger group.

With seven members, Recycles' size is likely to foster the development of group norms. Handy identifies a size of between five and seven to be optimum in terms of the highest all-round involvement. Regarding the development of norms, size assists in this process by allowing more interactions between members. With the introduction of the four-day week and the rota system, the scope for such interactions on a day to day basis at Recycles was somewhat reduced. This suggests that arenas for face-to-face interaction (such as meetings of all the co-operative's members) are therefore particularly important in the maintenance of group norms. Although people's reports (and actual observation of meetings) showed that some members - typically those who had been at the co-operative longest - played a bigger part than did others, there was no sign that this was creating any sense of disenfranchisement among the less active members which might threaten the co-operative's normative control.
Figure 5.1: Factors Affecting Group Cohesion*

GROUP CHARACTERISTICS

1. Size
2. Member characteristics and objectives

TASK CHARACTERISTICS

1. Salience of task
2. Clarity of task

ENVIRONMENT

1. Norms and expectations of others
2. Hostility of environment

* Adapted from Handy, 1985.
3.3.2 Member Characteristics and Objectives

Handy argues that people who are similar in their attitudes, values and beliefs tend to form stable enduring groups. In their transition from being mere aggregates of individuals, people who comprise groups generally develop at least some shared attitudes, values and beliefs which can then form the basis for a set of group norms. When the individuals who comprise a group have relatively heterogeneous attitudes then it is likely to take longer for a set of norms to develop, and the norms when they do develop may be less potent.

In the case of Recycles, there appears to have been little scope for discussion over objectives in the early days of the co-operative.

Chris:

"In the first 3 years the long term aims were so specific you could write them on a postcard. There wasn't a lot you could plan for".

However, by 1982 the possibility of dissension over the goals pursued by the co-operative had occurred to Ken Fisher, although a situation involving such dissension had still not arisen. Ken:

"I have a theory and my theory is that when the co-operative is poor and struggling, there is very little dissent about what the goal is - the goal is to keep going."

In 1983, Recycles was on a sound commercial footing, and was in a position - perhaps for the first time in its life - of having the organizational elbow room to make genuine choices on major issues concerning its future direction. Whereas previously most decisions were seen to be dictated by the logic of survival, there was now scope for differences in opinion about major choices facing the co-operative. This will be discussed more fully under the heading of 'Task clarity and salience', but is relevant in this section in that it appears that increases in elbow room may allow differences in objectives to emerge. In this report, it is interesting to note that Rothschild-Whitt (1976) has identified economic marginality as one of the conditions which facilitates participatory/democratic organizations, partly for this reason.

In terms of homogeneity of attitudes and values, which is heavily promoted and protected by the processes of selective recruitment and self-selection, an interesting shift is discernible during Recycles' life. In the earlier days homogeneity seems to have been promoted (albeit unconsciously) primarily through the selection and recruitment of pro-co-operative people, often from the Edinburgh 'alternative' movement. As we have seen, as the co-operative matured (and after a number of the members recruited in this way proved to be of questionable competence in working with bicycles), Recycles' recruitment policy shifted towards recruiting people who were primarily cycling enthusiasts. It is possible to interpret this as a straight-forward substitution of one uniting factor - an interest in co-operatives - with another; an interest in bicycles. At the time of writing, it was early for the effects of this shift
to have filtered into the running of Recycles; it seems possible that in the longer term this may lead to an increased emphasis on the technical side of the business, perhaps at the expense of the operation of the organization as a democracy.

5.3.3 Stage of Development

As a shared understanding or set of norms is a prerequisite for informal or normative control, the implication is that groups need to be given time to develop such a shared understanding. It has been argued that groups need to pass through four stages of development before such a state is reached. The stages identified have been termed (i) forming (ii) storming (iii) norming (iv) performing. The two key stages are storming and norming, which correspond to a phase of argument and airing of differences of opinion followed (hopefully) by the establishment of a set of norms and practices. Only when these stages have been satisfactorily completed, it is argued, will the group be able to perform effectively.

Applied to Recycles, these ideas suggest that a period of argument and debate about ways of doing things, areas and limits of responsibility and so on could be seen as an integral part of the development process. In 1983, a number of the longer-term members of the co-operative remarked on how harmonious relations were within the co-operative, especially in comparison to the sometimes stormy relations of the early years. One member (somewhat facetiously) suggested that this might be because the co-operative was now "full of very bland people", but a more plausible interpretation is that an agreed way of doing things - a set of norms - had evolved over the years, and that these norms were sufficiently acceptable to the co-operative's members for them not to be seriously challenged (hence generating conflict). The principles of group development would suggest that the arguments in Recycles' early years were a sign that such a set of norms were being negotiated. Indeed, some of the more recent major arguments which have occurred (such as the 'plastic cubes' incident) could be interpreted as a re-affirmation or re-negotiation of the informal rules by which the co-operative operates.

5.3.4 Nature of the Task (Salience and Clarity)

The argument here is essentially that if the task facing a group is both clear and perceived as significant by those involved, then a set of norms about both what the group is attempting to achieve and perhaps about the ways it is to achieving it are likely to develop more quickly and be more stable in the longer term than if the task is perceived as ambiguous or insignificant.

In the case of Recycles, the economic marginality of the co-operative, particularly in the early days meant that there was little scope for dissension over goals, as most actions were constrained by the logic of survival. As the co-operative has become more sound financially, one would have expected the scope for dissension to have increased, something which does not seem to have occurred. One explanation for this may be that continued (though less acute) economic marginality is continuing to constrain options open to the co-operative, and hence is constraining
conflict about these options. Another possibility is that the interest and enthusiasm for bicycles on the part of the members has a uniting and energizing effect by providing an overall mission—the provision of a profitable, high-quality service to the Edinburgh cycling community—which is both clear and salient to the members.

5.3.5 The Environment

The environment in which a group operates can influence its cohesiveness in a variety of ways; factors such as the physical location(s) in which the group operates, the esteem in which the group and its tasks are held by the outside world, and the presence or absence of a common enemy can all influence the cohesion of a group. Physical location is important in that geographical proximity increases interaction between group members and such interaction tends to improve group cohesion. If the work of the group is held in high esteem by outsiders, the salience of the task to the members is likely to be enhanced, and the existence of a hostile environment or common enemy may function to unite the members of a group.

In the case of Recycles, there is no clear evidence concerning the ways in which such environmental factors were impinging on the co-operative. However, it seems likely that the closing down of the shop in West Crosscauseway and the concentration of operations on one site enhanced cohesion, and that the introduction of the four-day week (by introducing temporal, though not physical dispersion) constitutes a factor likely to work against group cohesion. Bearing this in mind, the system of meetings at Recycles, though time consuming, could be seen as an important arena for face-to-face interaction.

5.3.6 Disadvantages of Dispersed Authority and Normative Control

Thus far, this description of normative control at Recycles has concentrated on how such control works in the co-operative and introduced a few elementary ideas as to why it appears to work effectively. Although there are obvious advantages in having dispersed authority and informal control in a participatory-democratic organization, such an arrangement could be construed as having costs as well as benefits. Two major costs which were evident on the basis of this research were:

(i) Decision-making costs, in particular the costs of an inability to reach consensus on an issue
(ii) The transaction costs associated with wide information dispersal.

The first of these points may be illustrated by reference to a couple of major decisions faced by the co-operative. The first decision to be considered here concerned the taking on of new staff; the second was a major investment decision which carried substantial implications for the future direction of the co-operative. In both cases opinion within the co-operative was evenly divided as to what action should be taken.
The issue of taking on new staff arose when the co-operative was faced with two strong candidates for one permanent job. Both potential candidates for the job had obvious (though different) virtues, and both had worked for Recycles on a temporary basis. The existing members felt that the business could only support one extra member, and the co-operative was split down the middle as to who it should be. In an endeavour to reach a decision there were

"Two weeks of interminable meetings, most of them carbon copies of the first two."

In the end both people were taken on because, in the words of one member, "We couldn't make up our minds".

The second issue concerned an opportunity for the co-operative to break into a developing sector of the accessories market, but which required both a major capital investment and a decision by a particular deadline. The co-operative split 4:3 on the issue. Because the issue was so substantial neither of the two sides felt they could allow the other side to give their plan a try and see what happened. As a consequence, the default option - to do nothing - occurred. Given a situation in which (a) authority is dispersed throughout the co-operative and (b) differences in opinion are virtually inevitable, then occasions on which things stay as they are by default are unavoidable. When reached by consensus decisions are more likely to benefit from the commitment of everyone involved; the drawback is that the process almost invariably takes longer, and sometimes gets stuck.

Turning to the transaction costs of dispersed authority, these costs appeared in two ways: first, directly, in terms of the resources required to spread information around the organization, and secondly indirectly by the feeling expressed by a number of members that they did not know about everything which was going on, although they felt that they ought to. This latter problem was exacerbated by the greater segregation of administrative activities which had come with increasing specialization, and also the greater temporal separation due to the four day week.

In this area the co-operative appears to face an intractable dilemma. Whilst the argument could be made that wide information dispersal is a desirable state, it could also be argued that it is only essential when many people are involved in the decision, or when their agreement is required for the implementation of the decision (Vroom, 1974). Here there seems to be an irresolvable tension; as specialization and the discretion of individuals to make decisions at Recycles has increased, so the speed at which things happen has improved, because of a reduction in the need for information dispersal and group discussion. The costs of this change are that the parts of the business are in danger of becoming less integrated, and also that the loss of a particular specialist and his self-contained skills could leave the co-operative with a substantial gap in its expertise. As described in section 3, the latter problem had been recognised, and in 1983 moves were being made to address it.
5.4 People at Recycles

On the basis of the experiences of those who were members of Recycles in 1983, the co-operative appears to be performing reasonably well in non-economic terms. Indeed, with the exception of the wages it provided, the co-operative seemed, on the whole, to be providing satisfactory outcomes for its members. When the experiences of some of the ex-members of Recycles are considered, in particular those of Chris and Morag, a slightly different picture emerges. Reflecting on their experiences in the co-operative, both Chris and Morag felt that there was a mismatch between the amount they had put into the co-operative - their effort, the use of their flat as security, their very low wages - in relation to the benefits they had enjoyed, though they acknowledge that had they stayed with the co-operative longer they might have seen it into its relatively affluent phase. Both Chris and Morag were adamant that they would not consider starting a co-operative again. Their experience is not dissimilar to that noted elsewhere (Paton, 1978) and has profound implications for the co-operative movement. If, as Abell (1982) has argued, the main obstacle to the growth of co-operatives is their low birth-rate, then the experiences of Chris and Morag indicate that this situation is likely to continue, simply because there is very little individual reward - especially in economic terms - for those who set up co-operatives. This is not to say that these are not measures which could be taken to alleviate this problem; the establishment of a 'founders' fund' or a system of capital credits similar to that used in the Mondragon co-operatives, could address this problem, but such measures in a sense run counter to the spirit of the co-operative movement by introducing overtones of individual ownership. This suggests a dilemma for the co-operative movement between increasing its breadth of appeal on one hand and maintaining its principles on the other. It is possible (although unproven) that adjustments to co-operatives' reward systems may improve the attractiveness of forming or joining a co-operative by allowing founders (and indeed, non-founders) to enjoy the benefits of an appreciation in the capital assets of the business. How far down this road one could go without compromising the principles of co-operation is an open question.

A second issue, related to the previous one, concerns the type of people who appear to find co-operative working a satisfactory experience. On the basis of this study, it seems to be those who have relatively strong instrumental work values who find working in this particular co-operative relatively unrewarding, in terms of their commitment and satisfaction. Although one cannot justifiably generalize from such a small group of people, the implication of this is that it is those who have relatively strong instrumental work values who will generally show relatively low commitment and satisfaction to a co-operative if they join one or who may be disinclined to start or join one in the first place. Given that studies reviewed in Brown et al (1983) indicate that the majority of the working population place a high degree of importance on the more instrumental aspects of work, it may be that the co-operative movement is trying to promote something which the majority of its target audience do not really want. To put it another way, if it is those who possess strong instrumental values who find co-operative working least appealing, and if the majority of the
working population has predominantly instrumental values, then the co-operative movement may be facing a problem in 'marketing', the co-operative organizational form.

Considering Recycles more specifically, although there was obviously some variation between individuals in terms of what they considered to be important in a job, on the whole the membership appeared to place a high degree of importance on the more intrinsic aspects of work such as friendliness, variety, interest in the product and so forth. These also tend to be the features on which Recycles was particularly highly rated. Thus, there appears to be a match between what the members desire from a job and what their jobs at Recycles are providing them with. The evidence from the vignettes generally support this, although there were signs that the co-operative was not meeting people's desires in some areas. In particular, it was noticeable that for some members the poor financial rewards offered by the co-operative were beginning to assume greater significance than they once were; the psychological costs of low wages appear to mount as time goes by.

5.5 Conclusions

This account has described the establishment and development of one small co-operative. Although there are obviously limits as to how far one can extrapolate from a case such as this, Recycles' story does provide pointers as to some of the factors which influence whether such ventures are likely to be successful or unsuccessful.

In many ways, the Recycles story, particularly in the early days, depicts a race between education and catastrophe. That Recycles has continued to exist and expand demonstrates that the co-operative has accumulated sufficient resources (in terms of the skills and knowledge of its members, as well as material resources) not only to maintain itself, but to develop as well. How did Recycles do this when so many other similar ventures have failed?

From a business perspective the co-operative had no obvious strengths at the outset. It set up in the very low earning market of bicycle repairs, which was insufficient to pay the three people who set it up even subsistence wages. The recognition of this, and the consequent move to the more lucrative hire business almost certainly saved the co-operative from petering out after a couple of years. This move would not have been possible without finance from ICoF, who made a loan "on faith", from sympathetic friends, and the founders themselves. Nor would the co-operative have survived had it not been for the commitment and determination of the founders. The co-operative was hauled out of its small shabby back street operation and put in a position where it at least had the potential to develop. Even having made this quantum leap, the co-operative would have failed without the injection of knowledge and finance which SCDC and ICoF provided at the end of 1978. These support agencies acted as a safety net, and gave Recycles the chance to learn from a situation which otherwise could have heralded the end of the co-operative.

Since then, Recycles has never been without a core of committed and informed members who have given the organization a degree of stability, despite a period of a high turnover of members. As many of the activities involved in developing the business require a
substantial investment of time and effort to be brought to fruition, this seems to be an important ingredient in setting a long enough time horizon for a business strategy to form. Another striking feature in the Recycles story is the degree of business awareness which developed among the members of the co-operative, as indexed by a propensity to try to think like a customer would, and the moves to analyse the constituent parts of the business in terms of their earning ability so that the resources could be allocated optimally. Bearing in mind that such skills have been largely self-taught (which takes time), it seems plausible that the stability of membership has encouraged their development.

The second area where the co-operative could be considered as a success lies in its methods of organization - its division of labour and mechanisms of co-ordination. Although some members - particularly the longer serving ones - carried more influence in the co-operative than others, there is an informality in the way in which the collectivity exercises control over the individual members, to the extent that formal controls are almost wholly absent. It is possible to discern features which contribute to this, such as the small size of the co-operative, the regular arenas for face-to-face interaction (weekly meetings, and the "horizon" meeting every six weeks) and the involvement in the business because of the strong shared interest in the product. Indeed, as the recruitment criteria moved from selecting primarily pro-co-operative people to pro-bicycle people the intrinsic interest of what the business offered its members was altered, but not compromised; consequently a high degree of involvement was maintained. All these factors support informal systems of control, obviating the need for mechanisms of reward or sanction. The formal systems which the co-operative has developed are essentially just information systems, designed to move information about the co-operative.

The dual demands of the four day week and democratic decision-making have tended to push the co-operative towards more formal systems of task allocation and information dispersal than one would find in comparable traditional businesses. Indeed, the need to ensure that information is more public and not the property of any particular individuals may lead co-operatives to exhibit greater formalization than similar traditional businesses. What is noteworthy in Recycles is the extent to which the systems in the organization serve the people, rather than vice versa.

The final area in which Recycles' performance has been considered is that of social performance, that is the extent to which working in the co-operative satisfies the needs, goals and desires of the membership. In this respect the co-operative has performed well (although two of the founder members are notable exceptions), but the members of Recycles are not representative of the majority of the working population. Hence although what the co-operative offers suits them, it may not suit many others. To most of the members of Recycles the ownership structure of a business (and operational practices which it encourages) are of major significance. To many people they are not. This implies that the co-operative movement, if it is to expand significantly, needs to think very hard about how to persuade its target audience that what it has to offer is of value to them, as well as providing the financial and advisory support to nurse fledging co-operatives through their difficult early years.
REFERENCES

Abell, P (1983), The Viability of Industrial Producer Co-operation, in Crouch, C and Heller, F (eds), International Yearbook of Organizational Democracy, chap 4, pp 73-103, John Wiley & Sons Ltd.


Rothschild-Whitt, J (1977), Conditions facilitating Participatory-Democratic Organizations, Sociological Enquiry, Vol 46, No 2, pp 75-86.


APPENDIX 1:
Calculation of Capital Assets for each year.

Calculation of Capital Assets in a given year. These figures were calculated as follows:

Fixed Assets + Current Assets less creditors, less bank overdraft, less amount of loan capital requiring payment in that year.

Thus: Net Assets for 1982 are:

Fixed Assets: £12,292
Current Assets: £40,225

Current Liabilities:
Creditors: £15,533
Overdraft: £6,041
Loan repayment*: £1,000
Net Current Assets £22,574

Net Current Assets £17,651
Net Assets £29,943

*NB: Only payments due in that year are counted under current liabilities. I have used the 'source and applications of funds' information to work out this figure for each year.
WORK ATTITUDE SURVEY

The following pages contain a number of checklists designed to indicate attitudes to work in general, and to co-operatives in particular. There are no right or wrong answers to any of these questions - we are just interested in how you feel about work generally and your present work in particular. The questionnaire should not take very long to complete; about 10 minutes is usual.

Thank you very much for your assistance.

For use at Recycles Ltd

Name

Date

APENDIX 2

Questionnaire used at Recycles Ltd
**Section 1**

**Introduction:** For some people, work is just a means to get money, it's something they have to put up with. For others work is the centre of their life, something that really matters to them. I would first of all like to ask you about your reactions to work in general, and whether doing work is important to you personally. By 'work', I mean any job that is paid.

Here are some statements which people have made about work and working in general. Without limiting yourself to your present job please indicate on the scale below how strongly you agree or disagree with each comment in turn. These refer to paid jobs in general not simply to your present job.

**Scale:**
1 = No, I strongly disagree  
2 = No, I disagree quite a lot  
3 = No, I disagree just a little  
4 = I'm not sure  
5 = Yes, I agree just a little  
6 = Yes, I agree quite a lot  
7 = Yes, I strongly agree.

**Items (Please tick the appropriate box)**

<table>
<thead>
<tr>
<th>Number</th>
<th>Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Even if I won a great deal of money on the pools, I would continue to work somewhere.</td>
</tr>
<tr>
<td>2</td>
<td>Having a job is very important to me.</td>
</tr>
<tr>
<td>3</td>
<td>I would hate to be on the dole.</td>
</tr>
<tr>
<td>4</td>
<td>I would soon get bored if I had no work to do.</td>
</tr>
<tr>
<td>5</td>
<td>The most important things that happen to me involve work.</td>
</tr>
<tr>
<td>6</td>
<td>If unemployment benefit were really high I would still prefer to work.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Not sure</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>7</td>
<td>8</td>
<td>9</td>
</tr>
</tbody>
</table>
**Section 2**

**Introduction:** In this section we would like to look at what it means to you to be a member of your organization. Some people feel themselves to be just an employee, there to do a job of work, while others feel more personally involved in the organization in which they work.

The following items express what people might feel about themselves as members of their organization.

Again, please indicate on the same seven-point scale how much you agree or disagree with each statement in turn.

**Scale:**
1. I strongly disagree
2. I disagree
3. I disagree just a little
4. I'm not sure
5. I agree just a little
6. I agree quite a lot
7. I strongly agree.

**Items (Please tick the appropriate box)**

<table>
<thead>
<tr>
<th>Item</th>
<th>Strongly disagree</th>
<th>Not sure</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. I am quite proud to be able to tell people who it is I work for.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. I sometimes feel like leaving this employment for good.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. I'm not willing to push myself out just to help the organization.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Even if the organization were not doing too well financially, I would be reluctant to change to another employer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. I feel myself to be part of the organization.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. In my work I like to feel I am making some effort, not just for myself but for the organization as well.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. The offer of a bit more money with another employer would not seriously make me think of changing my job.</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>8. I would not recommend a close friend to join our staff.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. To know that my own work had made a contribution to the good of the organization would please me.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Section 3

(Please tick the appropriate box)

1. How important is it to you that Recycles is a co-operative?

<table>
<thead>
<tr>
<th>Of little or no importance</th>
<th>Very Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>5</td>
</tr>
</tbody>
</table>

2. Compared with other jobs you have done, how satisfied are you with your job at the Co-operative?

<table>
<thead>
<tr>
<th>Definitely less satisfied</th>
<th>Less satisfied</th>
<th>About the same</th>
<th>More satisfied</th>
<th>Definitely more satisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

3. How much freedom do you have to decide how a job is done?

<table>
<thead>
<tr>
<th>Almost none</th>
<th>A very great deal</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>3</td>
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<tr>
<td></td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>5</td>
</tr>
</tbody>
</table>

4. All in all, how satisfied are you with your job here?

<table>
<thead>
<tr>
<th>Not satisfied at all</th>
<th>Very satisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>3</td>
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<tr>
<td></td>
<td>4</td>
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<td></td>
<td>5</td>
</tr>
</tbody>
</table>

5. How likely is it that you will still be working here in about one years time?

<table>
<thead>
<tr>
<th>Highly unlikely</th>
<th>Almost certain</th>
<th>Can't say</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>

6. How likely is it that you will still be working here in about five years time?

<table>
<thead>
<tr>
<th>Highly unlikely</th>
<th>Almost certain</th>
<th>Can't say</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>
Section 1

Introduction: A number of people have argued that workers should have more say in the running of their companies. Different reasons have been put forward to support these arguments. Please indicate on the scale below how you feel about each of the following reasons for giving workers more of a say:

Please rate how strongly you agree or disagree with each statement by ticking the appropriate box.

<table>
<thead>
<tr>
<th>I strongly disagree</th>
<th>I disagreed</th>
<th>I'm undecided</th>
<th>I agree</th>
<th>I strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Because it would enable workers to defend their economic interests and job security</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Because it would increase workers satisfaction with their work</td>
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<td></td>
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<tr>
<td>Because it is a basically just and human right</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Because it would make work more efficient</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Because it would lead to improved industrial relations</td>
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<tr>
<td>Because it would lead to a greater commitment on the part of the workforce to the success of the enterprise</td>
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</tr>
<tr>
<td>Because it reduces the feeling of &quot;us&quot; and &quot;them&quot;</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Because people would moderate their wage claims if they knew more about the way companies operate</td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

Any additional comments:
Section 5
Below is a list of features of work and work environments. Different people ascribe different degrees of importance to each item. Please indicate how important or unimportant you consider each item to be when choosing where to work. We are interested in the value you place on each item in relation to paid work in general, not just in relation to your present job.

Please rate the importance you ascribe to each of the following items by ticking the appropriate box:

<table>
<thead>
<tr>
<th>Feature</th>
<th>Not at all Important</th>
<th>Not very Important</th>
<th>Not Sure</th>
<th>Quite Important</th>
<th>Very Important</th>
<th>Not Applicable</th>
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<td>Pleasant physical surroundings</td>
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<td>An easy atmosphere</td>
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<td>Convenience of travel to/from work</td>
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<td>Varied work</td>
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<td>Friendly and helpful people</td>
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<td>Good working conditions</td>
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<td>Participating in management</td>
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<td>Dealing with worthwhile products and services</td>
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<td>Adequate pay differentials</td>
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<td>Having an equal say in the future of the business</td>
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<td>Feeling part of the firm</td>
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<td>Reasonable hours</td>
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<td>Good holiday arrangements</td>
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<td>Having a secure job</td>
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<td>Providing a good income</td>
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<td>Opportunities to earn overtime</td>
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<td>Tax-free &quot;perks&quot;</td>
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Any other features not mentioned above which you think are important:
Please indicate how good or bad, pleasant or unpleasant, you regard each of the following aspects of your employment at Recycles to be. Feel free to make any additional comments which you think are relevant at the foot of the page.

Please rate each of the following items by ticking the appropriate box:

<table>
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<tr>
<th></th>
<th>Very Poor</th>
<th>Poor</th>
<th>Adequate</th>
<th>Good</th>
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<th>Don't Know</th>
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<tr>
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<td>Opportunity i.e. to earn bonuses</td>
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<td>Other material benefits (please specify)</td>
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<td>The degree of control you have over what you do at work</td>
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<td>The way that pay is distributed among the members</td>
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<td>How much say you have in decision-making</td>
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<td>The influence you have over the long-term future of the co-op</td>
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<td>The quality of the products and/or services provided by the co-op</td>
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<td>The &quot;social usefulness&quot; of the co-op's products and services</td>
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(Continued overleaf)
Your immediate working environment (the shop itself)

Friendliness of the atmosphere at work

The type of work you have to do

The variety of work you do

The pace at which you have to work

Your relations with your co-workers

Convenience of travel to and from work

Your relations with management and supervisors

<table>
<thead>
<tr>
<th>Very Poor</th>
<th>Poor</th>
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Any other aspects of your work which you feel strongly about:

THANK YOU VERY MUCH FOR YOUR HELP
ANOTHER FIRST

Recycles has been part of the Edinburgh cycling scene for over five years. It has always tried to be better than and different from other emporia dealing with the needs of cyclists.

The company that brought you repairs, spares and hire, and a shop with carpet, muzak and a changing room now brings you something completely different.

In conjunction with the Post Office, Recycles is bringing you this, the first issue of Recycles News. You are on our mailing list because at some time in the past few years you bought, hired or serviced a bike at one of our shops.

If this intrusion on the privacy of your mailbox is unwelcome please fill in the slip at the bottom of the page and you'll suffer no more news, views, information and special offers from Recycles.

However, we hope that you'll find Recycles News interesting and useful and will read it from cover to cover in search of extra special offers.

Recycles News isn't simply a glossy(?) brochure designed to sell you more bikes and bits. It is another of the services offered by Recycles, R.N., aims to bring you news of the shop and its staff, customers and also information about some items from the vast range of stock that is rapidly taking over 5/6 Alvanley Terrace.

Recycles is a workers' co-operative and therefore has no owner. The co-ops basic aims are good pay and conditions for its members (workers) and providing a wide and expanding range of goods and services for its customers.

Obviously more staff and stock are of benefit to you the customer, resulting in less waiting and a wider choice of goods. If you are a regular we thank you for your custom and hope we can serve you as well - if not better, in the future. However if you haven't been to Alvanley Terrace for a while, please drop by; the changes may surprise you.

Is it possible that you have an aversion to junk mail - even if it is about bicycles. If so please give us your name and address and we'll ask our tame computer to de-programme you.

Name:...........................................................................................................
Address:.......................................................................................................
**HISTORY etc**

The history of Recycles begins as a trio of unemployed people decided to pool their talents and meagre resources and try to make a living. Each knew a bit about bikes and a bit about business. At the time there were as many bike shops in Edinburgh as there are today, but even so, it wasn’t obvious that a new bike shop was a viable proposition.

Fortunately the trio were more optimistic than was perhaps justified. In 1977 there was a strong demand for second-hand bikes and a definite need for a shop which did repairs and stocked the necessary bits and pieces. So there appeared to be a gap in the market, and Recycles set about finding money and suitable premises. Within a week they were plugged in and making a living.

There were setbacks. Offers for shop rents weren’t high enough. Borrowing money was accepted for a derelict shop on West Crosscauseway. A month later, the building became work rewiring, plumbing, shopfitting and painting. Recycles opened for business on the first of August 1977 with £900 worth of stock.

At first Recycles should be a workers’ co-operative, rather than a profit-making business. Of the three founders, two are keen, knowledgeable staff and the third is a co-operative manager. In the early days the small shop at West Crosscauseway offered an efficient repair service when most other shops seemed to have forgotten about doing it. It wasn’t unusual to see signs such as those from Spokes, the CTC, Sprocket Cycle Design Group and the Edinburgh to St Andrew’s Ride. So they are interested in cycling as much more than just a way of making a living.

With keen, knowledgeable staff and experience of repairing all types of cycles, as well as running a hire fleet, Recycles is confident that it can offer the best advice on bikes and parts. As a result, the service has improved and the shop is open from Monday to Saturday from 9am to 6pm.

The growth of Recycles is due to the friendly and efficient service that it offers. In the early days, the shop was small and the service was basic, but as the business grew, so did the demand for more sophisticated repairs, and Recycles began to offer more advanced services such as wheel alignment, customising and rebuilds. Today, Recycles is able to offer a wide range of services to cyclists of all levels, from basic repairs to complex rebuilds.

Recycles is a workers’ co-operative and therefore one of its functions is employing people. But also it is a normal business, relying on trade rather than grants or handouts to pay wages. In theory Recycles employed very few people (who would have to work even harder than the present staff) at moderate high wages on a large number at a much lower level of reward.

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**STAFF**

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Birth Sign</th>
<th>Favourite Colour</th>
<th>Cycling Interests</th>
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<tbody>
<tr>
<td>Andrew Davies</td>
<td>16</td>
<td>Libra</td>
<td>Pink</td>
<td>Racing</td>
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**PARTY**

To celebrate 5 years in the business, and brighten the days of winter, Recycles is throwing a ball — well a disco dance party. The venue is one of Edinburgh’s more select nite spots [they don’t like jeans].

So mark the blank space in your diary for February 5th “Recycles” (it’s a ball) and get your FREE ticket from Alvanley Terrace. Hurry, hurry, limited, special, unrepeatable, offer, get yours while stocks last.
IMPOVERISHED PHOTOGRAPHERS may dream of Nikon or Hasselblad. For cyclists the equivalent has long been a bike with the famous black, green and gold Reynolds '531' sticker.

There's more to Reynolds than prestige and a premium price. In this first bikes review we have chosen two machines that make use of Britain's most famous cycle tubing, and examine what else they have in common.

Both the Falcon Super Tourists and the Claud Butler Dales (Dalesman and Ladydale) are recommended by Recycles as being excellent value at the top end of their classes.

It's generally true that the more you pay for a bike the better quality it will be. But it doesn't follow that you get what you really want.

It's not many years since the 3 speed roadster was almost the only type of bike people bought - unless they were very keen racing cyclists or tourers. With 26" wheels, fat tyres and most equipment they still represent good value basic transport. Indeed there has even been a return to this type of bike after the fashionable flirtation with the "sports" machines - which basically called "proper" transport. Indeed there has even been a return to this type of bike after the fashionable flirtation with the "sports" machines - which basically called "proper transport.

The main ways of achieving this are through reducing weight and rolling resistance. The latter is achieved by larger (27") wheels and narrower tyres. Weight can be lost by substituting a wide range of aluminium alloy components for steel ones. The "feel" of the bike can also be improved by having a lighter and better designed frame. The Super Tourist incorporates all these features. The 27" alloy-rimmed wheels produce two main advantages over steel wheels. The first is an important safety feature. In the wet, using rubber brake blocks, alloy rims offer a friction coefficient approximately five times greater than chromium-plated steel rims.

The other noticeable benefit of alloy rims is due to the dynamic fact that a revolving object is effectively twice as heavy as a static one. So with alloy not only are the wheels lighter, but with the reduced rotating mass, acceleration and braking are greatly improved and the bike feels more lively.

On the Super Tourist almost everything possible is of alloy - rims, hubs, brakes, bars, stem, seatpost, pump and even pedals - these rubber treads which are kinder on shoes than the common "rat-traps", but slippery and less safe in the wet.

The Super Tourist has 5 gears. The advantage over a 3 speed being, not so much the extra gears, but the fact that they are better spaced. One minor drawback of derailleur gear systems is that most don't have levers that click positively when a gear is selected (like a 3 speed). The Super Tourists have Shimano Altus rear changers which have a "floating" Centron mechanism, and therefore don't require such precise gear changes, a feature useful to anyone new to derailleur gears.

The other top class feature of the Super Tourist is the frame. This has "531" main tubes, giving strength with lightness. The Super Tourist comes fitted with strong, light and attractive chromoplast mudguards and a rear rack suitable for moderate loads including panniers.

Both ladies and gents models are available in black or plum. Ladies sizes 19", 21", 23", gents 21½", 23", 24½". The Super Tourist is a well thought out package of good quality components ideal for speedy town travels, or longer leisurely day trips. Not the cheapest 5 speed straight handlebarred bike on the market, but at £149.95 it's easy to see what you're paying the extra for.

The Claude Butler "Dales" are "proper" touring bikes. Some may never aspire to one but if you do much long distance cycling and ever want to treat yourself to the "perfect" bike, it will almost certainly turn out to be something similar.

Being butter Reynolds from a top manufacturer, it is hard to fault the Dales' frames. All cable guides, down tube bottle cage, and the rear carrier are secured by brazed-on fittings. The Dales are designed for touring so it's likely that the rear pannier will be expected to carry a substantial load. A swaying load can be disconcerting and potentially dangerous. The four point fixing of the nylon coated rack is therefore more than just a minor detail.

Gears are very important on a touring bike. Holdsworth has settled for a straight forward 10 speed system. The unusual thing is that the 3rd gear rings on 1" chainwheel. 42/52 is almost standard sports bikes, a few bikes have a 36/50 combination which gives a wider set of gear ratios.

The Dales go four better with 32/50. When combined with the 14-28 block an extreme useful range of 30" to 60" is achieved with only two gears overlapping.

Transmission hardware consists of an S.R. Cycle 2 gear changers and a DID Lanth chain. Both changers are detachable so they can be changed when worn or to alter gear ratios.

After the frameset the most important part of a bike is the wheels. These should be light, strong and free rolling. The Dales match the quality of Campagnolo quick release hub with the highly rated Super Champion rim via 14 guage plain spokes. The addition of Michelin Bib Sport tyres make a combination hard to beat.

The rest of the components that complete the picture are well tried, well made and at moderate prices. The Brooks B17 leather saddle tops an S.R. Laprade micro-adjust seat pin. Steering is by Brooks stem and bars with Benotto tape, Weinmann levers and hood. Stopping is by dependable Weinmann 999 centre pulls. The other branded goods are: Blumels Fram filter, Campagnolo chain, Weinmann toeclips and Allez straps, all round off the original ESGE chromoplast mudguards.

Buying the bits to complete an identical machine it would cost considerably more than the £295 (Recycles price) - and wouldn't have the bit to fit the Dales' frames. All the parts are available with extra sales service. That's not so much a plug as a suggestion that if you want something special it's well worth considering an off the peg machine and making minor "customising" changes rather than starting with a blank sheet of paper and trying to plan selection.

So if you're after the best in tourer consider the Dalesman or Ladydale (Mixte framed version) - at least as a basis for your dream machine. Available in Ruby Red and Azure Blue Man 21½, 22½, 23½, 24½, 25½, 26½. Lady 20, 21½, 23.
The items reviewed here are not the newest, flashiest or most expensive that we have to offer. They have been selected at the request of one member of staff as being interesting and/or value for money.

Mallory Duracell MN-1203 battery (same size as Ever-ready 1209). Price £1.65.

This Duracell fits into the Wonder Slimline cycle light. Estimates or how long the battery will last from a full charge depend very much on how much you use a pair. As a rough guide, a pair will last 10-20 hours if used a lot. The light is well built, and should last a long time if not overused. The battery can be replaced for about £5.60.

Unlike normal PVC cycling dynamo capsules, the Pakit capsule is made from nonpervious backed nylon, making it light and flexible but also giving resistance to tearing. It is tailored to be longer in the back than most caps and is fitted with a hood that fits under the chin so that when you turn your head the hood turns with it and does not impede your vision. It also has a vent at the back to allow air to circulate. The Pakit cape comes in three sizes, S,M, and L, and in one colour - orange.


The neat feature of this system is the way that the dynamo generator mounts behind the bottom bracket and runs on the middle of the tyre (conventional Dynamo generators run on the side wall). This reduces the drag considerably and tyre wear is negligible. Sanyo supply the dynapower with a front light only — but the generator will happily power a front and a rear light so we usually sell it with a Union rear light.


Michelin have recently introduced this tyre to their already vast range. This tyre is slightly wider than most narrow-tyred cyclocross tyres and although it runs at a pressure of 90 p.s.i. it gives a softer more cushioned feeling to your hands from the rims. The Pakit Cape, Price £17.95.

Unlike normal PVC cycling caps the Pakit can be made from nonpervious backed nylon, making it light and flexible but also giving resistance to tearing. It is tailored to be longer in the back than most caps and is fitted with a hood that fits under the chin so that when you turn your head the hood turns with it and does not impede your vision. It also has a vent at the back to allow air to circulate. The Pakit cape comes in three sizes, S,M, & L, and in one colour - orange.

Caldo "Crofter" Goretex Jacket. Price 47.90. Special Offer (see back page) £43.20.

Made in Goretex — a fabric that is wind and water proof but allows perspiration to escape. The Crofter is Caldo's more economical jacket, however all the main seams are taped for waterproofing, and Triflon also lasts longer and repels water better than conventional Goretex. It comes in three sizes and the colour is "Burgundy".


This lever is designed to mount on the handlebar itself. It is particularly suitable as an upgrade for a bike with standard handlebars, but will work on almost any type of handlebar. It is operated without moving your hands from the grips. It is not slacken off with use — a Suntour's limited slip ratchet system which means it does not slacken off with use — a recommended by Dave Jones dad — who uses one.

For people who are sick of chasing goods or services of £5 or £7.50 your bill will be reduced by a variable 10p. (Not including special offer items in back page).
Winter is the best time to stock up on summer gear with our special offers on panniers, clothing and other chosen items. There are also some unrepeatable bin end offers from our extensive cellar on the ready to roll bikes side.

All offer prices last until 28th February 1983 — or until stocks or staff exhausted.

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<th>BAGS &amp; PANNIERS</th>
<th>USUAL PRICE</th>
<th>OFFER PRICE</th>
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<tr>
<td>Pakit compact panniers - classy front panniers that til Jim Blackburn Lowender</td>
<td>26.55</td>
<td>24.00</td>
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<td>Pakit handlebar pack - with alloy support map case and shoulder strap</td>
<td>29.20</td>
<td>26.30</td>
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<td>Pakit bike carrying bag - allows you to smuggle your bike on inter city 125's</td>
<td>37.50</td>
<td>33.75</td>
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<tr>
<td>Carradice Nelson Longtop Saddle bag - high quality large traditional saddlebag</td>
<td>14.90</td>
<td>13.45</td>
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<tr>
<td>Karrimor Barcalse - large proofed nylon handlebar bag</td>
<td>17.25</td>
<td>15.55</td>
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<td>Karrimor KS100E Barcalse - as above but in tough KS100E material</td>
<td>18.60</td>
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<td>Karrimor Silverseal nylon standard pannier - classic touring panniers with quick release fitting.</td>
<td>26.25</td>
<td>23.65</td>
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<td>Karrimor Cotton Duck standard panniers - as above but in tough cotton duck material.</td>
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<tr>
<td>Karrimor Silverseal Iberian panniers - v. large panniers (45 litres) with quick release fitting.</td>
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<tr>
<td>Karrimor KS100E Iberian panniers - as above but in tough KS100E material</td>
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<td>Caldo Crofter Jacket - Gore tex cycling jacket with taped seams</td>
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<tr>
<td>Caldo Shoreline Jacket - de luxe Gore tex cycling jacket</td>
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<td>57.15</td>
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<tr>
<td>Caldo Trousers - Gore tex trousers tailored for cycling</td>
<td>41.45</td>
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<tr>
<td>Been Bag GR8 Gore tex fronted cycling top - full zip and wind &amp; rain proof Gore tex front and shoulder.</td>
<td>26.85</td>
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<tr>
<td>Been Bag R7 acrylic/cotton uncture shorts - with &quot;Shantex&quot; insert for comfort.</td>
<td>14.80</td>
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<tr>
<td>Been Bag R4, acrylic shorts - with &quot;Shantex&quot; insert.</td>
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<td>Been Bag T7 towing shorts - with Polartex insert.</td>
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<tr>
<td>Been Bag R23 skin shorts.</td>
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<thead>
<tr>
<th>HELMETS</th>
<th>USUAL PRICE</th>
<th>OFFER PRICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protec Open face Helmet (s.m.I) - hard shell with layers of hard &amp; soft foam inside.</td>
<td>18.10</td>
<td>16.30</td>
</tr>
<tr>
<td>Brancale Giro Helmet (55, 58, 60) - basic bard shell helmet.</td>
<td>11.70</td>
<td>10.55</td>
</tr>
<tr>
<td>Octopus 669 Helmet. (s.m.I) - copy of &quot;Skid Lid&quot;.</td>
<td>9.95</td>
<td>9.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BITS AND PIECES</th>
<th>USUAL PRICE</th>
<th>OFFER PRICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Royce 36H 6spd hubs Q/R (pr) - sealed bearings, 531 splindles and very good finish.</td>
<td>40.30</td>
<td>36.30</td>
</tr>
<tr>
<td>suntour sealed bearing S/F Q/R hubs (pr) - excellent hubs for the price.</td>
<td>19.10</td>
<td>17.20</td>
</tr>
<tr>
<td>suntour sealed bearing L/F Q/R hubs (pr) - as above</td>
<td>21.10</td>
<td>19.00</td>
</tr>
<tr>
<td>suntour sealed bearing bottom bracket unit - high quality sealed for life unit.</td>
<td>26.55</td>
<td>23.90</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BIN END BIKES</th>
<th>USUAL PRICE</th>
<th>OFFER PRICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>24½&quot; Falcon MOD 86, CRO-MO frame set, fern green</td>
<td>65.00</td>
<td>69.00</td>
</tr>
<tr>
<td>22&quot; Claud Butler Colstar, 531 D.B. frame set, black</td>
<td>120.00</td>
<td>100.00</td>
</tr>
<tr>
<td>22&quot; Mercian Mixte, 531 D.B. frame set, red and black</td>
<td>182.85</td>
<td>150.00</td>
</tr>
<tr>
<td>21, 23½”, 25½” Dawes Galaxy touringcycles, blue and green</td>
<td>212.95</td>
<td>185.00</td>
</tr>
<tr>
<td>19½” Dawes Lightning 5sp., &quot;Racer&quot;, 26x1 ½ wheels, green</td>
<td>105.00</td>
<td>98.00</td>
</tr>
<tr>
<td>21&quot; Motobecane Mirage 12 sp., alloy wheels, burgundy</td>
<td>156.50</td>
<td>141.00</td>
</tr>
<tr>
<td>23&quot; Motobecane FF2 Profil aerodynamic, red</td>
<td>155.00</td>
<td>139.00</td>
</tr>
<tr>
<td>23&quot; Motobecane Jubilee Sport, VITAL 888, sports bike, turquoise</td>
<td>205.00</td>
<td>175.00</td>
</tr>
<tr>
<td>24&quot; Claud Butler Sovereign, 531, Campag gears, bronze</td>
<td>294.95</td>
<td>218.00</td>
</tr>
<tr>
<td>21&quot; Falcon Olympic 531 tourer 10 sp., blue</td>
<td>199.95</td>
<td>185.00</td>
</tr>
<tr>
<td>19½ &amp; 21½” Elswick Safeway gent’s 3 speeds, brown or red</td>
<td>104.95</td>
<td>84.95</td>
</tr>
<tr>
<td>23½” Elswick Sovereign gent’s 3 speeds, gold mist</td>
<td>104.95</td>
<td>84.95</td>
</tr>
<tr>
<td>21&quot;, 23½&quot;, 25½”, Raleigh Clubman, 531, Campag, claret</td>
<td>190.45</td>
<td>150.00</td>
</tr>
<tr>
<td>23½&quot; &amp; 25½” Carlton Corsair, 531, 10 sp. tourer bronze</td>
<td>198.40</td>
<td>187.50</td>
</tr>
<tr>
<td>23” Carlton Proam, 531, &quot;Racer&quot;, polar blue</td>
<td>180.15</td>
<td>172.50</td>
</tr>
<tr>
<td>21&quot; Raleigh Transit gent’s 3 speed, coffee</td>
<td>106.10</td>
<td>88.90</td>
</tr>
<tr>
<td>21 &amp; 23&quot; Hercules Commuter gent’s 3 sp., oak green</td>
<td>89.95</td>
<td>84.95</td>
</tr>
<tr>
<td>19½” &amp; 21½” Hercules Commuter ladies 3 sp., oak green</td>
<td>89.95</td>
<td>84.95</td>
</tr>
<tr>
<td>21, 23 &amp; 25” Viscount Deore, CRO-MO, 18 speed Shimano, blue</td>
<td>287.25</td>
<td>252.25</td>
</tr>
</tbody>
</table>