EMPLOYEE OWNERSHIP IN THE AMERICAS

A PATH TO SHARED PROSPERITY

EDITORS

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ITESO, Universidad
Jesuita de Guadalajara

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For those who seek to generate social impact through business.

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Foreword

MARY ANN BEYSTER*

I am a believer in the power of the employee and in how non-executives along with executives can help direct and govern a company. The benefits of this power can be realized from large multinational companies to small business enterprises. The research and case studies presented in this book show that, when ownership is broad-based and includes employees (the workers), it can not only create a better performing firm, but it can also improve lives and create a more prosperous and fair economy. Because capital ownership is increasingly the dominant source of wealth creation, capital ownership that is more inclusive with employees can be an important way to address the widening income inequality that many nations, especially the United States, face today.

As noted throughout this book, capital and the culture of ownership blended in different combinations can create success as described within a large multinational subsidiary and a nationally networked collective of cooperatives to a range of small and midsize enterprises.

One thing that doesn't change about employee ownership is a constant evolution. It becomes an exciting puzzle to understand and solve at the enterprise level -what is the right balance of short- and long-term equity ownership? How much liquidity is needed? How best can we engage employees in day-to-day as well as long-term governance decisions? What limits performance and adoption? Little did my late father imagine when he founded a start-up company in 1969, that the exploration of the intricacies of employee ownership would become just as important as his dedication to scientific and

* Managing director of the Beyster Foundation for Enterprise Development.

technological discoveries regarding the long-term success of the company, and later his foundation.

Almost 20 years ago, my father, J. Robert Beyster, gave his last talk as chief executive officer to the employees of the company he founded, Science Applications International Corporation (SAIC). At that time, SAIC had grown to be the largest employee-owned research and engineering firm in the United States, with total annual revenues of almost seven billion dollars and approximately 42,000 employee-owners located throughout the country and on several continents. Asked to briefly highlight the success of the company over the 35 years since its founding, the company that represented much of his life's work, his fourth "child", his passion and value system, he stood, slightly stooped for a person in his eighties, facing a room of a thousand top company leaders and cameras televising to tens of thousands of employees.

Influenced by his early training as a scientist and engineer, his words were direct, and expressed truth to his core beliefs. He started with the company's Credo. Fairness, equity, and transparency to people—the customer, worker, shareholder, community member, and so on. Hard work, passion, and solving tough problems were expected from all. Why? Because SAIC was a company owned by its employees, and if they succeeded, they shared in the rewards. Employee ownership was a part of the Credo and yet fundamentally important to the entire Credo. This is common with other successful employee-owned companies in that employee ownership is a tactic and a strategy at the same time and may be achieved through a set of norms that strive for the same result. Ultimately, when employees are real owners, and are empowered to act like owners, their behavior aligns to the mission (the Credo) of the company.

From its very early days, he wanted SAIC to be privately held, not publicly traded and therefore not "controlled by Wall Street" with the pressure of meeting short-term financial expectations. He also wanted ownership to be shared broadly with employees as part of the reward system. At first this reward system focused on key employees who brought in the work and managed it, but employees made it clear that many more, including technical and administrative staff, were part of the success of the company, and the reward system was expanded. So much so, that the company used more than a dozen ways of getting profit sharing and equity into the hands of the employee-owners. Many of those mechanisms are presented in this book.

Capital ownership mechanisms take different forms and go by different names, e.g., Employee Stock Ownership Plans (ESOPs), Employee Share Purchase Plans, Employee Ownership Trusts, broad-based equity compensation, collectives, or cooperatives, but the goals are often the same. Similarly, the culture of ownership is not achieved in the same way by corporations, organizations, and nations across the Americas, but the means to achieve that culture are deliberate, actively managed, and evolving over time.

While broad-based stock ownership was a core operating principle at SAIC, it was only part of the story. Like companies highlighted in this book, freedom, transparency, and accountability were essential for SAIC's "culture of ownership." After all, it was the employees' company, and that is what fueled its growth to eventually join the Fortune 500 list. SAIC essentially operated as a network for hundreds of entrepreneurial science and technology businesses. In Dr. B's (as he was called in the company) own words, he described SAIC as a "constellation of businesses" and employee ownership was the "glue" that kept it together. Not unlike the network models of the Mondragon Corporation (Spain) and Yomol A'tel (Mexico) mentioned in this book, the constellation of businesses created connection and community, although at SAIC there was also what he believed was a healthy level of competition among business units for customers and internal resources.

Most importantly, as a network model the company was highly decentralized so that the structure and work practices supported employees acting like owners. My father had a disdain for organizational charts and clearly preferred to see an organization structured around people leading the business rather than a pre-destined model in which people are slotted. Ultimately, he was a lifelong supporter of people with an entrepreneurial spirit.

It was his experience at SAIC that sparked the creation of the Foundation for Enterprise Development in 1986 (now named Beyster Foundation for Enterprise Development), a non-profit supporting the advancement of employee ownership. I became the Foundation's executive director in 2005, at which point I looked to scale our impact through research and education grants and to do so with much of the same philosophy that led to the success of SAIC.

First, employee ownership is both capital ownership and a culture of ownership. There is no singular employee ownership model (e.g., the SAIC model), equity vehicle (e.g., stock options, ESOPS), or checklist of practices

that can lead to success for every enterprise, region, or country. Employee ownership is not static; it's dynamic. Even at SAIC, the stock programs were extremely flexible, allowing the company's management team to fine-tune the system and its impact on employees in response to changed conditions. Thus, the Foundation is not prescriptive or biased toward specific equity forms—if employee ownership is broad-based.

The Foundation has undertaken many different initiatives—strategically seeding them into the world and encouraging them to sprout and grow. Embracing our own entrepreneurial spirit, these initiatives have been focused in three key areas:

- Developing an academically rigorous case for the benefits of employee ownership.
- Creating new and innovative approaches and tools to encourage and implement employee ownership in businesses—both within the United States and internationally.
- Promoting and advocating for the ideals of employee ownership within government, academia, and the business world.

Over the past 35 years, the Foundation's program success has been achieved through strategic collaborations and partnerships. In 2008, we started a research fellowship program along with an annual symposium for academics managed by Rutgers University which today, as the Institute for the Study of Employee Ownership and Profit Sharing, includes more than 200 scholars from more than 50 universities around the world. Many of the contributing authors of this book are researchers in that academic network and have dedicated decades of study to this field.

Through this, the formation and educational programming of the Beyster Institute at UC San Diego's Rady School of Management, and other employee-ownership initiatives, I have seen the collaboration and exchange among researchers, educators, practitioners, and policymakers grow. We are all better off if we work together—companies, non-profits, academics, and government agencies. Silos have come down, respect for alternative ways of achieving common goals has increased. Political, investor, and consumer appeal across a wide spectrum is pointing toward responsible businesses who strive for success through the well-being of their workforce as part of a high-ground

business strategy as opposed to a race to the bottom. This gives me hope because we can never rest in the pursuit of prosperity for more than just a few. Employee ownership promotes wealth creation through business and is essential in that pursuit.

The contributing authors of this book clearly understand this. Together they provide a picture of the evolution of employee ownership over centuries to the present day in different national contexts. They present research on specific policies, practices, network effects, and collective efforts.

In my father's book, *The SAIC solution* (2014), he stated that he would often be asked "do you think there is a future for employee ownership?" His response: "I'm not so sure." For some perspective, know that in the eighties, he thought "employee ownership would conquer American business, and perhaps even the world." His concern was not about the lack of vehicles, employee desire, or evidence of performance. His concern was "pure and simple greed." Those in power are "loath to dilute their positions."

The authors of this book do not ignore the many challenges to employee ownership that have limited its adoption and/or growth. As José Bayardo writes in his chapter, we must do better to "go from surviving to living." Importantly, not only do the authors explore the realities of the past and present, but they also illustrate the momentum for aligning employee ownership strategies with other major trends that are fast becoming the new normal, such as shared capitalism, corporate responsibility beyond shareholder primacy, benefit corporations and mission-driven enterprises, community wealth building and social solidarity. Whatever part of the spectrum you find yourself in, there is a place to engage.

It is this future context that excites me. You may think it was inevitable that a family member picked up the passion for employee ownership. Not true. The first 15 years of my career as an industrial engineer, manager, and executive in the environmental field had little emphasis on employee ownership. My passion for employee ownership first grew in part because I lived the experience in two employee-owned companies, including SAIC.

This passion continues to grow because there are amazing people working in the field and important questions to explore such as those posed in this book. There is always something to learn and something new to try. I am convinced, just as stock options or ESOPS were once new, that there will be new vehicles and models created to complement tried-and-true approaches

to address economic prosperity while broadening income and wealth creation for workers. These innovations will inspire others to integrate wealth and ownership sharing not only as viable business models but as celebrated ones. It won't be conventional thinking that gets us there, it will be innovative, provocative, systems thinking such as presented in this book that will help shape the new, hopeful realities.

Introduction

RODRIGO ZULOAGA FERNÁNDEZ DEL VALLE

The purpose of this book is to provide a vision of shared prosperity attained through employee ownership. This volume was inspired by companies and entrepreneurs that have implemented employee share ownership, by non-profit organizations working on this field and, lastly, informed by our own experience & research. We credit the authors who contributed to this volume as they further our understanding of the field in meaningful ways.

In her foreword, Mary Ann Beyster, managing director of the Beyster Foundation for Enterprise Development, shares her perspective on the benefits of employee power when they are involved in the direction of organizations, whether multinational or small businesses. This joint power exercised by employees and executives, in employee-owned firms, results in more productive enterprises, the creation of conditions that improve people's lives, and a fairer and more prosperous economy by providing a mechanism to address wage inequality in many countries. In Mary Ann's journey through the employee-owned corporation, Science Applications International Corporation, she highlights the dynamic aspect of employee ownership, and the importance of setting an ownership culture. She argues that to the extent that workers act like owners and are empowered to make decisions, their behavior will be aligned with the organization's mission. The expectation is that everyone will fulfill that creed or mission since by achieving success everyone will share the gains or rewards.

Michael Palmieri and Chris Cooper remind us that employee ownership has existed at least since the mid-nineteenth century, even though they have not become as well known in the large-scale economy, and that there are many myths and misconceptions about what employee ownership is, and what it can achieve. Through increasing research, it addresses misconceptions and demonstrate that employee-owned companies are organizations

that achieve higher levels of productivity and profitability; manage to survive and grow in a highly competitive market; are less likely to fail in the face of financial crises and provide higher levels of economic well-being for their employees compared to traditional businesses. Palmieri and Cooper shed light to the diversity of employee ownership models that exist in the world, synthesize the benefits, and disadvantages of each of them, and provide a basis from which to explore and put into practice. As Palmieri and Cooper indicate, "Wealth inequality is one of the most pressing issues of our time and employee ownership—by broadening access to and ownership of productive assets—can address it at a fundamental level."

The chapter developed by Joseph Blasi, Douglas Kruse and Dan Weltmann contemplates the history of employee ownership in the United States, including current statistics of their incidence. It synthesizes the discoveries and conclusions of the academic research carried out in the field. Finally, it summarizes the lessons learned throughout the evolution of employee ownership over many decades in the United States. These lessons learned cover various aspects: political, ideological, economic, strategic, and communicational that include interesting reflections on the relationship of employee share ownership models and tax incentive policies. Previous books written by Blasi and Kruse inspired this book and the creation of capital-incluyente.org to increase the prevalence, reach, and impact of employee ownership.

In line with the lessons learned around these models, Bill Nobles and Frank Shipper codify their more than 60 years of experience with Freedom-Based Employee Ownership (FBEO), a management system that requires no hierarchical control and provides employees full responsibility, full authority, and full accountability (freedom in the workplace), in addition to a stake in the financial success of the enterprise (Nobles & Staley, 2017). Nobles was a manager who developed a version of FBEO inside a large hierarchical organization, whereas Shipper has consulted, studied, and taught about FBEO. Both ensure that there is no single practice but a set of actions that lead to sustainable success, and that it is not easy to create and maintain. Their chapter guides you through ten practices and examples of how numerous employee-owned companies implement them: leadership; culture; recruitment and selection; training and development; planning for succession and leadership development; taking risks and learning from mistakes; combining employee development with risk taking; open communications; employees

sharing property rights to company resources; and avoiding layoffs unless company survival is at risk.

The Mondragon Corporation, an example of employee ownership from outside the Americas, has achieved great recognition due to a combination of its size, diversification, long history, and its "intercooperation," Mondragon's interconnected network of companies and support institutions. Fred Freundlich, Ion Lezeta, Aitzol Loyola, and Maite Legarra describe the story of Mondragon, one of the most successful cooperative groups in the world, the challenges it has faced over the years and some that currently faces, and how Mondragon has tackled them, including expanding shared ownership to employees in its international operations. In addition, the authors place special emphasis on Soraluce, one of Mondragon's member companies, their business model and the initiatives Mondragon carries out to strengthen the culture of shared ownership within its companies.

Latin America, and especially Peru, have a series of contextual limitations towards the implementation of financial mechanisms, such as employee share ownership (ESO), Employee Stock Purchase Plans, or as it is known in Peru: Stock Incentive Programs (in Spanish: Programa de Incentivos en Acciones). In their chapter, Nicolas Aubert and Miguel Cordova describe how the business culture in Latin America has created conditions that prevent ESO mechanisms from being developed. Aubert and Cordova analyze the case of Peru, which is characterized by rooted social inequality systems, exploring the difficulties that local companies face in adopting ESO programs, and denote how multinationals represent an opportunity to change course by leading the development of ESO mechanisms in the Peruvian financial market. Even in the absence of incentives from tax policies, many foreign companies offer their Peruvian employees the possibility of investing in their shares, as is the case of companies from the United States and France. In a local context that resists the distribution of power, the development of ESO programs represents a financial alternative to overcome the effects of the crisis produced by COVID-19.

The study presented by Gonzalo Hernández explores the world of B-Corps, "corporations with purpose," and employee-owned companies as alternatives to solve the serious socioeconomic problems that arise in Mexico. In addition, it analyzes relevant research & studies covering the social & solidarity economy & shared capitalism. The study reveals that the employees of these

organizations manage to fulfill their purpose in different ways and to varying degrees. Furthermore, Hernández highlights the challenge companies face for workers to understand the true meaning of what it means to be a B-Corp. In a context of systemic crisis, this chapter contributes a new perspective in the pursuit of innovative business solutions.

Rolando Roncancio and Diógenes Lagos deliberate whether employee ownership can drive towards a stakeholder primacy, pursuing society's well-being or if, in the contrary, under this form of ownership it is still considered that the main purpose of the company is to maximize the profit for its shareholders, known as shareholder primacy. To this end, the characteristics of the rule of shareholder primacy are contrasted with employee ownership based on three elements: who owns and controls the company; how are stakeholder interests prioritized; to whom do fiduciary duties extend; and what is the scope are these fiduciary duties.

Mariana Comellini, who rests in peace, and Verónica Cortiñas, of the Factorial labor cooperative, describe how Argentinian worker cooperatives operate. Comellini and Cortiñas unravel how workers are part of the capital of their cooperatives, whilst sharing the challenges and responsibilities that arise in this model of shared ownership. They narrate Factorial's experience developing cooperative networks in Argentina, signaling how these networks can be useful to face challenges in the management of companies of the social, solidarity, and popular economy.

To quote José Bayardo, the challenge is to develop better strategies to move from surviving to living. In this chapter, he recovers ideas that come from different eras and contexts that, although they may sound very "philosophical," resonate with what happens in contemporary daily life.

Moving from surviving to living is the synthetic description of the modern ideal of human existence. Returning to John Locke, living is understood not as mere conservation but as improvement of oneself and the world. Modern utopia considers improvement as an essential characteristic and private property as a crucial part of it. It is labor that entitles someone to property and introduces the difference in value among things. Property is posed as the scope of realization of man's ideal: utility, improvement, security, freedom, satisfaction, legality. The improvement produced by human intervention configures property as a medium, and as a transcendental experience. Property is the utility and provides a sense of value. It is the authentic utopia of utopias.

In closing, this book is an academic dissemination effort of a model that can contribute to counteract inequality, and an invitation to academics in the Americas to pursue further research in this field.[1] Employee Ownership in the Americas: A Path to Shared Prosperity attempts to bring employee-owned companies and their best practices, closer to scholars and entrepreneurs.

With this book, we seek to encourage a movement towards a more inclusive and balanced economy. A movement that stimulates growth, strengthens businesses, contributes to improving wages and savings for workers, dignifies and empowers workers, all whilst building shared prosperity in the Americas.

To the authors, I dedicate a few words:

May your voice pass through walls with the bravery of a raised fist. May you reach an eager ear to bring about hope.

May your words bear fruit. May that fruit be sweet & nourish someone's soul while bringing about change.

May your ideas take root, may they grow and flourish while they spread like wildfire fueled by empathy, by love, by thirst for justice.

1. The above with special emphasis on Latin America given the paucity of research on the subject. We have no doubt that the chapters that follow will inspire research questions.

Employee Ownership: What It Is & What It Can Achieve

MICHAEL PALMIERI & CHRIS COOPER [UNITED STATES]

Abstract
The idea of employee ownership is not new and has existed since at least the mid-19th century. Yet, it remains a lesser-known business model in the economy at large. There are many myths and misunderstandings around what employee ownership is, and what it can achieve. We address these misconceptions by reviewing a growing body of research that contrary to common assumptions demonstrates that employee ownership garners broad political support, individuals working at employee-owned companies experience a higher level of economic well-being, and firms who adopt its varied models have better performance outcomes. The goal of this chapter is to provide academics, economic development officials, and business owners a solid, evidence-based understanding from which to explore, and put into practice, employee ownership.
Keywords: *employee ownership, EO in the United States, inequalities, evidences*

Employee ownership—which broadens participation and economic opportunity by providing employees a stake in governance and or financial rights in the firm—is receiving increasing attention from scholars, advocates, and policymakers. Because of this recent interest, it might be tempting to consider it a "new" idea. However, the concept dates as far back as the late 18th century with the emergence of early industrial capitalism (Long & Yates, 1999; Blasi et al., 2013). Across nearly two centuries, interest in and support for employee ownership has ebbed and flowed, with both support and criticism spanning the ideological spectrum.

Though never reaching the density or prominence of other business models, employee ownership has demonstrated conceptual longevity and ideological adaptability over the years. As Blasi et al outline in the next chapter of this book, building a vibrant middle class has always been key to the

development of a well-functioning economy and representative democracy, and requires placing assets in the hands of a large segment of the population. As such, the distributions of resources—and interventions that make that distribution more equitable—have always held prominence. Employee ownership's ability to place productive assets in the hands of workers via the workplace and within market-based economies has made it both an appealing option for those who wish to mitigate capitalism's most negative impacts, or those looking to expand its beneficial features—or both.

These same characteristics have fostered discussions and arguments. What is, or what qualifies as, employee ownership? What is it meant to accomplish? How do we measure its effectiveness, in both business and social terms? Supporters and skeptics alike debate these questions, often reaching opposing answers. Skeptics point to the relative lack of employee ownership density in advanced economies as evidence of its impracticality. It is true that the employee-owned sector is still relatively small when compared to the global economy, but there are many examples of countries where sizable portions of the labor force engaged in some form of employee ownership as Blasi et al. point out in their chapter. In the United States close to 47% of the working population enjoys some form of share ownership—and that number is growing. Interest in the idea is rising as well demonstrating once again employee ownership's attractiveness and time-tested appeal.

Another area of debate centers around employee ownership's capability of achieving the positive impacts often touted by its supporters. Historically, cases for and against employee ownership were made mostly on normative or theoretical grounds with little empirical evidence. Early normative arguments asked whether giving workers rights to the firm was "good" or "bad" for society and tended to be motivated (and framed) by age-old debates between economic and political ideologies. Theoreticians attempted to leave behind ideological debates in their description of what effects employee ownership might have, but they too faced a common problem in social science—lack of data. Left with a handful of case studies to draw on, scholars, advocates, and detractors were left to make assumptions and generalizations of how workers would act if they had rights over the firm, as well as how those theorized actions would affect workers, company performance, and the broader economy. Even by the late 20th century empirical evidence on the effects of employee ownership was sparse.

While early normative and theoretical work helped advance thinking about employee ownership, the lack of empirical evidence left important questions unanswered. Is the scaling up of broad-based employee ownership politically feasible in market-based economies? Do employees truly benefit from working in an employee-owned firm, or are they simply exposing themselves to a risky investment where costs outweigh its benefits? Do companies perform better when they are employee-owned? For some time, answers to these questions were beyond reach, and the topic of employee ownership sat "on the fringe of both social consciousness and academic literature" (Freeman, 2007, p. 1).

Thankfully, in the last few decades popular and scholarly interest in employee ownership has grown and a body of empirical evidence that draws on the experiences of existing employee-owned firms, and employee-owners, has accumulated. As will become clearer in the sections below, research demonstrates that employee ownership does indeed have measurable and significant positive impacts on employees, companies, and society at large. Our contribution here is to provide a review of the evidence on employee ownership that is informed by discussions about what employee ownership is, what it can achieve, and how businesses structured in this way attain the outcomes they do. Our intent is to clear up some of the major misconceptions. We try to answer some of the pressing questions that we think lead academics, business owners, and economic development practitioners to overlook the power of employee ownership as an economic development strategy and a route to enhance employee well-being, increase business performance, and reduce economic inequality.

We open our discussion with an overview of what is meant by employee ownership, highlighting how it is a multi-dimensional concept that can be put into practice using different forms. We review existing literature which is structured to address common questions that arise in discussions regarding employee ownership. First, we highlight the fact that employee ownership is trans partisan—appealing to those on both the right and left of the political spectrum. We then turn to research that explores how employee ownership impacts the lives of employee owners. Next, we cover the evidence on the relationship between company performance and employee ownership and briefly consider how these outcomes are achieved. We conclude with a discussion that underscores the diversity and adaptability of employee ownership models and how they can be successful in varied contexts.

One important note before we proceed. We are US based practitioners/ researchers and the examples and knowledge we draw on in this chapter reflects that. At some point, we draw on research from other countries but want to acknowledge this bias at the outset. Despite this, we still feel that the US experience with employee ownership, along with select examples from other contexts, is wide and varied enough that it can provide useful knowledge to audiences interested in the topic no matter their geographic location.

WHAT IS EMPLOYEE OWNERSHIP?

The concept of employee ownership seems straightforward—it is an arrangement where employees own shares in the company in which they work (National Center for Employee Ownership [NCEO], 2021). In reality it is not so simple. Read through the literature and you are bound to find numerous definitions and examples of employee ownership. Examples of the concept put into practice in the United States, such as worker cooperatives, employee stock ownership plans, employee share purchase plans, employee stock option plans, employee-owned trusts, profit sharing, and gainsharing plans, are outlined in the next chapter. Yet each does in different ways. So, the question that lingers is what unites all these business models under the broad umbrella of "employee ownership"?

To answer this question, it is useful to unpack the basic idea of what constitutes ownership. The concept generally confers two dimensions of rights: the right to control use and to control the enjoyment of its returns (Ben-Ner & Jones, 1995). Applying this basic schematic to businesses "control of use" refers to determining the objectives of the business, what positions exist within it, and how they are filled and carried out—or what is termed governance rights. Control over the "enjoyment of its returns" refers to any financial and physical payoffs that are produced by the business—termed as financial rights. Despite their differences, what employee-owned firms of all kinds have in common is that they give employees some level of control rights over either the companies use, its returns, or some combination of both. The kinds of rights employees hold, the extent of those rights, and the mechanisms by which they are exercised is what differentiates the many models of employee ownership.

Using the allocation of financial and governance rights amongst employees as distinguishing features of the different kinds of employee-owned firms one can imagine the vast array of models existing on a continuum with two poles, with economic democracy on one end and shared capitalism on the other. Firms practicing economic democracy provide employees with expansive governance *and* financial rights over the firm (Ellerman, 1990; Bowles & Gintis, 1993). The most ubiquitous model in this category is the worker cooperative. In worker cooperatives individuals become members by purchasing a membership share. Once members, workers have the right to participate in the financial success of the firm through what is termed patronage. Workers receive allocations of a portion of the business's profits at the end of the year based on their labor contribution (typically hours worked). Members of a worker cooperative also have meaningful governance rights. At a minimum this includes voting for, and having representation on, the board of directors (Democracy at Work Institute [DAWI], 2020). Importantly, votes on major corporate decisions adhere to the principle of one worker one vote, rather than the traditional one share one vote, hence the use of the term economic democracy (Dahl, 1985).

Firms practicing models of shared capitalism typically provide less governance rights and adhere to a traditional corporate structure. However, these models differ from conventional businesses in that they offer a range of financial rights to employees which allow them to participate in the financial success of the firm (Kruse et al., 2010). Employees enjoy these rights in different ways, depending on the model in question. For example, in an Employee Stock Ownership Plan (ESOPs), which is a qualified retirement program under the US tax code, employees are granted shares of stock of their company each year which are credited to individual employee accounts. When employees retire, the company is required to repurchase shares back and provide the employee-owner with the monetary value of their acquired shares in cash. Other models provide financial ownership using shares, but unlike ESOPs, shares in the company are usually purchased by employees themselves. Such plans include Employee Share Purchase Plans which allow for the purchase of company stock at a discount or Employee Stock Option Plans which allow employees to purchase stock at a set purchase price for ten years, allowing employees to benefit from the stock's future gains.

The shared capitalism category also includes models that provide financial rights to employees without the use of individual stock ownership. For example, Employee-Owned Trusts (EOTs) hold shares of a company in a single trust on behalf of all employees who then receive portions of the company's profits on a yearly basis (Michael, 2017). Profit sharing and gainsharing programs also provide employees with a portion of the profits generated by the company each year, but do so without the use of a trust. The difference between the two is the former bases the monetary value of these bonuses on overall company profitability while the latter ties bonuses to specified benchmarks or goal such as productivity or waste reduction (Jones et al., 1994).

While the two poles of economic democracy and shared capitalism can help make sense of the diversity of models, it is important to note that there is still a large amount of variation, both within and between models that fall on either pole. For example, in worker cooperatives democratic governance rights at minimum include electing the board of directors, but these rights can extend to the management of day-to-day operations. Likewise, ESOPs and EOTs can own anywhere from 1 to 100% of company stock which obviously can impact the level of financial rights workers are able to enjoy. Though less common, there exists hybrid models that combine features of shared capitalism with governance rights associated with economic democracy. For example, the John Lewis Partnership, one of the largest and oldest EOTs in the world, has a democratically elected council system which provides input on decision making and company management (Cathcart, 2013). Similarly, there are companies with ESOPs who provide expanded governance rights like those found in worker cooperatives, in what is colloquially termed an "ESOP-erative" (Staubus, 2017). Different models of employee ownership can be enacted alongside one another and, as Blasi et al. (2013) show in their chapter, it is quite common for companies to "layer" different forms of employee ownership on top of one another. Finally, all models of employee ownership are complemented by different kinds of human resource and management practices that vary across firms, which may stymie or encourage the development of an "ownership culture."

Our point here is that while all forms of employee ownership seek to broaden ownership of productive assets, they do so in various ways that cannot be captured by a single definition or prototypical example. As one

preeminent scholar of the field puts it, “employee ownership is not a simple, unidimensional concept that permits an easy classification of a firm as ‘employee-owned’ or of an employee as an ‘employee-owner’” (Kruse, 2002, p. 2). Others have made similar comments, pointing out that debates about what constitutes the “pure” form of employee ownership are moot (Russel, 1985, p. 12). This “means that generalizations about employee share ownership have to be made with caution” (Park et al., 2004, p. 3). The continuum we present here is no different. There are certainly differences between the many forms of ownership, but there are no hard lines that exist between the two poles. Instead, features of economic democracy and shared capitalism overlap in the real world and can be adapted to fit the needs and goals of a given business, a broader economic development strategy, or even differing economic and political structures.

This broader conception of what employee ownership is provides for more nuance and helps cut through the common misunderstandings associated with it. One such misunderstanding is that models of employee ownership do away with the control rights of the board of directors and management or are part of a “trojan horse” strategy to abolish private property. In shared capitalism models, one cannot stress enough that such plans “do not […] fundamentally transform the employment relationship” (Kaarsemaker et al., 2009, p. 26). In fact, by connecting financial rights of employees to company performance, which is then paid to individual workers, they are firmly embedded within the principles of free markets and private property. A similar point applies to economic democracy models. While boards of directors, and in some cases management, are democratically elected by workers, the control rights of the board and management remain in place once those elections are completed. Similarly, patronage and individual member accounts—the mechanisms by which wealth created by the firm is distributed to individual workers—is treated as a form of private property (Ellerman, 1990, 1984). The fact that productive assets and wealth building opportunities are provided to workers in ways that do not violate basic principles of a free enterprise system is what makes employee ownership so dynamic and helps explain its wide appeal across the ideological spectrum, a point we will turn to in our next section.

THE POLITICS OF EMPLOYEE OWNERSHIP

Perhaps the most prevalent misconception of employee ownership is that it is a form of "socialism in disguise" and only appeals to those on the ideological left. Much of this stems from the fact that "worker control" was, and continues to be, a major theme in socialist thought and broader critiques of capitalism (Cole, 2009; Wright, 2010; Wolff, 2012). Employee ownership does appeal to those on the left. Equally true, though less known, is that support from those on the right is equally strong. We will not detail it here, as the next chapter provides sufficient evidence but, in many cases, early adopters of employee ownership models in the United States were themselves dedicated capitalists that ran large corporations.

We have little interest in situating employee ownership within rehashing long-standing political and ideological debates in this chapter. Instead, we think this misconception is best addressed in more practical ways. We first focus on the question of economic inequality and show how employee ownership provides a novel way to reduce it which side steps heated debates about government redistribution. We then draw on new survey research that demonstrates employee ownership enjoys bi-partisan support and highlight a few international examples of this same dynamic. Finally, we recount the history of employee ownership in the United States and demonstrate how its expansion since the mid-20th century was facilitated through changes to US tax policy which incentivized, rather than mandated, the creation of employee-owned firms.

Entering the Inequality Conversation

Economic inequality is on the rise within countries across the globe (International Monetary Fund, 2021), and a large body of literature demonstrates it is associated with negative effects, including eroded social cohesion (Wilkinson & Pickett, 2011), political polarization (Voorheis et al., 2015), and lower economic growth (Cingano, 2014). The question is no longer if inequality is a problem, but what kinds of solutions can be implemented. There is no shortage of public policies that are designed to lessen economic inequality, but many rely on the government to redistribute economic resources via bolstered social programs and progressive taxation, or large amounts

of state intervention in the economy. Such reforms would certainly reduce economic inequality however, in a context of high political polarization such measures do not garner broad support (McCarty et al., 2016). This is mainly because one of the defining schisms between those on the left and right of the ideological spectrum is the role of government in redistributing resources (Carmines & D'Amico, 2015). What is needed is a policy response that can garner support from both conservatives and liberals.

Based on our experience in the United States, employee ownership is an idea that can break through the political impasse that defines debates concerned with lessening economic inequality. As an approach that provides workers with greater levels of economic resources without requiring direct government intervention, it has features that appeal across the political spectrum. Earlier, we briefly outlined how different models put the concept of employee ownership into practice. Relevant to our conversation here is that, across the different models of employee ownership, workers can benefit from higher levels of wealth at its point of creation—within a private enterprise. One way to think about employee ownership is as a form of "predistribution," where "wealth is more equitably distributed as it is earned" allowing it to avoid the well-known "divisive, after the fact struggle over redistribution" (Mackin, 2017, pp. 4-5). Employee ownership's entry point into the inequality conversation is mostly through wealth not income. This is important because inequality in wealth is much larger than inequality in income. Over the past 30 years wealth concentration has contributed to a growing share of income inequality (in the form of dividends and capital gains) which disproportionately goes to high-income households (Mishel et al., 2007, 2012). Simply put, the "composition of personal income has shifted away from wage income to capital income" (Blasi et al., 2014, p. 14). Thus, employee ownership, by providing workers capital assets, tackles economic inequality at its root.

Because employee ownership can fulfill the principles held by conservatives and liberals some have described it as "ideologically ambidextrous" (Mackin, 2017, p. 10). Its focus on individual wealth generation via the workplace appeals to conservatives who extol the virtues of a property-owning working class. Its capability of providing working people with wealth building opportunities otherwise not available to them appeals to liberals concerned with questions of equality. In practice, employee ownership allows

for the goals of both conservatives and liberals to be met simultaneously. To take example, recent research shows that the material benefits that employee-owned companies provide workers—in particular longer tenure and heightened levels of wealth—can reduce the strain placed on government social programs, including unemployment insurance and social security (Rosen, 2013). Here again, employee ownership can appeal to supporters of smaller government as well as those concerned with improving the lives of working families (Blasi et al., 2014).

Support Beyond Abstract Principles

Those who remain skeptical of employee ownership's political appeal may be encouraged by the latest survey data coming out of the United States—one of the more highly polarized societies today (Boxell et al., 2020). The 2018 General Social Survey, one of the most robust surveys of social attitudes and behaviors in the United States, finds that three quarters of Americans including Republicans, Democrats, or Independents express support for employee-owned companies compared to ones owned by the government or investors (Kahn, 2019). Another 2019 survey finds that, nearly 70%, individuals across all political affiliations, support the concept of business owners allowing employees the chance to buy the company to make it employee-owned (Gowan, 2019). This is not a recent phenomenon. From Ronald Reagan, who characterized it as a "logical next step [to a] path that benefits free people" (Reagan, 1987, p. 1), to Bernie Sanders, who understands it as a way to "create a democratic society in which working people have more control over their lives" (Weissert, 2019, p. 1), employee ownership has gained support from conservative and progressive icons alike. For these reasons, scholars of employee ownership can safely characterize it as a "nonpartisan proposal to reduce economic inequality" that has "wide appeal across the political spectrum" (Blasi et al., 2014, p. 7).

This nonpartisan dynamic is not confined to the United States alone. In Britain the Conservative, Liberal and Labour parties have all voiced support for employee ownership (Pendleton & Robinson, 2015) as have other UK governments (Employee Ownership Association, 2018). In Italy, where one of the largest concentrations of worker cooperatives in the world exists, the three major cooperative federations are linked to parties who represent the

left, right, and center (Ammirato, 1996). In Spain and France, also home to large worker cooperative sectors, support has come from successive governments (left, right, and center) since the mid-20th century (Corcoran & Wilson, 2010, p. 10). The idea has attracted support from Latin American governments as well, either to introduce private enterprises into a socialist economy (Ritter, 2017; Harnecker, 2012) or as a strategy for workers to escape the negative impacts of deindustrialization (Ruggeri & Vieta, 2015).

THE EXPANSION OF EMPLOYEE OWNERSHIP IN THE UNITED STATES

While each country's experience with employee ownership is different, one of the main lessons that can be drawn from US's history is that government policies aimed at expanding it gain the most support when they take the form of incentives, rather than coercive measures like fines or mandates. We will not provide a history of all models of employee ownership through the 19th and 20th century in the United States—this task is carried out in the next chapter. Instead, we will begin in the seventies, and use the development and growth of ESOPs as an example of how government support can be used to expand employee ownership.

The idea of employee ownership in the US dates to the 18th century when political leaders saw it as a way to "stimulate and uphold new enterprise, increasing the chances of profit, and diminishing the risks" (Blasi, 2013, p. 6). In the late 19th century the idea was retaken by the labor movement who saw the establishment of worker cooperatives to create workplaces that provided workers with decent pay and living conditions (Leikin, 2005). Interest in worker cooperatives and other forms of employee ownership increased during times of economic crises throughout the 20th century, but they remained rare (Jackall & Levin, 1984; Curl, 2012). By the "1950s, the concept had virtually disappeared as a subject of union interest" (Logue & Yates, 1999, p. 230).

Ironically, it was not labor nor the left in the United States that put employee ownership on the American political agenda. Instead, support for its expansion was the result of an unusual relationship between a populist Democrat from Louisiana and an investment banker from San Francisco. On the legislative side was Louisiana Senator Russell Long and on the theoretical

Louis Kelso (Stumpff, 2008). Both saw rising inequality and the concentration of wealth as a threat to the capitalist system and understood employee ownership as a stabilizing force. Books published by Kelso, *The capitalist manifesto* (Kelso & Adler, 1958) and *How to turn eighty million workers into capitalists on borrowed money* (Kelso & Better, 1967) make this last point clear. With the problem and solutions sketched out, all that was needed was a path forward.

That initial path came through an amendment made to the Employment Retirement Income Security (ERISA) Act of 1974 which allowed for the creation of a new form of retirement plan, an ESOP, which is a trust that is separate from the company, is made up of a suspense account that holds unallocated stock and individual accounts which hold the stock for each participant. Unlike other pension plans, ESOPs can borrow money to purchase a company or some portion of it. This ability is extremely important as it meant the extent of employee ownership was no longer constrained by the amount of wealth workers had on hand. With the changes made to ERISA in 1974 employees could gain ownership in a company without using their own personal assets.

There are important tax benefits associated with ESOPS as well that were put into place at the outset as well as over the ensuing decades (Blasi et al., 2018). For companies, the contributions to the trust are made with pretax dollars and are tax deductible. For selling owners when 30% or more of the company is sold to employees, capital gains tax can be avoided. For employees, company contributions to the ESOP are tax-sheltered and employees do not pay taxes on the stock in their accounts until they cash out at retirement or after leaving the company. Each one of these tax incentives helped to contribute to the expansion of ESOPs in the United States.

As a model of employee ownership, ESOPs have their detractors, and there are some compelling reasons for this. As a retirement plan, ESOPs limit the ability of participants (with some exceptions) to access their wealth until they reach a legally defined "Normal Retirement Age." Secondly, while more generous and equal allocation methods are possible, ESOP contributions are often made to participants based on their annual compensation, so benefits can sometimes accrue towards the top (though limits to this do exist in law). Finally, ERISA does not require (though it does allow) meaningful, and deep, governance rights. Despite this, in recent years many ESOPS have succeeded in creating significant wealth for employees, at all levels of the firm.

We focus on ESOPs in detail here because they exemplify three important lessons, which can be applied to all forms of employee ownership generally. First, models of employee ownership can become widespread when coupled with supportive government policies. Almost unknown in 1974, there are now an estimated 6,500 ESOPs, covering over 14 million people, making them the most common form of employee ownership in the United States (NCEO, 2021). Second, the ways in which the government supports the expansion of employee ownership matters. Important to the widespread political support that employee ownership receives is that the policies aimed at expanding it take the form of incentives rather than coercion. As soon as there is talk about the government intervening in the affairs of company ownership it is guaranteed that ideological arguments will arise (Nwanevu, 2019). Relatedly, what models of employee ownership those incentives are directed towards matters. The fact that the tax benefits of ESOPs are greater than those given to worker cooperatives in the United States is a key reason why there are thousands of ESOPs and, according to recent estimates, 465 worker cooperatives (Palmer, 2020). It is no coincidence that the largest concentrations of worker cooperatives in the United States exist in cities or states that have supportive policies. The same pattern in produced at the international level, worker cooperatives are concentrated in countries where generous tax and other incentives, policies, and supports are in place such as Spain, France, and Italy (Abell, 2014; Adeler, 2009; Ammirato, 1996; Corcoran & Wilson, 2010; Logue, 2006).

Finally, the experience of ESOPs demonstrates that the political appeal of employee ownership is largest when framed as what it is: a business model that can compete in a market economy, provide decent jobs, and give workers opportunities to build wealth. This is how bi-partisan support for and passage of the 2018 Main Street Employee Ownership Act, one of the biggest legislative victories for employee ownership in two decades, was made possible (Lechleitner, 2019). It is also how state and local governments in the United States have come to support and implement policies aimed at expanding the number employee-owned firms, including worker cooperatives (Sutton, 2019; Camou, 2016). One can certainly engage in arguments of whether employee ownership is "socialist" or "capitalist," but we feel that such debates are moot, ensure division, and miss the point. A more useful approach is to judge

employee ownership by the outcomes it can achieve, for the companies who adopt any of the varied models, and the individuals who work within them.

WORKERS IN AN EMPLOYEE-OWNED COMPANY

Until here, we alluded the benefits of employee ownership for workers. In this section, we will provide an overview of the evidence. Before doing so, we will address a common objection against employee ownership: These models expose workers to levels of risk that outweigh any associated benefits. Our response to this common objection is yes, models of employee ownership do involve risk. Ownership of any private business does. However, it is also true that risk-based arguments make assumptions about employee ownership models that empirical evidence contradicts. In doing so, they overlook how the risk associated with forms of employee ownership can be greatly minimized and that the level of risk can vary depending on how employee ownership is put into practice. When these factors are considered the opportunities for wealth building and other benefits these models provide, outweigh the remaining risks. We first lay out risk-based arguments against employee ownership and identify the ways that risk can be minimized. We then present research that shows some of the benefits those working at employee-owned companies experience.

IS EMPLOYEE OWNERSHIP A RISKIER PROPOSITION FOR EMPLOYEES?

A common concern raised by those first introduced to the idea of employee ownership is that these models tie the financial fortunes of workers directly to that of a single company and in doing so expose them to too much risk. These types of arguments focus on two distinct types of risk that employee-owners face. First, employees who come to own stock in the company through wage and benefit concessions, or by using their own funds have “skin in the game” and thus bear the risk of potential investment loss. Second, employees whose assets are concentrated in a single company bear the risk of inadequate diversification. If the company fails, then workers' financial well-being can be completely wiped out.

Both concerns are legitimate. Employee-owners do take on risk when they own shares in the company or share in its profits. However, there are various factors that mitigate the extent of the risk that risk-based arguments against employee ownership often overlook.

Using Concessions or Wages

The following chapter will cover in greater detail the perception that employees exchange an ownership stake in their company by making wage or benefit concessions has some basis in truth and history. There are high profile cases of this occurring with tragic consequences for workers (Walter & Corley, 2015). However, the existing evidence strongly suggests that such cases are the exceptions. Blasi and Kruse (1991) find that among the 1,000 public firms that adopted models of employee ownership there were only 40 reports of wage and benefit concessions. Further, a comprehensive study of all ESOP adoptions in public companies between 1980-2001 finds that employee wages increased or stayed constant after adoption (Kim & Ouimet, 2014).

Other studies, which compare pay and benefits of ESOP and non-ESOP firms in Massachusetts (Scharf & Mackin, 2000) and Washington state (Kardas et al., 1998), arrive at similar conclusions. Using a National Bureau of Economic Research dataset of 40,000 employees, Buchele et al. (2010) find "no evidence that employees' ownership gains are offset by lower wages or benefits" (p. 374). Long and Fang (2012), who compare firms with and without profit sharing, report that, on average, employee earnings were "significantly higher" in establishments that adopted profit sharing. While less numerous, studies of worker cooperatives also conclude that wages for employees are comparable to conventional counterparts (Burdin & Dean, 2009; Palmer, 2020). Overall, the evidence suggests that models of employee ownership "come on top of standard pay and benefits" (Blasi et al., 2018, p. 48) and, thus, can be thought of as 'gravy'on top of other pay and wealth" rather than a substitution for it (Kruse et al., 2019, p. 23).

Similarly, many assume that employees have purchased their ownership share using their wages. In the case of ESOPs, the stock held in individual accounts is granted to employees through company contributions, meaning that unlike 401(k)'s they do not purchase these shares with their own income. In EOTs, profits sharing plans, and gain sharing plans employees

do not use their wages to gain these benefits either. They are an additional source of wealth whose expense is covered by the company, not the employees. Therefore, a decrease in the value of these assets, though a real loss, is not directly comparable to losing assets which are purchased with worker's income that would otherwise be taken as wages or turned into savings. This is because "the financial risk associated with investment in a single asset is much lower if the asset comes on top of other wealth, since a collapse in the asset's value would not change the value, the portfolio would otherwise have had" (Kruse et al., 2019, p. 18). Put simply, what is at risk in these examples is not the individual employees' own income.

As for models where employees do use their own wages to purchase company stock, such as Employee Share Purchase Plans (ESPPs), risk is greater. However, according to Nobel Prize winner Harry Markowitz, a pioneer in modern portfolio theory, so long as company stock does not make up more than 15% of the workers entire wealth portfolio the risk is prudent (Markowitz et al., 2010). And in the United States, less than 3% of workers fall into the higher risk category (Kruse et al., 2019). The risk of ESPPs can be mitigated further by discounting the purchase. In worker cooperatives, where employees purchase a member share directly to become members, risk might be higher as well, but once this share is purchased the annual distribution of company profits to members is provided as a membership right with no additional cost.

To fully understand the amount of risk being borne by employees it is important to first ask what form of employee ownership we are talking about—remember there are various models with different risk profiles. We must ask, what is at risk contributions the company made, or the contributions employees made? When contributions made by the company are what make up the employee's asset portfolios their individual risk is greatly reduced. As the evidence above suggests there are ways to minimize and maximize the risk that models of employee ownership have and many companies, learning from past mistakes, have structured their models to minimize it.

Diversification

The second type of risk is concerned with diversification and assumes that employee ownership models concentrate workers' investments in a single

asset because they either replace other defined benefit plans or are the only benefit plans offered. In the United States, studies of whether this occurs have focused mostly on ESOP companies. Contrary to the diversification argument, studies have found that companies with ESOPs are more likely to provide 401(k) plans compared to other conventional counterparts (Kruse, 2002; Rodgers, 2018, 2010a). Blasi et al. (2013), who match ESOP firms to non-ESOP firms, find that those with ESOPs are four times more likely to provide defined contribution pension plans such as 401(k) plans and five times more likely to have other types of pension plans. Rodgers (2010b), using data collected by the US Department of Labor for over 3,000 ESOP companies, exposes that ESOP companies are more likely to offer two defined contribution plans than the average company is to have any.

Carrol (2015) finds that ESOPs are more likely to offer an additional defined benefit plan alongside the ESOP and that distributions from individual ESOP accounts were greater than those from 401(k) plans. Further, Rodgers (2018) concludes that ESOP account values tend to be less volatile than 401(k) plans and, between 2001-2010, provided a higher mean rate of return. In a first of its kind project, researchers at the National Center for Employee Ownership analyze 300,000 plan filings which included companies with ESOP plans, and companies with non-ESOP retirement plans between 2019 and 2020 (NCEO, 2022a). After matching companies of similar size, industry, and region they found that the ESOP account balances are more than double ($132,000 vs. $64,000) compared to conventional, ESOP. The evidence suggests that while employee ownership can indeed increase risk it is not of the extreme nature that diversification arguments sometimes assume, and the boost in wealth can be quite meaningful. Finally, when making judgments about risk one must keep in mind the context of retirement savings in the United States. As of 2021 just over 50% of American families have a retirement account at all.

Employment Stability

Finally, one must not leave out an area where risk is lower for workers in employed-owned firms, job loss. Unemployment presents obvious risks to individual financial well-being and employment precarity is a growing feature of market economies today that obviates any form of wealth creation. Further,

the effects of unemployment extend beyond finances to include psychological well-being, family stability, and other community effects (Belle & Bullock, 2009). One study investigating the relationship between employment at an ESOP company and the US prison system finds that working at ESOP company is associated with decreases in the likelihood of arrest, being convicted of a crime, and being incarcerated (Cox, 2020). There is broad consensus that employee-owned companies provide employment stability that mitigates this important risk factor. A large body of evidence has accumulated that shows employee-owned firms have higher survival rates than their conventional counterparts and are less likely to lay workers off in general and particularly in times of crises (Brill, 2012; Blasi et al., 2013, 2000; Burdin, 2014; Kurtulus & Kruse, 2017; Park et al., 2004; Perotin, 1987; Rosen & Rodgers, 2014).

Existing evidence suggests that risk-based objections to employee ownership, though legitimate, are not nearly as applicable as one may assume. Workers indeed take on more risk when they receive their ownership stake, but the level of risk varies across models and can be mitigated in numerous ways. First, risk is minimized when models of employee ownership do not require concessions of wages or other benefits but are instead treated as an additional, rather than substitutional, benefit. Second, providing a financial stake in the company to workers that does not require them to use their income or savings lessens potential hazards. Third, diversification issues can be dealt with by making sure that models of employee ownership are offered in combination with other diversified benefit plans. Finally, discussions of risk cannot leave out the fact that unemployment, arguably the largest risk workers face, is reduced when working at an employee-owned firm. What is clear from existing evidence is that on average employee-owned companies are following these best practices and thereby reducing potential harms.

THE INDIVIDUAL BENEFITS OF EMPLOYEE OWNERSHIP

In discussing risk, we have already commented on some of the benefits employee ownership provides workers, but it is worth expanding our focus further. The benefits are numerous but we will limit our discussion to three areas of focus—income and wealth, employment stability, and other benefits beyond an ownership stake.

Income and Wealth

We begin first with income and wealth. Key to the support for employee ownership is the idea that it serves as an organizational alternative to allow workers to earn increased wealth. A survey of ESOP companies in the United States finds that ESOP participants had benefit and retirement balances that were more than twice as large as US residents with similar characteristics nationally, this pattern holds even for those making less than $26,000 per year (Wiefek & Nicholson, 2018). An earlier study by Rodgers (2010b) finds that ESOP participants had 2.2 times more in retirement savings and 20% more in financial assets overall. Moreover, an analysis by Joseph Blasi and Douglas Kruse identifies that employees working at ESOP companies have, on average, $134,000 in wealth from company stock (Rutgers School of Management and Labor Relations, 2018). Research also shows that pay and wealth have been much more equally distributed in employee-owned companies compared to conventional firms (Bernstein, 2016; Buchele et al., 2010).

There is also evidence that employee ownership can help build the wealth of those with low to moderate income—suggesting it can indeed reduce economic inequality. In one of the largest qualitative studies of ESOPs, Boguslaw and Shcur (2019) collect data from 141 moderate to low-income individuals working at 21 different companies spread across 16 different states and industries. Comparing the total wealth of these individuals to national averages they found enormous differences. For example, Black women in the study sample working at ESOPs held $55,000 in total wealth compared to the national average of $200, with similar patterns emerging across other racial and gender groups (p. 24). Existing US evidence also finds that employee-owned companies provide higher wages. Matching 102 ESOPs to 499 comparison companies, Kardas et al. (1998) point out that the median wage in ESOPs was 8% higher, replicating the earlier findings of Blasi et al. (1996) who carry out a similar comparison of public companies with and without employee ownership. Analyses using some of the largest datasets on employee-owned companies available arrive at similar conclusions (Kruse et al., 2010).

Turning to worker cooperatives in the United States, a survey of the sector finds that they provide an average wage of $19.67 per hour and provide an average annual patronage (profit distribution) of $8,241 in 2019 (Palmer, 2020). Both findings are significant considering that many worker cooperatives in

the United States operate in low wage service sectors and most members are women or people of color.

Many of these studies are cross-sectional in nature and are not able to compare differences in income and wealth over time. There are two notable panel studies that do look at this relationship. The first, conducted by Kim and Ouimet (2014), investigates ESOP adoptions in 400 public companies over a 30-year period. They find that company level wages increased, on average, by 20% after adoption (p. 1293). Another study by Wiefek (2017) focuses on individuals ages 28-34 years of age who were either employed by a company with an ESOP or not. She finds that those working at ESOP companies had 33% higher incomes and 92% higher household wealth.

Employment Stability

As mentioned earlier, employee-owned companies are less likely to lay off workers both in general and during economic downturns. According to Brill (2012), ESOP companies between 2001-2011 had higher employment growth both pre- and post-recession compared to the economy as a whole. Blair et al. (2000) investigate all publicly traded firms in 1983 and had 20% or more of their company stock in some form of employee ownership benefit plan and compared their survival rate to a controlled sample of conventional companies through 1991. They find that employed owned firms have higher survival rates and conclude that the employee ownership arrangement helps stabilize a firm by "making it more resistant to bankruptcy and unwanted takeovers and somewhat less prone to labor strife and wrenching downsizing" (p. 288). Park et al. (2004) tracked all public companies from 1988 to 2001 and compared their survival rate with public companies with employee ownership stakes of 5% or more. They found that those with employee ownership were 76% as likely to disappear than conventional companies, and that this higher survival rate was linked to "greater employment stability" suggesting that employed owned companies, "provide greater employment security as part of an effort to build a more cooperative culture, which can increase employee commitment, training, and willingness to make adjustments when economic difficulties occur" (p. 3).

Wiefek (2017) finds a similar pattern, with individuals in ESOP companies reporting 53% longer tenure. Further, analyses of the General Social Survey

indicate that employee-owners have greater job security and are less likely to be laid off compared to workers with similar characteristics (Kurtulus & Kruse, 2017). New evidence in the context of covid-19 also shows that majority employee-owned companies in the United States retain jobs at a 4 to 1 rate when and were more likely to maintain standard hours and salaries overall when compared to conventional firms (Employee Ownership Foundation, 2020). A study comparing at employee-owned companies to conventional companies in the United States food sector in during COVID-19 found that involuntary separation (firing), and quit rates are substantially lower in employee-owned companies (NCEO, 2022b).

There is also evidence that worker cooperatives provide similar employment stability (Birchall & Ketilson, 2009). Comparing worker cooperatives to conventional companies of similar size and industry, Craig and Pencavel (1992, 1993, 1995) found that US plywood cooperatives are more likely to adjust pay rather than employment to deal with economic shocks, which in turn increase job security. Studies of worker cooperatives in Uruguay (Burdin & Dean, 2009; Burdin, 2014) and Italy (Pencavel et al., 2006) arrive at similar conclusions. Like ESOPs, recent survey data on worker cooperatives in the United States suggests that they are more likely to retain jobs rather than lay off workers in response to the economic downturn caused by the COVID-19 pandemic (Mankling et al., 2020).

Other Benefits

Beyond providing an ownership stake and employment stability employee-owned companies are also more likely to provide other benefits compared to conventional ones. For example, Weifek (2017) underline that individuals, ages 28-34, working at ESOP companies are more likely to have access to flexible work schedules (52% vs. 34%), paid maternity or parental leave (65% vs. 31%), tuition reimbursement (62% vs. 24%), and childcare benefits (23% vs. 5%). Workers at employee-owned companies are more likely to receive on the job training (Kurtulus & Kruse, 2017) including basic financial education (Boguslaw & Schur, 2019).

Employee-owned firms are also more likely to provide employees with meaningful ways to participate in workplace decision making. In the case of worker cooperatives this participation is explicitly baked into the struc-

ture of the firm. Even in companies that use shared capitalism models it is not uncommon for forms of worker participation in decision making to be institutionalized (Blasi et al., 2016; Freeman et al., 2010; Frohlich et al., 1998; Logue & Yates, 2001).

Taken together with the financial opportunities and employment stability that employee-owned companies provide these other benefits enable employee-owners to build assets that impact not only their retirement savings and income but "enable individuals and families to move from just making ends meet, to managing life's challenges and still [be] able to plan and invest in the future" (Boguslaw & Schur, 2019, p. 2). Knowing that employee-owned firms to provide stable, well-paying jobs, a financial stake in the business that helps build wealth, and other benefits that make workers livelihoods more secure, it should come as no surprise that companies practicing broad-based employee ownership account for half or more of *Fortune* magazine's 100 Best Companies list year after year (Josephs, 2020).

COMPANY PERFORMANCE

The largest questions for employee ownership, and the biggest hope for its proponents, is whether employee ownership creates companies that perform better, or as well as, conventionally owned businesses. For years, practitioners in the field hypothesized that there would be an improvement in company performance because individuals who have a financial stake in the business act like owners, and therefore are more committed to its success. Outside a small number of case studies (Whyte & Whyte, 1988; Rothschild-Whitt, 1986) it was far from certain whether more generalized data would support this claim. Additionally, these inclinations cut against existing deep seated theoretical arguments that assumed that models of employee ownership created perverse incentives that would lead to lower productivity and possibly firm failure.

One of the biggest developments in the field is the accumulation of studies that put these theoretical expectations to the test using data on existing firms. What they find is that, on average, employee ownership does in fact have a positive impact on company performance, in good economic climates and bad. In this section we first outline the theoretical arguments that undergird the expectation that employee-owned firms should underperform and

discuss their applicability to different models of employee ownership. We then turn to the growing body of empirical evidence that suggests employee ownership positively affects firm performance.

THEORETICAL CASES AGAINST EMPLOYEE OWNERSHIP

The earliest, and most well-known, theoretical cases against employee ownership tended to focus on worker cooperatives, as these firms provide both financial and governance to workers.

The first we will address are two arguments that are based on the assumption that members of worker cooperatives tend to prioritize worker-member pay over company profit. Working off the assumption that worker cooperatives would tend to maximize revenues per worker rather than profits, academics argued that they would respond to changes in economic conditions in ways that would result in inefficiencies or firm failure (Ward, 1958; Meade, 1972; Domar, 1966). For example, to keep their individual membership shares high when times were good, worker cooperatives would perversely respond by firing members which would negatively affect business profits and employment levels. Alternatively, cooperatives would be incentivized to hire workers but not allow them to become members who share in company profits, decreasing the ratio of members to non-members—a process that if continued over time would lead the worker cooperative to "degenerate" into a conventionally structured business (Ben-Ner, 1984, 1988).

Another theorized issue stemming from worker cooperative members maximizing revenue per member is that it would result in underinvestment in the firm itself (Furubotn & Penjovich, 1970; Jensen & Meckling, 1979; Vanek, 1977). What is sometimes referred to as the "horizon problem" assumed that members, especially those nearing retirement, would rather take a portion of the company profits for themselves rather than invest them in something that would provide a return later, which they would not benefit from directly. Overtime, this would result in underinvestment and thus lower productivity and profits or even failure of the firm.

A second argument focuses on how employee ownership models would negatively affect work incentives of employees. Alchian and Demsetz (1972) argue that sharing returns of the company under a fixed sharing rule creates the classic "free rider problem" where workers would be incentivized

to shirk, as they would still benefit from their ownership share regardless of their level of effort. They point out that if all workers made this same "rational" decision, it would lead to decreases in productivity, and increase the likelihood of firm failure.

Finally, turning to the decision-making process, Hansmann (1996) points out that companies owned by multiple individuals face a collective action problem where the preferences of all individuals may be diverse and thus agreement on firm policies very difficult to attain in an efficient manner. Longer decision-making processes may result in the business not making important decisions as quick as it should which incurs costs and affects its viability. Thus, companies with democratic governance will face limits in how far and fast they can scale employment and respond to changing market dynamics.

Taken together, these theories make reasonable cases for why employee-owned companies are expected to underperform relative to their conventional counterparts. It's important to point out that the strong assumptions they make do not apply to all forms of employee ownership. For example, in shared capitalism models of employee ownership employees generally do not have expansive governance rights, so the theories concerned with hiring, underinvestment, and decision making are less applicable (Blair et al., 2000). All forms of employee ownership are, in theory, subject to the "free-rider" problem and this can only be overcome when other incentives to work hard are developed in addition to the financial incentives of company ownership (Kruse, 2016).

In worker cooperatives, where all the above theories are more applicable, evidence suggests that the problems can be overcome. In the case of perverse responses to positive economic conditions, theories overlook the fact that such decisions are made collectively, and they overestimate the likelihood that such decisions would be agreed upon in a firm where employment is the main goal. Empirical studies from the United States, Italy, and France all demonstrate that the adjustment that worker cooperatives make to external economic conditions are through adjusting pay, not employment (Perotin, 2013). Turning to the underinvestment problem worker cooperatives have individual accounts that allow worker-members to receive the value of their shares when they retire (Ellerman, 1986). Another way is to institute a profit plough-back rule so that a company can automatically accumulate capital (Alzola et al., 2010). Regarding the relationship between democratic governance

and size, it is indeed true that very large worker cooperatives are rare. However, examples like Mondragon in Spain (Whyte & Whyte, 1988), which has tens of thousands of members, do exist, and offer important lessons of how costs associated with decision making processes can be overcome—mainly in instituting a representative rather than direct model of governance. On the point of size, we should keep in mind that very large businesses are rare in general, in the United States 90% of businesses have under 20 employees and only 0.03% have 5,000 employees or more (Perotin, 2013).

EMPIRICAL EVIDENCE: A BRIEF REVIEW

With these key caveats laid out we can turn to what the empirical evidence tells us about the overall performance of employee-owned companies. The literature is extensive and due to space constraints, we cannot give it full justice here. Instead, we will highlight key studies that, because of their design, strongly suggest a positive relationship between employee ownership and company performance. In organizing this section we anticipate two of the most common issues encountered with studying the causal relationship between employee ownership and company performance: small sample sizes, and identifying causation vs. correlation. To address the former, we highlight meta-analyses. To address the latter. We highlight studies that have strong research methodologies.

Addressing the Small Sample Size Argument

Meta-analysis is a technique used to combine results across studies with the goal of reaching a conclusion about the overall association between variables of interest. Such studies enable to quantify and identify general trends that occur across geography and time, have much larger sample sizes, and provide an understanding of the knowledge that has accumulated over decades (Card, 2012).

In the studies we review here, the explanatory variables are forms of employee ownership and participation and the outcome variable is measures of company performance. One of the earliest meta-analyses to investigate the productivity effects of different forms of employee ownership was completed by Doucouliagos (1995), who synthesizes the results of 43 published studies.

He finds that profit sharing, employee ownership, and worker participation in decision making are all positively associated with productivity and that the correlations are stronger in firms practicing models of economic democracy compared to those using models of shared capitalism.

In another meta-analysis, Kruse and Blasi (1997) survey 27 studies that look at productivity and profitability, and conclude that "while several studies indicate better or unchanged performance under employee ownership, almost no studies find worse performance" (p. 26). In addition, they estimate that, when taken together, 1980 and 1990s studies found that productivity increased 4-5%, on average, in the year a company adopted an ESOP.

Finally, O'Boyle et al. (2016) conduct a meta-analysis of English language studies of employee ownership published as of 2013. It includes 102 studies that represent over 56,984 different firms and measure either efficiency related outcomes (e.g. productivity, value added, return on assets) or growth-related outcomes (e.g. sales, assets, profitability). They describe that "employee ownership has a small, but positive and statistically significant relation to firm performance" (p. 452) and that this relationship holds across a variety of contexts including geographic location of the firms, their size, type of ownership model, and whether the company was public or private. These findings align with those of prior reviews of the literature (Freeman 2007; Kaarsemaker, 2006; Kaarsemaker et al., 2009; Kruse, 2002, 1993, 2016).

Addressing the Causation is not Correlation Argument

To address the questions about causation, we will only highlight studies that compare conventionally owned companies to employee-owned companies with similar characteristics, and or compare pre-adoption performance to post-adoption performance of the same set of companies. The reason for doing so is because studies that match companies on various characteristics help control for other factors that can also be related to firm performance. Studies that look at pre- and post-adoption help control for the very likely dynamic where well performing companies "self-select" into employee ownership.

In the late eighties, the US General Accounting Office (1987) conducted a study that compares firms who established ESOPS to similar conventionally

owned firms. It finds that the companies with ESOPs experienced no negative effects on worker productivity and firm profitability, and positive effects when the plan was coupled with worker participation. A study that tracks private ESOP companies between the years of 1988-1999 describes that they were only half as likely to go bankrupt, and three fifths as likely to disappear for any reason (Blasi, et al. 2013) compared to non-ESOP companies. In the same study, which was able to identify 343 companies that adopted an ESOP in the time period, the authors compare per and post sales growth, employment growth, and productivity growth and found that they increased 2.4%, 2.3%, and 2.3%, respectively.

Stretcher et al. (2006) compared public companies with and without ESOP between the years of 1998-2004, and inferred that companies with ESOPS experienced higher return on assets (5.5%), net profit margin (10.3%), and return on equity (5.6%). Kurtulus and Kruse (2017) tracked the full population of publicly traded companies in the United States with and without ESOPS, profit sharing, or any other kind of broad-based stock ownership plan. The study covers from 1991 to 2011, which includes two major recessions in the United States. They explain that companies with broad-based employee ownership shed jobs at half the rate over this period and were 75% as likely to go out of business compared to conventionally owned counterparts. This corresponds with other studies reviewed in the last section that companies with employee ownership are less likely to fail (Blair et al., 2000; Park et al., 2004).

Another large study sponsored by the UK's Treasury analyzes 16,000 firms over time and identifies that employee ownership is linked to improved turnover and value added (Oxera, 2007a, 2007b). Finally, in an interesting experimental study, Peterson and Luthans (2006) track 21 fast food franchises owned by one firm which randomly introduced profit sharing in some stores and not others. Over the six-month study period, stores where profit sharing was introduced experienced a 30% increase in profits, 19% reduction in drive through times, and 13% decrease in turnover.

Research on the relationship between employee ownership and company performance is extensive and we encourage readers to explore the noted meta-analyses, literature reviews, and selected studies. What is clear is that the evidence demonstrates quite strongly that company performance is not negatively impacted by employee ownership as early theories would sug-

gest. If any relationship does exist, it appears to be positive. Certainly, there is still much to be learned and causation is always difficult to establish, but when taken together the existing evidence shows that the perverse incentives that concern theoreticians are "overcome more often than not under employee ownership" (Blasi, et al., 2017, p. 18). The question we turn to next is how this is achieved.

HOW ARE OUTCOMES ACHIEVED?

One of the most useful models for thinking about how employee ownership is linked to better company performance is through what Akerlof (1982) calls a "gift exchange." Applying it to models of employee ownership, workers who are given the "gift" of employee ownership, along with competitive wages and benefits, respond with a reciprocal "gift" of high effort, lower absenteeism, and more company pride and loyalty. The exact way in which this process occurs is still being studied but organizational scholars find that identity is key to motivate employees and increasing their commitment and feelings of responsibility to a firm (Akerlof & Kranton, 2005). Thus, cultivating an ownership identity for workers where an employee's sense of self is linked to the organization can help them develop feelings of responsibility which include "a responsibility to invest time and energy to advance the cause of the organization" (Pierce et al., 2001, p. 303). Put another way, "formal employee ownership encourages employees to believe that they share financial interests with the organization and act in a manner that promotes these shared financial interests" (Wagner et al., 2003, p. 865).

While employee ownership creates the motivation for employees to act in ways that would benefit the organization, it is not guaranteed. As Kruse and Blasi (1995) note, "employee ownership does not magically and automatically improve employee attitudes and behavior whenever it is implemented" (p. 24). To achieve these outcomes something more is needed, "something akin to developing a corporate culture that emphasizes company spirit, promotes group cooperation, [and] encourages social enforcement mechanisms" (Weitzman & Kruse, 1990, p. 100). An ownership share may provide the motivation for employees to help improve the firm, but this means very little if it is not coupled with opportunities to participate and provide input in decision-making, or specific managerial and human resource practices which entice rather

than diminish such actions (Kruse et al., 2004; Logue & Yates, 2001). This three-pronged model of motivations, opportunities, and company context or "culture" is brought to life when employee-owners are given training and education that further develops their ability to contribute to the organization's performance in more meaningful ways (Summers & Chillas, 2019).

What does the "ownership magic" look like in practice? A study that draws on survey data from 40,000 US workers across 14 firms sheds some insight. It shows that workers with company stock and other financial incentives were significantly more likely to intervene when they saw a co-worker not working well by speaking with the co-worker directly, with a supervisor, or with a member of their work team. When asked why they would take this action many workers reported that "poor performance will cost me and other employees in bonus or stock value" (Freeman et al., 2010, p. 98). The same study also finds that employee-owners had lower turnover and absenteeism and were more likely to make suggestions about how to improve company performance.

Not all companies follow the best practices of coupling employee ownership with education, training, and opportunities to participate, but many do. An analysis of over 700 companies that applied to *Fortune* magazine's 100 Best Companies to Work For between 2005 and 2007 found that employees working in companies with higher levels of broad-based employee ownership were more likely to "extensively participate in more decisions, have greater information sharing, trust in supervisors, and report a more positive workplace culture than in other companies" (Blasi et al., 2016, p. 55). Clearly, combining the financial benefit of broad-based employee ownership with meaningful and significant participation, and even governance rights provides real and measurable returns—for the company and employees.

CONCLUSION

Supporters and detractors alike have tended to define employee ownership according to their own set of a priori assumptions of what it is, what it is not, and what it should be. Often, these assumptions are not based on the real-world experience of what happens in employee-owned firms and often, such assertions overlook the diversity of employee ownership models and how they work in practice. Thankfully, there now exists a wellspring of hard

data that can help us understand not just what employee ownership is, but capture its impact on the economy, individual businesses, and the employee-owners that work within them.

As mature and developing economies alike look to find ways of addressing widening wealth and income disparities, the data regarding employee ownership makes it clear that it can be a powerful, and politically feasible strategy for doing so. What is required is an "eyes wide open" look at what it really is, and how it works.

For many and maybe most workers around the world, economic stability, especially over the long-term, is increasingly a thing of the past. The expectation of working for a single company for the bulk of ones' working life and receiving gradually increasing wages and benefits during that time, is rare. Rising inequality and systemic poverty, along with the economic immobility for large portions of the world's population makes sustained and equitable economic growth difficult. Many find themselves on the razor's edge of the middle class and poverty or poverty and destitution. In this context, those with misconceptions about employee ownership may argue that asking workers to invest their meager resources, or exchange wages and benefits, for an ownership stake in a private business does not make sense. But does this reflect the reality of employee ownership?

In our view, misconceptions about employee ownership are just that, misconceptions. A mounting body of evidence shows that it receives broad political support, provides workers with stable family-sustaining jobs, and improves company performance. Wealth inequality is one of the most pressing issues of our time and employee ownership—by broadening access to and ownership of productive assets—can address it at a fundamental level.

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One important note before we proceed. We are US based practitioners/researchers and the examples and knowledge we draw on in this chapter reflects that. At some point, we draw on research from other countries but want to acknowledge this bias at the outset. Despite this, we still feel that the US experience with employee ownership, along with select examples from other contexts, is wide and varied enough that it can provide useful knowledge to audiences interested in the topic no matter their geographic location.

WHAT IS EMPLOYEE OWNERSHIP?

The concept of employee ownership seems straightforward—it is an arrangement where employees own shares in the company in which they work (National Center for Employee Ownership [NCEO], 2021). In reality it is not so simple. Read through the literature and you are bound to find numerous definitions and examples of employee ownership. Examples of the concept put into practice in the United States, such as worker cooperatives, employee stock ownership plans, employee share purchase plans, employee stock option plans, employee-owned trusts, profit sharing, and gainsharing plans, are outlined in the next chapter. Yet each does in different ways. So, the question that lingers is what unites all these business models under the broad umbrella of "employee ownership"?

To answer this question, it is useful to unpack the basic idea of what constitutes ownership. The concept generally confers two dimensions of rights: the right to control use and to control the enjoyment of its returns (Ben-Ner & Jones, 1995). Applying this basic schematic to businesses "control of use" refers to determining the objectives of the business, what positions exist within it, and how they are filled and carried out—or what is termed governance rights. Control over the "enjoyment of its returns" refers to any financial and physical payoffs that are produced by the business—termed as financial rights. Despite their differences, what employee-owned firms of all kinds have in common is that they give employees some level of control rights over either the companies use, its returns, or some combination of both. The kinds of rights employees hold, the extent of those rights, and the mechanisms by which they are exercised is what differentiates the many models of employee ownership.

Using the allocation of financial and governance rights amongst employees as distinguishing features of the different kinds of employee-owned firms one can imagine the vast array of models existing on a continuum with two poles, with economic democracy on one end and shared capitalism on the other. Firms practicing economic democracy provide employees with expansive governance *and* financial rights over the firm (Ellerman, 1990; Bowles & Gintis, 1993). The most ubiquitous model in this category is the worker cooperative. In worker cooperatives individuals become members by purchasing a membership share. Once members, workers have the right to participate in the financial success of the firm through what is termed patronage. Workers receive allocations of a portion of the business's profits at the end of the year based on their labor contribution (typically hours worked). Members of a worker cooperative also have meaningful governance rights. At a minimum this includes voting for, and having representation on, the board of directors (Democracy at Work Institute [DAWI], 2020). Importantly, votes on major corporate decisions adhere to the principle of one worker one vote, rather than the traditional one share one vote, hence the use of the term economic democracy (Dahl, 1985).

Firms practicing models of shared capitalism typically provide less governance rights and adhere to a traditional corporate structure. However, these models differ from conventional businesses in that they offer a range of financial rights to employees which allow them to participate in the financial success of the firm (Kruse et al., 2010). Employees enjoy these rights in different ways, depending on the model in question. For example, in an Employee Stock Ownership Plan (ESOPs), which is a qualified retirement program under the US tax code, employees are granted shares of stock of their company each year which are credited to individual employee accounts. When employees retire, the company is required to repurchase shares back and provide the employee-owner with the monetary value of their acquired shares in cash. Other models provide financial ownership using shares, but unlike ESOPs, shares in the company are usually purchased by employees themselves. Such plans include Employee Share Purchase Plans which allow for the purchase of company stock at a discount or Employee Stock Option Plans which allow employees to purchase stock at a set purchase price for ten years, allowing employees to benefit from the stock's future gains.

The shared capitalism category also includes models that provide financial rights to employees without the use of individual stock ownership. For example, Employee-Owned Trusts (EOTs) hold shares of a company in a single trust on behalf of all employees who then receive portions of the company's profits on a yearly basis (Michael, 2017). Profit sharing and gainsharing programs also provide employees with a portion of the profits generated by the company each year, but do so without the use of a trust. The difference between the two is the former bases the monetary value of these bonuses on overall company profitability while the latter ties bonuses to specified benchmarks or goal such as productivity or waste reduction (Jones et al., 1994).

While the two poles of economic democracy and shared capitalism can help make sense of the diversity of models, it is important to note that there is still a large amount of variation, both within and between models that fall on either pole. For example, in worker cooperatives democratic governance rights at minimum include electing the board of directors, but these rights can extend to the management of day-to-day operations. Likewise, ESOPs and EOTs can own anywhere from 1 to 100% of company stock which obviously can impact the level of financial rights workers are able to enjoy. Though less common, there exists hybrid models that combine features of shared capitalism with governance rights associated with economic democracy. For example, the John Lewis Partnership, one of the largest and oldest EOTs in the world, has a democratically elected council system which provides input on decision making and company management (Cathcart, 2013). Similarly, there are companies with ESOPs who provide expanded governance rights like those found in worker cooperatives, in what is colloquially termed an "ESOP-erative" (Staubus, 2017). Different models of employee ownership can be enacted alongside one another and, as Blasi et al. (2013) show in their chapter, it is quite common for companies to "layer" different forms of employee ownership on top of one another. Finally, all models of employee ownership are complemented by different kinds of human resource and management practices that vary across firms, which may stymie or encourage the development of an "ownership culture."

Our point here is that while all forms of employee ownership seek to broaden ownership of productive assets, they do so in various ways that cannot be captured by a single definition or prototypical example. As one

preeminent scholar of the field puts it, “employee ownership is not a simple, unidimensional concept that permits an easy classification of a firm as ‘employee-owned’ or of an employee as an ‘employee-owner’” (Kruse, 2002, p. 2). Others have made similar comments, pointing out that debates about what constitutes the “pure” form of employee ownership are moot (Russel, 1985, p. 12). This “means that generalizations about employee share ownership have to be made with caution” (Park et al., 2004, p. 3). The continuum we present here is no different. There are certainly differences between the many forms of ownership, but there are no hard lines that exist between the two poles. Instead, features of economic democracy and shared capitalism overlap in the real world and can be adapted to fit the needs and goals of a given business, a broader economic development strategy, or even differing economic and political structures.

This broader conception of what employee ownership is provides for more nuance and helps cut through the common misunderstandings associated with it. One such misunderstanding is that models of employee ownership do away with the control rights of the board of directors and management or are part of a “trojan horse” strategy to abolish private property. In shared capitalism models, one cannot stress enough that such plans “do not [...] fundamentally transform the employment relationship” (Kaarsemaker et al., 2009, p. 26). In fact, by connecting financial rights of employees to company performance, which is then paid to individual workers, they are firmly embedded within the principles of free markets and private property. A similar point applies to economic democracy models. While boards of directors, and in some cases management, are democratically elected by workers, the control rights of the board and management remain in place once those elections are completed. Similarly, patronage and individual member accounts—the mechanisms by which wealth created by the firm is distributed to individual workers—is treated as a form of private property (Ellerman, 1990, 1984). The fact that productive assets and wealth building opportunities are provided to workers in ways that do not violate basic principles of a free enterprise system is what makes employee ownership so dynamic and helps explain its wide appeal across the ideological spectrum, a point we will turn to in our next section.

THE POLITICS OF EMPLOYEE OWNERSHIP

Perhaps the most prevalent misconception of employee ownership is that it is a form of "socialism in disguise" and only appeals to those on the ideological left. Much of this stems from the fact that "worker control" was, and continues to be, a major theme in socialist thought and broader critiques of capitalism (Cole, 2009; Wright, 2010; Wolff, 2012). Employee ownership does appeal to those on the left. Equally true, though less known, is that support from those on the right is equally strong. We will not detail it here, as the next chapter provides sufficient evidence but, in many cases, early adopters of employee ownership models in the United States were themselves dedicated capitalists that ran large corporations.

We have little interest in situating employee ownership within rehashing long-standing political and ideological debates in this chapter. Instead, we think this misconception is best addressed in more practical ways. We first focus on the question of economic inequality and show how employee ownership provides a novel way to reduce it which side steps heated debates about government redistribution. We then draw on new survey research that demonstrates employee ownership enjoys bi-partisan support and highlight a few international examples of this same dynamic. Finally, we recount the history of employee ownership in the United States and demonstrate how its expansion since the mid-20th century was facilitated through changes to US tax policy which incentivized, rather than mandated, the creation of employee-owned firms.

Entering the Inequality Conversation

Economic inequality is on the rise within countries across the globe (International Monetary Fund, 2021), and a large body of literature demonstrates it is associated with negative effects, including eroded social cohesion (Wilkinson & Pickett, 2011), political polarization (Voorheis et al., 2015), and lower economic growth (Cingano, 2014). The question is no longer if inequality is a problem, but what kinds of solutions can be implemented. There is no shortage of public policies that are designed to lessen economic inequality, but many rely on the government to redistribute economic resources via bolstered social programs and progressive taxation, or large amounts

of state intervention in the economy. Such reforms would certainly reduce economic inequality however, in a context of high political polarization such measures do not garner broad support (McCarty et al., 2016). This is mainly because one of the defining schisms between those on the left and right of the ideological spectrum is the role of government in redistributing resources (Carmines & D'Amico, 2015). What is needed is a policy response that can garner support from both conservatives and liberals.

Based on our experience in the United States, employee ownership is an idea that can break through the political impasse that defines debates concerned with lessening economic inequality. As an approach that provides workers with greater levels of economic resources without requiring direct government intervention, it has features that appeal across the political spectrum. Earlier, we briefly outlined how different models put the concept of employee ownership into practice. Relevant to our conversation here is that, across the different models of employee ownership, workers can benefit from higher levels of wealth at its point of creation—within a private enterprise. One way to think about employee ownership is as a form of "predistribution," where "wealth is more equitably distributed as it is earned" allowing it to avoid the well-known "divisive, after the fact struggle over redistribution" (Mackin, 2017, pp. 4-5). Employee ownership's entry point into the inequality conversation is mostly through wealth not income. This is important because inequality in wealth is much larger than inequality in income. Over the past 30 years wealth concentration has contributed to a growing share of income inequality (in the form of dividends and capital gains) which disproportionately goes to high-income households (Mishel et al., 2007, 2012). Simply put, the "composition of personal income has shifted away from wage income to capital income" (Blasi et al., 2014, p. 14). Thus, employee ownership, by providing workers capital assets, tackles economic inequality at its root.

Because employee ownership can fulfill the principles held by conservatives and liberals some have described it as "ideologically ambidextrous" (Mackin, 2017, p. 10). Its focus on individual wealth generation via the workplace appeals to conservatives who extol the virtues of a property-owning working class. Its capability of providing working people with wealth building opportunities otherwise not available to them appeals to liberals concerned with questions of equality. In practice, employee ownership allows

for the goals of both conservatives and liberals to be met simultaneously. To take example, recent research shows that the material benefits that employee-owned companies provide workers—in particular longer tenure and heightened levels of wealth—can reduce the strain placed on government social programs, including unemployment insurance and social security (Rosen, 2013). Here again, employee ownership can appeal to supporters of smaller government as well as those concerned with improving the lives of working families (Blasi et al., 2014).

Support Beyond Abstract Principles

Those who remain skeptical of employee ownership's political appeal may be encouraged by the latest survey data coming out of the United States—one of the more highly polarized societies today (Boxell et al., 2020). The 2018 General Social Survey, one of the most robust surveys of social attitudes and behaviors in the United States, finds that three quarters of Americans including Republicans, Democrats, or Independents express support for employee-owned companies compared to ones owned by the government or investors (Kahn, 2019). Another 2019 survey finds that, nearly 70%, individuals across all political affiliations, support the concept of business owners allowing employees the chance to buy the company to make it employee-owned (Gowan, 2019). This is not a recent phenomenon. From Ronald Reagan, who characterized it as a "logical next step [to a] path that benefits free people" (Reagan, 1987, p. 1), to Bernie Sanders, who understands it as a way to "create a democratic society in which working people have more control over their lives" (Weissert, 2019, p. 1), employee ownership has gained support from conservative and progressive icons alike. For these reasons, scholars of employee ownership can safely characterize it as a "nonpartisan proposal to reduce economic inequality" that has "wide appeal across the political spectrum" (Blasi et al., 2014, p. 7).

This nonpartisan dynamic is not confined to the United States alone. In Britain the Conservative, Liberal and Labour parties have all voiced support for employee ownership (Pendleton & Robinson, 2015) as have other UK governments (Employee Ownership Association, 2018). In Italy, where one of the largest concentrations of worker cooperatives in the world exists, the three major cooperative federations are linked to parties who represent the

left, right, and center (Ammirato, 1996). In Spain and France, also home to large worker cooperative sectors, support has come from successive governments (left, right, and center) since the mid-20th century (Corcoran & Wilson, 2010, p. 10). The idea has attracted support from Latin American governments as well, either to introduce private enterprises into a socialist economy (Ritter, 2017; Harnecker, 2012) or as a strategy for workers to escape the negative impacts of deindustrialization (Ruggeri & Vieta, 2015).

THE EXPANSION OF EMPLOYEE OWNERSHIP IN THE UNITED STATES

While each country's experience with employee ownership is different, one of the main lessons that can be drawn from US's history is that government policies aimed at expanding it gain the most support when they take the form of incentives, rather than coercive measures like fines or mandates. We will not provide a history of all models of employee ownership through the 19th and 20th century in the United States—this task is carried out in the next chapter. Instead, we will begin in the seventies, and use the development and growth of ESOPs as an example of how government support can be used to expand employee ownership.

The idea of employee ownership in the US dates to the 18th century when political leaders saw it as a way to "stimulate and uphold new enterprise, increasing the chances of profit, and diminishing the risks" (Blasi, 2013, p. 6). In the late 19th century the idea was retaken by the labor movement who saw the establishment of worker cooperatives to create workplaces that provided workers with decent pay and living conditions (Leikin, 2005). Interest in worker cooperatives and other forms of employee ownership increased during times of economic crises throughout the 20th century, but they remained rare (Jackall & Levin, 1984; Curl, 2012). By the "1950s, the concept had virtually disappeared as a subject of union interest" (Logue & Yates, 1999, p. 230).

Ironically, it was not labor nor the left in the United States that put employee ownership on the American political agenda. Instead, support for its expansion was the result of an unusual relationship between a populist Democrat from Louisiana and an investment banker from San Francisco. On the legislative side was Louisiana Senator Russell Long and on the theoretical

Louis Kelso (Stumpff, 2008). Both saw rising inequality and the concentration of wealth as a threat to the capitalist system and understood employee ownership as a stabilizing force. Books published by Kelso, *The capitalist manifesto* (Kelso & Adler, 1958) and *How to turn eighty million workers into capitalists on borrowed money* (Kelso & Better, 1967) make this last point clear. With the problem and solutions sketched out, all that was needed was a path forward.

That initial path came through an amendment made to the Employment Retirement Income Security (ERISA) Act of 1974 which allowed for the creation of a new form of retirement plan, an ESOP, which is a trust that is separate from the company, is made up of a suspense account that holds unallocated stock and individual accounts which hold the stock for each participant. Unlike other pension plans, ESOPs can borrow money to purchase a company or some portion of it. This ability is extremely important as it meant the extent of employee ownership was no longer constrained by the amount of wealth workers had on hand. With the changes made to ERISA in 1974 employees could gain ownership in a company without using their own personal assets.

There are important tax benefits associated with ESOPS as well that were put into place at the outset as well as over the ensuing decades (Blasi et al., 2018). For companies, the contributions to the trust are made with pretax dollars and are tax deductible. For selling owners when 30% or more of the company is sold to employees, capital gains tax can be avoided. For employees, company contributions to the ESOP are tax-sheltered and employees do not pay taxes on the stock in their accounts until they cash out at retirement or after leaving the company. Each one of these tax incentives helped to contribute to the expansion of ESOPs in the United States.

As a model of employee ownership, ESOPs have their detractors, and there are some compelling reasons for this. As a retirement plan, ESOPs limit the ability of participants (with some exceptions) to access their wealth until they reach a legally defined "Normal Retirement Age." Secondly, while more generous and equal allocation methods are possible, ESOP contributions are often made to participants based on their annual compensation, so benefits can sometimes accrue towards the top (though limits to this do exist in law). Finally, ERISA does not require (though it does allow) meaningful, and deep, governance rights. Despite this, in recent years many ESOPS have succeeded in creating significant wealth for employees, at all levels of the firm.

We focus on ESOPs in detail here because they exemplify three important lessons, which can be applied to all forms of employee ownership generally. First, models of employee ownership can become widespread when coupled with supportive government policies. Almost unknown in 1974, there are now an estimated 6,500 ESOPs, covering over 14 million people, making them the most common form of employee ownership in the United States (NCEO, 2021). Second, the ways in which the government supports the expansion of employee ownership matters. Important to the widespread political support that employee ownership receives is that the policies aimed at expanding it take the form of incentives rather than coercion. As soon as there is talk about the government intervening in the affairs of company ownership it is guaranteed that ideological arguments will arise (Nwanevu, 2019). Relatedly, what models of employee ownership those incentives are directed towards matters. The fact that the tax benefits of ESOPs are greater than those given to worker cooperatives in the United States is a key reason why there are thousands of ESOPs and, according to recent estimates, 465 worker cooperatives (Palmer, 2020). It is no coincidence that the largest concentrations of worker cooperatives in the United States exist in cities or states that have supportive policies. The same pattern in produced at the international level, worker cooperatives are concentrated in countries where generous tax and other incentives, policies, and supports are in place such as Spain, France, and Italy (Abell, 2014; Adeler, 2009; Ammirato, 1996; Corcoran & Wilson, 2010; Logue, 2006).

Finally, the experience of ESOPs demonstrates that the political appeal of employee ownership is largest when framed as what it is: a business model that can compete in a market economy, provide decent jobs, and give workers opportunities to build wealth. This is how bi-partisan support for and passage of the 2018 Main Street Employee Ownership Act, one of the biggest legislative victories for employee ownership in two decades, was made possible (Lechleitner, 2019). It is also how state and local governments in the United States have come to support and implement policies aimed at expanding the number employee-owned firms, including worker cooperatives (Sutton, 2019; Camou, 2016). One can certainly engage in arguments of whether employee ownership is "socialist" or "capitalist," but we feel that such debates are moot, ensure division, and miss the point. A more useful approach is to judge

employee ownership by the outcomes it can achieve, for the companies who adopt any of the varied models, and the individuals who work within them.

WORKERS IN AN EMPLOYEE-OWNED COMPANY

Until here, we alluded the benefits of employee ownership for workers. In this section, we will provide an overview of the evidence. Before doing so, we will address a common objection against employee ownership: These models expose workers to levels of risk that outweigh any associated benefits. Our response to this common objection is yes, models of employee ownership do involve risk. Ownership of any private business does. However, it is also true that risk-based arguments make assumptions about employee ownership models that empirical evidence contradicts. In doing so, they overlook how the risk associated with forms of employee ownership can be greatly minimized and that the level of risk can vary depending on how employee ownership is put into practice. When these factors are considered the opportunities for wealth building and other benefits these models provide, outweigh the remaining risks. We first lay out risk-based arguments against employee ownership and identify the ways that risk can be minimized. We then present research that shows some of the benefits those working at employee-owned companies experience.

IS EMPLOYEE OWNERSHIP A RISKIER PROPOSITION FOR EMPLOYEES?

A common concern raised by those first introduced to the idea of employee ownership is that these models tie the financial fortunes of workers directly to that of a single company and in doing so expose them to too much risk. These types of arguments focus on two distinct types of risk that employee-owners face. First, employees who come to own stock in the company through wage and benefit concessions, or by using their own funds have "skin in the game" and thus bear the risk of potential investment loss. Second, employees whose assets are concentrated in a single company bear the risk of inadequate diversification. If the company fails, then workers' financial well-being can be completely wiped out.

Both concerns are legitimate. Employee-owners do take on risk when they own shares in the company or share in its profits. However, there are various factors that mitigate the extent of the risk that risk-based arguments against employee ownership often overlook.

Using Concessions or Wages

The following chapter will cover in greater detail the perception that employees exchange an ownership stake in their company by making wage or benefit concessions has some basis in truth and history. There are high profile cases of this occurring with tragic consequences for workers (Walter & Corley, 2015). However, the existing evidence strongly suggests that such cases are the exceptions. Blasi and Kruse (1991) find that among the 1,000 public firms that adopted models of employee ownership there were only 40 reports of wage and benefit concessions. Further, a comprehensive study of all ESOP adoptions in public companies between 1980-2001 finds that employee wages increased or stayed constant after adoption (Kim & Ouimet, 2014).

Other studies, which compare pay and benefits of ESOP and non-ESOP firms in Massachusetts (Scharf & Mackin, 2000) and Washington state (Kardas et al., 1998), arrive at similar conclusions. Using a National Bureau of Economic Research dataset of 40,000 employees, Buchele et al. (2010) find "no evidence that employees' ownership gains are offset by lower wages or benefits" (p. 374). Long and Fang (2012), who compare firms with and without profit sharing, report that, on average, employee earnings were "significantly higher" in establishments that adopted profit sharing. While less numerous, studies of worker cooperatives also conclude that wages for employees are comparable to conventional counterparts (Burdin & Dean, 2009; Palmer, 2020). Overall, the evidence suggests that models of employee ownership "come on top of standard pay and benefits" (Blasi et al., 2018, p. 48) and, thus, can be thought of as 'gravy'on top of other pay and wealth" rather than a substitution for it (Kruse et al., 2019, p. 23).

Similarly, many assume that employees have purchased their ownership share using their wages. In the case of ESOPs, the stock held in individual accounts is granted to employees through company contributions, meaning that unlike 401(k)'s they do not purchase these shares with their own income. In EOTs, profits sharing plans, and gain sharing plans employees

do not use their wages to gain these benefits either. They are an additional source of wealth whose expense is covered by the company, not the employees. Therefore, a decrease in the value of these assets, though a real loss, is not directly comparable to losing assets which are purchased with worker's income that would otherwise be taken as wages or turned into savings. This is because "the financial risk associated with investment in a single asset is much lower if the asset comes on top of other wealth, since a collapse in the asset's value would not change the value, the portfolio would otherwise have had" (Kruse et al., 2019, p. 18). Put simply, what is at risk in these examples is not the individual employees' own income.

As for models where employees do use their own wages to purchase company stock, such as Employee Share Purchase Plans (ESPPs), risk is greater. However, according to Nobel Prize winner Harry Markowitz, a pioneer in modern portfolio theory, so long as company stock does not make up more than 15% of the workers entire wealth portfolio the risk is prudent (Markowitz et al., 2010). And in the United States, less than 3% of workers fall into the higher risk category (Kruse et al., 2019). The risk of ESPPs can be mitigated further by discounting the purchase. In worker cooperatives, where employees purchase a member share directly to become members, risk might be higher as well, but once this share is purchased the annual distribution of company profits to members is provided as a membership right with no additional cost.

To fully understand the amount of risk being borne by employees it is important to first ask what form of employee ownership we are talking about—remember there are various models with different risk profiles. We must ask, what is at risk contributions the company made, or the contributions employees made? When contributions made by the company are what make up the employee's asset portfolios their individual risk is greatly reduced. As the evidence above suggests there are ways to minimize and maximize the risk that models of employee ownership have and many companies, learning from past mistakes, have structured their models to minimize it.

Diversification

The second type of risk is concerned with diversification and assumes that employee ownership models concentrate workers' investments in a single

asset because they either replace other defined benefit plans or are the only benefit plans offered. In the United States, studies of whether this occurs have focused mostly on ESOP companies. Contrary to the diversification argument, studies have found that companies with ESOPs are more likely to provide 401(k) plans compared to other conventional counterparts (Kruse, 2002; Rodgers, 2018, 2010a). Blasi et al. (2013), who match ESOP firms to non-ESOP firms, find that those with ESOPs are four times more likely to provide defined contribution pension plans such as 401(k) plans and five times more likely to have other types of pension plans. Rodgers (2010b), using data collected by the US Department of Labor for over 3,000 ESOP companies, exposes that ESOP companies are more likely to offer two defined contribution plans than the average company is to have any.

Carrol (2015) finds that ESOPs are more likely to offer an additional defined benefit plan alongside the ESOP and that distributions from individual ESOP accounts were greater than those from 401(k) plans. Further, Rodgers (2018) concludes that ESOP account values tend to be less volatile than 401(k) plans and, between 2001-2010, provided a higher mean rate of return. In a first of its kind project, researchers at the National Center for Employee Ownership analyze 300,000 plan filings which included companies with ESOP plans, and companies with non-ESOP retirement plans between 2019 and 2020 (NCEO, 2022a). After matching companies of similar size, industry, and region they found that the ESOP account balances are more than double ($132,000 vs. $64,000) compared to conventional, ESOP. The evidence suggests that while employee ownership can indeed increase risk it is not of the extreme nature that diversification arguments sometimes assume, and the boost in wealth can be quite meaningful. Finally, when making judgments about risk one must keep in mind the context of retirement savings in the United States. As of 2021 just over 50% of American families have a retirement account at all.

Employment Stability

Finally, one must not leave out an area where risk is lower for workers in employed-owned firms, job loss. Unemployment presents obvious risks to individual financial well-being and employment precarity is a growing feature of market economies today that obviates any form of wealth creation. Further,

the effects of unemployment extend beyond finances to include psychological well-being, family stability, and other community effects (Belle & Bullock, 2009). One study investigating the relationship between employment at an ESOP company and the US prison system finds that working at ESOP company is associated with decreases in the likelihood of arrest, being convicted of a crime, and being incarcerated (Cox, 2020). There is broad consensus that employee-owned companies provide employment stability that mitigates this important risk factor. A large body of evidence has accumulated that shows employee-owned firms have higher survival rates than their conventional counterparts and are less likely to lay workers off in general and particularly in times of crises (Brill, 2012; Blasi et al., 2013, 2000; Burdin, 2014; Kurtulus & Kruse, 2017; Park et al., 2004; Perotin, 1987; Rosen & Rodgers, 2014).

Existing evidence suggests that risk-based objections to employee ownership, though legitimate, are not nearly as applicable as one may assume. Workers indeed take on more risk when they receive their ownership stake, but the level of risk varies across models and can be mitigated in numerous ways. First, risk is minimized when models of employee ownership do not require concessions of wages or other benefits but are instead treated as an additional, rather than substitutional, benefit. Second, providing a financial stake in the company to workers that does not require them to use their income or savings lessens potential hazards. Third, diversification issues can be dealt with by making sure that models of employee ownership are offered in combination with other diversified benefit plans. Finally, discussions of risk cannot leave out the fact that unemployment, arguably the largest risk workers face, is reduced when working at an employee-owned firm. What is clear from existing evidence is that on average employee-owned companies are following these best practices and thereby reducing potential harms.

THE INDIVIDUAL BENEFITS OF EMPLOYEE OWNERSHIP

In discussing risk, we have already commented on some of the benefits employee ownership provides workers, but it is worth expanding our focus further. The benefits are numerous but we will limit our discussion to three areas of focus—income and wealth, employment stability, and other benefits beyond an ownership stake.

Income and Wealth

We begin first with income and wealth. Key to the support for employee ownership is the idea that it serves as an organizational alternative to allow workers to earn increased wealth. A survey of ESOP companies in the United States finds that ESOP participants had benefit and retirement balances that were more than twice as large as US residents with similar characteristics nationally, this pattern holds even for those making less than $26,000 per year (Wiefek & Nicholson, 2018). An earlier study by Rodgers (2010b) finds that ESOP participants had 2.2 times more in retirement savings and 20% more in financial assets overall. Moreover, an analysis by Joseph Blasi and Douglas Kruse identifies that employees working at ESOP companies have, on average, $134,000 in wealth from company stock (Rutgers School of Management and Labor Relations, 2018). Research also shows that pay and wealth have been much more equally distributed in employee-owned companies compared to conventional firms (Bernstein, 2016; Buchele et al., 2010).

There is also evidence that employee ownership can help build the wealth of those with low to moderate income—suggesting it can indeed reduce economic inequality. In one of the largest qualitative studies of ESOPs, Boguslaw and Shcur (2019) collect data from 141 moderate to low-income individuals working at 21 different companies spread across 16 different states and industries. Comparing the total wealth of these individuals to national averages they found enormous differences. For example, Black women in the study sample working at ESOPs held $55,000 in total wealth compared to the national average of $200, with similar patterns emerging across other racial and gender groups (p. 24). Existing US evidence also finds that employee-owned companies provide higher wages. Matching 102 ESOPs to 499 comparison companies, Kardas et al. (1998) point out that the median wage in ESOPs was 8% higher, replicating the earlier findings of Blasi et al. (1996) who carry out a similar comparison of public companies with and without employee ownership. Analyses using some of the largest datasets on employee-owned companies available arrive at similar conclusions (Kruse et al., 2010).

Turning to worker cooperatives in the United States, a survey of the sector finds that they provide an average wage of $19.67 per hour and provide an average annual patronage (profit distribution) of $8,241 in 2019 (Palmer, 2020). Both findings are significant considering that many worker cooperatives in

the United States operate in low wage service sectors and most members are women or people of color.

Many of these studies are cross-sectional in nature and are not able to compare differences in income and wealth over time. There are two notable panel studies that do look at this relationship. The first, conducted by Kim and Ouimet (2014), investigates ESOP adoptions in 400 public companies over a 30-year period. They find that company level wages increased, on average, by 20% after adoption (p. 1293). Another study by Wiefek (2017) focuses on individuals ages 28-34 years of age who were either employed by a company with an ESOP or not. She finds that those working at ESOP companies had 33% higher incomes and 92% higher household wealth.

Employment Stability

As mentioned earlier, employee-owned companies are less likely to lay off workers both in general and during economic downturns. According to Brill (2012), ESOP companies between 2001-2011 had higher employment growth both pre- and post-recession compared to the economy as a whole. Blair et al. (2000) investigate all publicly traded firms in 1983 and had 20% or more of their company stock in some form of employee ownership benefit plan and compared their survival rate to a controlled sample of conventional companies through 1991. They find that employed owned firms have higher survival rates and conclude that the employee ownership arrangement helps stabilize a firm by "making it more resistant to bankruptcy and unwanted takeovers and somewhat less prone to labor strife and wrenching downsizing" (p. 288). Park et al. (2004) tracked all public companies from 1988 to 2001 and compared their survival rate with public companies with employee ownership stakes of 5% or more. They found that those with employee ownership were 76% as likely to disappear than conventional companies, and that this higher survival rate was linked to "greater employment stability" suggesting that employed owned companies, "provide greater employment security as part of an effort to build a more cooperative culture, which can increase employee commitment, training, and willingness to make adjustments when economic difficulties occur" (p. 3).

Wiefek (2017) finds a similar pattern, with individuals in ESOP companies reporting 53% longer tenure. Further, analyses of the General Social Survey

indicate that employee-owners have greater job security and are less likely to be laid off compared to workers with similar characteristics (Kurtulus & Kruse, 2017). New evidence in the context of covid-19 also shows that majority employee-owned companies in the United States retain jobs at a 4 to 1 rate when and were more likely to maintain standard hours and salaries overall when compared to conventional firms (Employee Ownership Foundation, 2020). A study comparing at employee-owned companies to conventional companies in the United States food sector in during COVID-19 found that involuntary separation (firing), and quit rates are substantially lower in employee-owned companies (NCEO, 2022b).

There is also evidence that worker cooperatives provide similar employment stability (Birchall & Ketilson, 2009). Comparing worker cooperatives to conventional companies of similar size and industry, Craig and Pencavel (1992, 1993, 1995) found that US plywood cooperatives are more likely to adjust pay rather than employment to deal with economic shocks, which in turn increase job security. Studies of worker cooperatives in Uruguay (Burdin & Dean, 2009; Burdin, 2014) and Italy (Pencavel et al., 2006) arrive at similar conclusions. Like ESOPs, recent survey data on worker cooperatives in the United States suggests that they are more likely to retain jobs rather than lay off workers in response to the economic downturn caused by the COVID-19 pandemic (Mankling et al., 2020).

Other Benefits

Beyond providing an ownership stake and employment stability employee-owned companies are also more likely to provide other benefits compared to conventional ones. For example, Weifek (2017) underline that individuals, ages 28-34, working at ESOP companies are more likely to have access to flexible work schedules (52% vs. 34%), paid maternity or parental leave (65% vs. 31%), tuition reimbursement (62% vs. 24%), and childcare benefits (23% vs. 5%). Workers at employee-owned companies are more likely to receive on the job training (Kurtulus & Kruse, 2017) including basic financial education (Boguslaw & Schur, 2019).

Employee-owned firms are also more likely to provide employees with meaningful ways to participate in workplace decision making. In the case of worker cooperatives this participation is explicitly baked into the struc-

ture of the firm. Even in companies that use shared capitalism models it is not uncommon for forms of worker participation in decision making to be institutionalized (Blasi et al., 2016; Freeman et al., 2010; Frohlich et al., 1998; Logue & Yates, 2001).

Taken together with the financial opportunities and employment stability that employee-owned companies provide these other benefits enable employee-owners to build assets that impact not only their retirement savings and income but "enable individuals and families to move from just making ends meet, to managing life's challenges and still [be] able to plan and invest in the future" (Boguslaw & Schur, 2019, p. 2). Knowing that employee-owned firms to provide stable, well-paying jobs, a financial stake in the business that helps build wealth, and other benefits that make workers livelihoods more secure, it should come as no surprise that companies practicing broad-based employee ownership account for half or more of *Fortune* magazine's 100 Best Companies list year after year (Josephs, 2020).

COMPANY PERFORMANCE

The largest questions for employee ownership, and the biggest hope for its proponents, is whether employee ownership creates companies that perform better, or as well as, conventionally owned businesses. For years, practitioners in the field hypothesized that there would be an improvement in company performance because individuals who have a financial stake in the business act like owners, and therefore are more committed to its success. Outside a small number of case studies (Whyte & Whyte, 1988; Rothschild-Whitt, 1986) it was far from certain whether more generalized data would support this claim. Additionally, these inclinations cut against existing deep seated theoretical arguments that assumed that models of employee ownership created perverse incentives that would lead to lower productivity and possibly firm failure.

One of the biggest developments in the field is the accumulation of studies that put these theoretical expectations to the test using data on existing firms. What they find is that, on average, employee ownership does in fact have a positive impact on company performance, in good economic climates and bad. In this section we first outline the theoretical arguments that undergird the expectation that employee-owned firms should underperform and

discuss their applicability to different models of employee ownership. We then turn to the growing body of empirical evidence that suggests employee ownership positively affects firm performance.

THEORETICAL CASES AGAINST EMPLOYEE OWNERSHIP

The earliest, and most well-known, theoretical cases against employee ownership tended to focus on worker cooperatives, as these firms provide both financial and governance to workers.

The first we will address are two arguments that are based on the assumption that members of worker cooperatives tend to prioritize worker-member pay over company profit. Working off the assumption that worker cooperatives would tend to maximize revenues per worker rather than profits, academics argued that they would respond to changes in economic conditions in ways that would result in inefficiencies or firm failure (Ward, 1958; Meade, 1972; Domar, 1966). For example, to keep their individual membership shares high when times were good, worker cooperatives would perversely respond by firing members which would negatively affect business profits and employment levels. Alternatively, cooperatives would be incentivized to hire workers but not allow them to become members who share in company profits, decreasing the ratio of members to non-members—a process that if continued over time would lead the worker cooperative to "degenerate" into a conventionally structured business (Ben-Ner, 1984, 1988).

Another theorized issue stemming from worker cooperative members maximizing revenue per member is that it would result in underinvestment in the firm itself (Furubotn & Penjovich, 1970; Jensen & Meckling, 1979; Vanek, 1977). What is sometimes referred to as the "horizon problem" assumed that members, especially those nearing retirement, would rather take a portion of the company profits for themselves rather than invest them in something that would provide a return later, which they would not benefit from directly. Overtime, this would result in underinvestment and thus lower productivity and profits or even failure of the firm.

A second argument focuses on how employee ownership models would negatively affect work incentives of employees. Alchian and Demsetz (1972) argue that sharing returns of the company under a fixed sharing rule creates the classic "free rider problem" where workers would be incentivized

to shirk, as they would still benefit from their ownership share regardless of their level of effort. They point out that if all workers made this same "rational" decision, it would lead to decreases in productivity, and increase the likelihood of firm failure.

Finally, turning to the decision-making process, Hansmann (1996) points out that companies owned by multiple individuals face a collective action problem where the preferences of all individuals may be diverse and thus agreement on firm policies very difficult to attain in an efficient manner. Longer decision-making processes may result in the business not making important decisions as quick as it should which incurs costs and affects its viability. Thus, companies with democratic governance will face limits in how far and fast they can scale employment and respond to changing market dynamics.

Taken together, these theories make reasonable cases for why employee-owned companies are expected to underperform relative to their conventional counterparts. It's important to point out that the strong assumptions they make do not apply to all forms of employee ownership. For example, in shared capitalism models of employee ownership employees generally do not have expansive governance rights, so the theories concerned with hiring, underinvestment, and decision making are less applicable (Blair et al., 2000). All forms of employee ownership are, in theory, subject to the "free-rider" problem and this can only be overcome when other incentives to work hard are developed in addition to the financial incentives of company ownership (Kruse, 2016).

In worker cooperatives, where all the above theories are more applicable, evidence suggests that the problems can be overcome. In the case of perverse responses to positive economic conditions, theories overlook the fact that such decisions are made collectively, and they overestimate the likelihood that such decisions would be agreed upon in a firm where employment is the main goal. Empirical studies from the United States, Italy, and France all demonstrate that the adjustment that worker cooperatives make to external economic conditions are through adjusting pay, not employment (Perotin, 2013). Turning to the underinvestment problem worker cooperatives have individual accounts that allow worker-members to receive the value of their shares when they retire (Ellerman, 1986). Another way is to institute a profit plough-back rule so that a company can automatically accumulate capital (Alzola et al., 2010). Regarding the relationship between democratic governance

and size, it is indeed true that very large worker cooperatives are rare. However, examples like Mondragon in Spain (Whyte & Whyte, 1988), which has tens of thousands of members, do exist, and offer important lessons of how costs associated with decision making processes can be overcome—mainly in instituting a representative rather than direct model of governance. On the point of size, we should keep in mind that very large businesses are rare in general, in the United States 90% of businesses have under 20 employees and only 0.03% have 5,000 employees or more (Perotin, 2013).

EMPIRICAL EVIDENCE: A BRIEF REVIEW

With these key caveats laid out we can turn to what the empirical evidence tells us about the overall performance of employee-owned companies. The literature is extensive and due to space constraints, we cannot give it full justice here. Instead, we will highlight key studies that, because of their design, strongly suggest a positive relationship between employee ownership and company performance. In organizing this section we anticipate two of the most common issues encountered with studying the causal relationship between employee ownership and company performance: small sample sizes, and identifying causation vs. correlation. To address the former, we highlight meta-analyses. To address the latter. We highlight studies that have strong research methodologies.

Addressing the Small Sample Size Argument

Meta-analysis is a technique used to combine results across studies with the goal of reaching a conclusion about the overall association between variables of interest. Such studies enable to quantify and identify general trends that occur across geography and time, have much larger sample sizes, and provide an understanding of the knowledge that has accumulated over decades (Card, 2012).

In the studies we review here, the explanatory variables are forms of employee ownership and participation and the outcome variable is measures of company performance. One of the earliest meta-analyses to investigate the productivity effects of different forms of employee ownership was completed by Doucouliagos (1995), who synthesizes the results of 43 published studies.

He finds that profit sharing, employee ownership, and worker participation in decision making are all positively associated with productivity and that the correlations are stronger in firms practicing models of economic democracy compared to those using models of shared capitalism.

In another meta-analysis, Kruse and Blasi (1997) survey 27 studies that look at productivity and profitability, and conclude that "while several studies indicate better or unchanged performance under employee ownership, almost no studies find worse performance" (p. 26). In addition, they estimate that, when taken together, 1980 and 1990s studies found that productivity increased 4-5%, on average, in the year a company adopted an ESOP.

Finally, O'Boyle et al. (2016) conduct a meta-analysis of English language studies of employee ownership published as of 2013. It includes 102 studies that represent over 56,984 different firms and measure either efficiency related outcomes (e.g. productivity, value added, return on assets) or growth-related outcomes (e.g. sales, assets, profitability). They describe that "employee ownership has a small, but positive and statistically significant relation to firm performance" (p. 452) and that this relationship holds across a variety of contexts including geographic location of the firms, their size, type of ownership model, and whether the company was public or private. These findings align with those of prior reviews of the literature (Freeman 2007; Kaarsemaker, 2006; Kaarsemaker et al., 2009; Kruse, 2002, 1993, 2016).

Addressing the Causation is not Correlation Argument

To address the questions about causation, we will only highlight studies that compare conventionally owned companies to employee-owned companies with similar characteristics, and or compare pre-adoption performance to post-adoption performance of the same set of companies. The reason for doing so is because studies that match companies on various characteristics help control for other factors that can also be related to firm performance. Studies that look at pre- and post-adoption help control for the very likely dynamic where well performing companies "self-select" into employee ownership.

In the late eighties, the US General Accounting Office (1987) conducted a study that compares firms who established ESOPS to similar conventionally

owned firms. It finds that the companies with ESOPs experienced no negative effects on worker productivity and firm profitability, and positive effects when the plan was coupled with worker participation. A study that tracks private ESOP companies between the years of 1988-1999 describes that they were only half as likely to go bankrupt, and three fifths as likely to disappear for any reason (Blasi, et al. 2013) compared to non-ESOP companies. In the same study, which was able to identify 343 companies that adopted an ESOP in the time period, the authors compare per and post sales growth, employment growth, and productivity growth and found that they increased 2.4%, 2.3%, and 2.3%, respectively.

Stretcher et al. (2006) compared public companies with and without ESOP between the years of 1998-2004, and inferred that companies with ESOPS experienced higher return on assets (5.5%), net profit margin (10.3%), and return on equity (5.6%). Kurtulus and Kruse (2017) tracked the full population of publicly traded companies in the United States with and without ESOPS, profit sharing, or any other kind of broad-based stock ownership plan. The study covers from 1991 to 2011, which includes two major recessions in the United States. They explain that companies with broad-based employee ownership shed jobs at half the rate over this period and were 75% as likely to go out of business compared to conventionally owned counterparts. This corresponds with other studies reviewed in the last section that companies with employee ownership are less likely to fail (Blair et al., 2000; Park et al., 2004).

Another large study sponsored by the UK's Treasury analyzes 16,000 firms over time and identifies that employee ownership is linked to improved turnover and value added (Oxera, 2007a, 2007b). Finally, in an interesting experimental study, Peterson and Luthans (2006) track 21 fast food franchises owned by one firm which randomly introduced profit sharing in some stores and not others. Over the six-month study period, stores where profit sharing was introduced experienced a 30% increase in profits, 19% reduction in drive through times, and 13% decrease in turnover.

Research on the relationship between employee ownership and company performance is extensive and we encourage readers to explore the noted meta-analyses, literature reviews, and selected studies. What is clear is that the evidence demonstrates quite strongly that company performance is not negatively impacted by employee ownership as early theories would sug-

gest. If any relationship does exist, it appears to be positive. Certainly, there is still much to be learned and causation is always difficult to establish, but when taken together the existing evidence shows that the perverse incentives that concern theoreticians are "overcome more often than not under employee ownership" (Blasi, et al., 2017, p. 18). The question we turn to next is how this is achieved.

HOW ARE OUTCOMES ACHIEVED?

One of the most useful models for thinking about how employee ownership is linked to better company performance is through what Akerlof (1982) calls a "gift exchange." Applying it to models of employee ownership, workers who are given the "gift" of employee ownership, along with competitive wages and benefits, respond with a reciprocal "gift" of high effort, lower absenteeism, and more company pride and loyalty. The exact way in which this process occurs is still being studied but organizational scholars find that identity is key to motivate employees and increasing their commitment and feelings of responsibility to a firm (Akerlof & Kranton, 2005). Thus, cultivating an ownership identity for workers where an employee's sense of self is linked to the organization can help them develop feelings of responsibility which include "a responsibility to invest time and energy to advance the cause of the organization" (Pierce et al., 2001, p. 303). Put another way, "formal employee ownership encourages employees to believe that they share financial interests with the organization and act in a manner that promotes these shared financial interests" (Wagner et al., 2003, p. 865).

While employee ownership creates the motivation for employees to act in ways that would benefit the organization, it is not guaranteed. As Kruse and Blasi (1995) note, "employee ownership does not magically and automatically improve employee attitudes and behavior whenever it is implemented" (p. 24). To achieve these outcomes something more is needed, "something akin to developing a corporate culture that emphasizes company spirit, promotes group cooperation, [and] encourages social enforcement mechanisms" (Weitzman & Kruse, 1990, p. 100). An ownership share may provide the motivation for employees to help improve the firm, but this means very little if it is not coupled with opportunities to participate and provide input in decision-making, or specific managerial and human resource practices which entice rather

than diminish such actions (Kruse et al., 2004; Logue & Yates, 2001). This three-pronged model of motivations, opportunities, and company context or "culture" is brought to life when employee-owners are given training and education that further develops their ability to contribute to the organization's performance in more meaningful ways (Summers & Chillas, 2019).

What does the "ownership magic" look like in practice? A study that draws on survey data from 40,000 US workers across 14 firms sheds some insight. It shows that workers with company stock and other financial incentives were significantly more likely to intervene when they saw a co-worker not working well by speaking with the co-worker directly, with a supervisor, or with a member of their work team. When asked why they would take this action many workers reported that "poor performance will cost me and other employees in bonus or stock value" (Freeman et al., 2010, p. 98). The same study also finds that employee-owners had lower turnover and absenteeism and were more likely to make suggestions about how to improve company performance.

Not all companies follow the best practices of coupling employee ownership with education, training, and opportunities to participate, but many do. An analysis of over 700 companies that applied to *Fortune* magazine's 100 Best Companies to Work For between 2005 and 2007 found that employees working in companies with higher levels of broad-based employee ownership were more likely to "extensively participate in more decisions, have greater information sharing, trust in supervisors, and report a more positive workplace culture than in other companies" (Blasi et al., 2016, p. 55). Clearly, combining the financial benefit of broad-based employee ownership with meaningful and significant participation, and even governance rights provides real and measurable returns—for the company and employees.

CONCLUSION

Supporters and detractors alike have tended to define employee ownership according to their own set of a priori assumptions of what it is, what it is not, and what it should be. Often, these assumptions are not based on the real-world experience of what happens in employee-owned firms and often, such assertions overlook the diversity of employee ownership models and how they work in practice. Thankfully, there now exists a wellspring of hard

data that can help us understand not just what employee ownership is, but capture its impact on the economy, individual businesses, and the employee-owners that work within them.

As mature and developing economies alike look to find ways of addressing widening wealth and income disparities, the data regarding employee ownership makes it clear that it can be a powerful, and politically feasible strategy for doing so. What is required is an "eyes wide open" look at what it really is, and how it works.

For many and maybe most workers around the world, economic stability, especially over the long-term, is increasingly a thing of the past. The expectation of working for a single company for the bulk of ones' working life and receiving gradually increasing wages and benefits during that time, is rare. Rising inequality and systemic poverty, along with the economic immobility for large portions of the world's population makes sustained and equitable economic growth difficult. Many find themselves on the razor's edge of the middle class and poverty or poverty and destitution. In this context, those with misconceptions about employee ownership may argue that asking workers to invest their meager resources, or exchange wages and benefits, for an ownership stake in a private business does not make sense. But does this reflect the reality of employee ownership?

In our view, misconceptions about employee ownership are just that, misconceptions. A mounting body of evidence shows that it receives broad political support, provides workers with stable family-sustaining jobs, and improves company performance. Wealth inequality is one of the most pressing issues of our time and employee ownership—by broadening access to and ownership of productive assets—can address it at a fundamental level.

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Employee Share Ownership in the United States: Statistics, Research, and Lessons Learned

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[UNITED STATES]

Abstract
Employee shares in the United States are made up of employee share ownership plans such as Employee Stock Ownership Plans, equity compensation plans based on restricted stock units and performance shares, worker cooperatives, Employee Ownership Trusts, Employee Stock Purchase Plans, employee stock option plans, and profit and gain sharing plans. The ideas that citizens should enjoy widespread broad-based property ownership and that a vibrant middle class based on such property ownership is central to sustaining a democratic republic served as the ideological infrastructure for the development of broad-based employee shares in the United States. Originally, the idea of many Founders was to distribute land to insure this reality. Subsequently, the idea arose that shares of property could be widely distributed based on shares of businesses or corporations that had an unlimited supply. Businesses and workers developed various company-based equity and profit and gain sharing plans. The US government subsequently gave favorable tax treatment to these plans. This accounts for the widespread incidence of share plans. The chapter evaluates how such plans are distributed in the US population and the dollar value of such plans to citizens and discusses how the issue of excessive risk to workers has been addressed.
Keywords: ***ESOP, EO statistics, US research***

Given the extensive development of employee share ownership, equity compensation, profit sharing, and gain sharing in the US economy over the last century and a half, and the highly concerning level of global wealth inequality now is a good time to distill the positive and negative lessons learned from this experience for other countries in the world, especially the Americas at large and the global south. Presumably, many scholars and policy-experts in

the United States might also find a birds-eye view of the entire system of employee shares useful in order to take stock of the phenomenon as whole. The goal of this chapter is to summarize in a sweeping overview and a thumbnail sketch the history, statistical incidence and distribution, policy, and lessons learned so that government officials or policy-makers, think tanks, members of the business or labor sector, or scholars or concerned citizens can reach credible conclusions about how to apply this experience to develop employee shares in a country other than the United States.

The authors have written extensively about the research on the individual and firm performance effects of employee shares and that subject will not be covered in this chapter. These studies are collected in the bibliography.

The central hypothesis of this chapter is that a "shares economy" with a wide base in formats, types of companies, supporting policies, and public support is the one most likely to grow quickly, based on the lessons from the US experience. Moreover, a society wide network of for-profit consulting firms and non-profit institutions to support the development of a "shares economy" can play a key role in accelerating the virtuous process whereby real business cases lead to public and media attention, which spur research and think tank support, that create interest in policy and philanthropic circles. A number of those institutions are referenced.

A BRIEF HISTORY OF EMPLOYEE SHARES IN THE UNITED STATES

Employee shares is the general term that refers to both profit/gain sharing and equity shares or employee share ownership with employees at companies. For the purposes of this chapter, the focus is on broad-based share programs that include all employees of an organization. Profit shares are cash or deferred shares based on a company's profits. Gain shares are cash shares founded on the performance of a group, division, or unit of the company not tied to overall company profit. Equity shares can be structured as whole shares of stock or as stock options. This historical overview of shares will establish how and why the business practices emerged and how their development interacted with the development of federal and state policy. The United States has a long history of public policies aimed at reducing inequality. This is discussed in detail in the book *The citizen's share: Reducing inequality in the 21st century* (Blasi et al., 2014, pp. 1-56) on which this entire section is based. For

the Founders of the US Republic, the primary tool was to make federal lands available at low prices so that average citizens could acquire a homestead to support their families. The writings of the Founding Fathers are filled with references to the idea of the independent farmer whose family could enjoy economic liberty because the individuals were able to support themselves through working on land that they owned and controlled. The Founders drew a contrast between this state of affairs and European feudalism. Chapter one of *The citizen's share* explains these ideological views in detail.

Central to the ideas of the Founders ideologically was the concept that a democratic republic required a vibrant middle class and broad-based property ownership to exist and to sustain itself into the future to prevent it from turning into an oligarchy or some form of an authoritarian regime. This idea was never fully realized. The deep moral failure of slavery, the far-ranging social violence of the exclusion of women and blacks from civic life, hypocrisy of dealing with Native Peoples all limited and severely complicated the realization of this goal. Yet, it remained a persistent theme. When Thomas Jefferson became president, he made the Louisiana Purchase of almost a million square miles in order to advance a citizen-property-holder "empire of liberty," although it too was complicated by these larger moral issues. Successive administrations followed with major initiatives in trying to broaden land ownership, sometimes getting embroiled in political battles and important issues of justice.

President Abraham Lincoln took the biggest step to advance this vision with the Homestead Act of 1862, which helped make available 270 million acres, or 10% of the land mass of the entire nation available to citizens—for the first-time including women—in order to encourage independent farm ownership. The Republican Speaker of the House of Representatives, Pennsylvania's Rep. Galusha Grow, managed the Act through Congress on behalf of Lincoln and echoed a point made years earlier by former President James Madison that population growth would eventually make obsolete a broad-based property ownership policy, or a property-based republic limited only to the ownership of land. There is also no question that the dispossession of lands of Native Americans and the conquest of lands of other countries played a role in the implementation of The Homestead Act. Blacks were excluded from Homesteads. How did the idea of basing economic shares on land evolve into the idea of basing economic shares on corporations and businesses? Speaker of

the House of Representatives Galusha Grow recognized that business and corporate assets, unlike land, were unlimited, so he saw the potential of broad-based profit sharing and equity shares in businesses, which the concept of profit sharing included at the time, by employees as the successor idea. The notion was that corporate and business assets were limitless, unlike land, and could be broadly made available to employees. Thus, the development of employee share ownership and profit sharing in earnest in the United States begins generally after the Civil War when the distribution of land shares began to wane and the country faced the beginning of industrialization. While land grants and land independence was viewed as generally low risk for creating the middle class, the development of forms of equity participation and profit and gain sharing in businesses, corporations, and cooperatives had a variety of risk profiles. In many ways, the new idea that broad-based property ownership could be achieved by focusing on the unlimited assets of businesses (rather than land) provided a new way forward for this idea.

From the late 1800s through the early 1900s, there were different strains of development of employee shares with a variety of risk profiles (Blasi et al., 2014, pp. 123-166). On one hand, trade unions sometime supported the idea of worker-owned cooperatives while industrialists took the lead in pushing for profit sharing and employee share ownership. Worker cooperatives, generally speaking, involve 100% employee ownership by members who vote on a one-person-one-one vote basis for members of the board of directors, while workers or the board may actually select executive management. Worker cooperatives receive business deductions from their income for tax purposes for distributions to members based on hours worked which are referred to as patronage dividends (Co-opLaw.org, n.d.). Early union experiments in worker cooperatives, even back to the late 1700s, often lacked adequate funding or professional management. By 1900 in the United States, trade unions began to coalesce around the idea of collective bargaining and there was no major union developing worker cooperatives.

By 1900, a number of industrialists were experimenting with equity and profit shares quite successfully. Charles A. Pillsbury of Minnesota's Pillsbury Flour Mill, William Cooper Procter of Procter & Gamble, and John D. Rockefeller Jr. of Standard Oil, among many others, developed broad-based profit sharing and employee share ownership designs for companies, formed national associations of businesspeople to advance these ideas, and supported

research on these issues at universities. In the case of Pillsbury, the company started with profit sharing but later granted stock options to employees. In the case of Procter & Gamble, the company also started with profit sharing, but began to offer plans whereby employees could purchase stock with profit sharing and dividends from the stock. In the case of Standard Oil, Rockefeller offered deep discounts on the price of the stock with favorable terms and the ability to use dividends to pay for the stock. Such approaches became the bases of what later became the popular Employee Stock Purchase Plan (ESPP) in the modern US economy. There is no question that employee shares were viewed as a way to inoculate workers against supporting trade unions. Below data will be presented to show that unions play a key role in different forms of employee share ownership. Chapter four of *The citizen's share* tells this history in detail (Blasi et al., 2014).

THE DEVELOPMENT OF A VARIETY OF EQUITY PARTICIPATION AND PROFIT/GAIN SHARING FORMATS

With the emergence of individual and corporate income taxes following the 16th Amendment to the US Constitution ratified in 1913, business leaders pushed for integrating the tax treatment of these practices into the new corporate income tax system. The initial tax incentive for profit sharing made cash profit sharing a deductible expense when computing corporate income taxes like other forms of employee compensation. There were various tax incentives for granting shares to workers. Unions had done some early experimentation with broad share ownership ideas with the United Steelworkers developing cash gain sharing, a close relative to profit sharing, although unions at this time did not embrace employee share ownership. The growth of federal and individual state tax incentives for corporate behavior after the 16th amendment began over a century of debate about what the appropriate tax encouragements for these ideas should be.

Profit Sharing

Many forms of employee share ownership in the 1920s and earlier were based on workers buying stock with wage deductions or their own savings or their retirement savings. These formats had some tax benefits, but workers pay-

ing for stock with their wages and their savings can be highly risky. The 1929 Stock Market Crash wiped out many of these employee share ownership plans, although the most generous plans (such as the Standard Oil Plan) with deep discounts on the price of the stock and dividends used to pay for the stock, managed to still hold employee support coming out of the crash. Cash and deferred profit-sharing plans were being used on a company-by-company basis during the 1800's in the US. Members of Congress and successive presidents saw broad-based profit sharing and employee stock ownership as worthy of federal encouragement, but did relatively little in committing federal resources to spur its development until the late 1930s and 1940s for broad-based profit sharing, and the 1970s for broad-based employee stock ownership. A major bipartisan initiative led by Republican Senator Arthur Vandenberg and the administration of President Franklin Roosevelt produced congressional hearings and legislation that allowed tax incentives for deferred profit-sharing trusts in the 1940s. Deferred profit-sharing trusts were employee retirement plans that were funded with cash profit sharing that was subsequently invested in assets for the employee's retirement. In addition to the deductibility of cash profit sharing as an expense against corporate income taxes, the new bipartisan policy allowed companies deductions for contributing to these deferred profit-sharing plans that would come to be funded with cash and company stock. Deferred profit-sharing trusts grew and subsequently would fall under the Employee Retirement Income Security Act (ERISA) when it became law in 1974 and they received support by trade unions at the time. Profit sharing through deferred profit-sharing trusts still leads to a tax deduction for corporations. ERISA was designed to regulate all employee retirement plans and it became the main federal regulator of deferred profit-sharing trusts and Employee Stock Ownership Plans (ESOPs). Cash profit sharing, however, which is now more prominent in the United States has no special deduction for companies other than the ordinary ability of companies to deduct all compensation from their corporate income before corporate tax is assigned.

THE EVOLUTION OF THE ESOP AS THE DOMINANT FORMAT

In the early 1970s, Senator Russell Long took the ideas of law professor and investment banker Louis O. Kelso and added sections to this Employee Retirement Income Security Act of 1974 that introduced ESOPs in the United States and established the tax-advantaged status for these plans. Kelso's idea and Long's legislation directly addressed the key issue of risk of earlier employee share ownership plans in the 1920s where workers bought the stock with their wages and savings. The ESOP they designed was based on employees receiving earned grants of stock that were financed by the company setting up an employee benefit trust that bought the stock with credit, not with workers' wage contributions or savings. The idea was that employees focused on building up the value of the company so the company itself would finance the purchase of shares on behalf of the workers. Employees typically in an ESOP do not pay for the company stock with their wages, private savings, givebacks, or retirement contributions. Kelso and Long designed the ESOP just like a leveraged buyout where, in this case, an employee trust, backed by the company, can borrow money to buy stock in a corporation where the workers are employed, while the corporation pledges itself as collateral for the loan, pays back the loan, and then grants the stock to the employees as the loan is repaid. The idea is that by building up the company with their work and dedication, employees are allowing the company to earn the capital necessary to pay back the loan. The core tax incentive is that the principal on the loan, the interest on the loan, and all dividends from the shares are tax deductible to the corporation sponsoring the ESOP. These tax incentives were also extended to worker cooperatives.

This legislation led to ESOPS becoming the dominant form of employee stock ownership in the country, although mainly in closely held small businesses. With an ESOP trust, workers could purchase 100% of a company on credit in one transaction or gradually acquire the company in several transactions. The ESOP revolutionized employee share ownership by moderating the risk to workers because it typically did not use their wages or savings. Kelso internalized the failure of workers buying shares just before the Stock Market Crash of 1929 and designed something with less risk. Research shows that most ESOPs have a separate diversified retirement plan in addition to the ESOP (Wiefek & Nicholson, 2018, p. 9). The inclusion in ERISA offers many

protections to employees. For example, substantially all employees must be included (although unions can opt out), employees are required to have direct voting rights on all major corporate decisions, the formula for distributing shares must be fair and not favor highly-compensated employees, and older employees diversify their assets away from company stock.

After the initial ESOP legislation, ten years later, in another bipartisan effort, this time led by Republican President Ronald Reagan and Democratic Senator Russell Long, the Tax Reform Act of 1984 altered the tax incentives to further encourage ESOPS. Both Long and Reagan reiterated the Founder's notions that broad-based capital ownership was essential to create a middle class and a thriving democracy. Their approach was to make ESOPS with modest levels—generally 5-10% of employee stock ownership—attractive to publicly traded stock market corporations. It did this by allowing banks, investment banks, and insurance companies to deduct half of the lender's interest income in computing their own corporate taxes for loans or structured bonds to corporations to access credit to finance ESOPS for broad groups of employees. This led most large banks and other lenders to set up entire employee stock ownership divisions to market the idea to corporations nationwide and pass some of their own tax savings to the companies doing ESOPS in the form of lower interest rates. This facilitated a large increase in ESOPS in stock market companies (Blasi & Kruse, 1990). Because most of these ESOPS in stock market companies depended on actually financing and buying newly issued shares with credit rather than simply granting shares that brought in no new capital to the corporation, the dilutive aspects of these ESOPS were moderated. This was later repealed as part of a deficit reduction measure in the first Bush Administration, but the United States could very well replace this with another policy in the coming years to encourage employee equity participation in stock market companies.

Subsequent ESOP tax incentives in the 1980s (such as Section 1042 of the Internal Revenue Code) allowed owners of privately held businesses to defer their capital gains taxes when they sold more than 30% of C corporations (these are corporations that pay corporate income taxes to the federal government) to the employees and managers through ESOPS or eligible worker cooperatives. This was the first time that worker cooperatives and ESOPS were treated similarly in US policy. Often, retiring entrepreneurs would sell 100% in stages so that they could fully retire if they had no heir to operate

the company or the family wished to cash out on their stake. Because most ESOPS in closely held companies take place in situations where the founding owner wants to retire and cash out of the business, this phenomenon is a main driver of majority and 100% employee-owned firms in the United States. Subsequently, corporations were allowed to incorporate as an S Corporation—a corporation that does not pay taxes at the federal level but passes through its income to its owners who pay taxes on their own—creating a type of 100% employee-owned ESOP S Corporation. That ESOP S Corporation pays no federal taxes at the corporate level, but workers pay taxes on their gains individually. Both C and S corporations have ESOPS, and are used to buy out retiring business owners. Increasingly, worker coops are using credit to buy the firms from retiring business owners just as ESOPS did in the past.

THE WORKER COOPERATIVE

As noted above, worker cooperatives as a form of employee share ownership emerged very early in American history. In recent years, worker cooperatives have continued to develop (Palmer, 2020). The new developments, however, are that more and more worker cooperatives are based on converting already existing businesses to the cooperative form using a leveraged buyout similar to that employed by the ESOP trust to buy out retiring business owners (Democracy at Work Institute, 2020); worker cooperatives are also being created using internet platforms, such as Up & Go,[1] a cleaning cooperative in New York City (Thompson, 2019); the related franchising operation Brightly (McKinley, 2020); and an entire range of platform worker cooperatives monitored and facilitated by the New School University's new Institute for the Cooperative Digital Economy and its director Trebor Sholtz (Schneider & Sholtz, 2017). Legally and technically, an ESOP could be structured to function like a worker cooperative and some lawyers have worked on such hybrid forms.

1. www.upandgo.coop

THE RECENT EMERGENCE OF THE EMPLOYEE OWNERSHIP TRUST

In the last five years, an alternative to the ESOP has emerged in the United States, called Employee Ownership Trust (EOT), which resembles a perpetual trust that continues into the future beyond any present group of employees. The EOT owns the company, so the company is employee-owned at some percentage between 1% and 100%, and is not governed by the ERISA of 1974 and thus easier to set up than an ESOP. It is kind of a equity/profit-sharing hybrid. While employees as a collective group own the entire company, there are no individual stock ownership accounts, and current employees receive a percentage of ongoing profits (Michael, n.d.). Again, an EOT can be structured to function and be governed like a worker cooperative.

THE EMPLOYEE STOCK PURCHASE PLAN

The federal government encouraged other kinds of employee share ownership that involved workers paying for the stock. It's important to understand these formats, although the judgment of history comes to very different conclusions about them. Since the fifties companies have increasingly offered ESPPS that allow employees to purchase up to $25,000 in company stock each year typically at a 15% discount to market. One interesting design feature of the ESPP is that a company can offer a "look-back" whereby the employee can have the right to purchase the stock at a price in the past with the discount. For example, with a discount equal to 15% of the current day's purchase price (let's consider a purchase price of $150 per share) and with the "look-back" feature allowing a purchase with the past year price, when it was trading at $100 a share, an employee could purchase a $150 per share stock today for $85 per share. These plans are now very popular in stock market companies and must include all employees. The combination of the discount and the look-back feature can significantly reduces risk in these types of plans, especially if they are offered in Blue Chip companies with good credit ratings.

The next employee share ownership plan offering employee purchase is very controversial. On November 6, 1978, Congress created Section 401(k) of the Revenue Act, allowing employers to establish individual retirement account for workers under ERISA. The employer and worker contributed that could be invested in different mutual funds and grow tax-free until retire-

ment. 401(k) plans have evolved; typically, the employer contributes funds and often matches employee contributions. This is called a defined contribution plan because unlike traditional pensions the payment post-retirement pension benefit is not an obligation of the employer until the death of the employee. Only the contribution, not the final benefit is combined. Employers began the practice of matching employee contributions in company stock and also offering employees a company stock account where they could purchase shares. While employer matches in company stock to employee contributions make sense if employees are not over-invested in company stock, encouraging working middle class employees to load up their retirement accounts company stock that they buy with their wages is certainly not advisable. This led to excessive holdings in company stock using employee's wages in companies such as Enron and WorldCom and others that were involved in stunning financial failures. While this issue of risk will be discussed later in this chapter, this form of excessive employee investment of wages has serious public policy limitations (Blasi et al., 2014, pp. 102-105).

BROAD-BASED STOCK OPTIONS AND RESTRICTED STOCK UNIT PLANS

For decades, the federal government has encouraged the granting of shares and stock options outside of retirement plans with certain tax advantages to companies. Currently, the principal method of granting shares is to issue restricted stock units to employees, which vest in a gradual manner over a long period of time, say five years, to keep the employees at the company. Sometimes, these are structured as performance shares whose vesting is dependent on the performance of the company over a specified period of time. In general, companies receive no tax deduction when such shares are granted, but can take a corporate tax deduction when employees actually vest in these shares and receive the value as compensation. Stock options have also been popular, especially in high technology companies, mostly during the start-up stage when the companies are not traded on a stock market. The book *In the company of owners* (Blasi et al., 2003) looks at these developments in the hundred top firms in the National Association of Securities Dealers Automated Quotation that invented the internet, manufactured its technology, and initially sold products and services. Companies receive

no tax deduction when stock options are granted, but can take a corporate tax deduction when employees exercise the stock option in order to buy the company stock and thus companies receive the value of the difference of the trading price of the stock at the time of exercise and the exercise price of the stock option as compensation (The Tax Adviser, 2019). With all these formats, it is clear that from a very early stage in its history the US government wanted to make shares of capital property available to citizens and employees with extensive tax incentives for companies to do so.

What is the tax impact on the individual employee of different kinds of share programs? Worker cooperatives organized under Subchapter T of the US Tax Code can pass through their income to their worker-owners in the form of patronage dividends, avoiding the entity level taxes that corporations are generally required to pay. This is consistent with deductions allowed for other types of worker shares (Co-opLaw.org, n.d.). Payments to individual employees through retirement plans qualified under ERISA, namely, deferred profit-sharing trusts and ESOP, do not trigger taxes for individuals and grow tax free within those retirement plans. Thus, grants of ESOP in an ESOP trigger zero individual taxation as do grants of profit sharing in a deferred profit-sharing trust. When the employee retires and receives the value of the stock, they pay ordinary income tax (National Center for Employee Ownership, 2014, pp. 102-105) although under certain circumstances part of the value may receive a lower capital gains tax treatment. Likewise, individual employees in the United States are not taxed at the time of grants of stock (such as restricted stock units or performance shares) or stock options. The same principle is followed, generally, that when an individual employee vests their restricted stock units, they will report the fair market value as ordinary income and pay income taxes at that time. Employees will pay either long-term or short-term capital gains taxes on these shares depending on how long they are held. Employees are also not taxed at the time of grants of stock options, rather they must claim the difference between the exercise price of the stock option and the trading price of the stock on the day it was exercised as personal income and pay income tax on that spread.

Regarding ESPPs, employees only pay tax when they sell the stock at either ordinary income tax rates or lower capital gains rates depending on how long the employee holds the stock (NCEO, 2021). Regarding company stock in 401(k) plans, since these are ERISA plans, the value of the company stock

can grow tax free inside the trust until the employee retires and takes out the funds. When an individual withdraws funds for retirement from a 401(k) plan, including the value of company stock, it is taxed as ordinary income. Finally, companies that pay their employees cash profit sharing or cash gain sharing receive a corporate tax deduction for these payments as regular compensation.

Over its history, the United States has developed a cafeteria of employee share plans that allow financial participation for workers and provide access to both equity ownership and profit sharing. These plans address different types of businesses and different life stages of these companies. The various formats have evolved and it is clear that not all forms of employee shares withstand the rigor of policy analysis. The phenomenon of encouraging employees to purchase company stock with their own money during the 1920s before the Stock Market Crash and the company-led policies of encouraging employees to purchase stock with their own money from the eighties in their 401(k) retirement plans have both proven to be excessively risky and inferior types of employee share ownership. Based on this history several lessons emerge.

LESSONS LEARNED FROM THE HISTORY AND DEVELOPMENT OF EMPLOYEE/WORKER SHARES

One lesson is that the United States developed share plans with what, in retrospect looks like a set of coordinated tax incentives for the companies that create share plans and for the employees who receive shares. The US federal government makes it easy for businesses to grant a share of the business's profits, ownership, stock, or equity to employees by offering tax deductions to these businesses at different points in time. The government also facilitates for individual employees to receive these shares without triggering any tax on the individual employee. When these equity or profit shares are inside retirement plans, they can grow tax-free. When these equity shares are structured as restricted stock units their value can also grow tax-free until they are vested. When these equity shares are structured as stock options their value can also grow tax-free until the option is exercised. When this employee share ownership is within an ESOP or ESPP or within the company stock account of a 401(k) plan, the share can grow tax free until the employee

takes the value of the stock for personal use. Only when employees receive an actual cash payment of cash profit sharing or cash gain sharing does this trigger individual taxation in the United States at the time of grant. Most forms of equity sharing allow the company stock investment to grow without any taxes until the value of the stock is actually taken to be used by the individual. Any country that wishes to encourage equity and profit sharing would be advised to remove any barriers to penalizing employers when they establish share plans or employees when they receive equity ownership.

Another lesson is that, after some clear policy errors, the United States has favored share plans with lower or moderated risk in order to protect working middle class employees from losing their job and their employee share ownership and profit sharing at the same time. Current US policy focuses on ESOPS and worker coops funded with credit sources and not employee contributions and grants of restricted stock and stock options to employees for which they do not have to pay. Equity participation plans based on grants of stock to employees, not employee purchases, moderate risk. The US experience shows that equity participation plans by employees have led to excessive risk when employees, not employee purchases, the stock with their wages and savings. Employee purchases of company stock with wages create substantial risk. The United States does have some employee stock purchase programs with lower risk, namely, the ESPP (with extensive discounts and look-back features the risk is moderated) and employer company stock matches to employee contributions to retirement plans. Nevertheless, the experience with encouraging employees to buy stock in 401(k) plans with their savings has often entertained excessive risk. To reduce risk, historical experience suggests that employees should not be allowed to purchase company stock in retirement plans with wages or savings. The different formats and their policy relevance are reviewed in Table 2.1. Let's now turn to empirical data on the incidence of employee shares.

TABLE 2.1 TYPES OF EQUITY SHARES AND PROFIT/GAIN SHARING PLANS: A BRIEF OUTLINE	
Type of Plan	**Definition**
Employee Stock Ownership Plans (ESOPS)	Allows companies to set up employee trusts to finance employee typically not paying for them and receiving the shares as the company pays back the loan. The federal government mandates full voting rights for employee owners on all major corporate issues, but allows the governance of the firm to be structured in various ways except for this provision. ERISA regulates the fairness of the price that the employee trust pays for the shares, fair stock distribution formulas, while limiting highly compensated employees from dominating the distribution of the stock.
Employee Ownership Trusts (EOTs)	A perpetual trust allowing the employees as a whole to own a business. EOTs can use credit to purchase firms like ESOPS and their governance can be structured in different ways. No federal fairness provisions apply at this time.
Worker cooperatives	Workers vote their shares on a one worker one vote basis and receive patronage dividends. No federal fairness provisions apply at this time.
Grants of restricted stock or other whole shares of stock	No federal fairness provisions apply at this time.
Grants of stock options	No federal fairness provisions apply at this time.
401(k) Retirement plans	Workers are offered company matching contributions, sometimes in company shares to contribute to their own retirement savings. The controversial provision is that workers are often given the option or even encouragement to purchase company shares with their own wages or savings without any clear limits.

THE INCIDENCE, VALUE, AND DISTRIBUTION OF EMPLOYEE EQUITY SHARES IN THE UNITED STATES: ESTIMATES FOR 2021

What level of employee shares have these ideological supports and these practical federal tax incentives accomplished by 2021? Who receives employee shares in the United States out of all private sector workers? Tables 2.2 and 2.3 tell this story from the General Social Survey which is a national representative sample of the entire US population sponsored by the Government's National Science Foundation and conducted by the highly respected National Opinion Research Center at the University of Chicago. The most recent data from 2018 are being presented.

Table 2.2 provides an overview of the metrics of employee shares of different types. What are the main conclusions from these data? The presence of a national ideology on the importance of the middle-class owning capi-

TABLE 2.2 INCIDENCE AND VALUE OF EMPLOYEE SHARES IN THE UNITED STATES

Overall in the US Population

Total adult employees: 127 million
Percent of all adult employees owning any stock in their company: 20%
• 25 million adult employess
• The average dollar value is $75,000 and the median is $25,000

Percent of all adult employees holding any stock options in their company: 9%
• 11 million adult employees
• No estimates of the dollar value are available

Percent of all adult employees covered by profit sharing in their company: 38%
• 42 million adult employees
• The average annual profit sharing is $13,000 and the median is $2,000

Percent of all adult employees covered by gain sharing in their company: 30%
• 30 million adult employees
• The average annual gain sharing is $13,000 and the median is $2,000

Percent of all adult employees with any form of equity or profit/gain sharing: 47%
• 59 million adult employees

Overall in the US Population

ESOPS (Employee Stock Ownership Plans)
• Total number of ESOP companies: 6,400
• 14 million adult employees
• $1.5 trillion in total assets

Closely-held ESOP companies
• 5,800 ESOP companies
• 3,000 to 3,500 ESOPS are majority or 100% employee-owned
• 2 million adult employees
• $183 billion in total assets

Publicly-traded stock market companies
• 600 ESOP companies
• 12 million adult employees
• $1.3 trillion in total assets

Worker-owned cooperatives or worker cooperatives
• 465 worker cooperatives
• 7000 workers
• $202 million in sales
• $253 million is the estimated market value of these cooperatives
• Some estimates suggest there may be 800 worker cooperatives with 8,000 workers
• All worker cooperatives are 100% majority worker-owned

Employee Ownership Trusts (EOTs)
• 14 EOT companies
• 1,000 employees
• No estimate of the value of the employee securities is available

Employee stock option plans
• Not possible to estimate the number of companies
• 11.1 million adult employees
• From 1999-2001, the 177,000 workers in the 100 companies that created the internet marketplace gained $425,000 each from employee stock options on average

TABLE 2.2 (CONTINUED)

All non-ESOP employee share ownership programs
• Not possible to estimate the number of companies
• 11 million adult workers*

Employee Stock Purchase Plans
Total number of companies: 1,300
• 4 million adult employees
• No estimate of the value of these employee securities is available

Broad-based restricted stock units and performance shares granted to employees
• No precise number of employees or value is available

Employee holdings of company stock in 401k retirement plans

Total number of companies:
• 8.64 million adult employees
• $310 billion in total employee ownership assets

* Sources: Percentages and associated numbers in millions from the US adult employee population and are from the 2018; General Social Survey of the National Opinion Research Center at the University of Chicago based on questions designed and analyzed by Joseph Blasi and Douglas Kruse unless identified as estimates. ESOP data is from National Center for Employee Ownership, "Employee ownership by the numbers", https://www.nceo.org/articles/employee-ownership-by-the-numbers#1 and www.nceo.org; Worker cooperative data is from The Democracy at Work Institute, "How many worker cooperatives are there in the US?, https://institute.coop/worker-cooperative-faq#Q4 and www.institute.coop; 2019 Worker Cooperative State of the Sector Report, https://institute.coop/resources/2019-worker-cooperative-state-sector-report; US Federation of Worker Cooperatives, https://www.usworker.coop/home/; Majority and 100% employee-owned status of companies is from Estimated Statistics of Majority Worker-Owned Firms and Job Quality in the US, February 10, 2020, by Joseph Blasi with input from Nancy Wiefek of the National Center for Employee Ownership; Employee Ownership Trust data is from Employee Ownership Trust Law (EOT Law), www.eotlaw.com; Employee Stock Option data is from the 2018 General Social Survey with average stock option wealth from Blasi et al. (2003, p. 85); Employee Stock Purchase Plan (ESPP) data is estimated by Joseph Blasi based on an analysis from Kapinos et al. (2020) and additional input from Barbara Baksa of the National Association of Stock Plan Professionals and Emily Cervino of Fidelity Investments; Employee holdings of company stock in 401k plans is from the Employee Benefits Research Institute (EBRI) and the Investment Company Institute with thanks to Jack VanDerhei of EBRI.

tal and the determined support of the federal government for decades and decades has resulted in 47% of the entire adult working population having some combination of equity, profit, or gain shares, about 59.3 million workers. Employee share ownership of whole shares of stock is common at about 20% of the population and 25 million workers, stock options are widely spread beyond the executive ranks with 8.7% of adult workers holding any stock options involving 11 million workers. Profit sharing involves 38% or 48 million workers and gain sharing involves 30.1% or 38.1 million workers.

This widespread incidence suggests that a determined policy focus over decades can create the structures of a "share-based" capitalism with the widespread availability of share mechanisms at companies. Not shown in

Table 2.1 is the fact that 50.2% of all for-profit companies have some form of employee shares and 57% of joint stock companies. Indeed, among joint stock companies, 32.3% of all of their employees own company stock and 14.5% hold company stock options. The wide incidence is definitely notable because what it has accomplished is to encourage businesses across the United States to install into their human resource management systems a variety of share programs that can be further used if there are innovations in federal policy. While a particular reader may be more interested in, or more supportive of, one particular form of employee share format, the fact that they all exist in the United States has laid the groundwork for greater public knowledge of each particular format.

It is important, however, not to exaggerate the impact of this wide incidence on the individual workers. The average value of all employee share ownership holdings (of whole shares of stock) is $75,205 in 2018 and the median dollar value is $15,000. Moreover, the average dollar value of annual profit sharing and gain sharing cash payments is $13,272, while the median is only $2,000. Profit sharing and gain sharing, while common practices, have very modest effects on most workers because of the low median dollar values of these practices. This may be explained by the fact that there is no special tax deduction for profit sharing or gain sharing. Cash profit sharing or gain sharing is deductible by companies from their corporate income for tax purposes in a way similar to all compensation. This may be one reason why the amounts are relatively small for the median worker. In order to address this, Presidential candidate Hilary Clinton proposed a special tax credit for profit sharing (*The Economist*, 2015).

There is no question that the ESOP which has received the greatest amount of federal tax incentives, and which allows workers to own the largest percentage of stock in corporations also allows workers to accumulate the most wealth. This average is much higher among workers in ESOPS at about $130,000 with some data indicating on average ESOP employees with more than twenty years seniority have accumulated employee share ownership accounts of $250,000 or about $100,000 at the median. It appears that ESOPS allow for the largest accumulations of wealth based on whole shares of stock, although data on the ESPP is required. There is no information on how much money workers on average or at the median in the economy can make on employee stock options, although from 1999-2001 at the height of the dot-

com bubble, the 177,000 employees in the High Tech 100 of internet-based marketplace firms realized option profits on $425,000 each on average. These data must be viewed with caution because they come from the high growth firms during a stock market bubble (Blasi et al., 2003, p. 85).

The issue of risk merits special focus. On one hand, some economists object to equity participation at the place of work because the practice appears to violate portfolio theory that holds that citizen's portfolios should be broadly diversified and it is more risky for a worker to have her or his job and retirement savings tied up in a single firm. On the other hand, one can argue that equity at the place of work provides the employee with one mechanism to address income and wealth inequality. Indeed, Harry Markowitz, 1990 Nobel Prize in Economics regarding portfolio theory, has explicitly written in several studies that employee share ownership does not violate portfolio theory as long as stock purchased by employees does not exceed 15% of an otherwise diversified portfolio. Markowitz distinguished for the purpose of risk between stock purchased by employees and grants that he considers to be a gift and not to be counted as employee investments (Blasi et al., 2010; Blasi et al., 2021, pp. 4-5).

Corporate and government policymakers in the United States made stunning errors in encouraging equity participation plans by employees based on workers buying the shares with their wages, savings, and retirement contributions. This happened during the 1920's with the spread of purchase plans in large corporations and from the 1980's to the 2000's when the 401(k) plan became the vehicle for employees to buy company stock and was the basis of many losses, for example, by employees at Enron, Lehman Brothers, and WorldCom and other examples (Blasi et al., 2014, pp. 101-108). These errors led to changes in the structure of employee share plans to address the high level of risk based on excessive employee purchases. ESOPS, which typically do not require employee to purchase the stock, have become the dominant form of employee share ownership along with grants of stock and stock options to workers. Employee investments in 401(k) plans have fallen by 74% since 1999 when company stock accounted for 19% of assets in 401(k) plans. In 2018, 5% of 401(k) assets are in company stock. Moreover, the main form of employee share ownership encouraging employee purchases with wages and savings, the ESPP, is based on deep discounts to the price of the stock, and, in many cases, the ability to buy the stock at a lower price within the last two years (the look back option) (Bass et al., 2021).

Another issue is why worker cooperatives have grown so slowly despite the long-standing interest in worker cooperatives? With much less than a thousand worker cooperatives consisting of less than 10,000 workers in total and a median of 10-11 workers per firm, while there are 14 million ESOP employees in thousands of ESOP firms, the difference in reach is inescapable to the observer. One reason is that trade unions and trade union federations and political parties stopped supporting the development of worker cooperatives as a labor strategy in the late 1800's. Another reason is that in other countries these institutions made access to credit to create larger worker cooperatives and the supportive infrastructure of federations of worker cooperatives easier. Another reason is that the US government has not, until recently, had a special program to make loan guarantees available to create and sustain worker cooperatives. An important additional reason is that ESOPS tend to be created by converting existing successful businesses with intact management and HR systems to employee-owned corporations.

It is possible that the average US worker does not want to be in a workplace that has the level of democratic participation in management as most worker cooperatives. This needs to be explored by researchers and representative rather than direct participation models of governance need to be considered for worker coops similar to the more representative versus direct models of worker participation in the Mondragon federation of worker cooperatives (Whyte & Whyte, 1991). These models have not evolved in the US because worker coops tend to be so small. Most ESOPS have direct confidential voting rights by workers mandated by federal law on all major corporate issues, but no required worker votes to elect the board of directors that selects management. It is possible that the more conventional management approach of ESOPs make them more accessible. Nevertheless, worker cooperatives are experiencing a special historical moment in the United States as public interest in them is at its highest since the 1800's and as a variety of credit and technical assistance resources are available for their formation; even the idea of converting conventional firms to worker coops has gained strong support. Smaller worker cooperatives may be the fastest growing type of employee share ownership today.

The 2018 General Social Survey of the entire adult working population of the United States makes it possible to assess how equitably employee shares have spread through the US population after a century of support by citizens,

TABLE 2.3 WHICH WORKERS HOLD WORKER SHARES? (% OF ALL ADULT WORKERS IN THE UNITED STATES WITH THIS PARTICULAR SHARE PLAN)

Demographic group	Stock	Stock Options	Profit Sharing	Gain Sharing	ESOPS
Overall, nation as whole	19.8%	8.7%	38%	30.1%	
Industry					
Farming/mining/ construction	17.4%	9.9%	31.3%	28.6%	3.5%
Durable manufacturing	28%	8.1%	49.6%	38.9%	12%
Non-durable manufacturing	31.8%	21%	36%	27.6%	8%
Transportation/utilities	30.4%	11.4%	40.7%	38.9%	10.9%
Information/ communications	49%	37.3%	72.6%	33.3%	12.8%
Wholesale trade	14.3%	14.4%	51.6%	25.8%	19.7%
Retail trade	22%	10.1%	48%	40.1%	8.05%
Finance/insurance	32.5%	11.9%	60.6%	53.3%	13.9%
Education/health	9.5%	1.3%	25.6%	20.7%	0.72%
Professional & mgt. services	16.2%	6.4%	37.6%	24.7%	3.86%
Other services	11.1%	4.1%	23.4%	20.1%	3.24%
Occupation					
Management	28.1%	13.2%	56.5%	37.2%	6.97%
Human Resources/ Finance/Etc.	26.5%	14.4%	60.7%	41.3%	7.34%
Professional/Technical	18.2%	10.2%	40.6%	26.8%	6.39%
Sales	23.2%	10.1%	52.3%	48%	10.29%
Clerical	19.9%	10%	41.2%	35.4%	7.58%
Service	7.9%	0.6%	24.1%	23.3%	1.96%
Blue-collar	23%	9.2%	26.6%	22.7%	5.47%
Hours of work					
Full-time	18.3%	8.7%	39.6%	31.2%	7.95%
Part-time	27.8%	9.1%	17.4%	9.1%	6.28%
Representation					
Union member	16.4%	6%	34%	25.4%	4.04%
Not a union member	22.9%	11.3%	41.7%	34.4%	7.95%

TABLE 2.3 (CONTINUED)

Gender					
Female	16.4%	6%	34%	25.4%	4.04%
Male	**22.9%**	**11.3%**	**41.7%**	**34.4%**	**7.95%**
Race/Ethnicity					
Black	14.3%	9.3%	38.1%	29.5%	3.78%
Latinx	17.2%	7.4%	26.4%	25.7%	4.49%
White non-Hispanic	22.4%	9.3%	40.9%	30.5%	7.18%
Other	11.8%	4.3%	41.7%	42.3%	2.69%
Job tenure					
0-2 years	11.9%	4.8%	32.5%	29.6%	3.59%
2-4 years	19.3%	6.3%	39.1%	32.6%	3.99%
5-9 years	25.4%	12.3%	42.5%	33.3%	9.74%
10+ years	31.7%	15.5%	44.7%	27.3%	9.52%
Size of company					
1-9 employees	7.5%	1.1%	15.2%	8.5%	0.19%
10-49 employees	7.4%	1.6%	29.8%	22.3%	0.75%
50-99 employees	8.9%	0.6%	24.1%	19.8%	7.73%
100-499 employees	19.5%	9.8%	47.8%	32.3%	4.92%
500-999 employees	19.8%	14.9%	35.9%	31.7%	5.1%
1000-1999 employees	18.7%	9.3%	51.3%	48.2%	5.3%
2000-9999 employees	28.4%	16%	47.8%	32.3%	12.7%
10,000+ employees	32.4%	14.2%	45.1%	36.4%	11.3%

business, and government. Regarding employee share ownership, Table 2.3 shows that ownership shares are fairly well represented in most industries (except education/health/other services), fairly common in occupations except for service occupations, common with workers making above $30,000 a year, and more common in medium and large firms.

Notably, holding company stock and holding company stock options is more common, proportionally speaking, among union members than non-union members. This can be partly explained by the use of shares in the

restructuring of the US auto industry. Employee share ownership is less common among women, although Blacks are represented similar to their proportion in the US population while Latin workers are under-represented. Indeed, worker cooperatives tend to be concentrated in services, among modest income workers, and Blacks and Latin groups, so that they are particularly addressing the demographic inequities of employee shares nationwide (Palmer, 2020; Schlachter & Prushinskaya, 2020).

Table 2.3, column 5, presents the distribution in the population for ESOPS. As the dominant form of employee share ownership and the one in the most majority and 100% employee-owned firms, these statistics provide an overview of this form. Briefly, ESOP employees are well represented in most industries, but unlike worker cooperatives have low representation in services. ESOP employees have fairly equivalent representation among different occupations, again, except for service occupations. Proportionally, as many union members as non-union members are in ESOPS. ESOP employees are represented well among employees of different job tenures and annual earnings except the lowest group suggesting they encourage stable employment. ESOP employees are concentrated in mid-size and large firms unlike worker cooperatives. This data helps underline the relative competitiveness of worker cooperatives in service and smaller start-up firms in the United States and among modest income workers just at the beginning of their careers.

While employees in ESOPS typically do not buy the stock with their wages or personal savings, ESOPS have further addressed the issue of risk of excessive concentration in company stock by providing those workers can diversify away from their company's stock after the age of 55 and by most ESOPS voluntarily installing a separate diversified retirement plan that does not include company stock for employees. Separate analysis shows that 97% of one sample of ESOP employees have such a plan. Moreover, ESOPS appear to constitute more of a general "shared capitalism" company model since 70% of ESOP workers report also having a cash profit sharing plan (compared to 35% of non-ESOP workers), while 53% report also having a cash gain sharing plan (compared to 26% of non-ESOP workers).

CONCLUSIONS AND POLICY IMPLICATIONS

The evolution of employee shares in the United States benefited from ideological support for broad-based shares of property to sustain a middle class and the idea that a broad middle class was necessary for a democratic republic to survive and sustain itself. The original basis for both equity and profit-sharing approaches was experimentation by businesses. Subsequently, the federal government developed a series of tax incentives to encourage such share plans.

The employee share ownership format with the most tax incentives, the ESOP, has achieved the widest incidence. Its tax incentives encourage employers to create large ESOPS. As a result, the impact on worker wealth can be considerable. Profit sharing and gain sharing have the least tax incentives and thus have the least national impact on employee wealth. The worker cooperative and the EOT, to the extent that they can use credit, like ESOPS, to purchase more valuable and profitable companies, have the same potential of the ESOP.

The ESPP has a long pedigree in American history, having roots in the plans designed by William Cooper Procter of Procter & Gamble in the late 1800s and by John D. Rockefeller Jr. in the 1920s. Where the ESPP can be structured to be significantly reduced in risk, namely, with deep discounts on the price of the stock and a look-back allowing the employee to purchase the stock at any price over the last two years, in effect turning it into a stock option that looks back into the past, it can have some promise in stock market companies. There is a lot of potential to expand broad-based stock option programs and restricted stock and performance share programs so that they could potentially contribute a lot to employee wealth, but data on these plans is limited.

It should be clear to the reader that the development of employee shares in the United States is very much a hydraulic process, as tax incentives increase, the incidence of employee shares increase. After so much evolution over more than a century, some irregularities need to be corrected. As policy makers consider the direction of employee shares for their countries, this is the most important lesson to acquire. In the United States, tax subsidies to corporations or corporate tax incentives amount to about one trillion dollars every 4-5 years. They are often designed to encourage a wide variety of behaviors by corporations. Most of these tax incentives have little impact

on reversing income inequality or wealth inequality. Modest amounts of tax incentives can change corporate behavior significantly. For example, from 2010-2023 the US Congress' Joint Committee on Taxation estimates the tax expenditure for ESOPS to be between $1.4 billion and $1.8 billion per year (Joint Committee on Taxation, 2019, p. 27) out of total tax expenditures of about 200-250 billion dollars per year. In considering the expansion or contraction of employee share programs in the United States and other nations, the tight relationship between tax incentives and the incidence of such plans needs to be appreciated along with the fact that many nations have large tax incentive "budgets," part of which can potentially be allotted to encouraging employee shares. One issue that US policymakers are looking at in 2021 is whether there is parallel treatment of all of the different kinds of equity participation and profit/gain sharing employee share programs by the federal government.

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Practices of Freedom-Based Employee Ownership Enterprises, Their Employees and Leaders

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Abstract
The purpose of this chapter is to delineate some of the key practices that the two authors have learned based on over 60 years of experience with freedom-based employee ownership (FBEO). The former was a manager who developed a version of FBEO inside a large hierarchical organization and the later has consulted, studied, and taught about FBEO. Both continue to study and write on these enterprises. From our joint study of FBEO which includes multiple forms of research, we have learned that there is no single practice, but a set of practices that lead to sustainable success. We have also learned that creating and maintaining these practices is no easy endeavor. They are unusual. The tendency is for FBEO enterprises to regress to traditional practices. We have observed well known FBEO enterprises, such as Hewlett-Packard in the United States, the Co-operative Group in the UK, and Fagor Co-op of Mondragon Corporation in Spain, have reversals when they failed to maintain one or more of the practices that brought them to prominence. Furthermore, we have seen start-up FBEO enterprises struggle because they failed to adopt practices that tend to lead to success. Thus, learning the practices that experience and research identify as leading FBEO enterprises to success is crucial. Both mature and start-up employee-owned organizations would benefit from knowing what these practices are, engage in them, and monitor them.
Keywords: ***freedom-based employee ownership***

Many are calling for reform of business—from those who attempted to occupy Wall Street to academics and executives. We suggest one basis of their frustrations is hierarchically controlled organizations in which, put simply, the people on top make the decisions right or wrong. They also get the gains while those on the bottom get the pains.

Some people seem to naively suggest that if the ownership structure is changed by moving to either an employee stock ownership plan, a cooperative or a perpetual trust remarkably improved results will follow. The preponderance of research suggests that sharing ownership alone has little or no impact on organizational success (Young, 1993). To achieve sustainable success requires shared ownership plus, "… a number of interlocking principles and structures…" (Salaman & Storey, 2016, p. 192).

Before addressing practices learned through both experience and research, we would like to offer an alternative business model called freedom-based employee ownership (FBEO), one that includes the needed interlocking principles and structures. Leaders can use it to build a management system that "requires no hierarchical control and provides employees full responsibility, full authority, and full accountability—i.e., freedom in the workplace in addition to a stake in the financial success of the enterprise" (Nobles & Staley, 2017). The resulting culture empowers, encourages, and helps employees to develop their potential and to fully utilize their skills, capabilities, imaginations, and creativity to help achieve stakeholders' objectives, concurrently (Blasi et al., 2016; López-Arceiz et al., 2018; Nobles & Staley, 2017; O'Boyle et al., 2016; Richter & Schrader, 2017; Shipper, 2014). We introduce the term FBEO to differentiate this alternative model from "employee ownership." Some corporations have adopted employee stock ownership plans (ESOPS) to move from defined benefits to defined contributions retirement plans. Others, maybe naively, have adopted ESOPS or some other form of sharing financial success without any changes in such areas as organizational governance, work structure, delegation of authority, or cultural change. Such efforts will not be optimal (Young, 1993). Thus, we will delineate specific practices that experience, and research has found to be essential for successful and sustainable success.

Although much of the research on FBEO is recent, as far back as 1954, Peter Drucker, in his classic book *The practice of management*, described how "self-control" motivates individuals to do their best rather than just enough to get by. In the decades since most, executives and researchers have struggled with minimal success to take advantage of his insight and to solve the many problems caused by hierarchically controlling employees. As will become apparent, a few corporate leaders took a different path. They demonstrated the benefits of "self-control" to produce extraordinary results by building

management systems and organizational cultures which emphasized FBEO and relied on "self-organized spontaneous order" instead of the traditional "controlled order." Self-organized spontaneous order, the emergence of order out of seeming chaos, is a process found widely in physics, biology, social networks, and economics. When combined with FBEO, the impact on employee behavior and creativity has been transformative. However, this is not taught in most business schools (Thompson, 2014).

This chapter draws on the experiences of a corporate leader who practiced freedom-based management and an academic who for over 35 years has studied employee-owned companies some of which have practiced FBEO. We begin with examples of FBEO producing demonstrable results in several companies and then highlighting practices that are associated with enhanced outcomes.

At PQ Corporation managers questioned whether a silicate manufacturing plant could be designed for safe operation by one individual per shift—an "outside the box" idea in the chemical industry enamored with economies of scale. After designing just such a plant with the help of CAD-CAM tools, that idea over the next 20 years revolutionized PQ's understanding of customers. They built 30 small new plants around the globe, many across the fence from customer facilities. This improved the flow of information about changing customer needs and interests, and produced what former CEO Paul Staley described as a "laboratory of continual change and product innovation." As one competitor lamented to Staley, "[...] your advantage in understanding customers leaves the rest of us with no option to compete other than cutting prices" (Nobles & Staley, 2017, p. 57):

> At Nucor Corporation employees in a new 250 million dollars high tech continuous roll mill took advantage of their local knowledge and freedom to increase throughput 40% above rated capacity within one year after start-up with no major new investments. By defining and eliminating bottlenecks, a bigger motor here, a larger valve there, employee knowledge and creativity produced a 100 million dollars bonus for Nucor. German engineers were incredulous that ordinary steel workers, many with only high school educations, could improve their sophisticated design by so much. (Nobles & Staley, 2017, p. 57)

At SRC Holdings factory employees worked out how to convert a diesel engine for irrigation systems to operate on natural gas. After calculating that the engine could reduce customer fuel costs by 67% and pay for itself within six months, they helped to come up with a marketing plan because as company owners they were motivated to make their innovation profitable and knew with whom to work (Street et al., 2014).

At Southwest Airlines representatives perform 12 functions collaboratively and spontaneously in self managing teams to dramatically reduce ground turnaround time between flights. The representatives in such functions as pilots, cabin stewards, baggage handlers, caterers, etc., cooperate regularly without management involvement to turn around Southwest planes in half the industry average ground time (Nobles & Staley, 2017). Spending more time in the air generates more revenue per plane and helps to keep freedom-based Southwest profitable in an industry filled with bankruptcies.

At W. L. Gore & Associates, the idea for its highly successful Glide dental floss came from two associates in the Industrial Products Division responsible for fabricating space suits who happened to floss their teeth with scraps of Gore-Tex. Free-flowing communications soon carried the idea to the Medical Products Division where the potential was recognized and commercialized (Shipper et al., 2014).

FBEO played a key role in all these remarkable innovations. We next describe the keystone to making this happen—the leader's skills and mindset. This leader may be a founder or someone who transforms an organization, but there is no substitute for such leadership.

PRACTICE ONE: LEADERSHIP

Shipper and Blasi (2021) postulate that leadership is an antecedent to FBEO enterprise. Experience would support the Dionne et al. (2002) conclusion that there is no substitute for leadership. Furthermore, experience has shown that it takes a leader to create or to transform a FBEO enterprise. It is unlikely that a single form of leadership, such as transformational, will lead to success (Judge & Piccolo, 2004). According to Manz and Pearce (2018), to be a successful leader it takes a complex set of skills to be successful. They describe essential leadership skills as "[...] empowering leadership [...] that leads others to lead themselves" (p. 63), shared leadership defined as "[...] a

continuous, simultaneous, mutual-influence process [...]" (p. 77), and socially responsible leadership defined as "[...] being authentic about core values and a higher purpose [...] based on trust between various stakeholders striving toward common goals..." (p. 101).

Examples of leaders using these skills to either create or transform hierarchical to FBEO enterprises will be provided in the following paragraphs. Some were developed by trial-and-error predating Douglas McGregor's (1960) work outlining the principles of Theory Y and some were developed based on those principles. It will become apparent that these leaders believed employees could contribute far more to organizational success if given the opportunities to fully develop and utilize their potentials, and if they shared in the rewards of that success through stock ownership and profit sharing. In short, these leaders had a different mental model of what it takes to lead a successful and sustainable enterprise. This is the essence of FBEO leadership, governing both their conscious and subconscious behavior.

For instance, Nucor former chief executive Ken Iverson said:

> Employees aren't perfect, but if you give them half a chance, they'll usually step up and do the right thing. The average employee in the United States is a lot smarter than most managers will give him credit for. If you really want answers you can use to make the business perform better, ask the people who are doing the actual work of the business. It's that simple. Front-line employees continually amaze me with their capacity to make improvements. (Iverson & Varian, 1997, p. 73)

Southwest Airlines Founder Herb Kelleher's beliefs are captured on a headquarters sign:

> The people of Southwest Airlines are 'the creators' of what we have become—and of what we will be. Our people transformed an idea into a legend. That legend will continue to grow only so long as it is nourished—by our people's indomitable spirit, boundless energy, immense goodwill, and burning desire to excel. Our thanks—and our love—to the people of Southwest Airlines for creating a marvelous family and a wondrous airline. (Freiberg & Freiberg, 1996, p. 158)

Explicitly, Bill Gore acknowledged McGregor's Theory Y as a key "Early Influence" on "The Gore Culture." The basic tenants of Theory Y are as follows (McGregor, 1960, pp. 47-48):

- Work can be as natural as play or rest.
- Employees will self-direct and self-control their activities if committed to organizational objectives.
- Under proper conditions employees will not only accept, but also seek responsibility.
- Most employees have the imagination, ingenuity, and creativity to solve organizational problems.

Collectively, these exemplary leaders have encouraged employees to think and act like owners by aligning their interests and harmonizing their needs with those of the business. To do this successfully they took many steps with no hidden agenda.

One of the first steps they took was the practice of shared leadership. Charles Manz, Nirenberg Professor of Leadership at the University of Massachusetts, describes shared leadership "[...] a dynamic interactive influence process, typically in some kind of team context, where members lead one another to reach group and organization goals" (Shipper & Manz, 2014, p. 28). That practice sat the stage for an environment that encouraged others to engage in self-management and collaboration in conjunction with thinking like a business owner. In the following paragraphs, examples of how this was practiced in FBEO enterprises are provided.

At W.L. Gore & Associates, leadership is a dynamic and fluid process in which leaders are defined by "followership" (Shipper et al., 2014). Future leaders emerge spontaneously as they gain credibility with other associates by demonstrating special knowledge, skill, or experience that advances business objectives; by achieving a series of successes; or by involving others in significant decisions. Gore also labels as "intrapreneurs" associates who invite others to sign up for a new team organized to develop a new business, new product, new process, new device, or new marketing effort (Shipper & Manz, 1993). Leadership is so important at Gore that the words "manage, manager, management," and other derivatives are banned from company documents and visitors are gently reminded not to use them.

At Herman Miller, new projects and products can come from any level in the organization with individuals forming a team to develop the idea by grabbing appropriate representatives. It is not based on title. It is based on who can help drive initiatives towards the goal. These teams are often cross-functional and once the objective is achieved, they disband with members redistributed to new projects (Shipper et al., 2014).

At KCI Technologies, the "GIS product" idea was brought up by computer folks outside the engineering field who said, "Look, I think there is going to be a business line in Geographic Information Systems (GIS)." And one person stepped up and said, "Hey look, let me take this on. I think I can create a business on this and a business line" (Street et al., 2014, p. 262).

At SRC Holdings, CEO Jack Stack turned his insight that "maybe people don't like working for somebody else [...]" to SRC's advantage by emphasizing "[...] shared leadership [...]" (Street et al., 2014, p. 117). At SRC the "employee-owner" philosophy empowers individuals with decision-making discretion and authority. "And although not all employees want the pressure or have the commitment requisite for leadership [...]" (Street et al., 2014, p. 117). Stack estimates that three quarters embrace the chance to be leaders.

Trust and accountability also contribute to SRC's widespread shared leadership. For employees to share their thoughts and ideas openly they must believe that management will respect them, appreciate them and, when deemed advantageous, act on them. Some of the best ideas for changing SRC's remanufacturing processes have come from those who do the remanufacturing.

Employee-ownership is also a powerful force for coordinating employee efforts. At PQ Corporation, a team of PQ plant operators, mechanics, and engineers got together spontaneously to re-examine a proposed project that showed an unsatisfactory return at the original estimate of 1.2 million dollars. Capitalizing on their local knowledge, members found a way to achieve the objectives for one-third that cost. After the facilities were installed, the lead operator dressed in business attire and carrying a briefcase reviewed the project scope and economics with corporate management in Valley Forge and received a rousing ovation for the $800,000 he and his associates saved the company (Nobles & Staley, 2017).

All these leaders in one form or another shared a vision for success with employees to provide business direction and guidance on how to behave in the absence of hierarchical controls. Their mission and aspirations state-

ments varied to fit the business and industry, but the statements of shared values emphasized similar principles such as respect for human dignity, trust, honest, and ethical behavior: teamwork, community, having fun at work, taking risks and learning from mistakes. These shared values are the foundation for socially responsible leadership and for creating an ownership culture. Examples of how this has worked are provided in the next section.

PRACTICE TWO: DEVELOPING AN FBEO CULTURE

The founder or another influential leader lay the groundwork for an FBEO culture by living the principles just enumerated (Groysberg et al., 2018; Hoffman & Shipper, 2018). The leader's comments, activities, and everyday behavior communicate the culture to other members of the enterprise, which are in turn modeled and shared with other members of the organization. If the primary goal is to maximize shareholder value, the culture developed will be internally competitive. In contrast, if the culture is based on the values highlighted here and by others the culture will be one of collaboration and growth (Hoffman & Shipper, 2018).

The power of culture has been underestimated, misunderstood, neglected, or all three by many corporate leaders (Groysberg et al., 2018). In contrast, Edgar Schein (1985), Professor Emeritus at the MIT Sloan School of Management, stated, "Culture constrains strategy" (p. 33), and Peter Drucker, one of the top management consultants of the latter half of the 20th century, is quoted as saying, "Culture eats strategy for lunch" (Morrison, 2014). Thus, underestimating, misunderstanding, neglecting, or all three the enterprise's culture is fraught with peril.

In FBEO enterprises, culture becomes the formal and informal governing mechanism for the enterprise. It transforms how employees think and act compared to those in traditionally managed hierarchical organizations. Instead of coming to work to earn a paycheck, and expecting managers to direct and coordinate their activities, individuals in these companies believe:

- This is our venture.
- If we work hard to make it successful, we will share the benefit, and
- Our job security depends on the enterprise's success.

For instance, at Atlas Container Cooperation, the "[…] organization has a set of interlocking teams. For example, the sales team had to work with the design team, which had to work with the production team, which had to work with the delivery team" (Calo & Shipper, 2018, p. 216). This occurred daily with little to no intervention of management. Without creating an atmosphere of a team of teams as described by McChrystal et al. (2016), Atlas's competitive advantage of being the FedEx of custom cardboard boxes would probably not have existed.

At both Atlas Container (Calo & Shipper, 2018) and W. L. Gore and Associates (Shipper et al., 2014), employee owners fulfill two roles often left to management in hierarchically controlled firms. First, they serve as mentors or sponsors as referred to at Gore.

Paul Centenari, CEO of Atlas Container, emphasized the synergy between culture and mentoring as follows: "If you recruit people who care, and train people, through peers and mentors, you can create a culture where you have people who are engaged" (Calo & Shipper, 2018, p. 204). Second, they intervene to correct those who do not put forth needed effort. Paul describes this process as follows: "[…] if you come in and you don't care, they'll see it and they'll make your life miserable. So, there's a certain self-policing going on" (Calo & Shipper, 2018, p. 200). Sponsoring and mentoring are another way to share leadership. It is also a way to develop future leaders.

PRACTICE THREE: RECRUITMENT AND SELECTION

The word "recruit" appears in the end of the discussion in the prior practice and will appear in the discussion of two other practices. This is an indication of how important the leaders in FBEO enterprises see recruitment. Traditional companies are often passive in their recruitment processes. Their managers do not recognize the adage, "One bad apple spoils the whole bushel (One 'bad apple' can spoil a metaphor, 2022)." FBEO managers are uncompromising in their recruitment processes. They actively try to recruit and hire the best at every level in the organization through enriching the applicant pool by aggressively seeking out the best candidates. For example: Spedan Lewis made recruitment a key focus of HRM in the 1920s. He went to Oxford University and asked for its top graduates. He was convinced that "first class brains" were needed "to make a real difference to any challenging venture" (Cox,

2010). At that time, the thought that a graduate of a prestigious university would go into retailing was unthinkable, but Spedan Lewis persisted and hired a number of top graduates, both men and women, from Oxford, Cambridge and other high-status schools. That practice had been continued at JLP to this day (Shipper & Hoffman, 2020).

If you want the best at every level, you will have to hunt for them. As one leader said, "You cannot build an above average company with average people."

After you have a good prospective employment pool, selecting the right person is both difficult and critical. FBEO tend to expend incredible time on this process. For example, at Equal Exchange, a company of about two hundred employee-owners:

> [...] every potential new worker-owner goes through a three-stage interview process and the hiring process is not considered complete until after the review process and the new hire has been on the job for three months. Once hired the employee is matched with a mentor and is on probation for one year. There is approximately a 5 to 10 percent new employee turnover during the first year. After the first year, all worker-owners vote on whether to offer the employee worker-ownership status (i.e., the chance to join the cooperative).
>
> Before the vote, the mentor and the employee's supervisor circulate written statements on behalf of the candidate. With rare exceptions only those new employees who have fared well reach this point. New hires that have been poor employees, or seem ill-suited for the co-op, are generally weeded out by this time. (Harris et al., 2014, pp. 163-164)

The John Lewis Partnership and the Mondragon cooperatives use internships to get to know prospective employees before offering them permanent positions. One of the criteria often used during the selection process at FBEO enterprises is "attitude." They look for both a can-do attitude and an ability to work collaboratively with others. A major account manager at HCSS explained the screening process for attitude as follows:

> Some get weeded out in those 90 days. [During the interview] they may say all the right things like, "Oh, I'm loyal to customers. I have a good at-

> titude. I'll go the extra mile." Until you get them over there and let those guys [other employees in the support department] determine that, you don't really know. If you ask our customers, "What's the biggest thing here?" it's the support, your attitude, your attitude towards support. And if someone comes in and they don't have that, they don't come close to making 90 days. (Roche & Shipper, 2014, p. 216)

One other thing that occurs in FBEO enterprises, but not in controlling firms is that hiring decisions are done with heavy input from the front-line employee-owners. This is another way leadership is shared in FBEO enterprises.

PRACTICE FOUR: TRAINING AND DEVELOPING, STEP ONE TO HELPING EVERYONE TO DEVELOP AND UTILIZE THEIR POTENTIAL

Although all companies spend money on training and developing; FBEO enterprises tend to spend more than controlling oriented firms because they realize that investing in their employees is good for business. For example, the John Lewis Partnership (JLP) spends over 50% more than its competitors on employee development (Shipper & Hoffman, 2020). Despite of the additional expense or maybe because of the additional investment, JLP outperformed major competitors such as Debenhams, House of Fraser, and Marks & Spencer on return on sales in 2019 (https://craft.co/john-lewis-partnership/competitors).

Rich Armstrong, president of The Great Game of Business, Inc., refers to the investment in training and developing after investing in recruiting and selection as doubling down (Street et al., 2014). It makes good since the half-life of knowledge keeps decreasing in all segments of the economy, and if employees are going to remain competitive, companies must invest in their intellectual development.

Investing in employees' intellectual development has an important, but less obvious effect. Such investment was recognized as essential for a "just and admirable society" in the Northwest Ordinance of 1787 that established the conditions for admittance of additional states (McCullough, 2019, p. 12). Such investment is an important practice for a just and admirable FBEO enterprise. Stack and Dahl (2019) argue that an employee-owned company can

extend its influence by decreasing the wealth and income gaps for workers. Their position has been supported by research (Boguslaw & Schur, 2019; Boguslaw & Taghvai-Soroui, 2018; Walsh et al., 2018).

One of the more common ways of training and developing in FBEO enterprises is mentoring. This was previously discussed under developing a culture because the practice is seen as one of the most powerful ways to acculturate new hires. At W. L. Gore & Associates, it is referred to as sponsoring. No one is hired unless someone volunteers to sponsor the individual. Successful sponsoring is considered an indicator that the sponsor maybe ready for a larger leadership role. Leaders are also expected to be sponsors (Shipper et al., 2014).

Step two to helping everyone to develop and utilize their potential will be discussed as part of Practice Seven which focuses on combining employee development and risk taking. Employee development prepares them to make the possible probable and risk taking makes the probable reality. Although we speak of different practice and steps, in successful FBEO enterprises they occur concurrently.

Next planning for succession and leadership development will be discussed. Leadership development is a special form of employee development. Its importance to successful FBEO enterprises will become apparent and that is why it is discussed as a separate practice.

PRACTICE FIVE: PLANNING FOR SUCCESSION AND LEADERSHIP DEVELOPMENT

Planning for succession and leadership development are essential for FBEO enterprises for at least two reasons. First, the next CEO in such organizations almost always come from inside the organizations. One time, Herman Miller selected a new CEO who was an outsider. He lasted only three years (Shipper et al., 2014). A speculative reason given for his short tenure was he did not understand the culture. Maybe, Drucker's famous saying quoted earlier could be expanded to "Culture eats strategy and CEOs for lunch." A second reason is planning for succession facilitates a smooth transition. As Christine Perich remarked after becoming CEO of New Belgium Brewing, "Many companies don't plan for succession, so it ends up being a reaction to another event rather than a well thought out transition" (Dahl, 2015).

A third reason is that most promotions to all levels of leadership will be made internally in FBEO to avoid people who do not fit the culture. For example, Hamdi Ulukaya, Chobani's founder and CEO, told the following story about his attempt to hire a CEO:

> I decided to hire another CEO, because I thought I wasn't going to be able to do this. One executive had run some big companies and had a nice suit and a spiffy ride, and he really wanted the job. We met in a diner, and the way he interacted with the waitress was so rude. This is what I grew up hating, people who think they're better than everybody else. In that moment, I knew I wasn't looking for a CEO. (Lagorio-Chafkin, 2018)

This event occurred in 2010. Hamdi, as he is called by most, is still the CEO in 2021. Therefore, developing leadership skills is important, since internal promotion at all levels is the norm in FBEO enterprises.

In pursuit of leadership development, many of the FBEO enterprises use some form of employee input in this process including 360 feedback (Calo et al., 2014). The use of employee feedback is seen at W. L. Gore & Associates as way of developing a "community of purpose" (Calo et al., 2014, p. 92). When leadership development is done well and succession occurs in FBEO enterprises, there is no surprise, and the change is not disruptive (Dahl, 2015).

PRACTICE SIX: TAKING RISKS AND LEARNING FROM MISTAKES

In hierarchically controlled firms, risk taking is frowned on and if mistakes occur harsh punishment often follows including career derailment and determination. In contrast, risk taking is supported by the worker-owners in FBEO enterprises. In an open-ended survey in one such enterprise, the number one behavior that the "worker-owners" wanted leaders to increase was encouraging risky efforts (Shipper & Manz, 2014). In such enterprises, collaborative risk taking is an exercise in shared leadership, but it will occur continuously only if making mistakes is tolerated. The business value of employees learning from mistakes derives from three factors.

First, mistakes are integral to human growth. Tiger Woods developed into the world's greatest golfer by trying new techniques, perfecting those that worked, and learning from those that did not (Nobles & Staley, 2017). Second,

this builds trust between employees and management reflecting the reality that nobody is perfect. As Ken Iverson said, "You have to have a strange and monstrous ego to think you never make bad decisions. We tell our employees that we do make bad decisions" (Preston, 1991, pp. 87-88). Finally, mistakes and failures play a critical but often unappreciated role in human creativity. Thomas Edison went through more than 1,000 filaments before "seeing light" and Henry Ford's first two car ventures failed.

Leaders at HCSS believe that a lack of tolerance would stifle creativity and the entrepreneurial spirit of employees who fear negative consequences for their decisions. Second a company's negative attitude towards failure inadvertently encourages employees to hide their mistakes, "[...] often it is not the initial mistake that jeopardizes viability [...] but the long-term consequences of a cover-up when an employee fears sanctions" (Roche & Shipper, 2014, p. 223).

HCSS analyst Melissa confirmed that Mike walks his talk. After accidentally sending 2,000 messages to customers saying their maintenance fees had not been paid, she rushed to tell her supervisor Tom and CEO Mike. Rather than yell at her, Tom immediately emailed customers apologizing and explaining how the mistake happened during testing. In the end, the company collected almost $10,000 from overdue clients and installed a password system to help prevent repeat mistakes (Roche & Shipper, 2014).

At Herman Miller, the company statement of "What we believe" includes: "Curiosity and exploration [...] are two of our greatest strengths. How do we keep our curiosity? By respecting and encouraging risk, and by practicing forgiveness. You can't be curious and infallible. Everybody makes mistakes; we ought to celebrate honest mistakes, learn from them, and move on" (Shipper et al., 2014, p. 138). Former CEO Max De Pree (1989) provided a role model when a superintendent for an almost completed construction project noticed the structure was too tall and had to cut eight inches off the tops of all columns. Instead of disciplining the superintendent, De Pree chrome plated two column tops to display in his office as reminders, "[...] that no one is perfect" (p. 4).

When asked how Nucor handles someone who goofs, former president David Aycock responded without hesitation, "You give 'em something new to do! Because they're the only damn people in the company who dared to take any risk! I'm talking about personal risks" (Preston, 1991, p. 147).

W.L. Gore & Associates emphasizes the "waterline" principle to guide risk-taking. Only if pursuing a project that could sink the company does it need to be widely discussed appropriately across teams, plants, and continents before associates can go ahead. Otherwise, an associate is encouraged to take risks.

A successful FBEO enterprise keeps innovating. When Bill Gore was asked by a puzzled interviewer about how innovation worked at Gore, he replied with a grin, "So am I. You ask me how it works? Every which way" (Street et al., 2014, p. 74). He also admitted that he did not know the number of innovations the company was working on at that time. His response indicated that he was happy that the number was so large that he did not know it and he did not feel a need to know the number.

Hamel (2007) makes the argument that innovation is the most important organizational issue. FBEO enterprises use alternative forms of structure and processes to set people free to innovate and be rewarded for it. Matt Ridley, British businessman and author, states vigorously, "Leave people free to exchange ideas and back hunches, and innovation will follow" (Myhrvold, 2015).

FBEO enterprises must go beyond ambidextrous (there is considerable literature on that), it must become multi-dextrous. That is a way to become a highly innovative organization. Only those that are such will be sustainable. For example, Gore began by producing coated wire. It expanded into four divisions—electronics, fabrics, industrial and medical. Each division has produced innovative products. Its second core principle is, "Encourage, help, and allow other associates to grow in knowledge, skill, and scope of activity and responsibility" (Shipper et al., 2014, p. 268). Within Gore this principle is referred to as freedom. It allows new ideas to bubble up regardless of whether the envisioned product fits within that division. For example, Glide dental floss came from the fabric division, and Elixir Guitar Strings came from the medical division.

The half-life of products and services continues to decrease. To remain relevant an enterprise must reinvent its products, services, and processes. By reinventing the processes such as leadership, governance, culture, recruiting, selection, development, etc. the enterprise can build a system that continuously supports and reinforces innovation. The mantra of the 1980's was Continuous Improvement. The mantra of the 2020's must be Continuous Innovation. The enterprise must be set up to cultivate innovation from frontline

workers and others as well as the R&D lab. Controlling organizations stifle innovation; FBEO enterprises encourage, support, and reward innovation.

PRACTICE SEVEN: COMBINING EMPLOYEE DEVELOPMENT AND RISK TAKING, STEP TWO TO HELPING EVERYONE TO DEVELOP AND FULLY UTILIZE THEIR POTENTIAL

Risk taking and employee development go hand in hand since inadvertent riskiness can be minimized when people are knowledgeable. As was observed at HCSS:

> The attitude of each employee to never settle for what they already know creates a culture where everybody is constantly learning new things to ensure that they are up-to-date with their skills and their abilities to deliver high quality performance for the company. This dynamic self-perpetuates as employees recruit candidates with similar attitudes and abilities. At the same time, the organization supports new initiatives by paying for employees to go to conferences, training programs, and certifications. Once these outside programs are completed, employees teach what they have learned to colleagues. HCSS tries to encourage employees to think, "How can I enhance not just my own value but also that of everybody else?" (Roche & Shipper, 2014, p. 220)

In HCSS employees also tend to "create their own jobs." They may have been hired for a specific task, but their job definition will change over time without any change in their title. As their skills improve, they can spend more time solving other issues, or they may discover some other tasks that they like to do or for which they have a natural talent. KCI Technologies offers a year-long formal mentoring program in which new hires are paired with more senior employees. Beyond that formal training, development programs are considered a cornerstone for growth of intellectual capital (Street et al., 2014).

SRC Holdings trains employees to become "businesspeople." To start, company financial records are made an "open book", and everyone is educated in "financial literacy." The goal is for employees to own and understand the

"numbers" driving their respective business units as well as SRC Holdings. At SRC

> [...] employees who grind crank shafts don't just have the important technical skills to do the job; they also know how their actions affect other elements of the organization. And perhaps most importantly, as employee-owners they understand how it affects the bottom-line and why it is in their own best interest to take charge and be accountable for better outcomes. Because of this, there's not a lot of finger-pointing at SRC if something goes wrong. (Street et al., 2014, p. 118)

In SRC all employees have the opportunity and encouragement to explore career moves across the company, even to the point of changing job disciplines if they so desire. This benefits younger employees who often do not know what they want to do for a career, and gives more experienced employees a chance to change function or responsibilities. CFO Dennis Sheppard observed, "You're limited only by your own creativity and your own desire and willingness to work for what you want" (Street et al., 2014, p. 115).

PRACTICE EIGHT: OPEN COMMUNICATIONS

In traditional firms, it has become fashionable to speak of open communications. In one such company, individual performance was tracked by a computerized system. The company had decided to introduce autonomous teams. When the teams asked to see their performance as recorded, they were told emphatically, "No!" Skinner (1974), the foremost behavioral psychologist of the 20th century, would call this extinction reinforcement. In other words, management was sending unknowingly a message to workers that performance should be decreased.

In contrast, FBEO enterprises practices open communications in multiple ways. For instance, at Herman Miller, the team assembling a product like an Aeron chair can see an electronic scoreboard that tells everyone whether production is ahead, on, or behind schedule and other production information (Wozniak, n.d.).

Another way that FBEO enterprises practice open communications is through open book management developed by Jack Stack, CEO of SRC Hold-

ings (Case, 1996). As owners all employees are given access to company financial records and are trained to understand how to interpret those records. The importance of that education cannot be overstated. For open book management to be an interactive and engaging activity the worker-owners must understand the numbers even when they are presented as ratios. To reenforce, the numbers and to ensure the success the numbers are reviewed frequently with the worker-owners. Jack Stack insists that team meetings be held every week to go over its operating statements (Street et al., 2014).

At Nucor, Ken Iverson has declared, "Tell employees everything or tell them nothing. Otherwise, each time you choose to withhold information, they have reason to think you're up to something. We prefer to tell employees everything. We hold back nothing" (Iverson & Varian, 1997, p. 67). At Herman Miller, Max De Pree would say, "An inclusive system requires us to be insiders. We are interdependent, unable to be productive by ourselves. Interdependency requires lavish communications. Lavish communications [...] (provide) the opportunity to understand" (De Pree, 1989, pp. 58, 60).

At KCI Technologies, CEO Niemeyer explained operation of the open communications with this words: "One thing about it, and it may be our management style, is that our people have a tendency to speak up. And when they do speak up, they speak up without fear of repercussion. So, it's not as if they're worried about saying something in a meeting or to me or to the president and all of a sudden seeing the Grim Reaper come and fire them" (Street et al., 2014, p. 261).

W. L. Gore portrays its organizational structure and communication pattern as lattices. Bill Gore elaborated, "Every successful organization has an underground lattice. It's where the news spreads like lightning, where people can go around the organization to get things done" (Shipper et al., 2014, p. 279). In Gore, Bill emphasized, "Direct lines of communication—person to person—with no intermediary done" (Shipper et al., 2014, p. 278). Similar communications were found in the other freedom-oriented organizations we examined.

The ability to foster open communication should not be taken for granted. In most, if not all the companies, the employee-owners are provided training and tips on how to communicate openly. For example, at one the employees are advised to ask questions in the open meetings beginning with "I don't understand why [...]" rather than "What were you thinking when [...]," or

some other less genteel opening guaranteed to put the respondent on the defensive. Providing such training and tips helps to instill an open-communications culture.

Open communications can have its limits. Gore policy calls for protecting proprietary knowledge by sharing only on a "need-to-know" basis. When CEO Terri Kelly became curious about a new laminate while visiting Shenzhen, China, the development engineer kept dodging her questions. He finally smiled and asked, "Terri, do you have a need to know?" Kelly laughed and responded, "You're right, I'm just being nosy" (Shipper et al., 2014, p. 275). Stories like this about the openness to question even the CEO, when shared across Gore help to sustain its open culture.

The practice of open communications helps to motivate employees to:

- To self-manage and collaborate on their activities.
- To communicate openly and freely.
- To do their best every day since anything less would be stealing from colleagues.
- To continually generate ideas for improvement.
- To develop their capabilities so their future contributions can grow.

PRACTICE NINE: EMPLOYEES SHARING PROPERTY RIGHTS TO COMPANY RESOURCES

By definition, FBEO enterprises share property rights to the company resources whether the enterprise is an ESOP, cooperative, perpetual trust, profit sharing, or some other form of employee ownership. There are, however, other ways to share property rights with the employee-owners. Two examples follow.

At PQ Corporation, management distributed property rights of $25,000 per year of capital funds to hourly associates to spend as they felt appropriate. Former CEO Stan Silverman described their shock at the first distribution, "You mean you actually want us, and not management or the engineering department, to decide where to spend this money? [...]." He observed after multiple distributions, they spent the funds "[...] as if they were building a garage on their house. Every dollar is wisely spent!" (Nobles & Staley, 2017, p. 15).

At Nucor, general managers of the plants for which each is responsible have the right to invest up to one million dollars per year in capital resources without higher approval. These managers share the rights with the employees. As general manager, Joe Rutkowski at the Darlington, South Carolina plant, described the process, “Headquarters doesn’t restrict what I spend. I just have to make my contribution to profits at the end of the year. My department heads (and) the people in the control rooms all spend thousands of dollars without anybody’s approval. All of us can make that kind of decision, because all of us stand behind our decisions. We’re accountable for getting the job done” (Nobles & Staley, 2009, p. 38).

One traditional organization started a quality circle program. The circles worked through identifying, analyzing, and proposing solutions to problems. The first round of solutions required small-scale funding for implementation. All the teams were told that there was no allocation in the budget to fund their solutions even one with a payback period of three months. You can imagine what happened to participation in the program. In another traditional organizations, the company had implemented autonomous teams. The president was thrilled because, in the first year, the teams were responsible for generating millions of additional dollars in profits. A large all-hands meeting, the president was recounting this success. A worker at the end of the presentation asked what our share is. The president responded that was their job to generate profits. Again, imagine what happened to the program.

Fred Herzberg (1966), in his groundbreaking studies, found that salary was more frequently a dissatisfier than a motivator. In addition, he observed that achievement, recognition, the work itself, responsibility, and advancement were more frequently motivators than dissatisfiers.

When employees share property rights with managers, the financial rewards that they receive are linked to the motivators. Enterprises that have multiple practices for sharing financial success with their workforce is going to have more engaged one than a controlling oriented firm.

PRACTICE TEN: AVOIDING LAY-OFFS UNLESS COMPANY SURVIVAL IS AT RISK

At W.L. Gore & Associates, the mutual commitment between associates and the enterprise is spoken of frequently. Associates commit to contributing to

the company's success and enjoy the freedom to make their own commitments instead of having others assign projects or tasks. In return, the company commits to providing a challenging, opportunity-rich work environment that is responsive to associate needs and concerns—including concern for job security. For example, when Gore agreed for P&G to take over marketing for Glide dental floss, it was understood that no associates would be laid off. Although the announcement came as a shock to some Glide team members, they were quickly working on a transition plan confident that any associates not needed for future manufacturing or selling would be absorbed into other fast-growing Gore businesses (Shipper et al., 2014).

At Nucor Steel, the position on layoffs is "employees should feel confident that if they do their jobs properly, they will have a job tomorrow" (Iverson & Varian, 1997, p. 21). It is positioned within a broader philosophy of sharing everything with employees. The impacts of seasonal and cyclical business slowdowns are shared by employees working only two or three days a week and getting paid accordingly. Individuals also exhibit flexibility by working on lower priority activities such as cleanup and plant maintenance during slow periods. Former CEO Iverson also emphasized that there is no guarantee of job security, "Nothing's written in stone. We'll lay people off if it is a matter of survival" (Iverson & Varian, 1997, p. 14). In controlling firms, layoffs seem to be one of the first options considered when business contracts. In FBEO enterprises lay-offs are one of the last options considered during contractions as has been seen in this example. Other examples of how layoffs are handled follow.

Like many aspects of FBEO, this Nucor position has produced unexpected benefits. One plant manager struggling through an industrial depression reduced the work week for employees to three days and gave them rights to the plant's limited cash flow along with the challenge to come up with new ideas. Those employees invented and patented the best (prefabricated) steel roof that money can buy and sales skyrocketed. That same plant a short time later installed a $14 million addition to manufacture steel decking, a product so superior to the competition's that first-year profits paid off the investment (Preston, 1991, p. 143).

At Herman Miller in 2003, a drastic sales drop threatened company survival and forced management to drop the tradition of life-time employment. CEO Mike Volkema and the North America president met personally with

all workers to tell them what had forced the 38% lay-off and shut down of a Georgia plant. One laid off worker was so moved by their presentation that she told Volkema she felt sorry for him having to personally lay off workers. Later Volkema published a "new social contract:"

> We are a commercial enterprise, and the customer has to be on center stage, so we have to first figure out whether your gifts and talents have a match with the needs and wants of the commercial enterprise. If they don't, then we want to wish you the best, but we do need to tell you that I don't have a job for you right now. (Shipper et al., 2014, p. 138)

Keeping your employee on during a contraction when the economy begins to expand. A FBEO enterprise can increase the number of hours back to normal and avoid the costs of recruiting, selection, training, and developing. This maybe one reason why research has shown the FBEO come out of recessions faster than controlling firms (Kurtulus & Kruse, 2017).

THE BOTTOM LINE: FBEO HAS POWERFUL INFLUENCES ON ORGANIZATIONAL EFFECTIVENESS

By this point it should be clear that FBEO produces many fundamental differences that motivate employee behaviors rarely seen in traditional organizations. Four impacts on organizational effectiveness are worth highlighting before closing:

1. FBEO revolutionizes an organization's ability to identify and act on economic opportunities. This results from the interactions of several factors:

- First, as Nobel Prize winning economist F. A. Hayek (1944) stressed that economic problems/opportunities "arise always and only as the consequence of change" (p. 545).
- Second, these cultures encourage employees to focus outward on customers, competition, and the marketplace—rather than upward on management. That shift in attention regularly exposes employees to external changes offering potential opportunities.

- Third, the combination of employees (a) thinking like business owners, (b) self-managing and self-coordinating their activities, and (c) taking risks positions an organization to test the attractiveness of potential opportunities and to take advantage of profitable ones in a timely fashion.
- Fourth, information, knowledge, and learning opportunities are widely shared and encouraged, thus eliminating information asymmetry, a key barrier to identifying and acting on economic opportunities.

2. FBEO eliminates the dissonances experienced by attempts to apply improvement ideas in hierarchically controlled environments. For decades managers attempting to reduce control, empower employees, and share responsibility in hierarchically controlled organizations have encountered countervailing forces such as

- Covert game playing.
- Incentives setting people into competition with each other.
- Divisions seeking to improve local performance to the detriment of firm objectives.
- Leaders being perceived by team members as a supervisor in sheep's clothing.

FBEO avoids all such dissonance by eliminating the need for hierarchical control and relying on self-organized spontaneous order to replace the traditional controlled order. It resolves the agency theory dilemma in non-employee-owned companies where the interests of the owners and the employees are not aligned. In an employee-owned company, they are.

3. FBEO resolves the impossibility of controlling how people think. Psychologist Viktor Frankl (1962), a Nazi concentration camp survivor, observed that while his captors enjoyed greater physical liberty, Frankl possessed greater freedom because he could develop his own awareness, think, and envision the future. The Nazis could restrict Frankl's mobility, but could not take away his freedom to dream even by torturing him and destroying his family in the gas chambers. Former Nucor CEO Dave Aycock made a similar point, "You can't manage people [...]. If you could get into your employees' minds,

you could manage'em, but you can't get into their minds. People are free in their minds, and you can't manage a free mind" (Preston, 1991, p. 88).

And Douglas McGregor (1960) pointed out how humans possess an internal control mechanism that can negate any management attempts to externally control them.

This rarely recognized reality has become increasingly costly as the nature of work has shifted more and more to "knowledge workers" —e.g., engineers, scientists, programmers, technicians, lawyers, teachers, and doctors whose value derives primarily from their knowledge and analytical abilities rather than physical skills and energy. It is not possible to hierarchically control or manage such employees. Managers can attract their attention and passion to enterprise issues only by earning commitment to organizational objectives, aligning their interests, and harmonizing their needs with those of the enterprise, and creating stimulating and satisfying working environments—precisely what FBEO accomplishes!

4. FBEO positions organizations to take full advantage of human capabilities. SRC Human Resources Director Keith Boatwright recognized this when he noted, "I will be better for having been part of this company [...] (In other companies) even though you might be productive and do good things, you will not necessarily be a better person" (Street et al., 2014, p. 113). Two factors influence this:

- First, as Hayek (1944) observed, "freedom" nurtures natural human virtues that have been unintentionally extinguished by hierarchical control such as independence, self-reliance, risk-taking, and willingness to cooperate voluntarily.
- Second, as Max De Pree (1989) pointed out, freedom builds a "covenantal" relationship between employees and their enterprises in place of traditional legal contracts. Солженицын (1978) commented on the value of that shift:

> A society based on the letter of the law and never reaching any higher, fails to take advantage of the full range of human possibilities. The letter of the law is too cold and formal to have beneficial influence on society. Whenever the tissue of life is woven of legalistic relationships, this cre-

ates an atmosphere of spiritual mediocrity that paralyzes men's noblest impulses... (pp. 17-18)

CONCLUSION

There are two parts to our conclusion. The first is a traditional summation of key principles drawn from the practice of FBEO in highly successful enterprises. Second is a call to action. The advantages for the enterprise, the employees, and society of FBEO have been well documented in this chapter and others (e.g., Blasi et al., 2016; Boguslaw & Schur, 2019; Nobles & Staley, 2017; Shipper, 2014). Yet, its wide spread adoption has not happened. In the call for action, recommendations are made on how to implement FBEO.

SUMMATION

FBEO is built on a foundational leadership paradigm shift from "hierarchical control" to "freedom and self-organized spontaneous order" based on these principles:

- Articulate a compelling long-term vision for success.
- Align long-term individual and business interests.
- Harmonize individual and business needs.
- Emphasize freedom, self-responsibility, authority, and accountability.

We urge leaders to abandon hierarchical control and shift to FBEO because it is the right thing to do, and it increases organizational ability to survive and thrive in a global marketplace that demands innovation and responsiveness. Hierarchically controlled organizations can do neither well. FBEO has been used for decades by extraordinarily successful firms, but the power of this unique system of management is just becoming recognized. This chapter provides a model and practices learned through experience and research that others can use to become the dominant companies in their industries. The shift will not be easy in the short-term, but the long-term benefits can be immeasurable. As has been said by many, if it were easy, everyone would be doing it.

CALL TO ACTION

Thousands of executives and managers have visited or studied some of the FBEO enterprises used as examples in this chapter. Some of them are well known for being leaders in their industry, but the number of companies adopting these strategies is limited. Andy Grove, former CEO of Intel,[1] said, "[...] most companies don't die because they are wrong; most die because they don't commit themselves. They fritter away their valuable resources while attempting to make a decision. The greatest danger is in standing still" (Grove, 1996, p. 152). The challenge for most is to change their practices and their companies' practices. Do not ask others to change if you are unwilling to change. Our empirical studies of leadership change have found that small improvements by a manager will lead to large changes in performance of the work unit (e.g., Shipper et al., 2007). The same old practices will not result in improvements. "Insanity is doing the same thing over and over again and expecting a different result," is misattributed to Einstein (Einstein & Calaprice, 2013). Regardless of who said it, the truth is that leaders who continue to do the Same Old Stuff should not expect improvements. Thus, a secondary, but equally important purpose of this essay has been to call people to take a different path and adopt the ten practices outlined, and by doing so develop additional FBEO enterprises.

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1. During Grove's tenure as CEO, Intel had a strong ESOP. The current stock price was displayed electronically above the door that workers entered and exited the plants that were visited by one of the authors in the 1980's and 90's.

and Judy Redpath in 1994 and Iverson's book, *Plain Talk* (New York: Wiley, 1997) for this chapter. For Southwest Airlines, we used conversations that Frank Shipper had with Dave Parker, former CEO of Southwest Airlines, and *The Southwest Airlines Way* by Jody Hoffer Gittell, professor at Brandeis University (New York: McGraw-Hill, 2003).

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The Mondragon Corporation and its Member Company Soraluce: Accomplishments and Challenges of Broad, Networked Employee Ownership Over Six Decades

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Abstract
This chapter examines an important employee ownership experience* outside *the Americas, but one that could usefully inform experiences in the Americas. It presents a summary of the Mondragon Corporation, its history, current structure, and ongoing challenges and dilemmas, as well as an introduction to one of its member companies, Soraluce, a worker cooperative in the machine tool sector. We review Soraluce's business trajectory, organizational changes, recent educational efforts directed at fortifying both the business and its shared ownership identity, along with preliminary empirical data on the outcomes of these efforts.
Keywords: ***employee ownership, worker cooperatives, Mondragon***

This chapter is something of an exception for this book but with a strong connections. It describes the Mondragon Corporation, an example of employee ownership from outside the Americas—specifically, from the Basque Country of northern Spain—but one that has achieved substantial recognition in the Americas and elsewhere over several decades (Barandiaran & Lezaun, 2017; García, 1970; Goodman, 2021; Mathews, 1999; Stikkers, 2020; Thomas & Logan, 1982; Turnbull, 1995; Whyte & Whyte, 1991). We discuss both Mondragon and one of its member companies in the machine tool sector called Soraluce. The text is mainly descriptive and offers a preliminary empirical data and analysis from Soraluce, as data collection is ongoing and analysis is still in at an early stage. We do hope the chapter serves to inform readers

who are unfamiliar with Mondragon, to provide updated information to those already familiar with it and to encourage scholars and businesspeople to follow more in-depth analyses of employee ownership and its consequences in Mondragon and Soraluce in the future. We believe that shared ownership will be a vital development for business practice and public policy in the years to come and that Mondragon and its member companies are developing interesting and useful insights about broadly shared ownership on a large scale.

THE MONDRAGON CORPORATION

Mondragon or The Mondragon Corporation is an integrated network of 95 employee-owned, cooperative companies, a number of affiliated cooperative organizations, and over 130 subsidiary firms around the world. It takes its name from the town in which it was founded over 60 years ago and where the network headquarters and a number of its most important companies and institutions are located. It has become well-known, especially in cooperative enterprise and employee ownership circles, because of a combination of its size, diversification, longevity, technological sophistication, and, in particular, its network structure. In 2022, the group employed 70,000 people and generated €10.6 billion in sales, competing successfully around the world with conventionally-owned firms of all sizes in a wide variety of business sectors, including advanced manufacturing, finance, retail food, technology R&D, and business services (Mondragon Corporation, 2022).

While these data are impressive, the co-op group is not without its significant challenges, controversies, and critics, which we will discuss in a later section. First, we will quickly describe the employee-owned or worker cooperative form of shared ownership. Second, the history of Mondragon is reviewed to provide context for understanding its current situation. We then examine its network structure and finally important recent developments and challenges.

EMPLOYEE OWNERSHIP AS WORKER COOPERATIVES

Shared ownership takes a fairly wide variety of different forms across the Americas and around the world. The "cooperative corporation" or "cooperative society" (as it is known in the British English tradition) is, perhaps,

the oldest form of formal, shared-ownership organization used systematically for business activities as we conceive of them in the modern world. Many scholars place its beginning with the Rochdale Pioneers in 1844 outside of Manchester, England (Walton, 2015), while others date it to the Fenwick Weavers in Scotland in 1761 (McFadzean, 2008).

Cooperatives are divided into several categories, including: consumer co-ops, credit and savings co-ops (or credit unions), agricultural co-ops, housing co-ops, energy co-ops, worker co-ops, and others, though we conceive of them in essentially following three groups: user co-ops, in which most categories of cooperatives fit, worker cooperatives, and Multi-Stakeholder Cooperatives (MSCS). In the first category, ownership rights and responsibilities in the firm—ultimate control, voting for representative governance bodies (such as boards of directors), sharing of economic surplus, etc.—as the label suggests, correspond to the people who use the firms' services (consumers, depositors, farmers, etc.) and who follow a process outlined by law and specified by company by-laws to become members. The second category, however, is one unto itself. Here, ownership rights and responsibilities belong to those who work in the firm, its worker-members, be they frontline machine operators, senior executives, clerical workers, mid-level managers, cashiers, engineers or others. The third category, MSCS, has a mix of different kinds of members, usually workers and one or more categories of users and, at times, government bodies or others, and ownership rights and responsibilities are shared among them by different formulae.

Mondragon is well-known in part because it is composed mainly of worker cooperatives, historically not the most prominent or successful type of co-operative (Ortega, 2021). While it is important to point out that some of Mondragon's largest firms and network institutions are MSCs, which will be explained below, in Mondragon, worker cooperatives are predominant and its basic principles reflect this priority.[1] In the Mondragon network, worker co-operative means the following:[2]

1. They are: (1) Open Membership, (2) Organizational Democracy, (3) the Sovereignty of Labor, (4) Capital as Instrumental, (5) Participation in Management, (6) Solidarity in Compensation, (7) Intercooperation, (8) Universality, (9) Social Transformation, and (10) Education.
2. See Freundlich (2015) for a more detailed presentation.

• The general assembly, composed of all worker-members in the firm, is the highest authority in the company and its decisions are made on the basis of one member-one vote. It must meet at least once a year to formally close the books on the previous year, vote on the suitability of the business plan for the upcoming year and address any other company-wide issues that require a decision by the full body of worker-members (e.g., a major investment, a change in the company's by-laws, regulations or basic policies).

• The general assembly elects a Governing Council (GC, roughly similar to a board of directors) from among the firm's worker members and it is sovereign when the general assembly is not formally in session. The GC selects its chairperson (in Mondragon called "president") from among its elected members, appoints the company's chief executive and must formally approve the CEO'S choices for the other several senior-most management positions who, together, make up the firm's management council.

• A social council is also elected by worker-members, but in this case not by the work force at-large, but by work unit. The social council's role is to address local work-area issues, to facilitate a multi-directional flow of information and ideas among frontline worker-members and the management and governing councils, and generally to represent the work force's different viewpoints in discussions with these bodies.

• The firm's economic surplus (profits or losses) is shared among worker-members in proportion to their compensation.[3]

3. Basque cooperative law stipulates that up to a maximum of 70% of a co-op's positive, post-tax surplus can be distributed to worker-members, a minimum of 20% be placed in its collective reserves, and 10% be donated to non-profit organizations. Mondragon's policy is more investment-oriented. First, on average, Mondragon co-ops place 50% of surplus in collective reserves and distribute 40% to worker-members. Second, this distribution is not made in cash; rather, it is deposited in each member's internal capital account. It earns interest, paid in cash annually if the co-op is profitable, and the balance in the internal account is recovered by the individual worker-member when they leave the firm or retire.

A BRIEF HISTORY OF MONDRAGON

The earliest seeds of the Mondragon experience were planted and nurtured by a Catholic priest, D. José María Arizmendiarrieta, sent by the Church to the town of Mondragon in 1941 (Altuna, 2008; Azurmendi, 1984; Barandiaran & Lezaun, 2017; Molina, 2005; Ormaetxea, 1997; Ortega, 2021; Whyte & Whyte, 1991).[4] Arizmendiarrieta turned into a pivotal figure in the history of the town of Mondragon in the 20th century and, of course, in particular with respect to the development of the Mondragon cooperative group.

The historical and cultural context almost certainly influenced Arizmendiarrieta and his thinking about enterprise forms and business in general, though he does not make many of the influences clear in his somewhat fragmented writings. The Basques, for example, have deeply rooted traditions of collaborative agricultural work, called *auzo lan* in the Basque language, and there is some sociological data that show relatively high levels of associativeness in Basque society—belonging to diverse clubs and associations, participation in community life, etc. (Elzo, 1996, 2002).[5] Further, there was a consumer cooperative movement in the Basque region, partly associated with left political parties and partly associated with the Church, dating back to the 19th century (Arrieta et al., 1998). An important industrial worker cooperative,[6] Alfa, in the nearby town of Eibar, became well-known locally in the first part of the 20th century. Again, though, it is hard to pinpoint specific instances of the influence of these factors in his writing and in writings about

4. The historical summary offered here is based on these sources, except where otherwise noted. They are noted here so as to minimize repeated citations and fragmentation of the text.
5. The degree to which these traditions influenced Arizmendiarrieta's thought and action, and in general the Mondragon cooperatives, is debated among scholars. Direct evidence is scant. For various reasons, the authors feel that the influence of these factors was relatively small in the Mondragon case. Seasonal or momentary, task-related cooperative work arrangements (barn-raising, harvesting crops, etc.) were not by any means limited to the Basque Country; they were widespread in rural societies for centuries (Moore, 1975). These practices may have influenced the formation of agricultural cooperatives and early credit unions in rural areas, but they did not lead to any significant worker cooperative activity. It also seems likely that if the cooperative and associative aspects of Basque culture were a strong causal force as regards worker cooperative development, then worker cooperatives or similar shared ownership arrangements would be much more widespread in the Basque Country than have been since industrialization in the late 19th century. Despite Mondragon's size and geographic concentration, and a strong "social economy" sector (cooperatives, non-profits, NGOS, and related kinds of organizations), the Basque economy is a conventional, Western European market economy. The social economy, including Mondragon, makes up only about 6%-7% of the Basque economy (DSDTE, 2020).
6. In most worker co-ops, people make a financial contribution as part of the process of becoming a member, but their rights are not tied to the size of their capital stake, but to their functional role as workers.

him. In fact, his first efforts to introduce reforms in local business structure in the early-to-mid 1950s did not reflect the principles and practices of the cooperative movement and he did not describe them in those terms. Rather, these efforts were directed at gaining worker representation on a large local firm's board of directors and a measure of profit-sharing. His thinking about these issues had grown out of Catholic Social Doctrine (see also Gaminde, 2017)—work, solidarity, responsibility, community—and eclectic reading in economics and political economy. Arizmendiarrieta's focus did not turn toward cooperative enterprise specifically until the local firm in question rejected his and his followers' proposed reforms, leading them to search for a business structure that would best embody their values.

Before reviewing Arizmendiarrieta's turn to cooperative enterprise in the mid-1950s, we should briefly describe the context of the previous 15 years since his arrival in Mondragon in 1941. The setting was daunting to say the least. The Spanish Civil War (1936-39) had left much of the Basque Country in ruins, desperately poor and its political control in the hands of the victorious Spanish general turned dictator, Francisco Franco, who had received substantial military support from the fascist regimes in Italy and Germany. Europe and much of the rest of the world were by then immersed in World War II. The Basque Country, though politically divided, had officially and mainly sided with the Republican-led government against Franco during the Civil War and was thus treated by the Franco dictatorship as occupied enemy territory during the post-war years. In short, the Basque Country could expect little or no help from the outside for some time to come.

Though the human suffering in the Basque Country and in Spain was tremendous in the post-war period, this isolation and need for self-reliance might well have contributed to Arizmendiarrieta's initial success. In this context, he proved to be an effective leader, an unusual mix of pragmatist and religious-philosophical visionary. He combined his intellectual and spiritual vision with practical, educational, and community organizing activity and soon built up a local following, particularly among a portion of Mondragon's youth. He led an effort to create a small vocational school in 1943, a project which gradually grew into a substantial local institution in vocational-technical education and continues to function to this day. He and his followers started a variety of associations under the auspices of the Church, and they carried out a multitude of small community development

projects, the sum of which had a real practical and social psychological impact in the town.

At the same time, in innumerable formal and informal discussions and exchanges of all kinds, Arizmendiarrieta's followers became imbued to a greater or lesser degree with his world view, based, as mentioned, primarily on Catholic Social Doctrine. This viewpoint was critical of conventional business as excessively individualistic, materialistic, and often exploitative, promoting grossly inappropriate inequalities in wealth and influence. Social and economic institutions should encourage individual initiative, innovation and responsibility, and should reward these, but they should not do so at the expense of community solidarity and basic measure of human dignity for all. Trade-offs are inevitable, and a balance must be sought between individual and community interests. Arizmendiarrieta's interpretation of Catholic Social Doctrine called on followers to work hard for themselves and for others, to work as individuals and together and, ultimately, to cooperate in enterprises in which they could develop and benefit themselves and the surrounding community.

Arizmendiarrieta was equally if not more critical of the socialism of his day. He saw it as collectivist in the extreme, overly centralized, authoritarian, dehumanizing, and bureaucratic. It largely negated individual freedom, even individuality itself, diminishing individuals in the fulfilment of their responsibilities as well as in the exercise of their rights. On the opposite extreme to capitalism, it upset what he viewed as this essential balance between the individual and the community, and between the rights and responsibilities of each with respect to the other.

Five of Arizmendiarrieta's closest followers became the first to seek to put these ideas in to practice in the economic sphere. After pushing for reforms in the local enterprise where they worked, and failing, they decided to create their own business, one in which they would be more free to pursue this alternative view of enterprise. They bought a license for production from a failing firm and, with about 20 others, officially got the firm underway in 1956. It was called Ulgor, an acronym composed of letters from their five family names. As mentioned above, at the time they did not have the cooperative corporation in mind as a specific legal structure that would give basic form to their philosophy. As they set about trying to build a successful and ethical business, Arizmendiarrieta took on the task of researching different legal

forms and by-laws and discussing his progress with the founders of Ulgor. In short, after significant consultations, various proposals and modifications, they settled on the worker cooperative legal structure and its corresponding by-laws as best suited to their purposes.

Ulgor initially produced simple paraffin heaters and stoves and became a successful business. Several other cooperative businesses soon followed, led mainly by other disciples or acquaintances of Arizmendiarreta or the founders of Ulgor. The idea caught on. By the late 1950s and 1960s, the Spanish business environment had also become very favorable, expanding rapidly after a prolonged post-war slump, while still protected by steep tariffs. With technical and financial support from the initial cooperatives and institutions they created, many worker cooperatives were created over the next two decades. In 1970, 54 co-ops employed 8,570 worker-members. By 1980, the group had expanded to 18,733 worker-members in 96 cooperative companies (Caja Laboral Popular, 1986).[7] The firms began to join forces in various ways, led initially by the priest, inspired both by their business ethics and by potential business advantage, and these early efforts eventually led to the network of firms we see today. We will discuss this phenomenon, in Mondragon called "intercooperation" in more detail below.

The birth of the Mondragon group in the late 1950s was fortuitous in certain ways. As described previously, the economic context was, in general, a very positive one in this early period, allowing for substantial growth as well as technological and institutional development. By the late 1970s and 1980s, however, the environment became increasingly challenging. The dictatorship ended with Franco's death in 1976 and a constitutional monarchy was established by referendum in 1978. Though democracy was clearly welcomed by the vast majority, social and political tensions grew in the Basque region and elsewhere in Spain in relation to a complicated and deeply rooted conflict perceived by a significant portion of the population between Basque and Spanish nationalist identities, a conflict that affected economic development and, at times, public perceptions of the cooperatives. Spain gradually abandoned protectionist economic policies and joined the European Economic

7. Figures do not include 40 cooperative primary/secondary schools or 14 housing cooperatives that the group helped to develop, p. 454.

Community in 1986. The competitive situation soon became even more complex in the EEC and, further, Western economies experienced oil price shocks and more severe recessions than had been seen in a generation. As a result, growth in Mondragon, both in terms of new co-ops and new jobs became more problematic. Many co-ops found themselves in economic difficulties that had been almost unknown to them during their formative years.

Mondragon adapted in numerous ways, including through intercooperation, that is, different firms and institutions interconnected and working together to provide each other with technical, financial, management, re-employment, and other kinds of support. This is a central chapter of Mondragon's history and will be discussed below. The network also expanded in various sectors, and especially markedly in retail food through its supermarket chain Eroski.[8] Created in the 1969 through the merger of seven small consumer cooperatives, it grew constantly for over two decades, converting itself in the 1980s into a multistakeholder co-op (MSC), half of whose governance bodies were composed of consumer-member representatives and half by worker-member representatives.

In the 1990s and 2000s, the chain entered into a period massive expansion and experimentation with new organizational forms. As a general, non-niche supermarket chain with the narrow margins characteristic of the sector, a significant portion of competitive advantage is derived from volume in purchasing and sales; hence the firm implemented a major growth strategy over a period of 15 years (Altuna, 2008; Arando et al., 2015; Storey et al., 2014). Between 1991 and 2007, Eroski's workforce grew from 6,900 to roughly 45,000. The bulk of this growth was not undertaken using the cooperative legal form, as Eroski was unsure if it could expand cooperative structures and practices massively and successfully into territories where it had no prior experience. Soon, concerned about the growing percentage of the work force composed of salaried employees (as opposed to worker-members) during these years, in the late 1990s, Eroski undertook a major experiment in partial worker ownership. It was called GESPA and it involved over 12,000 workers in the

8. Eroski also developed other retail businesses, mainly sporting goods stores, travel agencies, and service stations.

stores Eroski had either started or acquired as conventional subsidiaries outside the Basque Country.

Given the success and popularity of GESPA over the course of several years, Eroski then prepared a financial, legal and educational plan for another major change—to much more substantially "cooperativize" its operations in general all over Spain, a plan that was approved by over 70% of Eroski's member representatives in an extraordinary general assembly meeting in 2009. "Cooperativization" was soon interrupted, however, by the Great Recession and Eroski entered a prolonged period of economic difficulties. A significant portion of its expansion has been financed with debt and, though operating losses lasted only a short time, lower sales and high debt service obligations led to several years of losses, renegotiation of its debt, sale of assets, and reduction in employment. Eroski returned to profitability in 2017, with most of its debt paid off, but with a work force now under 30,000. It has redefined its business strategy and its future seems promising, but the fate of the cooperativization project remains to be determined.

Other trends began to mark Mondragon's history during this period, the 1980s and 1990s, some of which continue to the present day. Though the overall work force generally continued to grow, the creation of new cooperatives slowed dramatically. As the Spanish economy opened up and as the co-ops explored new markets, competition with conventional, often multinational, firms became ever more intense. A large and growing portion of resources was dedicated to consolidating firms' competitive position and a much smaller portion to starting new firms. Many new products and services were created, but in general within existing co-ops and not in the form of new firms. The manufacturing companies began to specialize, investing heavily in technology and training, and seeking to offer more customized, higher valued-added products combined with services in order to avoid competition with much larger, mass manufacturers of standardized products increasingly based in low-wage countries. This trend, and the corresponding servitization process, has become even more marked in the last twenty years.

The Mondragon co-ops also became increasingly concerned over the decades with the content and organization of work. A key milestone here was the only strike in Mondragon's history, which was held in 1974 in Ulgor Home Appliances. The causes and consequences of the strike are too complex to analyze in this space (Altuna, 2008; Kasmir, 1996; Whyte & Whyte, 1991),

rooted in part in the growing tumult in politics and shifting gender roles in the final years of Franco dictatorship,[9] but the content and organization of work were undoubtedly important factors (as were related questions of compensation and participation in decision making). Monotonous work using production technologies that provide little opportunity for development or influence over daily work decisions contradicts in important ways the humanistic and democratic principles behind shared ownership of enterprise. Yet, at the same time, cooperatives and other shared ownership firms must compete successfully in the market with conventional, investor-owned companies whose principal or even exclusive goal is to maximize profitability and shareholder value. Under these circumstances, simply put, there are limits on the degree to which shared ownership companies can absorb the higher costs involved in enriching jobs, training and re-organizing work in more humanly satisfying ways and still remain competitive. This is an ongoing dilemma in Mondragon (as it has been for worker cooperatives around the world since their inception [Ortega, 2021]) and, without a doubt, has an impact on members' sense of cooperative identity and their satisfaction with cooperative ownership overall (Arregi et al., 2018; Azkarraga et al., 2012; Cheney, 1999; Elorza et al., 2011; Freundlich et al., 2013).

In response to this dilemma, Mondragon has dedicated substantial resources to the reform and reorganization of work, conscious, of course, of the competitiveness dilemma. It has sought to enrich jobs, offer multiple opportunities for training and development for workers and managers, and invest in production technologies that balance efficiency and effectiveness with work satisfaction and opportunities for collaboration (Arando et al., 2011; Freundlich et al., 2013). A centrally important and continuously evolving trend in this regard concerns Mondragon firms' efforts to increase frontline worker participation in decision making, particularly in members' immediate work area, but also regarding topics with broader scope, including governance (Corporación Mondragon, 2019). Initiatives in this arena have varied enormously over time and among co-ops in different sectors and to describe them and their outcomes in depth would require a publication of its own. Suffice it to

9. The strike took place in a period of intense and often confrontational left-wing political activity and somewhat generalized social unrest and uncertainty in Spain and the Basque Country as the Franco regime seemed to be approaching its end.

say here that these efforts will remain crucially important to shared ownership in Mondragon and will continue to evolve in multiple ways on into the future.

Other milestones have marked Mondragon's recent history and other challenges have also arisen. Before exploring these, however, we examine intercooperation, a central element in Mondragon's development that dates back to its earliest years and continues to characterize its structure and functioning to the present day.

INTERCOOPERATION—MONDRAGON AS AN INTEGRATED NETWORK

The use of the term Mondragon, as if it were the name of a single organization is very misleading in some ways. The cooperative group is made up of dozens of different firms and support organizations, in vastly different markets, of different sizes, in different locations, and with different local histories and organizational cultures. Yet, in a variety of crucial ways, Mondragon truly is one entity. Its member companies are closely tied together in an integrated network, a complex of legal, financial, policy, and institutional bonds that establish and regulate what in Mondragon is called intercooperation—cooperation among co-ops.

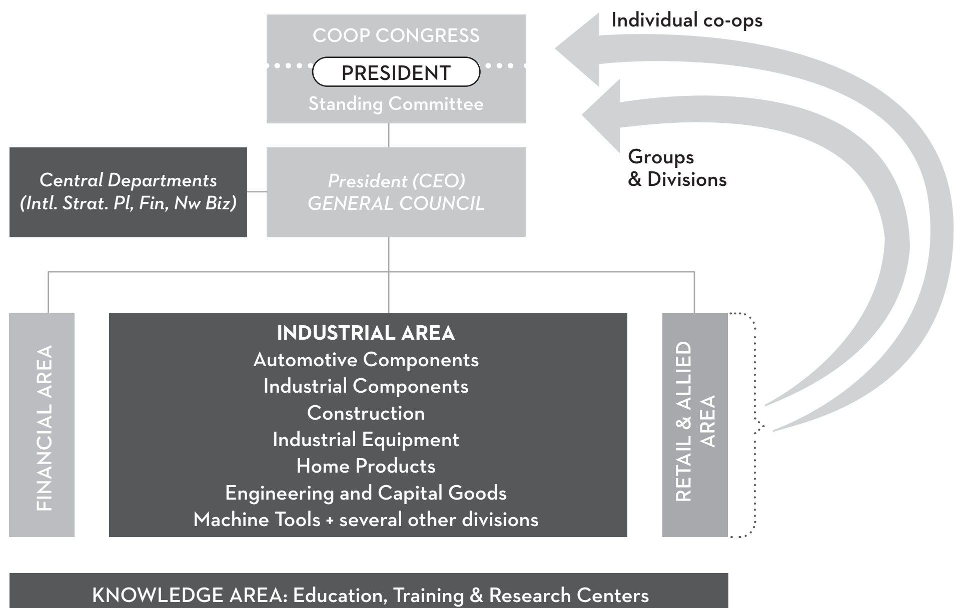
Intercooperation in Mondragon has two purposes: first, to provide mutual support among member enterprises and, second, to foment synergies and new business development. These two purposes are then fulfilled in two basic ways: the first through institutions and policies that the co-ops have created in common at the whole-network level and, the second, through company-to-company collaboration within the network. Consider each of these in turn.

In order to understand the first approach, we should review the structure of the network as a whole, seen in Figure 4.1.

In the top portion of the figure, we see the Corporation's overall governance and management bodies, starting with the Mondragon Cooperative Congress, a representative body of 650 people to which all member firms send representatives in indirect proportion to their size.[10] The Congress sets

10. Larger co-ops have more representatives, but not directly proportionally. This prevents a small number of the largest co-ops from dominating decision making.

FIGURE 4.1 ORGANIZATIONAL STRUCTURE OF THE MONDRAGON CORPORATION



policy, regulations, and guidelines for all member companies. The next governance body at the level of the whole Corporation is the Standing Committee. Its 22 members are not elected directly from the Congress, but from the areas and divisions pictured in the bottom portion of the figure. Here we see that Mondragon companies are divided among four areas: Industry, Finance, Retail and Knowledge, and within the Industrial area, among several different divisions.[11] Each of these areas and divisions has its own representative bodies, including a Governing Council, composed of the presidents and a number of other members from the Governing Councils of each of the area/division's member co-ops, the number, again, in indirect proportion to their size. The Governing Council of each area/division is the body that sends a number of its representatives to the Corporation's Standing Committee (StC), the exact number, once more, depending on its comparative size. StC

11. Divisions are periodically reconfigured and their names and number change.

members then elect a chairperson, called "President of the Congress and Standing Committee". StC members, except for the president, maintain full-time jobs in their areas/divisions. The StC's role is to oversee the implementation of Mondragon congressional policy and strategy, and to monitor the overall progress of the network —the Corporation— and the effectiveness of its senior managers. It names the chief executive of the network, also called "president" and must approve of her/his choices for members of the senior management body of the Corporation —its eleven— member General Council.[12] The members of the General Council, in addition to the president, are the vice presidents of the group's largest seven areas/divisions plus the Corporate Secretary/Legal Counsel and directors of two of the Corporation's central departments: Finance and Management & Social Affairs. The role of the General Council is to implement congressional policy and regulation, develop strategy for the network as a whole in consultation with the Standing Committee, and generally to coordinate and provide support for the operations activities of the network.

With this set of interlocking structures in mind, we return now to the two purposes of the network—mutual support and business synergies—and the two forms through which these purposes are fulfilled—institutions/policy in common and firm-to-firm collaboration. The first form is characterized as "institutions and policies in common"; all the co-ops in the network participate and contribute and all of them benefit. The network-wide governance and management bodies constitute one example of this form of intercooperation. There are many others.

Probably, the most well-known example is found in Mondragon's cooperative bank, previously known as the *Caja Laboral*, today called Laboral Kutxa (LK). Inspired and researched by Arizmendiarrieta, it was founded in 1959 as a one-room operation. By 2019, it had over €23.6 billion under management in hundreds of branches around northern Spain (Mondragon Corporation, 2020). The story of this financial institution deserves book-length treatment of its own. Suffice it to say here that it played a fundamentally important

12. We see "governance" and "management" as largely distinct kinds of activity, but ones that are closely interrelated. Goverance concerns the development of an organization's basic rules, regulations, and policy, its overall strategy and the monitoring of their implementation. Management is the executive function and consists of implementation of policy and strategy an organization's operations.

role in the growth and development of Mondragon companies, particularly during their formative generation from the 1960s to the 1980s. Credit unions were created in the 19th century mainly to provide basic financial services to populations that could not make use of traditional banks or other financial institutions for socioeconomic or geographic reasons (Aranzaldi, 1976; Moody & Fite, 1984). Though in legal terms a credit union, it is important to emphasize that LK's mission was not that of a traditional credit union; rather, it was what has been called a "cooperative development finance organization." It did serve the community as a credit and savings entity, but its principal mission was to mobilize financial resources to develop worker co-operative enterprises.

Arizmendiarrieta, through his research, had come to understand that inadequate financing had historically been a major stumbling block for worker co-operatives; hence, he led the creation of LK with this mission in mind. While initially skeptical, two of his followers, including LK's first and long-time CEO, José María Ormaetxea, and its first Governing Council President, Alfonso Gorroñogoitia (both also co-founders of Ulgor), and many other members of the community were soon convinced of the priest's strategy. Putting this strategy into practice in the form of this cooperative bank/CDFO is one of the key reasons behind Mondragon's long-term economic success. LK financed and re-financed many of the group's cooperatives and, though its "Business Consultancy Division," provided crucially important technical advising in their start-up phase or during refinancing when co-ops faced particularly difficult economic circumstances.

The Mondragon network developed a number of other institutions to pursue intercooperation of this kind, that is, where all co-ops participate and all benefit. Another one of these that is especially highly valued by worker-members is a social security and insurance cooperative called Lagun Aro (LA), founded in 1959 inside LK and then made an independent organization in 1967. It receives monthly deductions from members' paychecks and, together with relatively modest participation in the state system, LA manages the financing of members' health care expenses and pensions, providing significantly more choice in health care and more generous pension benefits

than the Spanish/Basque public systems, as well as pension benefits that are more fully guaranteed[13] (Whyte & Whyte, 1991).

Still other intercooperation institutions in this vein include a venture capital fund, a solidarity fund for co-ops facing difficulties, technology research and development cooperatives, new business development units, among others. One other that deserves special mention is the policy that prevents members from being laid off for economic reasons. The details are more complex (Altuna, 2008; Whyte & Whyte, 1991), but the gist of the policy is that if a co-op's economic condition is such that it cannot provide work for all its members, the network pays these members 80% of their compensation until a specialized service in the system finds them work (or they find it for themselves) in another co-op in the group that needs labor.

Return now to the second variety of intercooperation promoted by the Mondragon complex, co-op-to-co-op collaboration. Mondragon has created a number of institutional mechanisms through which member co-ops collaborate to seek economies of scale, synergies, and other business advantages (Basterretxea et al., 2019). These might involve joint ventures with each other or acquiring a business park, developing new technologies or marketing initiatives, or profit-pooling for mutual support or other kinds of activities. Instances of this kind of collaboration abound. "Ategi," for example, is a joint purchasing portal founded in 2001. It both facilitates purchasing of goods or services many co-ops need in much greater volumes than they could find on their own (computers, telecomm., etc.) as well as greater specialization in managing this activity, thus reducing purchasing costs in a number of ways. A handful of co-ops joined together to pursue this project 20 years ago and dozens of others have signed on since then. The "City Car" project is another example. In this case, 20 co-ops in the network joined forces to build a prototype electric car to explore in depth the manufacturing, materials, and organizational challenges related to producing a wide variety of components for this kind of vehicle. In another instance, several service co-ops joined with Mondragon University's Faculty of Engineering to design a multi-faceted system for improving the care of cancer patients, a system that

13. The Lagun Aro pension system is not "pay-as-you-go," as most public pension systems are, that is, where current taxpayers finance current retirees' benefits. Rather, each worker's premiums are managed by Lagun Aro to pay for her/his own retirement benefits.

included information technologies, interpersonal communication guidelines and training, industrial design, and predictive modeling. Numerous other examples of co-op-to-co-op intercooperation could be provided and would be well worth examining in the future.

RECENT MILESTONES AND ENDURING CHALLENGES

The Mondragon group faces a number of more recent trends and milestones and these are closely related to its most serious challenges. One crucial trend dating back to the mid-1980s is increasing competition in Mondragon's firms' markets, one of the causes of the challenges related to job content and work organization described in the previous section. As mentioned, Spain entered the EEC (later converted into the EU) in 1986 and trade barriers were steadily removed over the next several years. Low-cost producers competing in the co-ops' markets had begun to emerge in Asia and Latin America. This trend, as is now well-known, would only accelerate and in later years would also include central and eastern European countries. Mondragon responded in several ways. One of these was to increase investment in technological research and development, not only inside each, but also in the form of multi-stakeholder co-ops (MSCs) dedicated to R&D. Ikerlan was the first of these MSCs, created in 1974. It now has over 200 scientists and technicians focused mechanical engineering, electronics, industrial design, and energy among other specialties. The number of the MSCs in research as well as technical fields of consulting steadily grew over the decades and today Mondragon has over a dozen of these in a variety of fields, including machine tools, automotive components, and environmental engineering.

Internationalization is a parallel trend growing out of increasing competition and one that has become very significant in the last 15-20 years among Mondragon firms. It began with a growing emphasis in the co-ops on manufacturing for export outside of Spain in the 1960s and 1970s and increased as the decades passed. Today, 70% of Mondragon's industrial sales consist of exports (Mondragon Corporation, 2020). Equally importantly in this arena, and almost inevitably, with the rise of low-cost competition from emerging economies for customers both at home and abroad, internationalization also involved Mondragon firms starting manufacturing facilities overseas. This has been a subject of keen debate both inside and outside Mondragon (more

on this topic, below), but surviving competitive pressures has taken priority in co-op decisions, and investment in this type of operation continues apace.

Mondragon co-ops, together, by 2019 had about 140 manufacturing operations, employing nearly 14,500 people, in many different countries around the world (Mondragon, 2005, 2020). These plants are either joint ventures with local, conventional companies/investors, or fully-owned subsidiaries of Mondragon parent co-ops, and the workers in these overseas facilities are conventional employees. To date, shared ownership has not been introduced in any of these operations. Certainly, the challenges involved in integrating workers into shared ownership structures in different countries are many and complex, implicating a variety of legal, financial, educational, and cultural concerns, and ones that vary markedly from place to place. Still, the fact that a not insignificant number of other firms that share ownership with workers in their home countries have found ways to do so in their overseas operations (GEO, 2021) suggests that Mondragon firms have serious work to do on this topic.

The internationalization question has been examined in detail in other research, sharpening the issues and the debate (Barandiaran & Lezaun, 2017; Bretos et al., 2019; Bretos & Errasti, 2018; Flecha & Ngai, 2014; Luzarraga & Irizar, 2012). As complex an issue as it is, overseas employment presents the co-ops with important challenges both philosophically and operationally. It should also be emphasized that Mondragon is far from mute on the issue. It has drawn up plans to try to address it at different points in time over the last 20 years and, on several occasions, sought to initiate shared ownership experiments in plants in different countries (Irrure, 2012; Uribetxebarria, 2012), but little concrete progress has been made.[14] Mondragon has recently renewed its focus on this question, however, as it is explicitly included it in the Corporation's strategy document for the period 2021-2024, approved by the Cooperative Congress.

The founding of Mondragon University must also be considered a milestone in the later decades of Mondragon's history to date. The vocational schools created by Arizmendiarrieta originated in the 1960s and 1970s gave

14. While many consider it problematic that Mondragon has not been able to introduce shared ownership in its international operations, it would also be problematic for Mondragon to somehow impose joint ownership in places where clear majorities of employees are not interested in it, an attitude Mondragon managers say is widespread and deserves careful study.

birth to three-year, higher education programs in engineering, business, and teacher education in three distinct cooperative organizations.[15] As the European Union consolidated in the 1990s, business, government, and higher education institutions began to press for EU-wide reforms that would make the content and length of degree programs much more consistent across Europe. The directions suggested by EU reform and Mondragon's educational institutions' own strategy (informed by Mondragon co-ops) led them to invest more heavily and to join forces to create Mondragon University (MU) in 1997. MU is a second-tier, non-profit educational cooperative composed, initially, of the three faculties that created it—in engineering, business, and humanities and education, and joined later by a Faculty of Gastronomic Sciences. MU's history, cooperative structure, functioning, pedagogical innovations, and diverse roles in the Mondragon group would make for another article-length treatment on their own. Here, we only take note of the importance of education generally and higher-education in particular throughout the Mondragon experience.

The year 2013 was also a central milestone in Mondragon's development, if, in this case, a very negative one. In October of that year, one of the pillars of the Mondragon complex, Fagor Home Appliances (Fagor Electrodomésticos-FED), filed for bankruptcy and ultimately failed. FED was the original Mondragon firm, Ulgor, in the 1980s renamed FED, and had always been the largest industrial cooperative in the group. Its failure was materially and symbolically important inside and outside Mondragon and has been examined in depth elsewhere (Arando & Arenaza, 2018; Basterretxea et al., 2020; Errasti et al., 2017; Ortega & Uriarte, 2015). Here, we only underline that it was a complex and traumatic event, not surprisingly, the culmination of many years of substantial changes in the sector, combined with Fagor's evolving and ultimately mistaken business strategy and the growth of a negative organizational culture in large parts of the company, a culture of significant member disengagement. The main and most proximate cause of the failure was clearly the utter collapse of the home appliance market in Spain, and its sharp decline in other European countries, during the Great Recession that had begun in 2008, but the other sectoral, strategic, and organizational

15. For much of the 20th century, Spanish universities offered three-year degrees called diplomaturas and five-year degrees called licenciaturas. Most degrees converged on a single four-year model in the 1990s.

issues mentioned also played important roles and have been hotly debated in the Spanish and Basque media and in the scientific literature. Ortega and Uriarte (2015), and Arando and Arenaza (2018) report on central lessons Mondragon has sought to draw from this experience as regards standards for intercooperative assistance when firms are in trouble, the potential effects of a deterioration of cooperative culture and other questions.

The Mondragon Cooperative Congress of 2016 serves as another marker in recent Mondragon history. It raised a number of key issues and approved group-wide strategies in response to them. One of these related directly to the FED bankruptcy. The Congress approved more specific and strict criteria Mondragon cooperatives and its central support institutions would use for a specific dimension of intercooperation, that is, when providing financial assistance to member companies that find themselves in economic difficulties (Corporación Mondragon, 2017). Other vital questions were also addressed. The organization of the network's subgroups and divisions was made more flexible, such that member companies could join together more easily, in different and at times temporary configurations, as business opportunities might dictate.

One final reform set in motion in this landmark Congress involved the term "social transformation." As mentioned, in 1987, the Mondragon network set down ten Basic Principles to guide its action. One of these principles is "social transformation" and it commits Mondragon co-ops to seek socioeconomic solidarity and community cohesion, particularly in the localities in the Basque Country where the cooperatives operate. The 2016 Congress asked the co-ops to re-think the meaning of this principle in concrete terms. It had languished somewhat, especially since the start of the Great Recession in 2008, and the sense of the Congressional representatives was that the term needed to be thought through anew and reinvented. The group has begun work on this request in a number of different ways. It created a new position in the network central staff organization to dig into the issue in tangible ways and to work closely with co-ops to research, create, nurture, coordinate, and disseminate various measures that co-ops might take in the realm of social transformation.

The group and member firms have begun to think in specific ways about how to integrate the United Nations' (UN) Sustainable Development Goals (SDG) into strategy and practice and have met with international bodies to discuss concrete approaches to pursuing the SDG as cooperative enterprises

and tools for measuring their progress. The Congress moved to revitalize regional subgroups of the member co-ops. Mondragon's regional subgroupings of companies had largely disappeared with the advent of sectoral subgroups in 1991, as mentioned, but the 2016 Congress sought to revive them. Their purpose here, though, would not be to promote direct business collaboration among member firms, but rather to encourage them to join forces with each other and other local/regional actors, pool resources and foster community, and local economic development in a more focused coordinated way. The clearest example of this approach is in Debagoiena, the six-town county that includes Mondragon. The regional co-op subgroup known as the Fagor Group joined with local foundations, Mondragon University, town governments, and other local agents to create and fund a wide-ranging and participatory community diagnostic and development initiative called Debagoiena 2030. This project is now underway and will be the subject of a doctoral dissertation and hopefully further research in the next few years. Other regional subgroup initiatives in this vein are in the planning stage or other early phases of development.

We consider another concern, not so much an historical milestone, but a number of intertwined, long-term trends in the Mondragon complex and also the ways the cooperatives have sought to address to them. The concern is the evolution of cooperative identity and culture. Mondragon is often admired in shared ownership circles for its having "achieved scale"—dozens of cooperative enterprises and tens of thousands of worker-members. Many developers of shared ownership enterprises seek to understand and emulate or adapt this achievement, how Mondragon "scaled up." There are many good reasons to applaud Mondragon's growth over the years and the effects generated by achieving significant size. Over the decades, the Debagoiena county, where many Mondragon co-ops are located, has enjoyed low levels of poverty, unemployment, and inequality and high per-capita income in comparison with the other 19 counties in the Basque Country (EUSTAT, 2016; OEE-DEPS, 2017). This is largely attributable to the presence of a great number of Mondragon firms. Other statistics could be cited along these lines.

Despite these and other favorable effects, however, size and complexity have also led to serious challenges, as many advocates of shared ownership can probably surmise. Small shared-ownership firms that grow slowly can

take greater care in their selection, hiring and "onboarding" processes than can larger firms that experience periods of rapid employment growth, as has been the case in numerous Mondragon firms. As a result, a high proportion of new hires among frontline workers and managers in these firms did not come from a cooperative background or from Mondragon's affiliated schools. Data on cooperative identity are too scarce and fragmented to know with any precision how cooperative identity evolved among new hires over the years, but it seems probable that, while many became committed cooperative members, many others did not.

Again, a small company that expands slowly is able to screen more effectively for new hires who are likely to believe in and contribute to a cooperative organizational culture. By contrast, a larger company, whose work force has at times grown quickly, almost inevitably, will become more representative of the general population and thus more likely to reflect the values and behavioral norms of the broader society. While there are important differences both within and among national cultures as regards these values and norms, trends in recent decades, are, generally, not supportive of the cooperation and co-responsibility needed to maintain a vibrant employee ownership culture. Individualism, materialism, and inequality are, overall, on the rise and interpersonal trust and related social capital on the decline in most advanced and emerging economies around the world (Bartolini & Sarracino, 2017; Santos et al., 2017), contemporaneous with the rise in women's labor force participation and rising community heterogeneity (as well as weath and income inequality). Data about trends with respect to these values are not available for the Basque Country specifically but given how large Mondragon has become and hence how representative its work force is likely to be of the broader population and culture, it seems probable that trends in similar industrialized societies toward greater individualism and materialism, and declining social capital also exist in the Basque Country and have contributed to diluting cooperative identity in Mondragon.

Competitive pressures in the global economy also seem likely to have weakened cooperative identity and culture in Mondragon firms over the decades (Azkarraga et al., 2012; Bretos & Errasti, 2017; Cheney, 1999; Whyte & Whyte, 1991). Mondragon cooperatives must operate in increasingly competitive international markets. Ensuring that price, quality, and service standards equal or surpass those of conventional competitors in the market (rivals who

generally have few if any of the humanist commitments Mondragon cooperatives have) has often driven cooperatives to adopt production technologies, management systems, and forms of work organization similar to those used by conventional firms. These business policies and practices can have various deleterious effects on co-ops, among them monotonous, often alienating work for a significant portion of the work force (Arregi et al., 2018) and sustained high pressure and, ultimately, burnout in the long term. Further research would allow us to draw more definitive conclusions on these questions, though data on decades-long trends are not available.

Over many years, companies in Mondragon have taken a wide variety of measures to ameliorate the effects of these kinds of technologies and work systems, measures related to job design, teamwork and job rotation, participatory decision making, and training and development, but competitive demands and socioeconomic conditions put limits on how far these measures can go. Further, traditional "us-versus-them/labor-versus-management" mental models are far from entirely absent in Mondragon (Azkarraga et al., 2012; Basterretxea et al., 2020, 2019; Cheney, 1999; Greenwood & González, 1992; Kasmir, 1996). Despite decades of experience with cooperative enterprise, these conventional habits of mind about worker and management roles have proven difficult to overcome, probably in substantial part because of the factors described: size and complexity, competitive pressure, the use of the conventional technologies, and management methods and attitudes about work and management that are deeply embedded in the broader culture. There is substantial variation among the dozens of Mondragon firms in these regards, and many of them are committed to addressing these issues, but, again, the trends do seem fairly widespread and appear to have contributed to weakening the culture of shared ownership in the Mondragon network over the years.

Despite these apparent trends, many scholars find that the experience of work in Mondragon cooperatives, as well as workers' organizational commitment and related perceptions, have remained, on average, significantly better in Mondragon cooperatives than in comparable conventional companies (Arregi et al., 2019; De Reuver et al., 2021). Still, the perceived deterioration of cooperative identity and culture became a genuine and widespread concern in the Mondragon complex by the closing years of the 20th century. It had been an important issue prior to that, but by the turn of the century

it was raised to the level of a formal, network-wide concern to which the co-op group believed it needed to respond explicitly and thoroughly. One of the group's principal responses was to create a unit—the Lanki Institute for Cooperative Research at Mondragon University—, one of whose main tasks would be to collaborate with enterprises and other organizations in the network to design and implement education, training, and organizational change initiatives aimed at revitalizing cooperative identity and culture.[16] As with other topics in this section, a full publication could be dedicated to describing the history of these initiatives in Mondragon. All that can be said in this space is that they are varied, complex, and challenging, but widely perceived as important to the strengthening of cooperative culture in Mondragon. In the following, we will examine one of these education and organizational change projects and will pursue more in-depth research on these activities in the future in order both to assist Mondragon firms in their development and contribute to a sparse literature on the effects of employee-ownership education and training initiatives (Souleles, 2020).

SORALUCE, S. COOP.

This section will briefly describe a member company of the Mondragon Corporation. The firm's name is Soraluce, and it belongs to the Corporation's Machine Tool Division, which is made up of five cooperative companies, four worker cooperatives in manufacturing, including Soraluce, and one multi-stakeholder cooperative focused on research and development in the machine tool sector.

Soraluce is a medium-sized firm headquartered in the town of Bergara in the northeastern Basque province of Gipuzkoa (about 12 kilometers from Mondragon). In 2019, the company had a work force of 238 people and sales of over 69.2 million euros, 92% of which were exports. Table 4.1 shows the company's employment, membership, sales, and export data at three-year intervals dating back to 2007. One can easily observe the deep negative effects of the Great Recession and then the subsequent recovery.

16. The first three authors of this chapter work in Lanki, which is housed in the Faculty of Humanities & Education of Mondragon University.

TABLE 4.1 EMPLOYMENT, WORKFORCE, AND SALES DATA—SORALUCE (2007-2019)

Year	Sales*	% Exports	Workforce	% Members
2007	71	92	202	77
2010	45	97	193	90
2013	59	96	226	83
2016	55	87	219	89
2019	69	93	238	84

Source: Soraluce Department of Human Resources.
*In millions of Euros.

Soraluce produces a broad range of advanced machine tool and provides a correspondingly wide variety of related services. The company covers the full spectrum of complexity in its product catalogue, ranging from the manufacture of an individual piece of equipment up to full turnkey operations that involve the design and production of complete manufacturing lines and machining centers (Barajas, 2019). Its principal products are a series of milling, boring, grinding, turning, and multitasking machines, and these are combined with continuous, specialized services in equipment efficiency enhancement, training, maintenance, and safety. Soraluce avoids mass markets of standardized machines, seeking, instead, niche markets that demand high levels of customized valued-added in products and services.

Soraluce is one of Mondragon's early companies, founded in 1962 to manufacture radial drilling machines. Later in the 1960s, it added transfer machines, then boring machines in the seventies and milling equipment and full machining centers in the eighties and nineties. In the 1990s, the firm started making technical breakthroughs that began to place it among the global leaders in machine tool technology, a trend that has continued through to the present day.[17]

Turn now to Soraluce's evolution as an organization and a cooperative in a network of cooperative firms. Two decades after its founding as a worker cooperative affiliated with the Mondragon group, the firm joined in the creation

17. For example, Soraluce won Germany's MaschinenMarkt/Vogel Communications Group Best in Industry Award several times, most recently in 2019 for its VSET system that provides ultra high-precision measurement and alignment of unfinished parts. Germany is the global leader in machine tool technology.

of the Danobatgroup in 1983. Danobat is the name of the largest and most well-known of the machine tool co-ops in the Mondragon network and the Danobatgroup later became the Machine Tool Division of the Mondragon Corporation when the whole Mondragon group restructured itself by sector in 1991. The divisional structures in Mondragon in general, including in the Danobatgroup/Machine Tool Division, are a key part of what we described as intercooperation in the Mondragon network. The division's companies collaborate both to provide each other mutual support during hard times—through pooling profits, for instance—as well as to search for and exploit business synergies (Basterretxea et al., 2019). To take a simple example of this kind of synergistic collaboration, given the Danobat brand and its recognition in the market, all the companies in the division frequently use "Danobatgroup" as an identifier, integrating the group's reputation into their own firms' brands and simultaneously strengthening Danobat's.

Intercooperation, the taking advantage of synergies goes well beyond "labeling," however, taking multiple forms in activities such as the implementation of joint recruitment, selection, and hiring strategies, marketing, various economies of scale and, perhaps in particular, joint research and development. In 1986, the co-ops in the machine tool division/DanobatGroup jointly created "Ideko," a dedicated machine-tool R&D organization, whose current staff numbers over 110. Few small-to-medium-sized manufacturing companies in the world have such immediate access to this concentration of resources in R&D. As mentioned, Ideko is a multi-stakeholder cooperative, that is, more than one type of member compose its governing bodies. In this case, each of the four machine tool worker co-ops are user-members and, together, they hold 50% of the votes in Ideko's governing bodies. The worker-members of the firm have 40% of the votes and the final 10% correspond to a category known as "collaborating members," which exists in a number of Mondragon MSCs (Imaz et al., in press), and consists mainly of other cooperatives in the Mondragon group.

Other major, business organizational development initiatives should also be mentioned. Soraluce began to invest significantly overseas, creating a joint venture in Germany in 1991, called Bimatec, to better serve the German market, the most important in the world for advanced machine tools. Similarly, it co-founded Soraluce-Italia ten years later. The year 2012, though, was a particularly noteworthy milestone for the firm, its 50th anniversary.

Although still in recovery from the shocks of the Great Recession, Soraluce made a major investment in Bimatec in Germany to ensure its continued market leadership in milling machines and advanced machine tool services there. Further, the firm was recognized with the Gold Q for quality by the Basque Foundation for Advanced Management.

Of most concern here, however, given our specific interest in Soraluce as an employee-owned enterprise, was the initiation that year of a long-term process of broadly participatory strategic reflection and action (Barajas, 2019). Much of the discussion and development, naturally, concerned structural changes taking place in the industry, the geographic location of the firm's markets, the positioning of its brand and related business issues. However, the company also focused renewed attention on issues of shared ownership identity and organizational culture, connecting here with the growing movement to address these questions that had begun in earnest in Mondragon more generally several years earlier.

The company took a variety of measures over several years in this arena. Through constant aplicattion of a survey instrument, the company evaluated its members' perceptions of particular elements of the organizational culture and worked with its representative bodies to make incremental improvements on specific issues. The CEO and the Chairman of the firm's Governing Council began to hold joint, quarterly informational and question-and-answer sessions with small groups of employees. This practice has continued through to today. It later implemented an initiative, "Busti Zaitez/Take a Stand," aimed at boosting worker involvement in identifying and addressing critical organizational issues. This undertaking, however, seemed not to have turned out to be systematic and far-reaching enough; participation appeared not to have been sufficiently broad or deep to strengthen the shared ownership culture as much as had been hoped (A2a, A3a, B11).[18]

The company's thinking on the issue continued to evolve. In 2017, it began to design a more comprehensive endeavor as a result of its experience during the previous few years. The process started with internal discussions about the strengths and weaknesses of "Take a Stand" and what a new initiative might involve to make it more effective. Thus, a new project was born, called Eraldi,

18. Interview participant codes are included here for reference purposes and to aid in future research.

a play on words in the Basque language suggesting, roughly, "time for a new era of change." The company contacted the Lanki Institute for Cooperative Research at Mondragon University, as Lanki had become known among the Corporation's firms for its cooperative enterprise education projects.[19]

Soraluce created a four-member Senior Design Team to develop Eraldi, as well as a larger Feedback Team, and Lanki collaborated with these teams throughout 2017 and much of 2018 to design Eraldi as an education-reflection-organizational change process. The initiative consisted of three phases: first, a six-month, company-wide education and engagement initiative involving day-long sessions offsite for presentations, participatory exercises, dialogue, and brainstorming; second, a phase of evaluation and project team formation; and third, project team proposal development and presentation. The objectives were to engage the whole company; to focus members in a collaborative way on the emerging business and socioeconomic scenario and the firm's strategy in this context; to re-connect people to the past-present-future of the company in ways that strengthened cohesion and cooperative identity, and to identify themes for "change projects" that would be developed by cross-sectional teams, presented during the company's General Assembly, and refined and implemented over time.

The results of Eraldi appear quite positive, at least in the short-to-medium term. Evaluation was carried out quantitatively and qualitatively. The quantitative dimension consisted of a 32-item pre-post questionnaire administered in Phase 1, with a response rate of 82%. Its results were uniformly positive, though with a moderate amount of variation. One block of items examined perceptions of knowledge gained in the Phase 1 sessions; knowledge about the company, its strategy, the market, future trends, etc. and all items showed a statistically significant positive pre-to-post change, in particular regarding knowledge about the specific challenges facing departments other than the respondents' own [t (197) = -9.6, $p < .001$].

Another block of items asked about the importance to the respondent of these kinds of knowledge. Changes were more modest in this case, at least in part because the pre-test scores were high (4.5-4.9 on a 1-6 Likert scale).

19. The authors, three of whom are members of Lanki, collaborated with Soraluce on the design and implementation of this project.

Again, respondents indicated statistically significant increases in their perceptions of importance on four out of five of the items in this set. Responses on other items demonstrated substantial support for the joint education and reflection activities in Phase 1 and their outcomes with respect to contributing to a shared ownership culture (cohesion, organizational commitment, etc.). Overall satisfaction with the Eraldi sessions was quite high, receiving a mean score of just over 5.0 on the six-point scale. When asked if sessions of this kind should be done again in the future, the mean response was similarly high, again, just above 5.0. Survey respondents believed that the process contributed to social cohesion among different parts of the firm (4.7), and also perceived that the process generated concrete ideas for "change projects" to be analyzed and undertaken in Phase 2, for example, generating a mean score of 4.75 on the item "The Eraldi session helped me develop concrete ideas for adding value for Soraluce's people."

The qualitative piece of the evaluation involved a dozen semi-structured interviews with the Senior Design Team and Soraluce worker-members who participated in the change-project teams that were formed during Phase 2. These results were positive overall as well, but also nuanced. Interview participants mostly revealed very favorable views of the Phase 1 educational activities that involved the whole company. One interviewee analyzed the general idea of this broadly participatory, reflective educational activity, stating that this "third space" is crucial to the company, its effectiveness and its cohesion, for engaging people in a change project involving serious business and social issues. By "third space," the person was differentiating it from everyday work (the "first space") and also from the representation work of the firm's elected bodies, its General Assembly, Governing Council and Social Council (the "second space"). Shared ownership education and dialogue created a new and different kind of activity for members, one that accomplished things that cannot be achieved in the more ordinary activities of the first and second spaces. The participant claimed that the "third space" helped everyone "share in something, generate a company-wide vision, with different kinds of dialogue and exchange, and, above all, [it generated] that empathy [...] that's the most important thing for understanding each other and each other's work. [...] It seems to me really on the mark, this idea of 'the third space'" (A3a).

Others referred to more specific perceptions of the sessions and their effects. One observed, "I left the session with a really good feeling. I left with the feeling that our people really want to work in Soraluce [...] that they're charged up about improving Soraluce, yeah" (B11). Another commented, "[...] I don't know if, on a scale of 1-10, if we're a five, a six, a seven or an eight. I don't know [...]. But what I *do* know is that we're better off now that before doing Eraldi. And now in the second phase, when we start to define action plans [...] people know why Soraluce has to do these things" (B9).

Some respondents were much more circumspect. They wondered if this kind work really leads to concrete results. "Geez," remarked one participant for emphasis, and then continued, "Personally, I don't like them [these kinds of activities]. [...] They bug me; they worry me. Because people go and yeah, they talk about this and that and, in the end, you'll pick up certain tendencies and such [...] but to me they're not effective" (B10). This participant wondered if the educational work is really more of a series of "feel-good sessions" than a serious problem-solving activity, whether it was worth all the time and money. Another (A4c) saw risk, that the economic cost was high and the social dynamics created in the sessions, and later in the company, were not by any means guaranteed to be positive. Still, in the end, this participant's overall view was positive as were a substantial majority of the opinions expressed on the topic, "You end up pretty satisfied [...] because another possible response is, 'This was useless; nothing's going to change. I don't know why we went. I wasted a whole day [...]'. But the truth is that I haven't gotten any comments like that. It's been the opposite" (A3a).

The Phase 1 education sessions finished, as described, with a process of preliminary identification of specific areas for organizational change. Phase 2 involved prioritizing these areas, using a variety of digital and in-person techniques, and recruiting "change-project teams" to study the issues identified, develop possible approaches to address them and present formal proposals to the company's senior management and governance bodies. Three areas were identified (joint learning and knowledge management, work-family balance and breaking down departmental barriers) and three teams of 12-15 people were formed. Over 80 people initially volunteered for work on these teams. Some participants believed this to be a substantial number, over one-third of the work force. "If we're in a cooperative, we're in a cooperative and that's why the members we want to get involved and why all these groups were

formed" (B9). Others, thought the opposite, "Yes, it's true, we're about 250 members and I think, people willing to participate right now, I'm not sure, I think around 80. I expected more, really I did" (B10). Overall, however, participation in the teams was evaluated in a positive light.

Change-Project Teams were provided monthly with consulting assistance on teamwork dynamics and each team included one or two members of the original Design Team, though all participants were instructed that these more senior figures were not to serve as facilitators or team coordinators but as information resources and providers of feedback. Participation in team tasks waxed and waned to some degree, but core groups of six to eight people or more collaborated consistently over a period of 18 months. Progress was also, at times, halting, as teams ran into technical or organizational snags or were slowed by the demands of day-to-day work, but the teams persisted and gained momentum over time as change ideas were refined and proposals began to appear to be feasible and to be widely accepted.

In the end, a variety of concrete proposals were developed by the Change-Project Teams. Several were relatively minor and simple to put into practice, and hence they were implemented without widespread organizational consultation or debate. Others were more far-reaching and discussed on multiple occasions by team leaders with management at various levels and at meetings of the company's representative bodies. The most of important of these were successfully presented at the firm's annual General Assembly in 2020, as much as the event was tinged by the pandemic in its early phase.

At this point, it appears that Eraldi—an initiative that combined enterprise education, cooperative identity building, and longer-term organizational change—is widely considered by senior leadership and in the company generally to have been a success. Further research will help us fill out, alter or fine-tune this impression and understand the endeavor's dynamics and effects in further detail as the company moves into the post-COVID market and, as seems likely, begins a new, Eraldi-like process in the future. As one participant emphasized, "All these kinds of things, it's not something where you say 'We'll do it today and then forget about it.' You've got to keep working at it" (B9). In addition to helping Soraluce in its work in this arena, a useful contribution could be made to the academic literature on to what degree and in what specific ways ownership-related education and training might have

an impact on shared-ownership culture and identity, as very little research has been done on the topic.

CONCLUSION

Soraluce is an example of a Mondragon cooperative firm that seems well worth examining in depth given its combination of business success in a technologically sophisticated and highly competitive market and a long-term commitment to maintaining a strong cooperative identity. It is hard to know with precision how representative Soraluce is of the Mondragon group in these respects (a question that would require a very significant research effort to address), though a wide variety of educational and organizational change efforts in this vein have been undertaken in recent years and others were underway or in the design phase in multiple Mondragon co-ops when the COVID pandemic hit. They were put on hold in the Spring of 2020, but many of Mondragon firms have been recovering from early pandemic shocks and now these efforts are showing signs of starting up again. We believe they will be vital for the ability of Mondragon to address its various business and cooperative challenges, both in the Basque Country and overseas, and well worth investigating in these respects.

Mondragon is one of the world's largest and most durable examples of employee ownership, having developed an unusually integrated network of enterprises and support organizations. It has its share of serious challenges and tensions, not surprisingly, but both its challenges and its accomplishments provide ample material from which scholars, policy-makers, and businesspeople could learn in the future.

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How Society's Constraints Would Undermine ESPP Adaptation in Latin America: The Case of Peru

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Abstract
Shared capitalism proposes that employees' revenues or wealth are directly related to a firms' performance, while they participate in the organizational decision-making processes as well (Kruse et al., 2010). Employee stock ownership, one of the mechanisms of shared capitalism, can be implemented through different ways including Employee Stock Purchase Plans (ESPP). This paper examines such plans offered to Peruvian employees by three French companies. Previous literature has documented that ESPPS' participation and investment are undermined by four factors: liquidity constraint, imperfect knowledge of information, asset choice, and transaction costs. We highlight the actions developed by these three companies to limit the effect of these four factors and thus stimulate employee participation and investment in their company's shares. We also identify other important elements of participation.
***Keywords:** shared capitalism, employee ownership, employee stock purchase plan, Peru, France*

Charles Darwin said once, "If humans' social inequalities are not a natural cause, then we should be conscious of our infamy." According to the United Nations (2015), the Sustainable Development Goal (SDG) number 10, reduced inequalities, aims to achieve equal conditions for all humans within and among countries, in order to not leave anyone behind, ensuring everyone has access to essential services as well as social protection. However, global crises such as COVID-19 has widen those differences between groups of people, threatens millions of livelihoods around the world, and increases the social and economic inequality in societies worldwide (United Nations, 2020).

Current capitalist systems adopted by most nations, which differ according to their regional characteristics (Schneider, 2013), are not clear as to how they address inequality. Shared capitalism links employees' revenues or wealth to a firms' performance, and their participaction in its organizational decision-making processes as well (Kruse et al., 2010). A mechanism used by shared capitalism is Employee Stock Ownership (ESO). According to the US National Center for Employee Ownership, ESO can be implemented through different ways: Employee Stock Ownership Plans (ESOP), equity compensation plans including Employee Stock Purchase Plans (ESPP), worker cooperatives and others like retirement plans for instance. The legal form and fiscal incentives attached to ESO vary dramatically from country to country. In Peru, ESO is usually called "Programa de Incentivos en Acciones" (PIA). These plans provide the opportunity to sell a company's shares to employees, as a way to split the risk and improve short-term liquidity, while incorporating new shareholders to the ownership structure of the firm. ESO is sometimes criticized because it may put the employees' wealth at risk. But academic literature shows that investment in the employer's shares is not too risky for employees when it is not more than 10-15% of their overall wealth (Markowitz et al., 2009). This percentage is rarely exceeded in the United States where employee ownership is the most developed in the world (Kruse et al., 2019). The decision to introduce and develop employee ownership generally lies with management. Nevertheless, ESO implementation produces relevant long-term trade-offs that may drive firms to the loss of traditional hegemony or position of power (Aubert & Cordova, 2020).

Losing power would mean not only sharing the risk or ownership of the firm, but its decisions and control as well. How reluctant to implement mechanisms such as employee ownership would depend on the maturity of financial markets, the employees educational level, the local business culture, and the proneness of business leaders to share power over their organizations. Leaders' behavior could be shaped by the conditions of the context that surrounds the firm (DiMaggio & Powell, 1983), so the organizational environment as well as the country's business culture play a significant role in the firms' decisions toward employee ownership.

ESO is also known to have very positive outcomes at worker and corporate level. The academic literature's main conclusions is that employee ownership improves corporate performance. The positive effects of employee

ownership come from better cooperation, mutual monitoring, decreased staff turnover, and absenteeism. The meta-analysis by O'Boyle et al. (2016) reviewed 102 samples representing 56,984 firms in different countries. They reported an overall positive and significant relationship between employee ownership and firm performance measured in terms of efficiency or growth. Several chapters of the book by Kruse et al. (2010) also evidence the positive relationship between employee ownership workplace outcomes and corporate performance based on survey and archival data collected on a sample of 40,000 employees representative of the US workforce. In addition, more than half of the stock listed firms within the *Fortune'* list of 100 Best Companies to Work for in 2020 have some sort of employee ownership plan (Rosen, 2021).

Latin America has a complex business environment, brimming with opportunities as well as constraints (Vassolo et al., 2012), which co-exist within a region that has had different types of crises for many years (Azevedo et al., 2020). Latin American countries are characterized by socio-economic inequalities and Peru is not an exception. Peruvian government still has a long way to enhance equal conditions (Grompone & Tanaka, 2009), and its efforts are usually undermined by a weak institutional context (Vergara, 2018). According to Ganoza and Stiglich (2015), inequality conditions in Peru are prompted by a specific organizational culture and traditional forms to exert control, promoted by a business elite primary oriented to economic development rather than social well-being. Hence, Peru would be a country where ESO implementation on firms could be constrained by a business culture reluctant to abandon its *statu quo* as well as the country's institutional context.

This chapter discusses how the business culture prompted by a particular type of capitalism in Latin America undermines the context characteristics. This unfertile terrain constraints and impedes employee stock ownership mechanisms to develop. Moreover, the chapter describes the case of Peru, a Latin American country rooted in unequal social systems, exploring how difficult the adoption of ESO for local firms would be, and how MNCs' (Multinational Corporation) subsidiaries could turn the tide, and develop ESO mechanisms in the Peruvian financial market. Even if legal and fiscal policies do not incentivize ESO, we found that several foreign companies offer their Peruvian employees investments in their stock. US and French companies with a strong ESO culture offered employees ESOP or ESP plans as an attractive financial instrument to deal with local uncertainty. ESPPs are emplo-

yers' sponsored offers aimed to develop employee stock ownership usually in large, listed companies. Thus, ESPPs allow employees to invest in their company stocks, providing access to the company's ownership structure and overcoming social inequalities in Peru. Finally, MNCS were able to mobilize their global ESO strategy into local operations such as Peruvian subsidiaries, overcoming the barrier of employees' trust, through the implementation of strategic efforts focused on socializing knowledge, diffusing valuable information, and developing an investment long-term perspective. This paper investigates the implementation conditions of these plans in Peru.

INVESTING IN PERU

In Peru, as in other Latin American countries, institutional development as well as business culture shape how financial markets are evolving over time, and how organizations and individuals respond to investment opportunities. Hence, ESO initiatives in the country would be enhanced or constrained according to the Peruvian context.

Peruvian Economy and Institutional Context

Since the nineties, Peru responds to a free-market economy model, imported from the capitalist system developed by the United States and the United Kingdom. It began with Alberto Fujimori's regime and focused on an overall privatization process that included the most important industries such as telecommunications, mining, energy, and others. According to Consejo Privado de Competitividad (2019), after the Brazilian and Asian financial crisis of 1997, Peru was experiencing a dramatic fiscal deficit and a worrisome devaluation. Henceforth, privatization allowed for a rapid economy recovery and fostered foreign investment to increase public funds as well as opportunities for jobs and facilitate better livelihood conditions for the population. Nevertheless, even when rates for extreme poverty and poverty have overall decreased (World Bank, 2018), those traditional capitalism's expected benefits are still in debt for the majority of Peruvians.

Vergara (2018) states that capitalist system's promises regarding well-being for all and a better society have been treacherous to the most vulnerable people in the country and have broadened the social inequalities that under-

lie the lower Peruvian society. Meanwhile, social unrest is contiguous in the country as a business-as-usual situation, prompted by a generalized corruption inside government's levels (Romero, 2019) and the inability as well as the inefficiency of the State to reach regions outside main cities to deliver essential services and development opportunities (Degregori, 2004; Grompone & Tanaka, 2009). Moreover, the political and business elite composed for few as well as the upper-class derived from this economic and social power, which are benefited directly due to the inequalitarian conditions in the country, are not interested and demonstrate no empathy with the rest of the population who does not have the same access to resources and advantages (Durand, 2018; Ganoza & Stiglich, 2015; Matos et al., 1969). The aforementioned conditions have driven the country to a profound institutional weakness, losing the Republican compass and falling deep into society's different development handicaps and constraints (Vergara, 2018).

Peruvian Financial Market

Peruvian economy grew only 2.2% in 2019, the lowest over the last decade. As a result by the contraction of primary economic sectors such as manufacturing, fishing, mining, and hydrocarbons (ASBANC, 2020). In 2020, it fell 11.1% due to the COVID-19 crisis, after 22 years of continued GDP growth (El Comercio, 2021). According to El Comercio (2021), the most affected activities were mining and hydrocarbons, manufacturing, construction, commerce, transport, and warehouse, lodging and restaurants, and services provided to business. Counter wise the country's trade balance showed a surplus of US$ 6,614 million in 2019 (ASBANC, 2020) and, despite COVID-19, an increase of 17% for the next year, exhibiting a result of USD$ 7,752 million in 2020 (BCRP, 2021a). Mainly driven by the exports of traditional products as well as the resilience of the agricultural and fishing sectors (RPP, 2021).

Additionally, regarding the inflation rate, Peru exhibited 2% by the end of 2020 (BBVA, 2021), slight increase from 1.9% in 2019 (ASBANC, 2020), but still within the Peruvian government´s objective—between 1% and 3% (BCRP, 2020)—. Moreover, credit for businesses expanded to 12.3% in 2020, mainly due to the government's responses against COVID-19, thus favoring the economic reactivation of private sector's organizations (BCRP, 2021b).

Hence, despite the institutional voids in its context, the Peruvian financial market is stable and considers several financial mechanisms for individuals and firms in order to facilitate their development in the economic market. However, some ESO instruments, such as PIA's or "equity awards," are underdeveloped.

Contrary to other countries' legislation, PIA's in Peru have no specific regulation, and the rudimentary interpretation of this financial mechanism done by the Peruvian Tax Court could suppose some tax obligations and social benefits payment for the employer as well as for the employee, which could discourage its implementation (Núñez, 2013; Rebaza et al., 2018). These legislative gaps demand proper regulation in order to establish how employee's role fit in the stock options plans and if these options should be considered as part of the salary or not (Echaiz, 2008).

The main motivations to study global ESPP offered by foreign companies in Peru is to provide evidence of how these subsidiaries deal with local constraints and follow the companies headquarters' strategy toward ESPP. In addition, conducting an empirical study of ESPP in an emerging economy context such as Peru, sheds light about how these financial mechanisms, already well used in other parts of the world, could incentive Peruvian firms to adopt them in order to strengthen their liquidity as well as deliver important benefits to employees, while reducing turnover rates and increasing overall performance.

LITERATURE REVIEW ON ESO AND THE DETERMINATION OF ESPP INVESTMENTS

Understanding how ESO can be promoted in Peru requieres to understand what motivates employees' investment in ESPPs. We first review the theoretical literature on ESO and ESPP before presenting the empirical findings regarding the determinants of employees' ESPP investment.

Employee Stock Ownership in the Academic Literature

Theoreticaly, employee ownership lacks a unified framework due to the different management disciplines that have focused on it. Corporate finance and governance literature underlined that ESO can be used as a managerial

entrenchment mechanism reporting that management and employees are natural allies that can defeat hostile takeovers (Pagano & Volpin, 2005). In this perspective, ESO is often analyzed within the agency theory framework. Behavioral finance studied ESO as an investment option available to retail investors that is associated with investment mistakes and cognitive biases (Benartzi et al., 2007). Industrial relations and human resource management focus on ESO effects on corporate performance as a consequence of better workers' attitudes and HRM outcomes (O'Boyle et al., 2016). Kruse et al. (2010) carried out the most comprehensive study of shared capitalism including ESO studying a large sample of US workers and companies. They define shared capitalism as "employment relations where workers' pay or wealth is directly tied to workplace or firm performance" (p. 1), and include in these relations broad based collective incentives such as: ESO, profit sharing, gainsharing, and broad-based stock options.

Kruse et al. (2010) conclude that gift exchange theory (Akerlof, 1982) can explain positive effects of shared capitalism on productivity and HRM outcomes. They suggest that shared capitalism schemes create a reciprocal relationship between the company and the workforce. Employees would reciprocate the gift of a share of the profit or the equity by increasing their productivity and involvement. Bryson and Freeman (2019) confirmed the gift exchange approach studying responses to a survey filed by 1,740 employees of a UK and Ireland based company. They quote Akerlof (1982) as stating that, under gift exchange, workers acquire a "sentiment for the firm' that leads them to respond to the firm gifting them greater compensation than necessary by reciprocating with a gift of 'work in excess of the minimum work standard" (pp. 543-544).

Bryson and Freeman (2019) assume that "both the gift exchange and pure ownership channels begin with the firm gifting matched shares to employees through the ESPP" (p. 89). Their results conclude that ESPP participants have lower turnover intentions and lower job search and that they press co-workers to work hard in workplaces. ESPP participants also work harder and longer in response to the group incentives induced by shared ownership. Aubert and Hollandts (2015) also confirm the gift exchange hypothesis showing that increased ESPP participation in the subsidiaries of a large French company is associated with lower absenteeism. The company offered a discount on the

stock price. The discount represents a gift that can be accepted or rejected by each employee. The relation is not confirmed for turnover.

Employee Stock Purchase Plans as a Way to Develop Employee Stock Ownership

ESPPs are employers' sponsored offers aimed to develop employee stock ownership usually in large-listed companies. These plans are broad based meaning that all the employees can benefit from them with the same conditions whatever their rank or salary. ESPPs allow employees to invest in their company's stocks. Usually, the employees can invest during a predefined offering period that can range from a couple of weeks to 27 months in the United States (Engelhardt & Marian, 2004; Babenko & Sen, 2016). The purchase stock price is defined by the plan. It can be the fair market value or the minimum of the fair market value at the beginning and end of the offering period. In the latter, it is called a lookback feature. Some plans have a reset option that ensures the employees benefit from the lowest purchase price. From a corporate finance perspective, the stocks can be newly issued shares or existing ones.

Employees who participate benefit from a discount on the stock price (15% in the United States and up to 40% in France, for instance). The plan design can differ from one company to another and these variations can be even higher for an international ESPP that needs to take into account different legal systems. For example, the taxation of the capital gains can be cancelled or lowered after a minimum legal frozen period (e.g., five years in France). Contributions to the plan can come from different sources: profit sharing bonuses, payroll deduction, or employees' own contributions. There are often limitations to the amount invested in the plan that is defined as an amount and a percentage of the annual gross salary. Eligible employees should work at the company for a minimum period of time.

According to Ouimet and Tate (2020), the literature on ESPPs is scarce. They mention just a few papers that investigate these operations. Most of the references focused on US ESPPs where ESO is widespread. 14 million US workers own stocks of the company they work for, mostly in ESOP that are the most popular ESO plans. A large majority of ESOP companies are private. Engelhardt and Marian (2004) and Babenko and Sen (2016) provide a detailed presentation of the ESPPs' functioning in the United States from 1998 to 2009. Babenko

TABLE 5.1 TYPOLOGY OF INCENTIVE SCHEMES

	Performance Metric	Reliant on Individual Performance?	Choice Over Joining	Own Money	Residual Right to Firm Surplus
Individual PRP, for example piece rate	Individual output/sales	Yes	No	No	No
Merit pay	Employer evaluation of worker	Yes	No	No	No
Team or group PRP	Group output/sales	Not directly	No	No	No
Profit-related pay	Firm profits	Not directly	No	No	Yes
Gain sharing	Firm performance (other than profits)	Not directly	No	No	Yes
Share options	Individual and/or firm performance	Sometimes	No	No	Yes
ESPP (Employee Stock Purchase Plan)	Firm performance	No	Yes	Yes	Yes

Notes: PRP stands for performance related pay.
Source: Bryson and Freeman, 2019, p. 88.

and Sen (2016) report that 473 firms offered ESPPS. As opposed to companies with an ESOP, companies offering ESPPs are publicly traded and rather large with average total assets of 19.9 billion dollars (Babenko & Sen, 2016).

According to Bryson and Freeman (2019), ESPPs have specific features that make them different from other forms of compensation. We report these differences in Table 5.1 extracted from their paper. As opposed to other forms of compensation, employees have to invest their own money in the plan and this investment acts as a commitment. Depending on the country, they can also use their profit sharing or gainsharing bonuses. Using these bonuses apparently decreases the savings cost because this money does not require additional savings. Contrary to other standard group incentive mechanisms that are decided unilaterally by the management, participating in an ESPP requires the employees' explicit free decision.

Not only does the Bryson and Freeman's gift exchange hypothesis explain the organizational outcomes of ESPPs but also highlights the potential motivations of ESPP participation. Indeed, employees who choose to invest their own money in these plans engage themselves in a reciprocal relationship with their employer. We can assume that such employees anticipate to stay longer in the company and contribute more to its development. Similarly, Babenko and Sen (2016) find that non-executive employees participate in ESPPs because they have valuable information about their firm's future performance, as a signal of its future returns reducing information asymmetry on the financial markets.

Determinants of ESPP Participation and Investment

Engelhardt and Marian (2004) investigated ESPP participation determinants at a large US company with 30,000 eligible employees. They found that four explanations undermine ESPP's participation: liquidity constraint, imperfect knowledge of the plan, asset choice, and transaction costs. The same set of determinants were identified in the French context by Rapp and Aubert (2011). We organize the presentation of ESPP participation empirical determinants around these four elements.

Liquidity constraint. According to academic research in financial economics, liquidity constraint are a decreasing function of age, wealth and current income. The type of job contract is also an important determinant. Temporary employees may be less willing to invest in an ESPP. Degeorge et al. (2004), Rapp and Aubert (2011) and Babenko and Sen (2014) document that financially unconstrained employees tend to participate and invest more in ESPPs. Interviews with senior advisors working at a French plan administrator show that several mechanisms can relax the employees' liquidity constraint and foster employee stock ownership (Aubert, 2008). The discount on the stock prize is a specific feature of ESPPs which directly decreases the amount invested by the employees. The employer can also match the employees' contribution. The discount and the matching contribution policy can be adapted according to the objectives of the operation. Allowing employees to pay their investment in several installments is another means to relax the liquidity constraint. Leveraged funds are another way to boost employees' participation and investment. These funds were engineered in France dur-

ing the privatization of France Telecom (now Orange), the French national telecommunications operator. Degeorge et al. (2004) studied this privatization where part of the equity was offered to the company's employees. The leveraged offer is very attractive at first glance because it is often marketed as "buy one stock and get # free without any chance to lose any money." The employees get additional shares for the same amount invested and their investment is guaranteed. But these attractive conditions come with a cost. This system can be used to convince the less paid employees to invest in the plan. But the mechanism behind it is very complex. Degeorge et al. (2004) describe the leverage offer called Multiplix as follows:

> For a fixed contribution, the employee would receive back a prespecified amount of money (like a bond) and also obtain the upside on ten shares. While not described in these terms, Multiplix delivered the economics of a bond-plus-call portfolio or alternatively a protected-put position. Legally, this payoff was delivered through a peculiar "guaranteed" loan that allowed the employee to buy nine additional shares for each share purchased through personal contributions. What makes this loan unusual is that the repayment is effected through the withholding of the dividends and tax credits (over the five-year life of the plan) and a variable repayment schedule at maturity that was a function of the ultimate France Telecom stock price. In effect, the loan repayment amount was equal to the positive difference between the value of ten shares less the payoff to the employee. The employee was never required to repay more than the value of the shares after five years. (p. 173)

This system requires a complex financial engineering that is costly to the company and that many employees can barely understand. According to Aubert (2008), "the complexity associated with leveraged funds is all the more paradoxical that these financial tools were developed to allow the less paid to participate in ESPPs" (p. 142). Aubert (2008) also mentions that the schedule of an ESPP is very important for it's success. For instance, the companies can set the date of the operation when the bonuses are paid to the employees. The psychological cost of investing is lowered by the feeling that the money invested does not come from the employee's pocket.

Imperfect knowledge of the plan. Employees who invest in their company stocks can be considered as having a better knowledge of the company than external investors. Babenko and Sen (2015) show that lower ranked level employees have valuable information they can use to generate abnormal returns in the context of an ESPP. According to Babenko and Sen (2015), regular employees have access to more information than external investors and their trading decisions are less restricted by financial regulations than executives' ones. They emphasize that firms in the top quartile of ESPP purchases outperform those in the bottom quartile by 10% in the year after purchase. They also find that this relationship is stronger for firms with high information asymmetry. Babenko and Sen (2015) investigate specifically aggregate employees' participation to ESPPs launched by US listed companies belonging to the S&P 500, S&P 400 Midcap, NASDAQ 100 between 1998 and 2009. Since ESPPs aggregate participation predicts future performance over one year, they conclude that employees have prize relevant information. This relation is stronger in contexts where employees are better informed than outside investors such as in smaller firms or followed by fewer analysts. Even though employees may be better informed on the company prospects, the literature documents that the imperfect knowledge of the plan hinders ESPP's participation and investment may discourage participation (Engelhardt & Madrian, 2004; Rapp & Aubert, 2011; Babenko & Sen, 2014). Ouimet and Tate (2020) document that peer effects play a significant role in stimulating participation and trading. In line with these findings, to overcome the imperfect knowledge of the plan, companies may develop a network of correspondents in the business units. Some companies have a toolbox which can comprise videos, simulators, brochures, posters, information meetings, a dedicated intranet website. Marketing and communication campaigns can promote ESPP's participation (Aubert, 2008; Degeorge et al., 2014).

Asset choice. In some countries like France, ESO is one investment option among others within the company-based savings plan. The law there makes it mandatory to offer at least one other investment option beside ESO which can be a mutual fund invested in liquidity, stocks, or bonds. This characteristic may affect the employees' decision to invest in the ESPP. Some employees may benefit from another more attractive company-based scheme like stock options or a pension plan (Engelhardt & Madrian, 2004). Within the same company, there can exist several alternatives to become an employee owner.

There can be a distinct ESO program targeting top management like long term incentive plans. Not to mention other investment options outside the company that can be available to employees. In many countries, real estate is the main component of wealth and home ownership may affect ESPP's participation.

Transaction costs. They are often lower in ESPP than in traditional stock market investment. The direct costs of buying the stocks can be supported by the company and the employees do not have to pay for it. A non-trivial unobservable cost is the cost of learning about the ESPP (Engelhardt & Madrian, 2004). Because of learning about the plan, employees would tend to procrastinate their decision to invest in the ESPP. Although ESPP has very attractive features, many employees do not participate. In the case of France Telecom's privatization, Degeorge et al. (2004) document the existence of "search costs" that discourage the employees to invest. Degeorge et al. (2004) find a divergence between the determinants of the likelihood to participate and of the amount invested. They interpret this divergence as evidence of a fixed cost of analysing the information about the plan. They claim that "a threshold level of desired investments must be attained for participation to occur, perhaps because of the cost to employees of analyzing the offering" (p. 199). Employees would participate only if the desired investment reaches a certain level. Financial literacy was used as a proxy of transaction costs assuming that financially literate employees would bear lower efforts to understand the characteristics of the plan (Rapp & Aubert, 2011; Babenko & Sen, 2014; Ouimet & Tate, 2020). Ouimet and Tate (2020) find that the presence of highly informed employees magnifies the peer effects related to the imperfect knowledge of the plan. Babenko and Sen (2014) also find that employees who are familiar with stocks and more educated tend to participate more in ESPPs.

AN EMPIRICAL INVESTIGATION OF GLOBAL ESPPS IN PERU

We focus on ESPPs offered to Peruvian employees by French multinational corporations. The most interesting feature of these French ESPPs is that companies having operations abroad extend these benefits to their foreign employees. We identified some companies that offered ESPPs to their Peruvian employees in 2020. After a brief presentation of the French ESO features,

we show the results of three case studies investigating the determinants of ESPPs' participation in Peru. We specifically interviewed executives of these companies in charge of implementing ESPPs in France and in Peru.

The French ESO Culture and Features

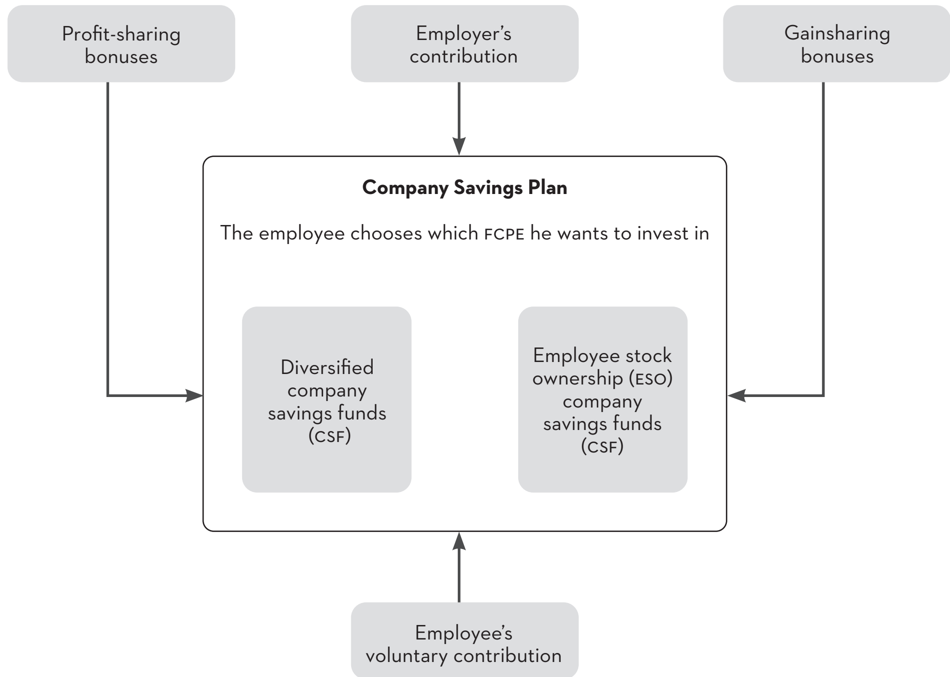
Aubert and Bernheim (2021) point out that

> […] over the second half of the twentieth century, France has developed and combined several systems of employee participation and gainsharing with three main goals: to give employees a share of firm profits; to promote employee savings through company savings plans (CSP or Plan d'Épargne Entreprise—PEE); to boost employee share ownership within the CSP framework. (p. 44)

France is the only country in the world where profit sharing schemes are compulsory for companies hiring more than 50 employees. Profit sharing bonuses depend directly on the profit of the companies while gainsharing can be the result of financial and extra financial objectives set by management and unions. Gainsharing and profit-sharing bonuses can be cash out by employees or saved in a CSP or a pension plan. For the companies, the bonuses granted to the employees are deductible from corporate tax. On the employees' side, the bonuses saved in the plans (CSP and pension plan) are deductible from their taxable income, which they would otherwise have to include. For this reason, the tax advantage is higher for better paid employees who have a stronger incentive to save. ESO is only available in CSP that can offer at least one other savings option in addition to employee ownership. But these plans may not also offer ESO at all. That's why the CSP is not entirely comparable to the most famous ESO scheme: US ESOP. Another difference is that the money saved in the CSP is not frozen until retirement but only for five years and that the French law prohibits offering ESO in a pension plan.

The money saved in the CSP is invested in two kinds of assets: ESO and diversified funds which resemble the classical mutual funds offered to retail investors (money, bonds, stocks, diversified with the three last categories). Profit sharing and gainsharing bonuses are the two main sources of company-based

FIGURE 5.1 FUNCTIONING OF THE FRENCH COMPANY SAVINGS PLAN



Source: Aubert & Bernheim, 2021, p. 45.

savings in France including ESO. A last important source is the employers' matching contribution. The employer's contributions are usually granted to match the employees' investment. For example, if the company wishes to favor ESO, it can decide to match any investment of the employees directed in ESO. This is usually what happens in the case of an ESPP. Money collected during the ESPP is often held within a CSP which allows the employees to benefit from the full tax deductibility available. Figure 5.1 presents the overall functioning of the French CSP.

French companies have a long tradition of employee ownership. General de Gaulle implemented ESO in the country in the 60s. Several laws favored

the development of profit sharing and employee ownership with the last one voted in 2019. ESO is fueled by the profit sharing bonuses that benefit from tax exemptions when invested in a company savings plan offering ESO among other investment options. Many large, listed companies developed ESO, especially at the end of the eighties when most of the largest French corporations were privatized. A notable example of privatization that was investigated by academic research (Degeorge et al., 2004) was Orange in 1997 (France Telecom at that time), a multinational telecommunications corporation. The company offered its stocks to 200,000 employees.

There are currently around three million employee owners in France according to the *European Federation for employee share ownership annual report* (2019) and this number experienced an increase of 22% since 2007. The French employee owners hold 30,000 euros of their company stock on average worth. Employee owners hold 2.4% of the shares of the top 120 listed companies. In 2018, the average amount invested in ESPPs was 5,569 euros. 30 ESPPs are offered every year on average. 38 ESPPs took place in 2018 for a total amount of 3.5 billion euros.[1] The vast majority of ESO plans in French companies are broad based meaning that they benefit all employees with the same conditions. With ESPPs, employees can buy their company stocks with a discount that can also take the form of free shares or an employer matching contribution under the condition that they hold them for five years. At the end of this period, they can sell their shares without paying tax of capital gains. They have the possibility of using their profit sharing bonuses.

Three Case Studies of International ESPP Targeting Peruvian Employees

We interviewed executives from three companies which offered worldwide ESPPs to their employees in Peru. For each company, we interviewed two executives in each country. On the French side, the three HRM executives in charge of the global ESPP were contacted. In Peru, the three corresponding people in charge of the management of the ESPP in the country. Each interview lasted between 40 minutes and one hour and was conducted by

1. ERES (n.d). Panorama de l'Actionnariat Salarié 2019. https://www.eres-group.com/panorama-actionnariat-salarie/

telephone or via video conference. Each was transcribed and coded. The interviews were conducted in the local language (French and Spanish) and translated. We use Deepl.com[2] to run the translation from French to Spanish and from Spanish to French and finally to English. Both authors checked the translation in their own language. Finally, the verbatims used below are reported in English. To preserve the anonymity of the companies, we have renamed them Housing corp., Tires corp., and Wire corp. In the next subsection, we present the findings from the three case studies investigating the determinants of ESPP participation and investment that took place in 2020 and benefited Peruvian employees of three different French multinational corporations operating in Peru. For each case, we first present the company[3] and its ESO policy. We then turn to the characteristics of the offer that addressed the four principal barriers to ESPP participation identified in the literature (liquidity constraint, imperfect knowledge, asset choice, and transaction costs). In the three cases, other determinants of participation emerged from the interviews that had not been identified previously in the literature. We focus our presentation on the specific features of the Peruvian offers.

Housing corp. Case: A Long Experience of Sharing Ownership

The Housing corp. company is present in 70 countries with more than 167,000 employees. It is listed on the French market and has a turnover of 47 billion dollars in 2020. It is a producer, processor, and distributor of construction and high-performance materials and packaging. The company is engaged in four business activities: innovative materials, construction products, building distribution, and packaging. Housing corp. meets the criteria to be part of the French ESO index: At least 25% of the employees are shareholders in France and 15% worldwide and they hold more than 3% of the shares. Housing corp.'s employees hold 9% of the company's equity. The company stated the ESPP's objective as:

2. Deepl is an artificial intelligence based translation tool available at Deepl.com.
3. Companies' data are from Bureau Van Dijk Orbis.

> The operation is part of the ongoing development of employee shareholding, which has been a constant objective of the Group for 33 years. This offer will strengthen the sense of belonging of the Group's employees by offering them the possibility to be more closely associated with the future development and performance of the Housing corp. (Source: company's website)

Liquidity constraint. At Housing corp., the matching contribution may be one-off or based on investment tranches or different depending on the amounts invested by employees. For example, in Peru, the objective is that as many employees as possible participate. There is therefore a matching contribution per bracket which is very high for small amounts and decreases when the amount invested increases. The Housing corp. group wants as many employees as possible to participate and recommends a maximum matching contribution on the first tranches. There is no minimum amount to participate.

A 20% discount on the share price is also offered, which extends to other countries, such as the subsidiary of Housing corp. in Peru. For the 2020 operation, as the share price rose significantly during the 20 days of the subscription, the discount was actually 30%.

In addition to the matching contribution and the discount, the employees benefited from free shares that company Housing corp. offers for buying regular shares in the program (for buying ten shares employees receive four additional shares).

In France, the date for employee shareholding operations is set at the time of payment of profit-sharing bonuses. In this way, employees can invest their bonuses in company shares without having to pay out their own money. Thus 90% of the premiums are invested in company shares.

Housing corp. also proposes to pay the shares in eight instalments from May to December. Some countries do not allow payment in instalments as they consider this as a credit. Contrary to this, Housing corp.'s subsidiary in Peru allows employees to pay their shares through several instalments during the year of the program; however, the alternative to pay in advance for the shares is always open.

Employees must hold Housing corp.'s shares between five and ten years depending on the country. The five-year holding requirement is very restrictive in some countries where saving money is difficult.

Imperfect knowledge of the plan. Housing corp. had 34 employee shareholding operations (once a year) since 1988. The fact that there are ESPPs once a year favors a better knowledge of these plans. In Peru, Housing corp. started ESPPS in 2018 reaching 85% of participation that year. Since then, yearly participation in Peru has been one of the highest among Housing corp.'s subsidiaries around the world. In 2020, even when the ESPP in the Peruvian subsidiary underperformed (58% of participation) due to COVID-19 and political unrest in the country, it positioned as the second regarding participation in Latin America. ESPP participation in the Peruvian subsidiary has decreased because of COVID-19 effects, which reduced and constrained the employees' financial liquidity.

The management of Housing corp. in France provides a package that is adapted in each country or group of countries according to the legislation and the conditions of the offer which have been decided. Local legislation requires a brochure to be made available in each country. Housing corp. offers a simulator (see Figure 5.2), posters, and above all an open website which is available in each country and is updated for each new operation. The website therefore has 40 different pages, one for each country or group of countries. There is one dedicated to Peru.

Extranet was the best solution to ensure that as many people as possible could access the information and is made available to everybody. Furthermore, Housing corp. in Peru has launched ESPP campaigns organizing face-to-face meetings and virtual meetings (due to COVID-19) and using other employees (from different levels in the firm), who were involved in the program in the past, talk about thier experience either with videos or gathering employees to hear them. In Peru, the communication strategy of Housing corp. firm had to include specific aspects to help overcome the barrier of trust with employees, such as the opportunity to listen to other employees and how they participated in the program and what the results were. Also, the communication strategy includes explaining about how the stock market works and how shares behave over time, providing them simulations for different scenarios to employees (see Figure 5.2), without making any hierarchical difference among them. Once employees participate in the program, they receive the credentials that allow them to monitor their shares' evolution.

Asset choice. Stocks were therefore offered directly rather than through a dedicated Company Savings Fund (CSF or FCPE in France). In France, a di-

FIGURE 5.2 ESPP INVESTMENT SIMULATOR AVAILABLE IN PERU

VALOR MÁXIMO DE SU INVERSIÓN				
	contacte a su RRHH			
SIMULE SU INVERSIÓN				
Registre el valor que desea invertir				PEN 1,000.00
Contrapartida Saint-Gobain				**PEN 565.95**
Total de su inversión				**PEN 1,565.95**
VEA EL RESUMEN DE SU INVERSIÓN				
Usted invierte		PEN 1,000.00		
Usted recibe en su cuenta del PEG		**PEN 1,565.95**		PEN 565.95 más que el valor invertido
y puede pagar en 8 cuotas de		**PEN 125**		cada mes, entre los meses may/21 y dic 21

COMPARE SU INVERSIÓN CON LA DE UN INVERSOR EXTERNO EN RELACIÓN CON CUOTAS DE ACCIONES ADQUIRIDAS

	Inversor Externo	Usted		
Inversión en pesos argentinos	PEN 1000.00	PEN 1,565.95	Inversión en soles peruanos	
Tasa de cambio	**PEN 4.39870**	**PEN 4.39870**	Tasa de cambio	
Inversión en euros	**PEN 227.34**	**PEN 356.01**	Inversión en euros	
Precio de referencia →	**PEN 44.755**	**PEN 35.81** ←	Valor de suscripción	
Cuota de acciones adquiridas	**PEN 5.00**	**PEN 9.94**	**P PEN EN 95.71**	más cuotas que un inversor externo

Source: Housing corp. ESPP dedicated website in Spanish.

versified fund is offered alongside employee share ownership (mandatory in France in the PEE to diversify investments), but this is not the case in all countries where it is possible to offer only employee share ownership. There are three employee shareholding formulas: an FCPE France for French employees, an FCPE Monde for foreign employees including Peruvians, and shares held directly in the eight countries where it is not possible to offer FCPE.

Housing corp. does not offer leveraged FCPEs with capital guarantees (Degeorge et al., 2004). These operations are difficult to explain to employees

who do not always understand what a share is. Leveraged FCPEs are also very expensive because of the fees charged by the contracting investment bank.

Another advantage provided by an ESPP is to allow employees to invest in euros because the stocks are listed on the French financial market. Euro is a safe currency compared to other counties currencies that can be very volatile. For example, investing in euros has been a real opportunity for employees in Lebanon where the national currency lost value in 2020.

According to the Housing corp. in Peru, one of main reasons to participate in an ESPP is because of the long-term saving alternative that it offers. During the five years mandatory blocking period, employees are not able to withdraw their investment.

Transaction costs. It is very easy for the employees to participate through the dedicated website. The employees can subscribe directly from the website site with a straight link to a French bank which acts as the plan's administrator. This website is accessible to everyone because the company's intranet is available at the level of subsidiaries (500 different companies), business lines, and countries. In the Peruvian subsidiary of Housing corp., the benefit of charging the operational costs to the plan administrator for the commercial transactions of shares is highly valued by the firm. However, there is still a challenge regarding how to involve employees within their own ESPP process, because even though they have the platform credentials, they rarely use them. They prefer to send an email to the country correspondent. Peruvian employees are reluctant to use technology to lead their own ESPP process. Even when they have their credentials and training, they choose to use informal ways for approving their participation such as emails or phone calls.

The company has a network of 450 worldwide correspondents whose contacts are on the dedicated website. They are responsible of buying and selling the company Housing corp.'s shares. In Peru, the ESO program is called Plan d'Epargne Groupe (Employee Saving Program).

Other ingredients of participation. ESO is the DNA of Housing corp., since employees are the company's largest shareholders with 9% of the capital. ESO is offered in 48 countries, representing 90% of the company's workforce. Hence, it plays an important role in the corporate culture.

The company strives to delegate decisions as much as possible to the level closest to the field. Although the coordination of the plan is done at the

central level, the matching contributions policy is defined at each country's level or group of countries.

Employees benefit from the dividends paid by the company, which are reinvested in the FCPE and increase the value of the employees' investments.

As for the employee owners' participation in corporate governance of Housing corp., one employee shareholder representative has a seat on the board of directors. French law mandates to elect one employee owner representative on the board when employees hold more than 3% of the equity. Given the size of the board (14 board members), a new French law mandated the election of two employee representatives. As a result those three employees (one representing the employee owners and two representing employees) out of the 14 board members are employees.

Tires Corp Case: Increasing Employees' Share in the Capital

The Tires corp. company operates in 170 countries worldwide and hires 123,000 employees. It is listed on the French stock exchange with a turnover of 25 billion dollars in 2020. It specializes in manufacturing and marketing of tires. The company operates in three business segments: passenger car/light truck, truck, and other activities. The 2020's ESPP was the seventh of its kind. Tires corp.'s employees control 2% of the shares of the company. The company defines the objective of the operation as follows:

> By launching the 7th employee shareholding plan "Y 2020", the Group is affirming its desire to make employee shareholding one of the pillars of its development, the commitment of its staff and the strengthening of its independence. It will allow the employees as shareholders, to be more closely associated with its success. It is a long-term personal and financial commitment. Eligible employees of the Group will be able to purchase Y shares on privileged terms. In France, certain retirees are also eligible. (Source: company's website)

Liquidity constraint. Peruvian employees had exactly the same conditions for buying shares as all other Tires corp.'s employees. The only countries where the offer was adapted were the UK and Hungary. Employees could buy shares at a 20% discount to the share price (76.37 euros per share). They received

a matching contribution of 350 euros from the company. For one share purchased, three shares were offered. For every four shares purchased, a fourth was offered. This was done to allow as many employees as possible to subscribe to shares. In Tires corp., there was a desire not to put employees at risk.

The shares could be paid for in one go and up to 12 times free of charge withdrawn directly from the payroll. This payment alternative was highlighted by the correspondent in Peru, as a mechanism that facilitates the employees' decision to participate in the program, despite that in the case of the Peruvian subsidiary, those 12 dues have an annual interest rate of nearly 2.5% that is considered low by the participants. Additionally, each employee has the allowance to buy shares up to 20% of the yearly salary. According to the correspondent in Peru, "nobody has ever reached to buy that limit, because it is actually high."

Imperfect knowledge of the plan. Tires corp.'s ESO plans are recurrent and take place once every two years. The first ESPP took place in 2002 and was initiated by a member of the founding family. There have been nine operations since then and take place every two years since 2016. In Peru, Tires corp. has had seven ESPP since 2003, almost every two or three years, the last one in 2020. This launching frequency in the Peruvian subsidiary has supported a consistent employees' participation over time because, according to Peru's correspondent, "they are already familiarized with these programs and know how they work." Hence, annual employee's participation was more than 90%, in 2020, even with the COVID-19 crisis that affected the organizations' performance.

Tires corp.'s communications regarding ESPP in Peru is through mail and WhatsApp messages, as well as meetings that include all the company's employees, and there is no difference between the information delivered to the executives and the other employees.

To manage these plans, the company uses the services of a communications company and a legal adviser who studies the feasibility of the plan in the various countries. The account holder collects information on the amounts subscribed. Tires corp. provides the correspondents with communication kits that are translated into several languages and adapted to each country.

However, subscription platforms are only translated in six languages. As a result, some countries are not covered by the operations, such as Russia. In contrast, the dedicated website offers more languages. The communica-

tion kits were produced with a communication consultant, but the company plans to bring this activity in-house. The local correspondents adapt the communication kits to the specificities of the country's language. The communication kit is adapted by Peruvian employees.

Asset choice. The employees also benefit from a Long-Term Incentive (LTI) plan. The Peruvian correspondent is also responsible for LTI plans which are targeted to the company's executives. As far as the LTI plan is concerned, it benefits the group's senior managers. Internationally, the implementation of LTI depends on the country's culture. In some, these targeted plans are not practiced. The LTI plan was linked to the Tires corp.'s plans in the past, but this has not been the case for several years. Under this plan, eligible employees receive free shares. The stock option plans were discontinued in 2012. These plans posed the same problems as the leveraged deals in terms of complexity. As a consequence, the employees often did not buy the vested stock options. The benefits of the stock options were lost when the employees forgot to exercise them. They also required cash to be available for the company when the options were exercised to buy the stocks on behalf of the employees.

Tires corp. does not propose a leveraged guaranteed offer (see above for a definition by Degeorge et al., 2004), which according to the French executive is "not in line with the employee ownership philosophy." She considers that "leveraged offers entail risks for companies and that banks have a very commercial approach with these offers." According to her, the "leverage effect is accompanied by a dilution of the share price and the company loses its shareholders after five years" (the blocking period in CSP).

In Peru, Tires corp.'s employees think of ESO as a mid or long-term saving plan. Thus, they are not able to sell stocks before five years, but the monthly revenue that Tires corp. pays for them is about $7 per three shares, and at the end employees can sell a larger amount of shares (because they bought one and Tires corp. gave three more for free). According to Peru's correspondent, each country decides how to approach the program to its employees, and Peru decided to present it as a savings alternative. The latter is reinforced by how difficult it could be to save money within Peruvian financial culture.

Transaction costs. Tires corp. is convinced of the importance of ensuring a good employee ownership experience by providing the best tools. For instance, even when Tires corp. in France provides a specific package,

each country has to adapt it to its local legislation. Thus, Peru has adapted this contract with the assistance of an external legal firm before participating employees sign in. Having the opportunity to adapt these formal documents with local support represented a more reliable system to employees. Also, they believe that banks that support ESO transactions do not play the game of internationalization. Following this, headquarters in France designated correspondents for each region and country to lead ESPP. In Peru, Tires corp. has a correspondent who is responsible for the entire process that includes the implementation plan, legal, and tax issues, and the stock buying process—15-day length every time it is launched—for employees.

In addition, once the program is launched in Peru, each employee of Tires corp. has a user ID and password to enter in the ESPP subscription platform. So, they can go through the entire process on their own. Specifically in Peru, digitalization seems to be a primary factor that would help to make the ESPP process better. If Tires corp.'s employees have more digital knowledge, they would be able to handle their own shares purchase procedure, making it faster and providing more confidence to their colleagues to do the same.

Employees also have the alternative to ask by email for the country correspondent's assistance, who is in charge of carrying out the process for them. Moreover, sometimes the correspondent in Peru organizes brief meetings with small groups of interested employees to guide them through the platform in real-time. According to the Peruvian correspondent, "it is easy to manage those meetings because our subsidiary does not have too many employees."

Finally, the shares are held directly by employees because Tires corp. wants them to benefit directly from the company's dividends. With a French CSF, dividends are reinvested, and employees do not see the monetary return on their investment which is important for the company.

Other ingredients of participation. The objective of Tires corp. for its 2020 plan was to increase the share of the company's capital held by employees. In the long term, it is envisaged that employees will become the largest shareholders in Tires corp. The aim was to have the maximum number of employees holding Tires corp. shares. ESO is a stable share ownership that protects the company from takeover. The company's employees held 2.1% of Tires corp.'s capital after the last 2020 plan.

In terms of corporate governance, there is no employee shareholder representative on Tires corp.'s board of directors, but the issue is being considered by a think tank. The French mandates to have an employee shareholder elected on the board above 3% of the equity.

Tires corp. highlights the importance of monitoring or exchanging practices with networks of employee ownership specialists. For instance, the L'Oréal plan served as a benchmark in 2020.

In addition, besides the four elements discussed in the previous section, Peruvian employees tend to participate in ESPP due to three factors:

- As a forced savings plan.
- As a belonging desire.
- As a decision of trust.

These factors would be strongly related to the economic and social constraints of the Peruvian context.

Wire Corp Case: Democratizing Ownership in the Company

Wire corp company hires 24,000 employees with industrial presence in 29 countries. It is also listed on the French stock exchange with a total sale of 7.4 billion dollars in 2020. The company specializes in cables and cabling systems manufacture and is engaged in a wide range of copper and fiber-optic wires. Wire corp. meets the criteria to be part of the French ESO index: At least 25% of the employees are shareholders in France and 15% worldwide and they hold more than 3% of shares. Wire corp.'s employees hold 4.5% of the company's shares. The 2020 ESPP was the seventh offered by the company which defines the objective of the operation as:

> This shareholding plan, which is part of the Group's employee shareholding development policy, will cover twenty-five (25) countries. With this operation called "Wire corp 2020," the company wishes to involve its employees, both in France and abroad, even more closely in the Group's development. The operation will consist of a single leveraged and capital-guaranteed offer that can be adapted according to the country in the form of a comparable offer to meet the objectives of the main offer while

taking into account local tax and legal requirements. (Source: company's website)

Liquidity constraint. A single offer with matching contribution (lower amount than in 2018), payment facilities in 12 months, capital guarantee in euros which is attractive for employees in countries with a more volatile currency. A 20% discount on the share price was offered and the offer was guaranteed leveraged. The motivation behind offering capital guaranteed leveraged funds invested in company stocks was to prevent the employees from losing money. The minimum investment amount was very low (10 euros or one share) to allow as many employees as possible to participate, including those with low salaries. With this low investment, the important thing for Wire corp. was to highlight the status of employee shareholder partner in the company.

Imperfect knowledge of the plan. In Wire corp., nine employee shareholding operations have taken place and five have proposed leveraged offers.

The communication materials were translated into Spanish and then checked by the person responsible in Peru and the operations managers in South America countries. Hence, validating the translation by local employees is very important according to the French executive in charge of the management of the global ESPP.

The means of communication used are intranet, mailing, on-site presentations with slides, brochure, animation video, and excel investment simulator.

Wire corp. does not carry out a satisfaction survey among employee shareholders, but instead uses a questionnaire sent to correspondents in each country and is used to identify areas for improvement.

Asset choice. Investing in euros is reassuring for foreign employees. The company offers direct stock ownership. The guarantee leveraged offer allows employees to be sure of not losing money, which is an argument to convince low-paid employees to invest. The guaranteed leveraged offer has advantages but also disadvantages. It is complex to understand, especially for less educated employees. However after having experienced four or five capital-guaranteed leveraged offers, employees become familiar with the system.

Transaction costs. In Wire corp. company, ESO and compensation schemes are presented to new employees. Training is also offered to human resources managers and to the ESPP network of correspondents in all countries.

Wire corp. has also made short two minutes thirty seconds videos to explain how the guaranteed leverage offer works. The firm believes that these videos are a reliable instrument to provide confidence to employees as well as information about the program.

Other ingredients of participation. Regarding Wire corp., in this context, the 2020 ESPP had several objectives:

- Stabilize employee share ownership.
- Enable employees with the lowest salaries to invest as well.
- Reach a maximum number of employees. The aim of employee shareholding operations is to strengthen the feeling of belonging to the company.

In addition, Wire corp. is convinced that employee shareholders remain long-term partners. Moreover, regarding the objectives of the international 2020 offer, 20% of employees are shareholders of the company and employees hold 4.7% of the company's capital at the end of 2019. Employee shareholders have been able to make significant gains through their investment in the company. Employees have made gains of 300% with their investment in shares for those who released their money in 2020.

One employee director sits on the company's board of directors following the legal obligation for French companies since 2006 and two employee directors (a legal obligation for French companies since 2020). The employee shareholder board member is elected by employee shareholders. The two other employees board members are elected by employees. Employee shareholders hold shares in CSF and participate in the election of employee members of the CSF's supervisory board. The supervisory board of the ESO CSF comprises three employees shareholders and three corporate representatives designated by the company. All French and foreign employees participate in elections. The supervisory board of the employee shareholding CSF has three compartments: France, countries outside France with leveraged offer, and countries outside France without leveraged offer. For each of these compartments, a representative is elected.

In Peru, two people were in charge of coordinating the operation: one in charge of human resources management and another from the financial department. For Wire corp., in 70% of the cases, employee share ownership operations in the different countries are managed by the human resources departments, and by the financial departments in 30% of the cases. In Peru, there was a HR/finance pairing, but it was mainly the HR department that was involved.

CONCLUSION

Latin American countries, specifically Peru, present several contextual constraints toward the implementation of new financial mechanisms such as ESO. Given crises as business-as-usual in the region, financial constraints due to specific ones such as the COVID-19 situation could severely undermine the development of ESO since these countries' populations may suffer more severe effects than in developed economies. This situation could boost ESO as a financially attractive mechanism because MNC's Peruvian subsidiaries have reported that employees consider that a forced savings plan is highly beneficial for them; financial constraints in the country have not developed a conscious saving culture over time. Hence, ESO could be considered as another way to be prepared for the usual uncertainty in the business environment.

In addition, trust seems to be a barrier to deal with in order to fully develop these ownership programs in Peru. Institutional weakness may characterize an inadequate environment for trust growing, where the population tends to be suspicious of those kinds of financial mechanisms. Companies need to invest a lot of resources to overcome the trust barrier, being these more accessible for MNCs that already have the structure and the knowledge for ESPP, which result in quite beneficial elements to fill the confidence gap. Results of the study show that having a country's correspondent, organizing face-to-face meetings, and designing effective communication material will assist the company to deal with the trust issue. Also, employer's frequent offers of ESOP would reinforce employees' trust while developing a mindset of long-term investment.

Embracing the digital revolution is another factor that has to be considered for ESPP developing in Peru. The results of this study found that employees rely more on informal ways to communicate their decision to participate in

ESPP rather than doing the process by their own means using the available platforms. Hence, overcoming informal business culture may represent another relevant challenge for ESO in Peru.

Moreover, economic and social inequalities in Peru would shape an environment where employees need to feel to be part of something. This belonging desire would help ESO to find motives to participate in it, providing potential access for employees to be part of the governance of the company and decision-making processes. Therefore, sharing ownership could be oriented to reduce social unequal conditions in the Peruvian labor market while challenging the traditional business structures in the country.

Finally, this study argues that MNCs' subsidiaries would be the flagships of ESO in countries such as Peru that have a business environment which has to deal with several institutional voids and is reluctant to change its traditional structure, allowing the development of ESO as a new financial alternative to overcome COVID-19 crisis effects. Thus, by mobilizing their global ESO strategy into subsidiaries' local operations, they would be contributing to the development of the Peruvian financial market. Hence, taking the example of those MNCs' subsidiaries in Peru, other local firms could identify some good practices and insights to developdiverse Employee Stock Ownership models.

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B Corps and Employee Ownership Evidence and Complexity of the Phenomenon[*]

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Abstract
This research explores B Corps and employee ownership for the purpose of contributing to possible solutions to pressing socioeconomic problems in Mexico and filling significant gaps in the scientific literature about this type of business. An analysis is made of the imaginaries, experiences, tensions, limits, and potentialities associated with being a B Corp and its effects on stakeholders; in addition, the phenomenon of employee ownership in these organizations is explored. Four case studies were made of B Lab-certified businesses located in Guadalajara, Mexico. One of the main findings was that the organizations in question consider it relevant to be a B Corp, and they fulfill the purpose, although to different degrees and in very diverse ways. Given their hybrid nature, and their pursuit of multiple objectives (Battilana, 2018), the companies have faced challenges and tensions in conveying to their internal stakeholders the significance and implications of being a B Corp. This certification continues to be part of a top-down management strategy that many participants, both inside and outside the organization, do not really appropriate. Finally, with respect to employee ownership, interconnected factors were found that allowed purpose-driven companies to open up ownership; this happens in a fragile, limited, heterogeneous, and even selective manner, without including wide-ranging exercises in democracy or social economy.
Keywords: *employee ownership, B corporations, B Corps, purpose-driven companies*

The world is facing multiple pressing crises—economic, environmental, and social (Coraggio, 2011; De Sousa, 2010; Esteva, 2011; Moreno, 2018; Razeto, 1997;

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Touraine, 2005). These crises, undeniably complex and systemic, have shaken entire economies to their foundations—the Mexican economy included, of course—and cast doubt of the sustainability of civilization as we know it today. Employee ownership joins a long list of economic-business alternatives and initiatives based on fundamental values such as democracy.

The B Corp movement, for its part, seeks to meet the challenges of today's world by implementing business models that take all stakeholders into account, instead of assuming shareholder primacy (Abramovay et al., 2013; Correa, 2019).

Companies that opt for B certification measure their impact using the B impact assessment in five areas: governance, environment, workers, customers, and community. At the end of September 2023, there were 7,567 certified companies (B-Lab, 2023) from 161 industries and 92 different countries, roughly 1,500 academics, 612 educational institutions, all focused on a single objective: balancing purpose with profit, and in that way contributing to a systemic change in which the global movement of people could turn to business as a force for good (Abramovay et al., 2013; B-Lab, 2019; B-Academics, 2019; Correa et al., 2004; Harriman, 2015).

This research took as its object of study four B corporations located in the city of Guadalajara, Mexico: Aguagente, Fondify, Sarape Social, and Eosis. The case studies came together around two main research questions focused on the lived experience within the B corporations in order to learn how they live the reality of being a B corporation and getting certification, and to identify their imaginaries, challenges, tensions, and potentialities with regard to being a B corporation. Our study seeks to understand how the democratization of capital and ownership by employees is experienced within B Corps. Specifically, we set out to find out whether this kind of purpose-driven company is a setting where employees ownership of capital is possible.

BACKGROUND AND BRIEF LITERATURE REVIEW. HYBRID BUSINESS MODELS: B CORPORATIONS

There is a clear need to produce more scientific literature on hybrid business models in general, and B corporation models in particular (Battilana & Lee, 2014; Battilana et al., 2015; Boons & Lüdeke-Freund, 2013; Haigh et al., 2015; Stubbs, 2017a); a number of studies, both conceptual and em-

pirical, call for such research (Battilana, 2018; Brock, 2017; Villela, 2016). Since the field of study of hybrid organization is relatively new, there is much work to do on many aspects (Battilana, 2018; Battilana et al., 2017; Hiller, 2013; Robinson, 2006; Short et al., 2009). In this regard, Battilana (2018) asserts that future research should continue to analyze the different forms of hybrid organizations, including their values and the factors that influence them, ranging from the makeup of their workforce to their interorganizational relations.

While the question of hybrid businesses has been widely addressed in recent years (Battilana & Lee, 2014; Cao et al., 2017; Doherty et al., 2014; Hiller, 2013; Mair & Marti, 2006), there are still scientific gaps that need to be filled, which calls for theoretical and empirical studies of the emergence and development of B Corps as a recent phenomenon, with all of their implications (Stubbs, 2019; Winkler, 2014).

Moroz et al. (2018) assert that empirical studies are needed of B corporations certified by B-Lab, and of the overall movement; in spite of its growth as a global initiative that sets high standards, little is actually known about it. Gehman et al. (2019) look favorably on the emergence of over 457 certifications (Ecolabel, 2020) that seek to promote sustainability; of the many existing B corporations, however, very few have been studied in depth.

For their part, Harjoto et al. (2019) suggest that "[…] future studies could look at the narratives of business owners who decided to join, and of those who decided not to join, the B corporation movement, in order to learn about their back stories, reasons, and considerations for obtaining certification as a B corporation" (p. 15).

This literature review motivated us to undertake an in-depth case study of B-type businesses with a focus on the experience, belonging and imaginaries of seeking systemic change, both economic and social (Abramovay et al., 2013), and on giving voice to the internal stakeholders in this particular case: the employees. While there are some national-level studies of B Corps, for example in the United States, Brazil, Chile, Colombia, and Australia (Abramovay et al., 2013; Brock, 2017; Oliveira, 2018; Stubbs, 2017b; Trevenna, 2016; Villela, 2016; Wilk, 2016), as well as some at the regional level (Abramovay et al., 2013; Calgano et al., 2019; Correa, 2020; Correa & Cooper, 2019), we could not find any publication in specialized journals, reports or doctoral dissertations about the case of Mexico, much less of Jalisco or Guadalajara

in particular. These gaps are even more notorious when it comes to studies of ownership in B corporations (Stranahan & Kelly, 2019; Winkler, 2014). The socioeconomic and cultural differences not just between regions of Mexico but also between Mexico and other countries suggest the relevance of inter-regional and international comparisons of experiences in B corporations, as a way to fill another significant gap in the scientific literature (Stubbs, 2017a; Winkler, 2014).

EMPLOYEE OWNERSHIP AND B CORPS

Even though there is ample scientific literature on employee ownership (Ben-Ner & Jones, 1995; Blasi et al., 2008, 2013; Freeman et al., 2011; Kim & Patel, 2017; Pierce et al., 2001) and its relation, for example, with competitiveness and people's well-being (Abell, 2020; Freundlich, 2014; Uzuriaga et al., 2018; Weber et al., 2009), scientific production is sorely lacking about the issue as it relates to purpose-driven companies, such as B Corps (Stranahan & Kelly, 2019; Winkler, 2014; Winkler et al., 2018), even more so in the case of Mexico, where we were unable to find a single formal study on the subject. This situation also encouraged our research.

According to Uzuriaga et al. (2018), we can find many studies about ownership and its impacts, but these impacts cannot be generalized as universally positive or at the same level for all companies; on the contrary, it is important to undertake rigorous studies, paying close attention to the type of work the company engages in. In this sense, Lee (2018) concludes that while employee ownership has a positive impact on workers' empowerment, more research is needed, in particular in-depth interviews to explore the dynamics within the companies.

Blasi et al. (2018) identified literature and studies about the impact on company performance; however, they insist that it is necessary to undertake more studies, including with data found in previous research:

> The most popular research topic has been the effect of employee ownership and profit sharing on company performance. The accumulated findings on company performance show clearly that these programs are linked to higher performance on average, so at a minimum there is no support for the objection that efforts to increase employee ownership and profit

> sharing will harm economic performance. There is, however, substantial dispersion in firm outcomes with some firms doing extremely well and others doing poorly, and it would be useful to have more solid evidence on the workplace policies and other factors that condition the performance outcomes. (p. 51)

Some researchers, such as Uzuriaga et al. (2018), argue that qualitative studies are needed to take a closer look at the relation between employee ownership and satisfaction, along with other psychosocial perceptions, in order to shed light on and determine local causalities, i.e., the specific causal process that takes place in each specific context (Maxwell, 2013). As Villela (2016) concludes after undertaking case studies of B corporations in Brazil, future research should take into account the role of equity stake in certified companies. Finally, Peredo et al. (2018) recommend researching other innovative forms of organizations with social impact that evaluate the assumption of the private property regime. Given these gaps and shortcomings in the literature, our scientific objective was to begin to address them in this research.

EMPLOYEE OWNERSHIP & SOCIAL AND SOLIDARITY ECONOMY

In this context, economic alternatives grouped under the heading of social and solidarity economy (SSE) emerge and resist as a set of practices that seek a different approach based on solidarity that offers the real possibility of constructing a different system where meaning is given by people, where work is re-signified and the human person is placed in the center as the ultimate purpose, while capital is regarded as a means and a tool. According to the International Cooperative Alliance (2020), more than 12% of the world's population is cooperative, and there are three million cooperatives in the world generating 2.1 trillion dollars of income; 10% of world employment depends on these cooperatives. According to the International Labor Organization report on the future of work and the SSE, written by Borzaga et al. (2017), SSE organizations serve as vehicles to help create and preserve decent, stable jobs. The biggest challenge, argue Borzaga et al. (2017), is to build an ecosystem that supports SSE organizations at the national and international levels.

SSE is above all the story of men and women who collectively take initiatives, launch activities that meet the challenges of their time, and dedicate themselves to serving human beings rather than seeking to expand capital. It is about rethinking the territory from a place of resistance (Díaz, 2015).

In a fundamental sense, the social economy is one of the big fields of initiatives that try to reconcile freedom—particularly the freedom to do business—with solidarity (Delpesse, 1997, quoted in Oulhaj, 2015). SSE harbors and fosters resistances within territories and includes many conceptual varieties of what we call social business (Defourny, 2004; Defourny & Nyssens, 2010; Nyssens, 2007). In Latin America—including Mexico of course—, we see a lively reconstruction of the social economy in a bid by both rural and urban populations, in agricultural and industrial settings, to do business in a different way that prioritizes the common good (Chaves & Monzón, 2001; Coraggio, 2011; Oulhaj & Saucedo, 2015; Razeto, 1997). These initiatives may seem innocent, but they are far from it (Esteva, 2011).

Economic thinking about democracy in companies (Cheney et al., 2014; Ellerman, 1997, 2016) and equity stake (Arando et al., 2015; Chaves, 2004; Chaves & Monzón, 2001; Estrin et al., 2009) continues to evolve and make inroads in both the academic setting and in the field of traditional companies, by creating more shared wealth. Hybrid structures (Battilana, 2018; Roncancio, 2013; Villela, 2016) are emerging that include routes for greater worker participation, grounded in solidarity, with positive results. (Stranahan & Kelly, 2019; Winkler et al., 2018)

DEMOCRACY, OWNERSHIP AND BUSINESS EVIDENCE AND IMPACTS

In a global and local context of economic crisis, job insecurity, earning gaps, pensions, among other issues already mentioned, worker participation in companies' capital is becoming an option that gives access to economic improvement, especially for the lower and middle working classes.

The Anglo-American model of capitalist economy is not the ideal; it suffers, according to Ellerman (1997), "from an intrinsic, profound lie and inconsistency that flouts the basic principles of democracy and private property" (p. 1). For Ellerman (1997), capitalism is a conglomerate or molecular cluster that ties together institutions, activities, the free market, private property,

and employee-employer relations that look more like a "master-servant" relation, which evolved from the master-slave relation; slavery was abolished, but the rest of the private property systems continue to operate due the hegemonical system.

In recent decades, the movement within companies—US companies at any rate—to give employees greater access to ownership has grown steadily since 1975 (Rousseau & Shperling, 2003). There are of course multiple facets and expressions of democracy in companies; however, we will focus on the ownership of companies' capital itself. Ownership is quite a complex concept, not as simple as it might seem (Rousseau & Shperling, 2003; Tannenbaum, 1983), and its structures are not static (Hart & Moore, 1998).

The Royal Academy of Spanish Language (n.d.) defines ownership (Translator's note: *propiedad*, the same word used for "property") as "a right to possess something and make use of it; in addition *propiedad* refers to the thing that is owned" (p. 1). According to the National Center for Employee Ownership (NCEO, 2019), employee ownership can range from the simple granting of shares to highly structured plans, and have different objectives and scope, depending on the company. For Peredo et al. (2018), ownership is a complex concept that cannot and should not be simplified, much less so in the case of collective or community ownership.

Rousseau and Shperling (2003) do an interesting job of analyzing the actual construct of ownership by making a theoretical review, and their conclusions regarding the employee ownership option skew positive, although they do point out the risks, limitations, and also conflicts inherent to this model.

Studies have been made, including from a psychological perspective, about employee ownership and its effects on individuals and organizations. Being owners often comes to play a dominant role in people's identity as an extended part of their very being (Pierce et al., 2001, p. 299, make reference to Belk, 1988, and Dittmar, 1992).

According to experts on the subject (Pierce et al., 2001; Pierce & Jussila, 2011), the consequences, emotions, and psychological relations tied up with ownership are profound. Pierce et al. (2001) mention the following implication, among others:

> The first question of significant practical importance is whether it is good or bad to have employees who feel ownership toward their organizations or various organizational facets. We suggested earlier that organizations may benefit from this state, because it leads to felt responsibility toward the target and to protective stewardship, and other altruistic behaviors toward it. However, dysfunctional consequences are possible as well. There may be times when feelings of ownership will not be to the organization's benefit. (p. 307)

Among other studies is the one by Weber et al. (2019), who did a meta-analysis of organizational democracy and its impact on individuals and organizations, as well as its social repercussions. They completed a wide-ranging systematization that encompassed the period from January 1970 to May 2017, including over 60 studies. Among the practical implications, Weber et al. (2019) point out:

> In general, employees' direct involvement in strategic and tactical decisions influences their individual work orientations more strongly than merely establishing democratic representative boards [...] organizations that want to utilize democratization to enhance a supportive climate, work motivation, job satisfaction, value-based commitment, or prosocial work behaviors should primarily implement forms of direct participation [...] Further, working in democratic companies seems to happen within a field of socialization that helps employees satisfy their higher-order needs and (further) develop joint value orientations that correspond to humanistic ethics [...]. Together with a variety of additional practices identified in social change research, democratic enterprises, particularly democratic social enterprises, may represent significant drivers of social change and may advance societal well-being by developing employees' understanding of societal issues and their civic engagement. OD (Organizational democracy) may also help social enterprises overcome the tension between their social and financial missions. (pp. 33–34)

Weber et al. (2019) extract the following elements from their research:

> [...] the more employees participate directly in strategic and tactical organizational decisions, the more they individually exhibit value-based commitment, job involvement, and job satisfaction and the more they experience a supportive climate [...]. Participating in strategic and tactical decision-making requires higher levels of cognitive and social knowledge and skills from involved employees in democratic enterprises compared to participation in operational decisions in conventional firms [...]. The findings of our meta-analytical study confirm the existence of moderate but substantial associations between employees' IPD (individually-perceived employee participation in organizational decision-making) and prosocial and civic behavioral orientations. (p. 35)

The study by Kim and Patel (2017), with a sample of 1,797 European firms between 2006 and 2014, came to somewhat more reserved conclusions: While employee ownership has an impact on company performance, it is small but significant, and it is also linked to other dependent factors, such as country, the industrial sector, year, and the specific company.

Between 2005 and 2008, Ngambi and Oloume (2013) completed a study of 12 Cameroonian firm with ESOPs (employee stock-ownership plans). Their findings reveal greater productivity and more good will toward the company on the part of the workers, but there is no convincing evidence—in their study—of a positive impact on these companies' bottom line; on the contrary, the correlation is negative. In a similar study of measured impact, O'Boyle et al. (2016) looked at 56,984 US companies and found that the effect of ownership does exist, but it is small, and can be seen more clearly in European firms than in the United States. In parallel, although we will not linger on this point, other research on family-owned companies shows that this type of business works better than traditional non-family-owned companies (Anderson & Reeb, 2003).

Kramer (2010), in his study of 300 US companies (with and without employee ownership), finds that companies with employee ownership have substantially and significantly higher sales, and that the smaller the company, the larger the effect, which increases as share ownership by employees grows. This corroborates, according to Kramer (2010), multiple studies of US ESOPs,

or similar organizations in other countries, that show the positive impact of workers' participation in their own income/wealth (Blasi et al., 2008; Kardas et al., 1998; Pendleton & Robinson, 2010).

We reproduce the conclusions reached by Kramer (2010):

> Workplace democracy (for which employee ownership may be a necessary, but not sufficient, predicate) is a good in itself, in its effects on workers' lives both inside and outside the workplace. Efforts to bring shared ownership to employees (beyond top management) have come from some of these beliefs, as well as a sense that broader ownership of businesses would lead to a more equitable distribution of wealth, and a healthier polity. But there is a lot of inertia to overcome to broaden employee ownership among US businesses, and academic arguments that such a program might reduce productivity have been part of that resistance. This experiment strongly suggests that such resistance is unfounded. (p. 469)

Among other prior studies, we have the one by Long (1978), who separates and addresses the variables of company ownership and participation in decision-making, both of which have significant and independent effects on workers' attitudes. The five dependent variables used by Long (1978) are worth noting: integration, involvement, commitment, satisfaction, and motivation.

Looking at more recent studies and data, we find organizations and research centers devoted to analyzing and promoting the subject of ownership. Abell (2020), one of the founders of the Equity Project, states:

> There is strong evidence that broad-based employee ownership has tremendous benefits for workers, for businesses, and for society. When successful businesses become employee-owned, local economies get stronger, workers' earnings and agency increase, employee-owners build assets, and the companies themselves are more productive and enduring. (p. 1)

The report by the Equity Project, a non-governmental organization that promotes and supports employee ownership, likewise affirms that in a labor market where employers offer less job security and stability, and workers are looking for meaning and belonging, employee ownership offers a better value proposal for both parties. According to Abell (2020):

> Employee ownership has been widely practiced in the United States since the late 19th century in the form of worker cooperatives and since the 1980s in the form of employee stock ownership plans (ESOPs). Substantial research has been done on cooperatives in other countries and on ESOPs in the United States that has confirmed many positive benefits of employee ownership models for the firms themselves, for employees, and for communities. (p. 3)

Wiefek (2017), in a study by the National Center for Employee Ownership (NCEO) in the United States, shares evidence of a strong positive link between workers, ownership, and the workers' financial well-being, this while ESOPs were still trending upward, which flags them as a potential vehicle for positive change for the working class. Furthermore, the study, which was carried out at the national level, shows that the surprising correlation between employee ownership and better economic results for them persists over time when adjustments are made for demographic factors (Wiefek, 2017). The same author shows that, in the sample studied, the employee-owners earn 33% more than the non-owning workers, and this applies for all wage levels: likewise, the net household wealth is higher for 92% of those surveyed who are employee-owners, and in 23% of the cases they have better access to other benefits, such as child care, compared to only 5% of the non-owning workers. The NCEO report, coordinated by Wiefek (2017), states that the average job tenure of employee-owners—5.2 years—is higher than that of non-owning workers—3.4 years. The report adds, among other positive differences, that family income is 378% of the poverty level for employee-owners, as opposed to 293% of the poverty level in the case of non-owning workers.

In a wide-ranging study, Blasi et al. (2008) analyze data from 40,000 workers in 14 US companies, and their main finding is that shared capitalism has an impact on workplace performance. They conclude that shared capitalism is linked to less turnover and greater loyalty and willingness to work hard, especially when combined with high-performance policies, low levels of supervision, and fixed pay at market levels or higher. The work of Blasi et al. (2008) also shows that there is a direct relation between sharing capital and worker motivation, but that workers prefer to reduce their investment risk by not contributing their own capital to the company. Finally, the authors

emphasize that this shared capitalism, together with high-performance policies, seems to work with greater impact when combined.

In a later study, Blasi et al. (2013) highlight the importance of considering objective-subjective risks and the lack of financial diversification on the part of companies and workers who share capital and fall into high-risk zones, since workers could well lose not just their jobs but also their savings and investments. In addition, the authors conclude that the research on the subject minimizes or ignores the risks of shared capitalism, which represents a shortcoming in need of correction (Blasi et al., 2013). This risk was later studied in greater depth by Kruse et al. (2019), who infer that workers are aware of this risk in diversifying their income and that companies with shared capitalism also have a financial culture that allows workers to reduce their risks.

Bova et al. (2015), in their analysis of the impact of non-management employee ownership of companies, found that the practice of opening up capital lessens a company's inherent volatility by mitigating the company's desire to take risks. They conclude that this practice can create more effective discipline mechanisms within the company.

Kruse (2002) does a review of 25 years of research on ownership in the United States and observes the following: "In conclusion, employee-owners represent a substantial portion of the US workforce, and 25 years of research shows that employee ownership often leads to higher-performing workplaces and better compensation and work lives for employees" (p. 10). In the same tenor, Blasi and Kruse (2012) add that access to capital for workers and democracy in companies represent effective ways to contribute to political democracy.

In short, the evidence from the reviewed research shows for the most part that the overall impact of shared capitalism or employee ownership could be considered positive (Blasi et al., 2017, 2013; Kim & Patel, 2017), with significant advantages in the companies' sales, productivity, and stability (Conte & Svejnar, 1988; Kramer, 2008, 2010; Rousseau & Shperling, 2003; Thompson et al., 2013), and that the companies' willingness to share ownership in most cases is related to their concern for their workers' overall well-being (Blasi et al., 2017). This said, we cannot generalize with absolute confidence or guarantee magical, automatic results (Kruse & Blasi, 1995), since there are studies and positions that suggest the opposite (Kaarsemaker & Poutsma, 2006), and question to a certain extent whether democracy and employee owner-

ship are positive *per se* and superior to other ways of running companies (Hansmann, 2000), either because they raise flags with respect to the risks of democratizing company ownership, as in the case of financial risks (Sanders, 2001), or due to the effects of stress caused by increased responsibility in the company (Pierce et al., 1991), or else because they see the link between ownership and performance as positive, but detect a negative impact on performance on account of the difficulty in aligning strategies and the existence of conflicts (Groß, 2007). There are also indications of differences between regions and types of culture, which can imply variations in the appropriation of the concepts of ownership-democracy over time (Winther & Marens, 1997). This last observation points the way to further research in the form of in-depth studies in different territories with more extensive analysis.

EMPLOYEE OWNERSHIP IN B CORPORATIONS. A LONG-TERM RESEARCH AGENDA

Studies of the relations and effects of employee ownership in certified B corporations are very scarce, but a few have been done, and here we present an overview of the existing literature. Among the most recent is the study by Winkler et al. (2018), who evaluated 347 private companies through the BIA of B-Lab, and analyzed the relations of commitment to the internal stakeholders, in this case, the workers, with two different constructs: employee ownership, and employee involvement in the work and management of the company. Winkler et al. (2018) found that B Corps are more likely to allow greater employee involvement, both in their commitment to the company and in the question of ownership, and that this openness has a positive association with external stakeholders. The authors conclude the following:

> Our results identify an interesting relationship—the effects of employee ownership on stakeholder engagement are found only in the sample of certified B corporations. This is logical as ownership, compared to other employee practices, requires a more sustained, deeper commitment to employees, and Certified B Corps are more likely to share ownership, as they have committed to higher standards and shared norms [...]. Our study shows that certification may create the structure and processes to foster stronger relationships among internal and external stakeholders. (p. 13)

In another recent study, Stranahan and Kelly (2019) analyze 50 companies certified as B Corps. Of this total, they extract 45 B Corps owned by the employees, of which 37 (82%) were named Best for the World in 2017 or 2018. In the view of Stranahan and Kelly (2019), who participate in The Democracy Collaborative, companies that are employee-owned and B Corps at the same time combine the best of the two options:

> employee ownership combined with mission-driven governance is an emerging model that is viable in today's economy, incorporating design elements that are critically necessary for real environmental sustainability and broad prosperity. The model is the employee-owned mission-driven company. (p. 5)

In the study, Stranahan and Kelly (2019) consider companies with multiple forms of ownership, ranging from ESOPs to cooperatives and trusts, but with at least 30% employee ownership. These purpose-driven employee-owned companies represent a new generation of companies that address persistent problems. The authors add, "In spite of their diversity, these next-generation companies have one important feature in common: moral leadership. This is what makes them examples for a new era of sustainability and shared prosperity" (p. 8).

The results of the study by Stranahan and Kelly (2019) show that worker-owned companies scored higher overall, and almost twice as high in worker-related issues. In terms of environmental impact, there is no significant difference between the types of ownership. In all the cases, the certified companies (employee-owned or not) outscored the traditional non-certified businesses that were considered for the study.

These corporations are not immune to the natural tensions of any hybrid company (Battilana, 2018). For one thing, sustainability over time, both of the purpose and of the company ownership, is a challenge that is present in this new generation. Another major challenge is that the model cannot be created or applied automatically to generate a cooperative or ownership culture among the workers. Nevertheless, Stranahan and Kelly (2019) contend that the combination of employee ownership provides a layer of protection for the company's mission and that this new generation of companies offers

an emerging option that genuinely looks out for the interests of people and the planet.

THE RESEARCH. METHODS, MICROCONTEXT AND SETTING

We use a qualitative research model based primarily on two authors: for the methodological design, Maxwell (1992, 2005, 2008), and for the case study, Yin (2009, 2018). These authors were complemented with many others (Creswell, 1998; Denzin & Linconln, 1994; Flyvbjerg, 2011; Simons, 2011). We developed case studies on the basis of the specific methods proposed by Yin (2009, 2018), that aimed to answer two central research questions:

- What are the imaginaries, experiences, tensions, and potentialities of people who work in four B Corps in Guadalajara (Mexico) with respect to the companies' principles, values and objectives as B Corps?
- How does employee ownership play out inside the B Corps and what factors make it easy/difficult?

This research was conducted in a specific, complex territory. In geopolitical terms, Mexico is divided into states that make up a federation. Jalisco is one of the 32 states located in the western part of the country. The case studies took place in the state capital, Guadalajara, where the certified companies are located. In 2015, this state had 7.8 million inhabitants and represented 7.1% of the national GDP, ranking fourth among the country's states (Secretaría de Economía, 2018). The economic activity in the region, including the capital, is important for the country: Jalisco ranks eighth in exports, concentrated primarily in manufacturing and technology (Secretaría de Economía, 2018). According to García (2018), that state has seen steady growth in recent years—but does not have the highest rate—even with a change of government.

The research encompasses, as we mentioned, four companies located in Guadalajara. The companies' capital is private; they operate in the formal economy and have all the documentation required for their business operations. Here we present a summary of their profiles.

Eosis

Mexican company founded in 2007 that offers consulting to improve and make better use of energy resources. Its offices are located in Guadalajara, but they have operations throughout the country and are developing some international projects. Eosis has over 14 years of experience in LEED (Leadership in Energy & Environmental Design) certification and other green certifications for buildings and built spaces. It has 10 full-time workers, including the directors, and 50% of the team are women. Since 2007 it has certified over 800,000 m² of LEED construction, which represents a direct impact on the environment (Eosis, 2019b, 2019a). In 2016, it obtained B Corp certification.

Fondify

Mexican service company that belongs to the private sector. It was founded in 2015 and has four full-time workers. It offers solutions for socio-environmental, cultural, animal-related and educational issues, among others, through a crowdfunding platform. It has raised almost one million dollars for 179 associations through 1,404 fund-raising campaigns. 14,402 people have made donations by way of the platform (Fondify, 2019). In 2018 it was certified as a B Corp.

Sarape Social

Mexican company founded in 2010. It is an ideas agency for transforming social realities through projects, programs, activations, campaigns, audiovisual productions, and other communication strategies. Twelve full-time collaborators work in the company, plus a few temporary workers. Its projects are national and international, and their clients include associations, private companies, and local, regional and federal governments. They have even done work for Oxfam International, USAID (United States Agency for International Development) and UNICEF (United National Children's Fund) (Sarape Social, 2020). In 2017 it became a B Corp.

Aguagente

This Mexican startup, founded in 2015, provides purified water for homes. Its business activity is located primarily in Guadalajara and the Ajijic area (Chapala). It has four permanent workers, plus the two directors and co-founders. In 2019, it had installed equipment in over 500 homes, and projected tripling this figure in the following two years (Aguagente, 2018, 2019). In 2017, it was certified as a B corporation and it has renewed the process.

The Sample, Data Gathering and Analysis

Our study was limited to the four certified companies in Guadalajara in order to have a sufficiently broad participation sample, given that all are small businesses (4-12 workers). The participants range in age from 22 to 60, with indistinct integration of men and women. We included a total of 23 people who work in the companies, of a possible total of 32. We applied the theoretical sampling (Breckenridge & Jones, 2009), and chose people on the basis of their direct experience of the phenomena being studied and their open perspective. The research comprised 61 in-depth interviews, with experts and researchers. In addition to these interviews, the work was reinforced with 35 complementary formative activities that totaled over 1,300 hours.

We made use of the Atlas Ti 8.0 program, which has helpful potentialities and tools (Chacón, 2004; Flick, 2014; Grbich, 2013). According to Chacón (2004), these analysis programs are constantly improving their potentialities and applications, which becomes an important incentive that researchers should bear in mind. It also creates categories and analysis codes.

Most of the information from our research can be found in audio and text files, which were completely reviewed, coded and quoted in the parts analyzed as relevant, in an act of interpretation and not as an exact science (Saldaña, 2013), and in a cyclical and iterative act of analysis (Charmaz, 2006; Grbich, 2013; Saldaña, 2013; Yin, 2018) of the categories, subcategories, and codes. The validation method consisted of methodological triangulation and validation by members (Creswell & Miller, 2000; Fusch & Ness, 2015; Guba & Lincoln, 1989; Maxwell, 2016; Valencia, 2000).

SCIENTIFIC CONTRIBUTIONS OF CASE STUDIES

From Corporate Social Responsibility and Impact Measurement to the Emergence of Purpose-Driven Companies

Given today's multiple, complex planetary challenges (Esquivel, 2015; Francisco, 2015; Harvey, 2014; Piketty, 2015; Touraine, 2005), and given the periodic crises sparked by unethical business practices, the issue of corporate social responsibility (CSR) has undoubtedly taken a more prominent place in business, political, and academic discourse (Latapí et al., 2019). While businesses have increasingly adopted the reports and communication strategies of corporations (Alves, 2009; Aspen Institute, 2005; Esrock & Leichty, 1998; Tolliver-Nigro, 2009), there is often a conspicuous disparity between what is measured, reported, and advertised and the real impacts for stakeholders, degenerating at times into greenwashing and other such practices (Delmas et al., 2019; Delmas & Burbano, 2015).

In our case studies, there does appear to be profound shift toward having a socioenvironmental impact, and the companies have a defined purpose and a clear concern for fulfilling their CSR; however, the businesspeople who were interviewed are not exempt from the possibility that the B certification itself can be reduced to mere marketing and even greenwashing, and that it does not represent the systemic change that the movement aspires to (Abramovay et al., 2013; Correa & Cooper, 2019).

Our analysis showed that the companies' hybrid nature subjects them to constant tension (Battilana, 2018; Eldar, 2017; Haigh et al., 2015), and that there is a struggle between the imperative to be profitable and the pursuit of socioenvironmental impact (Battilana et al., 2015). We corroborated in qualitative detail the extensive literature on these tensions in hybrid companies. The B Corps we studied confirm the conclusions reached by Battilana et al. (2015), who argue that organizations that pursue different objectives (hybrid) require resources (for example, time, financing) to engage in internal dialogue and negotiation in order to align themselves and successfully perform as a multiple-objective organization.

At the same time, the in-depth analysis of our data also suggests that the companies in the study demonstrate a genuine interest in pursuing these multiple objectives and in embracing ethics as an intrinsic motivator from

inside the company; not an extrinsic pressure to comply with external standards (Correa et al., 2004; Cortina, 2014) or as something merely cosmetic (Crook, 2005; Karnani, 2011; Porter & Kramer, 2006). This study reinforces and complements previous research that found similar results, in the sense of a genuine interest on the companies' part in fulfilling their social purposes and making substantial and authentic efforts. Again, while it might seem a far-off goal to expect the system as a whole to change through CSR (Crane et al., 2014), shared value (Porter & Kramer, 2011), and their different manifestations (De los Reyes Jr et al., 2017), the analysis of the results shows that both B certification and the B movement itself can offer an innovative, attractive alternative to conventional CSR. This expression is susceptible to improvements and areas of opportunity, as the participants pointed out, and we will address them in the practical contributions.

Impact reports, CSR reports, GRI (Global Reporting Initiative) and others, have become more common in Latin America (Reficco & Ogliastri, 2009; Sierra-García et al., 2014); however, in Mexico CSR is the best-known mark of the socially responsible company, even though experts question its meaning and depth. In this regard, we find that the B Corps studied at different levels, unlike traditional companies, do not see their CSR as a merely philanthropic undertaking (Araya, 2006; Logsdon et al., 2006; Meyskens & Paul, 2010; Weyzig, 2006); instead, as mentioned above, they place their purpose at the center of their business model, and add complementary CSR activities.

B Certification. Commitment of Purpose-Driven Companies

As often seems to be the case with the GRI and other similar processes, our analysis appears to align with a number of the findings made by Parker et al. (2019), who found that B-Lab certification and timelines were not entirely clear during the process. We also shared that some of the businesspeople interviewed indicated that they "learned something" in the certification process itself, that although they felt "they were already doing a good job," getting certification as a B Corp was "the right thing to do."

The results of the blended study by Parker et al. (2019), undertaken with 249 US companies and considered by other researchers to be a major contribution (Gehman et al., 2019), coincide with our analysis suggesting that certification proved to be a complex task, requiring profound reflection and

information gathered from different areas; for small businesses it called for considerable effort. We also found a strong similarity to the aforementioned study (Parker et al., 2019), in the sense that the four companies delegated a single person to take care of the certification, instead of outsourcing it to a third party. Given their small size and limited resources (personnel, finances), the companies actually demonstrated quite a serious commitment to completing the evaluation and certification process, and discovered in the diagnosis that they were missing many areas or actions, or else had room for improvement.

With respect to the analytical tools, this research goes beyond other studies that also look at case studies of certified companies (Villela, 2016); among many other differences related to the topics and research questions, ours is a composite study that includes Computer-Aided Qualitative Data Analysis, with all the possibilities that this offers (Friese, 2020; Hwang, 2008).

The following contribution, while grounded in scientific analysis, concludes with a series of practical recommendations described in the section below. Our case studies confirmed, as did the work of Abramovay et al. (2013) with B Corps in Chile, Brazil, and Colombia, that the challenge of scaling up the movement to more companies and to public policy continues to be relevant, as a way to avoid depending on admirable personal initiatives of "extraordinary" and "heroic" entrepreneurs who end up isolated from the system and from mainstream business.

As in the study by Wilburn and Wilburn (2015) with the 45 companies that founded the certification, we found that the interviewed businesspeople as a whole showed a strong commitment, but also that the evaluation-certification process opened their eyes to impact areas and actions that they did not have in their operation.

Following Wilburn and Wilburn (2015), we can also state that there is a clear and genuine sense of social commitment. Along these lines, a businessperson from one of our case studies said, "To be a B Corp, you have to be a business, a company, but we're concerned about the environment, we're concerned about the community, we're concerned about helping people and ultimately we want to generate a change for the better, not just in ourselves, our neighbors, the city, but in the entire country."

Finally, given the numerous sustainability certifications that exist and the dearth of relevant research about them (Ecolabel, 2020; Gehman et al., 2019),

our research offers an additional, updated perspective on the certification of B Corps. It can also serve to make comparisons with cases from other regional contexts at the national and international levels.

Employee Ownership and B Corps

While the study has its own limitations, which we will address below, it offers a critical analysis of the companies in question as part of the phenomenon of purpose-driven companies, their experiences, certification, and their stance regarding employee ownership. With respect to this last element, the contribution of this research is considerable, since very few studies have examined it formally (Stranahan & Kelly, 2019; Winkler, 2014).

On the basis of our analysis, we can state that B Corps, given their awareness and genuine interest in stakeholder impact (Stubbs, 2017a; Wilburn & Wilburn, 2015), are scenarios that share, to a limited extent, certain principles and values of the social economy (Mugarra, 2004), and that are open to different ways of organizing company ownership that will allow them to achieve their economic and social objectives (Battilana, 2018). In other words, within their particular nature of not being cooperatives or similar sorts of organizations, the B Corps studied in this research suggest that being run by people who are looking to have a socioenvironmental impact makes them more open and susceptible to applying their own employee ownership schemes without engaging in deep, wide-ranging exercises (Kramer, 2010) of democracy within their companies.

In some cases, we were able to identify, like Pierce et al. (2001), that psychological ownership is present in some workers and that there are elements linking this to certain levels of greater responsibility, commitment, and belonging.

Considering the conclusions of Winkler et al. (2018), we can corroborate that B Corps, by striving to comply with the highest standards of socioenvironmental impact—which involves a greater commitment and responsibility toward stakeholders—, are open, to a certain extent and only in the identification with certain values, to employee ownership.

To close this section, we can state that the fragility implicit in being young companies, the tensions they experience by trying to reach multiple objectives (Battilana, 2018), together with a complex context marked by crisis,

makes employee ownership a heavier lift for shareholders, a complex undertaking that is not really a high priority unless it is linked to the company's operational-financial results. We found that the phenomenon of opening up capital has to be considered together, and coincide, with the parties' interests-commitments and a certain level of maturity. The fragility and complexity of access to capital (Peredo et al., 2018; Rousseau & Shperling, 2003; Tannenbaum, 1983) in non-cooperative contexts, not to mention the internal and external tensions (Battilana, 2018), make for a unique phenomenon that calls for further in-depth research.

In a changing and uncertain economic environment, where the aim is to increase competition and where salaries cannot be assured for small and medium-sized businesses and young companies (Rousseau & Shperling, 2003), employee ownership can represent an alternative route for fomenting a strong commitment (Winkler et al., 2018) between workers and the company. We can add the fact that the millennial and Z generations give more weight than ever to social and environmental factors (Cone, 2017).

CONCLUSIONS

Our study, with its own limitations and future lines of research, offers a new and updated look at B Corps, with a particular focus on the experience of employee ownership in them. As with social and solidarity economy organizations (Borzaga et al., 2017), it is important to continue working on building networks that can strengthen institutionality and influence public policies to complement actions in a systemic way, accompanied by laws that promote a different kind of company.

The challenges that the world faces today are enormous, and diagnoses tend to fall back on commonplaces, with references to a profound systemic crisis. This crisis hits vulnerable emerging economies like Mexico's the hardest.

B Corps join forces with other certifications of impact and position themselves as an evolving expression of CSR. These hybrid business models are not immune to internal and external tensions, and they have to make a concerted effort to participate in a certification process that requires human and financial resources and that, in the short term, brings them no direct economic value.

With respect to our first research question, we conclude that the experiences, imaginaries, and challenges of being a B Corp are lived differently by the manager-owners as opposed to the workers. The analysis showed that the more hierarchical levels of difference the organizations had between their management teams and other stakeholders, the less their collaborators knew about certification and its aims. In the same way, the more time and commitment workers had with the organization, the more they knew, or wanted to know, about B certification.

Satisfaction in the company in most cases is linked to a positive experience of the certification and other expressions of CSR. The B Corp identity is proclaimed by the owner-managers, but for many participants it does not become a corporate identity as such. We can conclude that B certification, as well as other specific CSR actions, are seen as managerial strategies to measure and improve the company's impact and to participate in a Mexican, even Latin American, ecosystem that skews young and comprises mostly social entrepreneurs. The B Corp identity is not actually shared deeply within the teams, even though they are small businesses. This is not to say that the companies and individuals do not pursue and achieve the impacts they seek, perhaps not fully but to a significant extent in different areas, depending on the case and the stakeholder group in question. Even though it does not become a corporate identity, being a B Corp does strike a good number of participants as something interesting and motivating. Others, however, barely perceive it.

While further research is needed, our findings uncovered no signs that other stakeholders value, or even know, what it means to be a certified company. The B Corps studied in the research function at the local level as ambassadors of the certification movement in a country and a region where CSR continues to be seen as philanthropy, an afterthought of business activity, not as a part of the business model itself.

On the basis of the analysis and the contributions, we can conclude that obtaining B certification is not the final step in the process; it is just the beginning of a continuous improvement program based on measuring impact and making a formal statement of purpose. B Corps are headed by people with a firm commitment to change, but their energy needs to be scaled up into a systemic movement; otherwise, it will not be up to the task of solving a problem of this magnitude.

As for our second research question, about employee ownership in B Corps, we have a number of conclusions. With respect to the specific cases studied in our research, we can state that company ownership, outside of pre-existing social economy contexts, is an even more fragile formula that certainly can be applied, but its viability depends on the parties' mutual interest in everything that co-ownership entails and represents on the formal/legal and psychological levels.

The companies studied in our research, as a whole but in different ways, show openness to the idea of giving workers access to ownership, but without undertaking wide-ranging exercises in democracy or opening up to all collaborators alike. In some cases, this openness is presented to the workers, or to certain employees, as compensation for results and partly as a way to form a cohesive team; however, this cannot happen unless certain shared values converge and purposes are aligned between the person and the organization more broadly. As can be seen in the cases and their analysis, it is only by concerting values—for example dialogue, friendship, trust, commitment, satisfaction, maturity, among others—, with some persistence over time, that the possibility of opening up capital to employees becomes viable. Along these lines, we can affirm that co-ownership does not play out the same among founders and co-founders as with workers who come on board at a later date.

In our cases, sharing capital widely with collaborators is not perceived as an automatic consequence of being a B Corp. It is something to be considered, but it is not seen as an indispensable element. Finally, the challenge remains to continue researching the B Corp movement, which seeks systemic change and employees ownership, in order to make scientific contributions to two major economic proposals that aim to meet the challenges that humanity is facing today.

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Employee Ownership: A Reaffirmation of Shareholder Primacy?

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Abstract
In this paper we explore the norm of shareholder primacy with the aim of identifying its applicability in companies with employee ownership. We pose the following research question: Can companies with employee ownership respond better to the demands of society, or do they instead reaffirm the norm of shareholder primacy? We argue that companies with employee ownership are better positioned to generate a greater benefit for society because compared to other kinds of companies they can achieve a better strategic alignment and their employees have an incentive to care more about their actions, to develop a greater awareness of social identity, and to be more willing to share the benefits that accrue from their improved performance. However, for this surplus value to be transferred to society, at least in part, these companies must adopt corporate governance structures that enable employees to exercise their rights as owners, including participation in company decision-making.
Keywords: ***employee ownership, shareholder primacy, corporate governance, stakeholder management***

It is becoming more frequent for companies to incorporate business models that seek a positive impact on society and the environment, which coincides with the vision in which a company's legitimacy is derived from its social function (Roncancio & Lagos, 2019).[1] Nevertheless, the debate over the purpose of companies remains unresolved, with two opposing positions

1. In this document we use the term company in a broad sense to refer to all types of organizations, both for-profit and non-profit.

facing off. On the one hand, shareholder primacy has been the predominant position over the last few decades (Storey & Salaman, 2017), asserting that a company's managers have fiduciary duties exclusively toward their shareholders (Berle, 1931). On the other, a revised position has emerged, suggesting that a company's purpose is broader than that: it is an economic institution with a social function. Consequently, business decisions must be guided by fiduciary duties that include all of the company's stakeholders (Dodd, 1932). This perspective recognizes that companies have an impact on society, and it follows that their scope of action involves more than just the pursuit of their shareholders' interests (Roncancio et al., 2018). In spite of the ongoing debate over the purpose of companies, a certain consensus has been reached that companies today are better positioned to help solve social problems (Sacchetti & Tortia, 2020). In this sense, society expects them to pursue more than just maximize shareholders profits. Likewise, companies require public trust to legitimize their actions and guarantee their survival (Barton, 2011). Currently companies face a crisis of mistrust: A large portion of society perceives them as unfair organizations that serve the interests of the few; moreover, they are dishonest, corrupt, and have a limited vision and objective for the future (Edelman, 2020). According to the most recent report by Edelman Trust Barometer, published in 2020, global trust in companies reached 58%, and the percentage is much lower in developed countries (35% in Russia; 47% in the United Kingdom; 49% in Japan; 50% in France, Spain, and the United States, to name just a few).

Inequality and high unemployment are not new, but the pandemic brought on by the coronavirus aggravated the conflict between society and companies by heightening the perception that companies are thriving at the expense of society (Porter & Kramer, 2011). In response, new organizational forms have arisen that use the power of companies to benefit society (Roncancio & Lagos, 2019) while continuing to generate profits for shareholders. Shared capitalism includes "arrangements that tie workers' wages or wealth to their own workplace performance, at the level of the work group, the institution or the company" (Freeman et al., 2010, p. 5). Within this framework, employee ownership has gained momentum. One of its main premises is that when employees enjoy the benefits of company ownership, they work more and better, which enhances the company's performance and stimulates economic growth (Aubert et al., 2018).

Employee ownership can come through the initiative of either management or employees (Bartkus, 1997). Employers can give the option of investing in the purchase of company shares on offer (Aubert et al., 2018), or employees can take the initiative with the aim of protecting their jobs (Bartkus, 1997), for example, when they are dissatisfied with bad management (Pierce & Furo, 1990). Ownership can also result from an ideological belief in cooperativism or a negotiation process between labor unions and management (Pierce & Furo, 1990).

Employee ownership implies a two-way trust relationship. On the one hand, the company allows employees to participate in ownership in view of the important role they play, or employees decide to co-own, as a sign of their confidence in the company's future (Poulain-Rehm & Lepers, 2013). Employee ownership has generated the expectation that such companies will have a distinctive purpose and a set of objectives that differ from a conventional one; thus, one line of research focuses on identifying the position adopted in these companies with respect to the pursuit of benefits (Storey & Salaman, 2017).

We explore the norm of shareholder primacy to identify its applicability in companies with employee ownership. Our research question is: Can companies with employee ownership respond better to the demands of society, or do they instead reaffirm the norm of shareholder primacy? To answer, we compare the norm of shareholder primacy with employee ownership. In the first place, shareholder primacy posits that shareholders are the only ones who can channel companies' power to benefit society (Tsuk, 2005). The argument is that when efforts focus on maximizing value for shareholders, the company's productivity improves, which serves the highest interest of society in general (Allen et al., 2002), i.e., society benefits indirectly. This position contrasts with that of stakeholder management, which seeks to benefit the other stakeholders directly and intentionally.

We argue that companies with employee ownership are better positioned to generate a greater benefit for society because compared to other kinds of companies, they can achieve a strategic alignment and their employees have an incentive to care more about their actions, develop greater awareness of social identity, and are more willing to share the benefits that accrue from their improved performance. However, for this surplus value to be transferred to society, at least in part, these companies must adopt corporate governance structures that enable employees to exercise their rights

as owners, including participation in company decision-making. The literature suggests that employee owners lack the mechanisms needed to steer the company toward the direct, intentional pursuit of society's benefit. It's likely that companies where employees own a minority of the shares these continue to prioritize shareholder value maximization. This happens because they tend to limit employees' participation in management, particularly in the corporate governance structure, where fundamental changes to company strategy could be made.

This document is organized in seven sections. After the introduction, the second part identifies the main characteristics of the norm of shareholder primacy. The third describes certain concepts that shed light on the main elements resulting from employee ownership. The fourth section looks at the effects of this kind of ownership. The fifth discusses whether companies with employee ownership can respond better to society's demands or whether they instead reaffirm the norm of shareholder primacy. Finally, the sixth presents our conclusions.

THE NORM OF SHAREHOLDER PRIMACY

The Purpose of Companies

At the heart of the debate on the purpose of companies is their possible social role. Shareholder primacy, the predominant position over the last few decades, maintains that company executives have fiduciary duties to their shareholders only and these consist of guaranteeing the return on the investment made by those who put up the company's capital (Berle, 1931). Giving executives greater discretion to consider their fiduciary duties to other stakeholders would increase agency problems and associated costs (Jensen & Meckling, 1976). This line of thinking asserts that shareholders are the only parties who can channel companies' power toward the attainment of benefits for society (Tsuk, 2005). Other theoreticians propose a competing view, whereby the purpose of companies is conceived in broader terms. This revised perspective states that companies are economic institutions with a social service function that takes precedence over the creation of profits for shareholders. This implies that business decisions must be guided by fiduciary duties that consider not only shareholders but all stakeholders (Dodd,

1932). These duties are fulfilled when stakeholders are taken into account in each management decision, and not indirectly by way of the pursuit of maximum shareholder value.

Theoretical Foundations of Shareholder Primacy

The norm of shareholder primacy posits that share value, an indicator that expresses shareholder benefit and company efficiency (Meese, 2002), is the objective of corporate governance systems (Fisch, 2006). According to the concepts of efficiency and rationality in classic economic theory, the ultimate objective of companies is to generate as much wealth as possible for shareholders, while the function of management is to maximize share value as a way to achieve wealth generation.

Different reasons are used to defend shareholder primacy. One is property: Since shareholders are property owners, they have the right to decide the company's purpose, which should be governed with their interest in mind (Matheson & Olson, 1992). By this logic, shareholders own part of the company's assets (Njoya, 2007) and, therefore, these assets should be administered in a way that maximizes shareholder benefits. Thus, when share value goes up on the stock market, the company's productivity is strengthened, which serves the interest of society at large (Allen et al., 2002).

Another reason often marshaled to justify shareholder primacy is efficiency: Companies thrive when their performance aims to maximize profits for shareholders (Friedman, 1953). In this vision, a shareholder-centered system is the most efficient way to produce wealth for all stakeholders (Kiarie, 2006). If the shareholders did not have control, they would demand greater profits to compensate for the assumed risk, which would increase the company's financing cost and, in turn, the production cost for all stakeholders (Boatright, 2006). Thus, shareholders are in the best position to manage the company efficiently because their interest lies in their shares' market value, which happens to be the indicator of the company's overall performance.

A final argument, we can highlight with respect to shareholder primacy is that management has fiduciary duties toward the company and its shareholders and not toward other stakeholders (Smith, 1998). To carry out its function of administering the company, management is given powers that are not unlimited; on the contrary, these powers fall within the so-called fidu-

ciary duties: the duty of care and loyalty. The former implies that executives are obliged to administer the company with the same diligence they would exercise in managing their own business (Roncancio et al., 2018). This means keeping themselves duly apprised of the company's policies and problems, managing the company with honesty, avoiding conflicts of interest, not engaging in illegal activities, and putting all of their knowledge and skill at the company's service (Roncancio et al., 2018). The duty of loyalty means that administrators are expected to seek the company's benefits, i.e., avoid letting their own interests take priority over the company's (Roncancio et al., 2018). It also implies that administrators should avoid situations that cause conflicts of interest and the unwarranted use of privileged information.

EMPLOYEE OWNERSHIP IN COMPANIES

Shared capitalism encompasses a wide range of arrangements that tie workers' pay and wealth to their performance or the company's (Freeman et al., 2010), based on the idea that a better distribution of ownership benefits leads to a stronger performance, while at the same time stimulating economic growth (Aubert et al., 2018). Employee ownership is a kind of shared capitalism becoming more common in companies (Mygind, 2012; Poulain-Rehm & Lepers, 2013), especially in industrialized countries (Kim & Patel, 2017).

Companies and governments have designed different arrangements for employees to have access to ownership. Due to this diversity of forms, the term "employee-owned companies" has been used inaccurately in some cases (Mackin, 2019; Toscano, 1983). For example, it is often used to refer to companies that have some kind of arrangement by which employees can be compensated with a certain percentage of shares, as well as to companies that are 100% employee-owned. Understanding how ownership works can be a good start for identifying an "employee-owned company."

The Company and Ownership

Mackin (2019) proposed two models that help to understand ownership in companies. In one, a company can be seen as property owned by shareholders, who are the residual claimants and therefore enjoy the profits and assume the losses, as the case may be (Mackin, 2019). In this model, the

shareholders' rights of governance with respect to the company derive from their being its owners (Mackin, 2019). In the second model, the company can also be seen as a social institution; the fact that it is more than just property means that it is not governed by property rights but by the personal rights of the members, who, as in the previous case of shareholders, are in charge of delegating responsibilities and authority for the company's administration (Mackin, 2019).

As for its meaning, ownership can be understood from four different perspectives: compensation, investment, retirement benefit, and membership (Mackin, 2019), with employees being able to participate as owners in any of the four. First, companies use ownership as a compensation that generates incentives to mold the loyalty and behavior of management and employees; in this case, it is common to use stock options and other financial derivatives that do not involve a dominant ownership function in the company's governance (Mackin, 2019). Second, in ownership as investment, companies design plans so that employees can participate by purchasing stock, which means that employees, like any other investor, expect an economic return as a reward for the risk assumed (Mackin, 2019). Third, property as retirement benefit is a benefit paid to employees and executives who leave the company; it therefore involves a longer-term horizon than in the previous cases (Mackin, 2019). Finally, ownership as membership, common in workers' cooperatives and professional associations, is characterized by employees' direct participation in company governance as a result of membership rights, as opposed to property rights. This participation allows employees to elect administration boards, which are given the power to choose management personnel and the authority to decide how to invest annual profits (Mackin, 2019).

Although employee ownership can exist in any of the four types of ownership (compensation, investment, retirement benefit, and membership), the debate regarding the benefits and costs of employee ownership revolves around the model that sees the company as property because the conception of the company as a social institution has not been widely accepted (Mackin, 2019).

Definition of "Employee-Owned Companies"

Having defined the meaning of company and ownership, we can look at the concept of "employee-owned companies." As we mentioned before, employees can participate in ownership in different ways, ranging from phantom shares or stock appreciation rights, in which participation in company governance is restricted (O'Boyle et al., 2016), to stock set aside exclusively for upper management (Knyght et al., 2010), to workers' cooperatives where all employees can take an active role in management (O'Boyle et al., 2016).

This diversity of forms has led to formulate different definitions to describe companies where employees participate, which can cause confusion in discussions of this type of ownership (Knyght et al., 2010). Common definitions consider the number of employees participating in the stock-ownership plan set up by the company; for example, some definitions include the participation of at least one employee (Sengupta et al., 2007); others, the majority of non-management employees (Robinson & Zhang, 2005); and still others, the participation of all employees (Knyght et al., 2010). Some authors observe that ownership plans are wide-ranging and differ from one country to another (O'Boyle et al., 2016); moreover, few ownership arrangements manage to include 100% of the employees and, in many cases, the right to participate requires employees a minimum period of affiliation (Knyght et al., 2010). For this reason, the suggestion is made to use the term "employee-owned companies" when at least 50% of employees participate in the ownership plan (Mygind, 2012; Pendleton, 2001; Toscano, 1983), or at least when there is a plan in place for this to happen (Toscano, 1983). Given the different ways employees can participate in ownership, the term "employee-owned companies" continues to spark controversy; consequently, it is recommended to exercise caution when generalizing about this kind of ownership (Knyght et al., 2010).

Arrangements for Employee Ownership

Companies make use of a wide range of arrangements to enable employees to co-own. While arrangements can vary depending on the regulations in each country (O'Boyle et al., 2016), we can classify them into two groups. The first consists of company-designed employee ownership plans. Their main characteristics are: the way to acquire stock (purchase and performance-based

compensation); the price at which stock can be purchased (at a discount or at market price); the voting rights that employees acquire as shareholders (limited or full voting rights); the possibility of reinvesting profits from their stock (allowed or not allowed); and the type of participation in the plan (voluntary or mandatory) (O'Boyle et al., 2016). Depending on the company-designed plan, employees can obtain different percentages of co-ownership, up to 100% (Knyght et al., 2010).

In the second group, company stock can be bought by an employee trust for subsequent distribution, in part or in full, to each employee; thus, shareholding can be individual or collective (Knyght et al., 2010). The Employee Stock Ownership Plan (ESOP) is one of the arrangements used, with or without leverage. In the former case, a loan is taken out, guaranteed by the company, to buy stock, which then goes into an employee-owned trust (Bartkus, 1997). The trust has full control of the stock until the loan is paid off with company profits, and as this happens, the shares are transferred from the trust to the employees (Bartkus, 1997). In an unleveraged ESOP, however, shares are distributed directly to the employees as performance bonuses or employees are allowed to buy stock directly (Bartkus, 1997). In addition, employees can participate in ownership in the form of cooperatives or other such associations. In this type of organization, members have total ownership and exercise control democratically (Knyght et al., 2010).

THE EFFECT OF EMPLOYEE OWNERSHIP

Some studies have looked at the possible effects of employee ownership on different aspects of a company. Overall, the evidence suggests that this type of ownership can have positive and negative effects (Aubert et al., 2014). A positive effect on employee behavior has been documented, which can translate into benefits for companies. However, with respect to companies, two positions have emerged: One that argues that employee ownership has a positive impact on performance because employees behave better (Aubert et al., 2014; O'Boyle et al., 2016), and the other that asserts that employee ownership can have negative effects on performance due primarily to inefficient corporate governance structures (Aubert et al., 2014; O'Boyle et al., 2016). In the following sections we present both perspectives.

Benefits of Employee Ownership

Previous studies mention that stock ownership by employees produces positive effects in their behavior (Aubert et al., 2014), which can boost company performance. The role that ownership plays in this dynamic can be understood from three perspectives: intrinsic, instrumental, and extrinsic (Klein, 1987).

The intrinsic perspective affirms that employee ownership, by itself, can change employees' attitudes toward the company and work itself (Klein, 1987), making them willing to serve the company's interests and not just their own (Davis et al., 1997). Thus, employee ownership can strengthen their commitment to the company as well as their job satisfaction (Klein, 1987; Pierce & Furo, 1990). Other studies suggest that this kind of ownership also encourages employees to participate in other activities within the company, while reducing turnover (Aubert et al., 2014). Likewise it contributes to greater cooperation, mutual monitoring, lower levels of turnover, and absenteeism (Aubert et al., 2018), along with greater motivation and cohesion among employees (Pierce & Furo, 1990).

While the intrinsic perspective helps us understand that ownership by employees produces positive changes in their behavior, it fails to explain the possible effects of this new behavior, or how and why these changes come about. These aspects are addressed in the instrumental and extrinsic perspectives. The former posits that employees' satisfaction and commitment come from their participation in decision-making and perceived control over their work, while the latter argues that employee ownership motivates only when it brings tangible economic benefits (Klein, 1987); motivation thus results from employees' expectations regarding cash flow, not regarding their rights of control. In this sense, employees see ownership as an investment from which they expect to receive dividends and gains in share value (French, 1987).

Both the instrumental and the extrinsic perspectives have been identified in different studies. With respect to the instrumental perspective, Knapp (1988) contends that ownership increases employees' interest in having control; by this logic employee ownership should lead to more democratic companies (Rosen, 1989). In this sense, some companies that include employees in ownership use democratic structures and processes in their governance. For example, John Lewis Partnership, a 100% employee-owned retailer with successful operations in the United Kingdom and other countries, has three

governing authorities: the president, the association council, and the association board, which includes employee representatives. It also has a tiered structure of committees emanating from each branch, passing through each division and culminating at the corporate level; the aim is for the administration to be accountable to all of its associates (Storey & Salaman, 2017). In this way, there is a genuine commitment to sharing power, knowledge, and compensations through corporate governance that has built-in controls and counterweights (Storey & Salaman, 2017).

Controlling and participating in the company is a right that employees ought to have when they own it (Blasi, 1988); hence, the combination of employee ownership and appropriate employee participation in management should enhance the company's performance (Rosen, 1989). Numerous studies show that the employees' new behavior, brought about by their participation in ownership, leads to better performance (Freeman et al., 2010; O'Boyle et al., 2016). These results are grounded primarily in agency theory, which suggests that employee ownership creates the right incentives to align the objectives of shareholders and employees in a way that allows for the mitigation of agency problems resulting from the separation of ownership and control (O'Boyle et al., 2016). Recently, the debate over the benefits of ownership has focused on determining whether the proportion of ownership is related to the incentives; specifically, questions have been raised as to whether a low percentage of employee ownership is enough to adjust the interests of shareholders and employees (O'Boyle et al., 2016).

Other authors, however, have found that employees who participate in ownership do not always set out to control the company. For example, French (1987) showed that ownership was associated with less desire for control by employees because they saw ownership plans as an investment that was not about taking control. The practical value of an ownership plan for employees is limited insofar as, in many cases, they are not willing to assume the responsibilities that shareholder activism entails. In the same way, even though companies, at least those listed on the stock exchange, are obliged to offer employees the right to vote, in most cases employees who sign on to an ownership plan are a minority of the ownership structure, which impedes their participation in company decision-making (French, 1987). Some studies have shown that, due to these limitations, employee stock ownership

plans have no effect on company performance and value creation, either for shareholders or other stakeholder groups (Poulain-Rehm & Lepers, 2013).

As for the extrinsic perspective, on the basis of the theory of property rights the argument is that employees are more likely to invest specific human capital when they receive residual rights by sharing in company profits (Wang et al., 2009). Moreover, contract theory has been used to propose that when employees participate in ownership, they have the incentives they need to boost company performance since improvements will enhance the share price and their variable compensation will rise (O'Boyle et al., 2016).

Costs of Employee Ownership

The literature also provides evidence that suggests a negative effect on company performance when employees participate in ownership. Some studies point to the difficulty of distributing ownership benefits among employees with different skills; the more skilled ones would receive less than their fair share, while those with less skills would receive more (O'Boyle et al., 2016). These differences can give rise to conflicts that might affect performance (Hansmann, 1996).

Other studies conclude that employee-owned companies have problems with collective decision-making (Jensen & Meckling, 1979; Mygind, 2012; Tirole, 2001), because employees might be more interested in earning higher salaries and other benefits at the expense of shareholders (Jensen & Meckling, 1979). It has also been documented that employee ownership can increase risk aversion (Berk et al., 2010; Sanders, 2001). Since employees own a significant part of the company's capital, if they participate in company decision-making, they might act conservatively with an eye to maintaining stability, which could limit the company's growth (Berk et al., 2010; Sanders, 2001).

Finally, the most incisive criticism of companies that allow employee co-ownership comes from studies that underscore that employee ownership is often used the wrong way by managers to guarantee strategic corporate control (Rauh, 2006). For example, in companies traded on the stock exchange, managers who fear they might be replaced adopt strategies to push back against the discipline of the financial market (Shleifer & Vishny, 1989). In this sense, it has been shown that employee ownership is used as a mechanism for

managers to dig in against possible hostile takeovers (Atanassov & Kim, 2009; Bertrand & Mullainathan, 2003; Brown & Caylor, 2009; Cronqvist et al., 2009; Pagano & Volpin, 2005). Since employees associate takeovers or mergers with downsizing, it is highly unlikely that they will vote against management in a takeover process (Aubert et al., 2014), because, as a compensation for their participation, management can offer them higher salaries and less intensive control (Atanassov & Kim, 2009; Bertrand & Mullainathan, 2003; Cronqvist et al., 2009). All of these scenarios generate a dinosaur effect on potential buyers (Aubert et al., 2014; Blasi, 1988; Brown et al., 2006; Gordon & Pound, 1990; Rauh, 2006).

As of the result of management entrenchment through the use of employee ownership, corporate governance becomes deficient due to possible collusion between employee owners and management (Aubert et al., 2014). This can affect the company in a negative way. Some studies have documented unfavorable reactions by financial markets to the implementation of an employee ownership plan (Chang, 1990; Chang & Mayers, 1992; Conte et al., 1996). Other research has found that companies that establish employee ownership have more trouble raising capital because the market associates them with higher risks given the potential for inefficiencies in their governance (Dow, 2003; Mygind, 2012).

DISCUSSION

Employee ownership is tied up with a system of rights and responsibilities that can be better assessed by society (Nussbaum, 2004; Sen, 1999). In this sense, employee-owned companies can have greater concern for the well-being of society at large for a number of reasons.

First, strategic alignment. Companies gain a competitive advantage when they are able to carry out this process properly (Chenhall & Langfield-Smith, 1998). For this to happen, different key components must be integrated: strategies, leadership, culture, processes, people and systems, among others (Weiser, 2000). The aim being to generate the same level of commitment to the company's purposes and objectives at all levels (Ghobadian et al., 2007). Strategic alignment is approached from two perspectives: vertical and horizontal. In vertical alignment the intention is to get employees to understand the company's objectives and their own role in achieving them (Chenhall &

Langfield-Smith, 1998). In horizontal alignment the purpose is to articulate the needs and interests of customers and other external actors with the company's internal dynamics (Labovitz & Rosansky, 2012). In employee-owned companies, employees' direct or indirect participation in governance bodies facilitates the alignment of interests between employees and other shareholders (Ginglinger et al., 2011). In this way, sustainability objectives, now aligned, can also count on the support of the highest decision-making levels.

Second, employees' responsibility in production. Employees cannot overlook the consequences generated when they carry out an activity (McIntyre, 2011); while shareholders are the ones who put up the capital for the company to function, employees should not surrender to shareholders their own responsibility for the time they spend working (Burczak, 2006). According to the labor theory of property, employees are the ones who, through their physical and mental labor, participate in the production of goods and services; consequently, they are also responsible for their consequences (Ellerman, 1992). In the case of shareholder-owned companies, employees who participate in ownership assume before society at large the responsibilities of their role as employees, but also as shareholders.

Third, social identity. According to social identity theory, people seek to improve and maintain a positive social identity (Aberson et al., 2000). Belonging to an organization enables individuals to define themselves in terms of that organization (Mael & Ashforth, 1992). Employees are aware of and sensitive to the sustainability of the organization they belong to, which motivates them to make a greater effort to create and strengthen a distinctive image of the organization with respect to sustainability (Farooq et al., 2019). For employees in general, belonging to an organization that generates a benefit for society is a source of pride; in the case of employee owners, however, their dual role of employees and shareholders gives them a heightened level of identification. Several studies have pointed to this dynamic as an important element in the quest for sustainability (Farooq et al., 2019).

Fourth, better performance. Employee ownership can increase employees' commitment to the company. If we consider that performance results from employee commitment (Bourne et al., 2013), then it follows that employee-owned companies perform better. In this sense, the meta-analysis by O'Boyle at al. (2016) showed that companies co-owned by employees perform better regardless of the type of sampling, the measurement used to determine per-

formance, the type of company (traded on the stock market or not), or the kind of ownership plan. The fact that they achieve better performance could imply that these companies are better positioned to generate a greater benefit for society. And if we factor in the responsibility for the consequences of their work and a greater pursuit of social identity among employee owners, these companies will not only be better positioned to benefit society, they will also have greater willingness to include in their strategy a vision that goes beyond merely maximizing shareholder value.

Nevertheless, even though these conditions make it easier for employee ownership to produce a greater impact on society at large, employees need to exercise their rights as company shareholders. Three fundamental rights derive from ownership: the right to control the company; the right to receive profits generated by the company; and the right to enjoy the appreciation of the company's assets (Mygind, 2012); naturally, these rights apply in the case of employee owners. When it comes to the rights to profits and the appreciation of assets, there is little discussion because employee owners generally receive them; company control, however, is still an open discussion.

The key for a company with employee ownership to generate value for shareholders as well as society at large is employee involvement in corporate governance. In theory, employees can exercise their right of control directly, by participating in decision-making, or indirectly, when they are represented on governance bodies (Boatright, 2004). For employee ownership to produce benefits for the company and for society, company management must be willing to share decision-making with lower-level employees (Bartkus, 1997).

One study has shown that employee participation in company governance can help to maximize value in different ways. The combination of the employee and shareholder roles brings high-level management closer to other sectors of the company, which improves information transfer (Zolezzi, 2004). For example, the fact that employees, through their representatives, can learn about the company's true situation generates greater commitment and cooperation in difficult times (Freeman & Lazear, 1995). Furthermore, a clear understanding of the company by the employees reduces the asymmetry of information, which in turn can curtail opportunistic behavior by management (Smith, 1991). In this sense, employees, through their representatives, can provide governance bodies with more accurate information about their actions (Acharya et al., 2011). Finally, employee representation on governance

bodies facilitates the alignment of employee and shareholder interests (Ginglinger et al., 2011).

In spite of the evidence that points to benefits for the company when employees are allowed to participate in corporate governance, in practice it is clear that company-initiated employee ownership plans do not bring about significant changes in company control and structure (Bartkus, 1997); in fact, they actually increase control by management (Rosen, 1989). For example, in the United States, the law that regulates employee ownership has minimum vote requirements for unlisted companies, unlike for listed companies (Rosen, 1989). Likewise, in the case of a leveraged ESOP, it is common for the trustee to depend on management to obtain any information (Dye, 1985); this trustee is often a company employee (Blasi, 1988). In addition, most ESOPS are structured to reduce the impact of the employee vote: Employees are only allowed to vote in certain situations, which undermines the significance of their influence on decision-making (Bartkus, 1997).

Employees also need to be willing to share the decision-making responsibility (Bartkus, 1997). Although they might well have legal control in co-owned companies, their property rights as shareholders do not increase their participation in decision-making because employee shareholders seldom make use of their right of control to get involved in corporate governance (Boatright, 2004). In most cases, these employees, in accordance with Klein's extrinsic perspective (1987), are more motivated by cash-flow expectations that by rights of control; consequently, they see ownership as an investment that yields benefits in the form of dividends or share price increases (French, 1987).

Another line of thinking suggests that employee shareholders' participation in corporate governance is inefficient because their economic horizon does not align with that of the investments (Jensen & Meckling, 1979). Some authors have suggested that employee participation in governance bodies interferes with decision-making (Jensen & Meckling, 1979; Mygind, 2012; Tirole, 2001) since employees focus more on earning better salaries and other benefits at the expense of shareholders (Jensen & Meckling, 1979). The argument is also made that employee participation in corporate governance leads to greater risk aversion in company policies (Berk et al., 2010; Sanders, 2001).

Other studies have argued that employee representatives in governance bodies have a limited role as independent managers because their constituents still depend on upper management and therefore cannot easily contra-

dict its decisions (Gharbi & Lepers, 2008). Finally, employee representation in governance bodies increases the likelihood that employees will participate or be used in blocking takeovers on the market. Different studies have shown that employee ownership is used as an entrenchment mechanism by management against potential hostile takeovers (Atanassov & Kim, 2009; Bertrand & Mullainathan, 2003; Brown et al., 2006; Cronqvist et al., 2009; Pagano & Volpin, 2005), and that a potential alliance between managers who represent employees and shareholders destroys value at the shareholders' expense (Noamene, 2014).

The problems that arise when employee participate in ownership and then in corporate governance can be handled with certain concrete measures. For example, companies should implement employee ownership plans only when there is strong conviction to do so, and employee shareholders will be given access to relevant information so that they can exercise their right of control over the company (Pierce & Furo, 1990). Companies like John Lewis Partnership generate trust not only through shared ownership; they also make use of their culture, bylaws, principles, and values to keep management from focusing exclusively on maximizing shareholder value (Storey & Salaman, 2017), which translates into a strong corporate social responsibility strategy where the key element is how profit is earned, not how much or how to distribute it (Storey & Salaman, 2017).

Furthermore, companies should promote a culture of ownership among employees so that they take an active part together with management in making company decisions (Pierce & Furo, 1990). Different studies have shown that shareholder activism can have a positive impact on company performance and behavior. Shareholder primacy is clearly the hegemonic position, and yet there is nothing to keep activist shareholders, who are becoming more and more aware of the problems that humanity is facing, from promoting different ways of acting that align more closely with what society at large expects (Remacha, 2017).

The way employee shareholders participate in company decision-making and shareholder activism should be reviewed in the context of traditional strategies that allow employees to participate in corporate governance—such as participatory management, employee shareholding, and employee representation on the board of directors—since there are doubts about the effectiveness of these strategies (Boatright, 2004). For this to happen, it is

important to properly understand the interests of both shareholders and employee shareholders, and how these interests can be pursued without affecting those of the other stakeholders (Boatright, 2004).

CONCLUSIONS

One of the main premises of shared capitalism is that when employees enjoy the benefits of ownership in the company where they work, they work more and better; this boosts company performance while also stimulating economic growth (Aubert et al., 2018). Employees can co-own in different ways, ranging from phantom shares or stock appreciation rights, in which participation in company governance is restricted (O'Boyle et al., 2016), to stock set aside exclusively for upper management (Knyght et al., 2010), to workers' cooperatives where all employees can take an active part in management (O'Boyle et al., 2016).

To understand the impact on society at large of employee ownership, it is important first to address the definition problem, i.e., how to know when a company is "employee-owned." Since companies and governments have created a wide variety of ways for employees to have access to ownership, the term is often used inaccurately (Mackin, 2019; Toscano, 1983): Companies that have some arrangement that gives employees access to ownership are confused with companies that are 100% employee-owned. The definition must be clarified in order to correctly understand the effects of employee ownership (Knyght et al., 2010).

We analyze empirical evidence about the benefits and costs of employee ownership. We show that employee owners seldom have the mechanisms they need to steer the company toward the pursuit of a direct and deliberate benefit for society. In companies with minority employee ownership, it seems especially likely that the maximization of shareholder value continues to predominate. We conclude that this can be explained by the fact that companies with minority employee ownership limit employees' participation in management, particularly in the structure of corporate governance, which is where fundamental changes to company strategy could be made. In general, employee ownership is used as an entrenchment mechanism by management (Aubert et al., 2018), not to add a distinct purpose to these companies.

Lastly, we believe that employee ownership provides the right incentives to align the objectives of shareholders and employees; it offers a way to deal with agency problems arising from the separation of ownership and control, leading to greater value creation. In this sense, companies that allow employees to participate in ownership will be better positioned to transfer, at least in part, these improvements in performance to society at large, so that the pursuit of societal benefit is not an indirect consequence of seeking the maximization of shareholder benefit; instead, it is a direct and deliberate outcome. We contend that, compared to other kinds of companies, those with employee ownership can achieve a better strategic alignment and incentivize employees to care more about their actions, to develop a stronger awareness of social identity, and to be more willing to share the benefits that accrue from their improved performance.

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Challenges in Managing Organizations in the Social, Solidarity & Popular Economy: An Analysis of Three Experiences of Generating Partnership Networks

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Abstract
Factorial is a worker cooperative in Buenos Aires, Argentina, that provides professional services to cooperatives and actors in the social, solidarity, and popular economy. This chapter aims to contribute to the debate around company ownership by looking at how worker cooperatives function in the country and the way their workers form part of the capital of each cooperative. The joint ownership of business capital in these cooperatives entails a series of challenges and responsibilities for their workers, which will be problematized in this paper. In addition, an account is given of three experiences of cooperative networks in order to show how the creation of these networks can be useful for thinking about and meeting the challenges involved in managing companies in the social, solidarity, and popular economy.
Keywords: ***social, solidarity, and popular economy, worker cooperatives, challenges, partnership networks***

INTRODUCTION

In 2011, motivated by the desire to create tools for accompanying the process of workers recovering businesses in the city of Buenos Aires, a group of young social science students promoted the design and application of management tools for cooperatives with the objective of supporting the self-management work being undertaken within these cooperatives. In this context, the students founded their own worker cooperative, Factorial Ltda.

Over the years, the cooperative has focused its efforts on developing more and better services for businesses where labor takes priority over capital, and on incorporating more like-minded people in the construction of a business model that bases its sustainability on solidarity and partnership with other companies.

We aim for our cooperative to be more than just a way to earn a living; we also see it as a project that promotes individual and collective transformation, immersed in the social and political processes that affect our country and, in a broader sense, our region. The starting point was to establish a company managed by its own workers, and now we are broadening our horizons in pursuit of a national economy that is fair and free, and that prioritizes solidarity and participation. In our day-to-day practice, we strive for the transformation of individualist and consumerist values through personal commitment to the collective; solidarity among workers; making use of the capacities of each partner; and the ongoing development of ideas, innovations, and organizational and associative methods.

Today, our cooperative comprises an interdisciplinary group whose primary objective is to provide specialized professional services for cooperatives, pre-cooperative groups, small and medium-sized enterprises (SMEs) and productive initiatives within the social, solidarity and popular economy (SSPE). These organizations face similar problems, and the challenge we set ourselves is to make a qualitative contribution to the specific, customized treatment of each productive unit with solutions generated jointly. We analyze the forms of production, commercialization, development, and integration, and we focus on the pursuit of scale and the generation of partnership networks. We are convinced that the SSPE, with a marked feminist orientation, is the framework for fostering genuine, sovereign labor.

We offer economic and financial planning tools, accounting advice, training, research, communication, and design. Our cooperative consists of seven important areas, all horizontally connected through the component of cooperative education characterized by popular and feminist educational practice.

THE CONCEPT OF THE SOCIAL, SOLIDARITY, AND POPULAR ECONOMY

It is no easy task to conceptualize the SSPE; there is no single definition, approach or perspective that encompasses the wide variety of initiatives, experiences, territories, and people involved in finding new ways to relate and constructing different forms of work, consumption, and expansive reproduction of life. In this section, we set out to define some lines of analysis that will allow us to debate and reflect on our practices as unfolding economic, political, and social reality. The intention is not to make a conceptual distinction between social economy, solidarity economy, and popular economy; on the contrary, in all the cases we speak of other economies that set themselves apart from the capitalist economy as a world system. In the same way, people are the main component, the leading character and the engine of the SSPE, and we aim to articulate all aspects of people and their community.

Cooperativism emerged in the late 19th century, a time when the capitalist state was taking shape, as a response to the economic situation, needs, and inequalities that workers were struggling with in the age of the Industrial Revolution. The initiative for the cooperativist movement was taken by the most disadvantaged sectors of society, who appealed to certain values, such as solidarity, mutual aid, and democratic practices, in an effort to generate new identities. In this context, the social and solidarity economy (SSE) arose as a practice of a group of people who sought to change the logic by which, up to then, labor and the distribution of goods had been organized in society. The objective was to create alternatives, through cooperatives and mutual-aid societies, to the stark inequalities that the worldwide spread of the capitalist economy was leaving in its wake.

We situate the consolidation of the SSE and the popular economy (PE) in Argentina over the last twenty years. We can state that this consolidation occurred as one of the consequences of the exclusion of broad sectors of the population in our country and the imposition and development of the neoliberal model. Given the social policies implemented by the neoliberal model in a context where a high level of structural unemployment jeopardized both the survival of many individual families and social integration, many people turned to the autonomous organization of their productive projects as an alternative to the loss of their livelihood. Some people chose to do this

individually, while others began to associate in cooperatives, community production groups, or small family production units. Since then, innovative experiences of cooperativism have emerged in Argentina and other Latin American countries, particularly worker cooperatives.

Many of SSE experiences in Argentina consist of businesses and factories taken over by their workers. Starting in the 1990s, a close correlation emerged between the performance of macroeconomic variables, such as GNP, and the number of businesses recovered by their workers (Programa Facultad Abierta, 2014). In a similar dynamic that shared the recovered factories' prioritization of their workers' well-being over the interest in the reproduction of capital, numerous cooperative experiences appeared in the country in the popular sector, either family-based or organized as partnerships, where management was characterized by solidarity, mutual aid and the development of democratic practices. Thus, we are witnessing a convergence of specifically SSE practices with others from the popular sector, promoted by organizations that we place within the SSPE spectrum.

For the capitalist economy, labor is just one more resource that is bought and sold on the market. The social economy proposes regarding labor as a transforming, creative, and liberating activity that should not be reduced to the material reproduction of life, and that the objective of economic life is the integral development of individuals and not the unlimited pursuit and accumulation of profits. The social economy aims for equality in the distribution of the goods and benefits of labor, and rejects both the depredation of nature and the concentration of wealth in the hands of a few.

Razeto (1999) suggests thinking about different economies and proposes joining the concepts of economy and solidarity with the theoretical intention of seeing solidarity introduced into the economy itself, where it can operate and act in the different phases of the economic cycle, i.e., production, circulation, consumption, and accumulation, as well as in the theoretical developments that sustain it. This gives rise to a new economic rationality made up of different forms of organization. For Razeto (1999), the notion of a solidarity economy does not deny the market economy; rather it serves to provide a critical and transformative orientation for the overall structures and forms of organization and action that characterize the contemporary economy. The concept of solidarity encompasses two dimensions that are part of a feedback process: on the one hand, is the solidarity found in the

organizations of the traditional economy, which entails a progressive and growing process of solidarity within the global economy; on the other hand, is the solidarity that consists of a gradual process of construction and development of a special sector of the economy. We can say that the popular economy is the set of economic activities and social practices undertaken by the popular sectors of the population with an eye to making use of their own labor and available resources to meet their material and immaterial needs (Tiribia, 2001).

THE CHALLENGES OF COLLECTIVE MANAGEMENT IN SOCIAL, SOLIDARITY & POPULAR ECONOMY ORGANIZATIONS

Thanks to the work we have shared in the SSPE sector over the years with different startups, production, and cooperative units, and on the basis of our own experience with this labor format, we can state that all self-managed organizations have needs and issues that they need to address with respect to the importance of collective organization and management with the aim of not only being productive but also promoting the reproduction of life in a broad and comprehensive sense. Some of these needs are tied in with what we call the triple challenge: being owners, partners, and workers. Thus, in concrete terms, we can see how the joint ownership of business capital is reflected in the day-to-day operations of SSPE organizations, and offers their workers the chance to sit at the wheel of their own businesses and steer it in the direction they want to go; at the same time, it leaves them the responsibility for managing each one of the business units. This responsibility implies a series of difficulties that the workers must deal with as they manage their organizations.

Dialogue with SSPE workers allows us to recognize some of these difficulties in different areas. In the first place, some organizations have problems related to democratic decision-making in management, which is reflected in the difficulty of ensuring that all the workers take an active part in this management. Second, we also observe that not all the workers in SSPE organizations show the same level of commitment to the organization's project, and this can cause internal frictions. This variable degree of commitment can be explained by workers' different experiences in the organization or the way they see the future of the project, which often leads to tensions that can undermine harmonious coexistence within the organization.

Another issue that comes up frequently is individual workers' punctuality and attendance; this is considered a problem that must be dealt with. Finally, the project's productivity is also presented as a problem because it is one of the indispensable conditions for the survival of the project (Cooperativa Factorial et al., 2017).

In managing their organizations, SSPE workers have come up with different tools for dealing with these issues. We believe there are different internal organization formats that have proven their usefulness and can help to solve problems that arise in the day-to-day operations of partnership-based organizations. As a result of our work with SSPE organizations and our own experience as a worker cooperative, we can affirm that collective, self-managed, and partnership work faces daily challenges precisely because its political, social, and economic essence goes against the dominant ways of working and our own subjectivities. Joint decision-making, economic participation, collective leaderships as a way to organize work and capital, and the democratization of organizational processes come together to generate governance systems that aim to question a capitalist world system that is not only economic but also implicated in power relations and a stark division of labor. All of this implies other ways of organizing work and reproducing life that are in opposition to the *statu quo* and what is expected for workers, which represents a never-ending challenge. A fundamental tool for meeting this challenge is the creation of partnership networks.

PARTNERSHIP NETWORKS AS FACILITATORS OF COLLECTIVE MANAGEMENT

The establishment of partnership networks as a possible answer to some of the challenges faced by self-managed organizations led us, on the basis of Factorial's history, to form closer ties with different actors and to replicate these experiences in productive sectors other than our own. In this way, over the last few years, we have undertaken a variety of participatory research projects to consolidate pre-existing networks in some cases, and to generate others where none existed.

Different authors point to the importance of partnership networks, and observe that cooperatives form networks naturally because of their associative character, their democratic decision-making, and their cooperative identity

rooted in their values and principles (Halary, 2006; Birchall & Simmons, 2008; Menzani & Zamagni, 2010). They also argue that in regions with a large concentration of cooperatives, a number of positive externalities appear that encourage integration, such as management capacities, social capital, access to financing, and ties to the supply chain (Halary, 2006). In the final analysis, it is about sharing knowledge among similar-minded organizations so that they can compete with companies whose capital gives them outsized power (Novkovic, 2008).

As we have already mentioned, contexts of socioeconomic crises give rise to scenarios that facilitate the emergence of worker cooperatives because the priority given to caring for people over capital is one of the characteristics that enable companies that have been ruined in times of crisis to become viable again under worker management without making major changes. This is the rationality that underlies cooperatives' resilience in the face of crisis (Sánchez & Roelants, 2012). However, as the context improves and the economy is reactivated, new challenges emerge and one of them is the possibility of improving the company's conditions for entering the market so that it becomes an economically viable option of resistance, and not just an alternative. Here we can visualize the numerous difficulties that worker cooperatives face, the most urgent being the economic weakness resulting from their structural position, since almost all are SMES that cannot access credit easily. Moreover, these are companies that either started out without capital or came back from bankruptcy, which also entails specific obstacles. Finally, cooperatives, by placing their workers in the center of the picture, reject typical business practices, such as downsizing to reduce costs. This makes it important to design creative alternatives to sustain jobs, and even increase them, while keeping the company competitive.

All of these issues underscore the importance of having more complex debates and considering a wide variety of actions aimed at the sustainability of SSPE experiences in general, and of worker cooperatives in particular. Applying a criterion of strict microeconomic sustainability (Caballero, 2004; Coraggio, 2008) to a worker cooperative serves only to skew the debate since it takes hegemonic methodological individualism for granted, leaving out of the conversation the impact on jobs and the environment, which the SSPE seeks to integrate. Inverting the bases of the strict microeconomic criterion implies changing the axis of analysis from the micro to the mesoeconomic

level. SSPE initiatives have the potential to counteract the force of capital if they are constituted as an open subsystem linked internally through ties of exchange, cooperation, and solidarity that can control the tendencies of unbridled profit-seeking and competition that the capitalist market tries to impose. We believe that by intensifying efforts to build a stronger sense of partnership and solidarity we can come up with perspectives that will make strategic contributions to the sustainability of the SSPE.

This mesoeconomic integration strategy has been identified as necessary, and unfurled as a political banner in different manifestations of the cooperative movement in our country. However, the difficulties of actually making it happen can be attributed to different causes, the most important being the lack of professionals and technical know-how to put the theoretical-political integration proposal into practice. As a result, we see the need to carry out studies, research and analyses of cases of integration from a rigorous technical perspective in order to come up with the right theoretical tools to create and strengthen cooperative sectoral networks, while also encouraging teachers, researchers and technicians to incorporate and deepen their empirical knowledge of the issues and challenges of the SSPE, and to commit to its development. The joint contribution of technical know-how and social commitment is an indispensable factor that multiplies the conditions for productive and commercial articulation among networks and cooperatives, and thus leads to direct results of the applied research process.

Given the articulation and integration process that many cooperative experiences in Argentina have undertaken, a number of cooperative federations have been formed, along with several confederations. At the same time, steps have been taken to build sectoral networks to promote joint business strategies that strengthen each one of their members. The sectoral articulation experience with the most extensive track record is the Federación Red Gráfica Cooperativa (Cooperative Graphic Network Federation), which has achieved a solid market position and sustainable development through cooperative integration and commitment to the community. This network has enabled the member cooperatives to make gains in scale and synergies, thus reaping comparative and competitive advantages.

The federation comprises 30 graphic companies organized as worker cooperatives, each one with over 950 partners. Among the benefits, aside from the savings generated through productive expansion, the complementing

of products and services, and the optimization of processes through the reduction of structures, they have secured access to new common services financed by the organization, the joint development of cooperative management instruments, spaces for cooperative training, and the creation of a common fund as an instrument that has increased their capacity for savings, financing and technological advancement. The experience of the Graphic Network is illustrative as a reference for the creation of business networks of cooperatives, and represents an undeniable example for the entire sector of worker cooperativism in our country, so much so that its experience has inspired the formation of a number of sectoral networks in the areas of technology (Federación Argentina de Cooperativas de Trabajo de Tecnología, Innovación y Conocimiento/Argentine Federation of Technology, Innovation and Knowledge Worker Cooperatives), textiles (Red Textil Cooperativa/ Cooperative Textile Network), communication (Red Colmena, Hive Network), and food production (Federación de Organizaciones Productoras de Alimentos/Federation of Food Production Organizations).

CASE ANALYSES: RED METALÚRGICA COOPERATIVA (COOPERATIVE METALLURGICAL NETWORK)

In 2012, the Cooperative National Metallurgical Network (RMNC in its initials in Spanish) was constituted as a comprehensive productive initiative for the purpose of articulating the commercial and productive activities of cooperatives from the metallurgical sector of the southern region of the Buenos Aires Metropolitan Area, and enabling them to achieve greater overall business solidity. This networking project had the support of the Quilmes Branch of the Metallurgical Workers' Union and of the Federation of Worker Cooperatives of the Argentine Republic. Both of these entities share the motivation that gave rise to the initiative: The institutional and productive consolidation of cooperative entities made up of associated metallurgical workers. It is worth noting that this integration and consolidation project is taking place in a key strategic sector of our country's industrial sector—metallurgy—that has been battered by waves of crisis, weakening its structural capacity to compete.

Factorial's partners, together with the Center for Labor Sociology Studies,[1] conducted a research project on the RMNC, in the understanding that this was an initiative that had already made significant headway in its formal consolidation, but that still faced significant obstacles to effective operation, including the complexity of each cooperative's day-to-day activities, the different management systems, the evident difficulties in incorporating productive innovations, and the low level of integration of processes linking production among geographically disperse companies. The objectives of this project were defined on the basis of a diagnosis that pointed to the need to complement the institutional political will to integrate with analyses and technical tools that would actually make it happen. We set out to reach these objectives by analyzing the characteristics of the market where the metallurgical cooperatives operated, designing an adequate structure for the network to perform effectively, and formulating a plan of action for pursuing the opportunities to integrate the metallurgical cooperatives.

The project was carried out in 2015 and 2016, when we worked in depth with four of RMNC's cooperatives: Galaxia, a cooperative that designs and produces air extractors, duct fans and vacuums, kitchen extractor hoods, and openings; Mecber, which produces machined aluminum parts for the automotive industry and electrical boxes; La Esperanza, a cooperative that designs and produces extractors and purifiers, motors for air extraction and ventilation, kitchen extractors, ceiling turbos, and fans; and 7 de Septiembre, which manufactures motors for domestic and industrial use: blowers, dryers, fans, polishers, jacuzzis, grinders, turbo blowers, blood extractors, and dental drills.

In the first stage of the project, we did empirical research on the four cooperatives; the objective was to come up with a diagnosis that we could use to formulate recommendations that would help the organizations to improve their internal management, while also analyzing the feasibility of linking production processes. To determine the basis for the viability of integrating as a network, the analysis aimed to quantify current production

1. This center forms part of the degree program in Economics of the Department of Economic Science of the University of Buenos Aires.

capacity, the different production processes, the inputs, the main customers, and the machines used in each cooperative. We evaluated the possibilities for integration and analyzed the variables that would make inter-company coordination possible. We studied the possibility of synergy among cooperatives in approaching potential markets to assess the feasibility of undertaking joint production, investment, and commercial strategies. All of this was aimed at strengthening each metallurgical company through the RMNC; ultimately, one of the main purposes of the research was to articulate conclusions and guidelines from the initial survey that would contribute to an action proposal for the RMNC by planning the tasks needed to strengthen its productive and commercial unit.

On the basis of the field work, which included surveying all the cooperatives using questionnaires and in-depth interviews, we categorized the cooperatives' production evaluation and installed capacity in terms of production diversity, production management, installed capacity, outsourced processes, inputs, suppliers, and investments. Below we summarize the findings in each of these categories:

- Production diversity. We observed significant diversity in the RMNC's production offer, which we divided into two main categories: durable household items, on the one hand, and components and machined parts for the automotive industry, on the other. At a second level, we found design, machining, installation, and maintenance services for a wide variety of demands ranging from small household items to specialized pipelines.
- Production management and planning. One of our conclusions is that the RMNC cooperatives' production management could be perfected in overall terms if they built planning capacities; diversified production toward products with greater sales and higher profit margins; defined optimal production lots; and maximized times, eliminated bottlenecks, adjusted their rhythm to seasonal demand and strategically managed final product stock as a function of production costs.
- Installed capacity. On the basis of what we observed in visits to the cooperatives, we can state that currently a low percentage of installed capacity is being used, less than 60%. As for the machinery, which on average has over 20 years of use, it is time to evaluate the high level of wear and

obsolescence. This factor represents the main drag on production rhythm, worker/hour productivity, and the development of production innovations. Finally, the analysis of installed capacity highlights the need to formulate a comprehensive maintenance plan that encompasses the prevention and prediction of breakdowns in durable equipment to prolong the useful life of the components that constitute the plant, and to reduce the economic impact of repairs and production downtime.

• Outsourced processes. RMNC's cooperatives outsource painting, molding, and plastic injection services; long-distance shipping; the preventive maintenance and renovation of machinery; and molding for complex machinery, among other processes. This is often a question of scale: The size of the cooperatives does not justify investing large amounts of money, time or labor. The study suggests that the RMNC, in its capacity as a large cooperative company, could invest in providing these services and thus lower costs for all of its members.

• Inputs. One of the characteristics of the metallurgical sector is that the cost of inputs represents a high percentage of the overall cost. In the case of RMNC's cooperatives, this percentage falls between 60 and 80%, which means that a slight change in the price of inputs has a strong impact on total costs. Moreover, the cooperatives' capacity to negotiate prices tends to be low or non-existent because they do not purchase in large amounts. There are, however, certain products that are used often and in large quantities, which leads to the conclusion that unifying these purchases would improve the RMNC cooperatives' economic profitability by enhancing their negotiating capacity with suppliers and allowing them to exceed the minimum purchase volume required for preferential pricing.

• Investments. Investment tends not to be a variable that is strategically analyzed in the RMNC; generally, the projection of the companies' growth and the accumulation of durable capital are not expressed in the medium and long-term objectives. In recent years, the cooperatives have managed to invest in some replacement machines for indispensable production processes, although the percentage of investment in machinery in general is low. Causes include the lack of strategic projection, the high cost of industrial machinery, the lack of a domestic supply, and cooperatives' limited access to credit. Low-complexity tools and machines tend to be purchased with in-house funds, but investment becomes difficult when

costly machines are involved. For major investments, cooperatives have sometimes made use of subsidies and low-interest loans from public agencies or entities from the SSPE sector.

Finally, our research work concluded with a series of recommendations and proposals aimed at strengthening the integration of the RMNS metallurgical cooperatives; these recommendations and proposals emerged from the analysis of the survey data gathered over the course of the project. One of the most important has to do with the feasibility of taking steps toward the productive and commercial integration of the RMNC without the need to invest large amounts of the partners' resources, money and time in the process, more than they could really afford. Below we summarize these recommendations, which have been classified by time frame into short, medium and long term.

First of all, we realized that it was necessary in the short term to design an RMNC commercial web page; to implement an e-commerce space on social networks and electronic platforms; to design a graphic catalogue of RMNC products; and to create a commercial area specializing in analyzing the overall supply, putting together supply packages, and taking key commercial development actions, such as promotion, advertising, brochures, customer service by telephone, call agenda, database of contacts, and commercial relations.

In the medium term, we mentioned the usefulness of deepening commercial exchanges of goods and services among RMNC's cooperatives by minimizing the outsourcing of goods and services; establishing a joint system for purchasing inputs; setting up a logistical framework for the rotation and joint use of machinery; internalizing outsourced processes among the cooperatives themselves; exchanging knowledge and skills regarding the purchase-sale of services and also technical formation; spreading the word about the potentials of the different cooperatives' work teams with an eye to making use of the RMNC's skilled labor; appointing people to take charge the RMNC's maintenance and administration; including professional accounting, legal, engineering, and design services for the specific needs of the RMNC or its cooperatives; designing and managing joint lines of financing; and setting up the RMNC's own transportation logistics to meet the needs of partner cooperatives.

Finally, of the long-term proposals we wish to highlight the usefulness of the vertical integration of the production chain, with a focus on the specialization of the cooperatives in different stages of the same process, and the planning of strategic investments on the part of the RMNC, such as the purchase of durable equipment, its own installations, innovative processes, research, and development.

Another objective running parallel to the technical guidelines of integration was helping the metallurgical cooperatives' partners gain a deeper understanding of the possibilities and potentialities of the RMNC. For this, we proposed a systematic dissemination of the partial results of the different stages of the research project. In addition, in our capacity as research group we took part in different academic dissemination events; representatives from the cooperatives and federations involved were also invited to take part in the exchange in their role as RMNC partners. This work of dissemination and debate among the partner cooperatives was intended to highlight the benefits of working together, thus serving to reinforce the political will and the conviction needed to assume the fundamental commitments for nurturing the RMNC's productive and commercial life.

THE CASE OF THE RED DE CONSTRUCCIÓN COOPERATIVA (COOPERATIVE CONSTRUCTION NETWORK)

While there have been some experiences of network formation in different productive sectors, in the construction industry no such network has been created. Considering the examples that we have already presented, and realizing the enormous benefits that they produced for the associated cooperatives, we came up with the idea of promoting the creation of a federation of cooperatives specifically for the construction sector, which gave rise to the Cooperative Construction Network (RCC, in its initials in Spanish).

The need for a cooperative construction network arose from a previous analysis of the organizations in the sector. On this basis, during the project formulation stage, Factorial's associates, together with those of TAVA[2]

2. Tava is a cooperative architectural firm made up of professionals who are strongly committed to their work and their profession; it offers a way of working that comprises the entire process from the participatory conception of the projects to the actual building, in which the leading players of the projects are the people who will later inhabit the spaces.

and Architecture professors from the Universidad Nacional de Avellaneda,[3] proposed setting up occasions for meetings, training and consulting aimed at promoting a network tied to the construction sector; the objective was to promote vertical and horizontal productive integration and thus to help overcome the obstacles that cooperatives in the construction industry face. Some of these obstacles have to do with the cooperatives' size and with legal and operational difficulties that impede access to an economy of scale, to quality volumes of demand, and to purchasing advantages, to name just a few. The importance of integrating the RCC lies in its potential for generating inter-university initiatives that can provide scientific, technological, and economic consulting that helps to strengthen the organizations and the formation of links for transferring knowledge to regional productive actors on topics such as logistical coordination, problems related to self-management, product development, business plans, and administrative management.

The execution of the project involved a number of stages, each one with specific tasks and objectives. First, we made a survey of construction-sector cooperatives and SMEs in the City of Buenos Aires and the inner ring of the metropolitan area. This survey was then analyzed in terms of a series of variables gathered from each of the organizations, having to do with a brief history of each organization, forms of commercial and productive organization, and economic and administrative management. On the basis of the analysis of these variables, we selected a sub-group of organizations that we identified as potential actors in the RCC. The choice of some over the others was primarily owing to two reasons: Their actual intention to participate in collective articulation, and their needs, with preference given to those that could be met by the actions that would result from an effective operation of the RCC. In most cases, these needs revolved around an urgency to increase the sales flow.

3. The Architecture degree program of the Universidad Nacional de Avellaneda, which belongs to the Department of Architecture, Design and Urban Planning, aims to develop a integrative, multidisciplinary setting where people can gain a more complete understanding of the world we live in, as well as the best strategies to follow to keep it in optimal conditions. The program makes an explicit environmental commitment to society and to future generations.

The sub-group with which we carried out the project consisted of Coinpo, SA, an SME focused on building all types of metallic structures, industrial warehouses, hangars, roofs, crawl spaces, and ironwork; the worker cooperative La Nacional, a company created in 2003 by a group of workers with over 40 years of experience in the field, specializing in carpentry in general; Cooperativa de Trabajo Surco (Surco Worker Cooperative), which provides construction services in a wide range of civil works; Cooperativa de Trabajo Ingecoop (Ingecoop Worker Cooperative), which emerged as a project of a group of professionals to blend the ideas of cooperativism and associativism with the design of comprehensive solutions in engineering and services; Cooperativa de Trabajo 17 de Octubre (October 17th Worker Cooperative), specializing in the construction of sewer systems and water grids; Cooperativa de Trabajo Tiluchis (Tiluchis Worker Cooperative), which offers general construction services; Janjetic Brothers, which sells chemical and construction products wholesale; and Cooperativa de Trabajo Servicoop (Servicoop Worker Cooperative), specializing in maintenance and remodeling services.

In-depth interviews at these organizations enabled us to look into each one's possibilities or potential intention to participate in the RCC, their histories and internal organization, as well as their strengths and difficulties. With this overview, we began to imagine the concrete objectives that the RCC would have as a space for reinforcing these organizations.

In the next stage, we invited the different organizations to a meeting. One of the main objectives was for them to get to know each other and talk about the potential for the RCC's development. The organizations exchanged their points of view about different topics, for example, how they handled commercial relations, their strengths and weaknesses, and the services that each one offered. At the end of the meeting, we reflected on the possibility of articulating services jointly. Some of the agreements that the participants reached collectively at this first meeting were:

- To run the space collectively among the interested participants, and to organize plenary meetings at intervals of no less than two months.
- To prioritize work within the RCC in order to reduce overall downtime, with the aim of achieving steady work for everyone and meeting our customers' needs without compromising quality standards or effective job management.

- To set standards and define mechanisms for building up members' management, organizational, and institutional capacities.
- To design tools for increasing the collective's sales.

We believe that the integration of the RCC, which was achieved at this first meeting, represents in and of itself a far-reaching outcome. The formulation of the agreements mentioned above began to give the RCC a recognizable identity, which represents a first step toward the consolidation of this space that we have been developing steadily. However, we also consider it relevant to share other types of results that have been taking shape within this project. For one thing, collective management has generated joint work for RCC members. Among the commercial instruments that we have used for this purpose are virtual platforms of construction-related job requests and offers. The proposal made to SMES and collectives that belong to the network has been to participate in these spaces as one way to generate work for the organizations, on a trial basis, with an eye to creating a platform of its own for the RCC, with similar characteristics but adapted to the idiosyncrasy of the SSPE.

Secondly, as a collective, we have taken part since July 2017 in the Ronda de Negocios Multisectorial de La Matanza (La Matanza Multisectoral Business Roundtable).[4] This is a space for holding business meetings with representatives of the business sector, based on their specific interests, and it has enabled participating companies to make contracts, identify potential buyers of their products or services, make business deals, and establish strategic business alliances at the local and regional levels. The participation in the Business Roundtable has proven to be very useful for the RCC, to make itself known as a productive network and engage with potential customers.

Finally, we have made progress in designing RCC's own graphics thanks to the contribution of expert professionals and as a result of dialogue among the interested parties themselves. This provides the RCC with a distinctive identity and strengthens the ties among the member organizations.

4. La Matanza is a locality in the inner ring of the Buenos Aires metropolitan area, known for its concentration of businesses and factories from the construction sector.

THE EXAMPLE OF THE RED TRANSDISCIPLINARIA DE COOPERATIVAS DE TRABAJO DE SERVICIOS PROFESIONALES (TRANSDISCIPLINARY NETWORK OF PROFESSIONAL SERVICE WORKER COOPERATIVES)

In early 2016, we forged an alliance between two cooperatives of professionals, Tava and Factorial, which allowed them to improve their relations with cooperatives of professionals from other sectors in different provinces around the country. The purpose of this space for exchange is to integrate a transdisciplinary network of professional service worker cooperatives, some of which focus on the same discipline, while others are made up of an interdisciplinary work team.

The Network of Professional Service Worker Cooperatives (RCTPS, in its initials in Spanish) came to be, as in the previous example, as a result of a participatory research project, formulated and developed together with the Tava Cooperative and professionals from the Universidad de Tres de Febrero. The objectives laid out in the project consisted of reinforcing and extending worker cooperative networks and the ties among the different cooperatives; opening an exchange space for joint formation and training; developing joint knowledge as a valuable resource for formulating shared work plans; and creating a new foundational exchange space for the cooperatives.

One of the pillars that sustained this project was the conviction that the specialized development of professional services for worker cooperatives requires long-term professional learning and specialization to generate specific know-how. This makes for a twofold challenge: Creating special technical tools for offering services that meet the worker cooperatives' needs in the areas of engineering, architecture, economics, communication, sociology, psychology, among others; and generating these tools in a collective work space, since as professionals committed to the development of the SSPE, we need to be part of it ourselves.

This dual belonging to the university and professional field, on the one hand, and to the worker and cooperativist sector, on the other, was one of the characteristics shared among the associates of the cooperatives that make up this project. These cooperatives are: Cambalache Cooperativa Geográfica (Cambalache Geographic Cooperative), a geography-based project inspired in the dissemination and connectivity of this science, which has grown out of

the interdisciplinarity, experience, and interaction of those who have developed it; Cooperativa de Trabajo Gestionar (Gestionar Worker Cooperative), which offers professional consulting and advisory services, diagnoses, and other services related to the accounting-economic-financial, social, legal, and technical areas for public and private entities; Estudio Cooperativo Contable de Rosario (Cooperative Accounting Studio of Rosario), which provides accounting services, tax advice, institutional, economic, and financial consulting; and training for social organizations, cooperatives, producers, startups, and workers within the SSPE; Camba, a cooperative technological company that develops customized software; Cooceplad, a worker cooperative made up of economists who focus mainly on field work for economic planning theory; Entropía, a cooperative of psychologists that at the time was still in the process of forming; and the Ingecoop, Tava and Factorial cooperatives, which we have already presented.

The research consisted of two overall stages. The objective of the first stage was to explore the general characteristics within the cooperatives with respect to management and organization: work remuneration schemes, project distribution, interdisciplinary, and inter-cooperative work. It is worth mentioning that it was the cooperative partners themselves who decided which issues to focus on. The second stage centered on implementing a reflection space among the cooperatives to discuss the problems that they had identified themselves; to this end, four problematization sessions were held to look at the topics on the agenda. These sessions were organized as workshops for exchanging information, experiences, and debating issues related to the aspects mentioned above. The planning of each of the meetings is presented in Table 8.1.

The results of this project were associated, on the one hand, with the reinforcement of the networks in the shared work plans, which were elaborated by the cooperatives in the work dynamics during the meetings. We consider it a sign of the meetings' success that the participating cooperatives have appropriated the space as a place of exchange and formation.

Table 8.2 briefly summarizes some of the discussions that took place at the meetings, which will spark many others that we will have in the near future within the framework of the Network of Professionals' cooperatives.

TABLE 8.1 MAIN POINTS DEBATED IN THE PROBLEMATIZATION SESSIONS OF THE NETWORK OF PROFESSIONAL SERVICE WORKER COOPERATIVES

	Points of Debate
Session 1	Why did we organize as a worker cooperative? How are decisions made in the cooperative? Are there different levels of commitment among the associates? How are new associates incorporated?
Session 2	Schemes for withdrawing: How does remuneration work in each cooperative? Different withdrawal schemes throughout the history of each cooperative. Short-term sustainability.
Session 3	Long-term sustainability: job profiles, customers/users. Financing, capitalization, budgets, economic planning.
Session 4	Work within the cooperative. Interdisciplinary work between or among cooperatives. Objectives and proposals of the RCTPS.

TABLE 8.2 SUMMARY OF THE DISCUSSIONS AT THE RCTPS PROBLEMATIZATION SESSIONS

Topic	Main points discussed
The political perspective on work	Importance of the person as opposed to capital, concept of the complete person. Democratic organization, joint ownership, participatory decision-making, self-management, and associativism. Other forms of work in opposition to the hegemonic work of the capitalist system.
The planning of cooperative work	How do we generate and distribute work? How do we plan the cooperative's internal organization? How do we generate the governance bodies and tools? How do we apportion the surplus?
Long-term sustainability	Budgeting our work in coordination with the differentiation of the markets and customers we work with. Analysis of the cooperatives' production capacity. The issue of financing. How do we budget our work while bearing in mind the cooperative's cost structure?
Working in and for the SSPE sector	Strategies for promoting the exchange of experiences, concerns and projections. Consolidation of solidarity and community work practices, leading to the transformation of our praxis so that it meets the needs of the territories and actors we work with.

The formal research has concluded, but the ties that were established within the research project have been maintained. In this sense, the cooperatives continue to set goals that aim to continue strengthening the RCTPS. We project the network's growth through the incorporation of new cooperatives, but we also believe that it is essential to maintain the spaces for dialogue

and reflection among the organizations that we form part of, and that these spaces serve to deepen our existing discussions, and to spark new debates. Finally, and following one of the objectives proposed in the fourth meeting, we consider that it is fundamental to make progress in outlining the shared work projects among the different cooperatives that make up this collective.

CONCLUSIONS

Working from within the SSPE to benefit this same SSPE allowed us to understand its issues and challenges, and to test practices, ties and actions aimed at promoting the sustainability and growth of the sector, and in particular of our production projects. Worker cooperativism is broad and diverse; it is not our intention to romanticize this way of working, but we do want to learn about its challenges and objectives and understand that there is more than one way to see ourselves as workers in this capitalist world system. The associated management model, through the joint ownership of business capital by the workers themselves, offers countless strengths that we see over and over again when we analyze cooperatives' management, but these organizational schemes also entail no end of challenges. But if the SSPE presents its workers with challenges, it also offers a wide range of strategies to deal with them. In this chapter, we looked at one of these strategies: the construction of partnership networks.

We understand capitalism not only as a system dedicated to the exploitation and accumulation of capital but also as a way to create subjectivities, divide labor, and relate oppressive forces. As workers, we look for other ways to develop work and create social relations, and we put our faith in collective decision-making, the socialization of means of production, collective leaderships, the construction of democratization processes in our workspaces, and democratic governance as an organizing process. With these ways of proceeding we look to make a break with the concentration of power and the mechanical acquiescence that the capitalist system tries to impose on us.

In this way we build, day by day, a social, solidarity and popular economy in a cooperative work format that combines work and education, rooted in specific territories and communities. The different shared experiences have characteristics in common related to self-managed, associative, and networked labor, along with a strong formational character as a mechanism for

transformation, participation, and incorporation of theoretical and practical tools for reflection and action. The work of creating these partnership networks is not finished yet; these associative and communitarian practices will continue to grow and consolidate with the proliferation of new ties in which solidarity and cooperation will be key factors in transforming the subjectivity of each worker, leading to new transformative dialectics and new knowledge combining know-how and practices.

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Thrown Out of the World: Private Property and Utopian Lives

JOSÉ BAYARDO PÉREZ ARCE [MEXICO]

The history of freedoms guaranteed for human beings has been, up to now, repeatedly confused with the history of the freedoms guaranteed by human beings for the economy.

R. Vaneigem

All the things of this world live on in a perceptible state of exile.

Tiqqun

Abstract

This chapter concludes the collective work with a profound philosophical-political and conceptual analysis that centers on the construct of property from its origins to its recreations and its positive and negative impacts. The author provides an overview of different philosophical schools and confronts us with challenging ideas regarding property and its different aspects.

Keywords: ***private property, utopia, exclusion, metaphysics, becoming-property***

It is very likely that people with no interest in philosophical and political thinking find it almost irrelevant to consider what philosophers from centuries ago had to say about property, or even what contemporary philosophers are saying today—as long as they can keep their property or aspire to owning one, while those who make critical statements about property keep a tight grip on their own—.[1] We are seldom aware of the roots of the thoughts

1. This is a difficulty pointed out by Sereni (2007): “It is truly paradoxical to question once again the established right to property while continuing to exercise that right, as if there were no contradiction. The critical voices seem to think in one world and live in another, while the object of their critique belongs to the latter” (p. 9) (author’s translation).

and ideas that in one way or another organize and steer our day-to-day life, and we do not realize how ancient and wide-ranging they can be. Nevertheless, the task of thinking about the time we live in, the realities that shape it and unsettle it, and the concerns that drive it, demands that we look up for a moment and direct our gaze beyond our immediate selves, especially in this age when self-reference and rootlessness are recurring temptations. For this reason, we set out here to recover some ideas from different times and contexts that might give rise to voices that provoke in us different possible reactions: the sensation of a link to a history that might seem remote; the restlessness of feeling oneself "discovered" by another's words, or even terror at seeing the irruption of a real possibility of an alternative to the reality in which we have been, in which we are, and in which we fashion what we will be.

In this sense, we are dealing with expressions that, while they may be "philosophical," somehow resonate or prove to be attuned with what happens in everyday life today. The work of thinking requires that we immerse ourselves in what has already been thought, with all the risks that this entails, such as not finding a breathing space of clarity and words, or not finding an outlet into praxis that would turn thoughts into a habitable space. Thinking is also inhabiting, and doing it in an ever more inhospitable world entails unexpected risks—especially when this inhospitable character might also be the result of our having refused to think or having dared to think—. This is the case of property, more specifically, of private property. It does not take any great effort to perceive how tied up this concept is with contemporary human experience and its most pressing concerns, such as suffering, happiness, meaning, and security. It thus forms part of the dynamisms that drive passions, reflections and actions: What happens to those who do not, or cannot, own property? Who owns what? Who can be a property-owner and who cannot? Why are some people property-owners and others not? What determines or authorizes ownership? What power should regulate property and ownership? What should be done with the idleness of the property-owner as opposed to the non-property-owner? What should be done with the resentment or rage felt by people who are deprived of their property? What happens between property and property-owners when there are people capable to taking lives in order to defend this relationship? How has property insinuated itself into human life, to the degree that it seems to have become

something sacred and unassailable? We will not try to address or answer all of these questions in this text. We will focus only on two problematic features of contemporary private property: its metaphysical character and its complex relationship with utopia. These features play a prominent role in the constitution and operation of its exclusion-producing dynamism.

With respect to the term exclusion, it is important to bear in mind the observations made by Castel (2015) about the traps implicit in the contemporary use of the term:

- The fuzziness or blurred specificity of the situations, such that it becomes impossible to identify exactly what is missing.
- The consideration of the situation of exclusion as something autonomous, alien to the series of processes that occur around it, when the sense of the "states" of exclusion is better sought in the trajectories and processes that lead to them and cut across society as a whole, and that originate at the heart and not at the edge of social life—for this reason, Castel prefers to speak of disaffiliation.
- The paralysis or ineptitude of action due to a reflection limited to the description of states of dispossession, overlooking their presence within broader processes, which actually offers a better understanding of the processes running through society. To avoid an ambiguity that creates an impression of awareness of what is going on, we will not speak here of "capitalism," but rather of concrete processes that operate in ordinary life, although, because they are ideology, they remain "invisible" even as they are perceptible.[2]

THE UTOPIA OF PROPERTY

Transition from surviving to living—a concise description of the modern ideal of human existence. The reading of human history as overall progress in modernity—although not exclusive to it, at least as far as the hierarchy of activities goes, already present in antiquity—assumed that the essential task of surviving corresponded to an inferior stage of being, characteristic

2. "They do not know it, but they are doing it" is the pithy description of ideology offered by Marx (2016).

of animals—seen in a demeaning light; it followed that humanity's job was to focus on living, which historically encompasses everything from the division of labor to the democratization of hedonism and the aestheticization of life. This division—one of the many fictions of modernity—hierarchized from surviving/living ignored the fact that the two (surviving and living) could be kept in dialectical tension, as humanity has done in other contexts.[3] To appreciate the ancientness of this tension in human history we must only look at the Genesis' biblical account, which defines as part of the human condition in nature the mandate to on one hand name and collaborate[4] as the gardener of Eden, and on the other to dominate and multiply[5] as Eden's conqueror and what lies outside of it. This dual and contradictory mandate can be seen as an expression of the chronic tension between living and surviving, much more noticeable perhaps in a desolate, inhospitable context, for which the biblical account offers no resolution. However, as the following texts from Locke (2017) make clear, living consists not just of self-preservation but of improvement, of both the self and the world. We reference Locke for two reasons: his relevance in modernity to understand the history and configuration of property, and his usefulness to sparkle discussion (not as a canonical source) in our meditation on property today. As mentioned earlier, modern utopia considers improvement to be an essential feature, and according to Locke (2017),[6] property is an essential part of this utopia.

> The labour of [man's] body, and the work of his hands, we may say, are properly his. Whatsoever then he removes out of the state that nature hath provided, and left it in, *he hath mixed his labour with, and joined to it something that is his own*, and thereby makes it his property. [...] *His labour hath taken it out of the hands of nature*, where it was *common*, and

3. One key reference is Eduardo Viveiros de Castro's research and objections to the division nature/culture, for example in Viveiros de Castro (2013).
4. Gn 2:18-20: "Yahweh God said: 'It is not good that the man should be alone. I will make him a *helpmate*.' So from the soil Yahweh God fashioned all the wild beasts and all the birds of heaven. These he brought to the man to see what he would call them; each one was to bear the name the man would give it. The man gave names to all the cattle, all the birds of heaven and all the wild beasts..."
5. Gn 1, 27-28: "God created man in the image of himself, in the image of God he created him, male and female he created them. God blessed them, saying to them, *'Be fruitful, multiply, fill the earth and conquer it!* Be masters of the fish of the sea, the birds of heaven and all living reptiles on the earth!'"
6. The italics in Locke's texts are the author's.

belonged equally to all her children, and hath thereby *appropriated it to himself.* (pp. 66-67)

God gave the world to men in common; but since he gave it for their benefit, and the greatest conveniencies of life they were capable to draw from it, it cannot be supposed he meant it should always remain common and uncultivated. He gave it to the use of the industrious and rational (and labour was to be his title to it); not to the fancy or covetousness of the quarrelsome and contentious. He that had as good left for his improvement, as was already taken up, needed not complain, ought not to meddle with what was already improved by another's labour. (p. 71)
The measure of property nature has well set by the extent of men's labour and the conveniencies of life: no man's labour could subdue, or appropriate all; nor could his enjoyment consume more than a small part. (p. 73)
[...] for it is labour indeed that puts the difference of value on every thing... (p. 78)
For whatever bread is worth more than acorns, wine than water, and cloth or silk, than leaves, skins or moss, that is wholly owing to labor and industry [...] how much [finished products for consumption] exceed [raw material] in value, when any one hath computed, he will then see how much labor makes the far greatest part of the value of things we enjoy in this world. And the ground which produces the materials, is scarce to be reckoned in, as any, or at most, but a very small part of it; so little, that even amongst us, land that is left wholly to nature, that hath no improvement of pasturage, tillage, or planting, is called, as indeed it is, waste; and we shall find the benefit of it amount to little more than nothing. (p. 80)
And thus came in the use of money, some lasting thing that men might keep without spoiling, and that by mutual consent men would take in exchange for the truly useful, but perishable supports of life. (p. 85)

From the previous texts, we can highlight some of the elements that make up the conception of property—clearly oriented along the lines of liberalism and utilitarianism—and that shed more light on the relation we mentioned between property, metaphysics, and utopia, at least as a first attempt to sketch an outline.

First of all, it is noteworthy the way Locke frames property as being the primordial status of existing entities. Primordial, not original, because rather than a genealogy of property Locke is giving an ontological explanation, i.e., pointing out what continues to operate in existing entities in one way or another, that which sustains them as such, in their different configurations, and is also the "place" of their opening and not of their closing. Locke's theological reference is not limited to a historiographic affirmation insofar as it presupposes the continued operativity of that which was given from the beginning of time "in divine will." In other words, the world can access truth—and its truth—to the extent that its character of being property gives access to it. Property is an existential[7] of existing entities; it is a condition of the truth—not just propositionally but ontologically.

In this conception, the world never ceases to be property. This is reinforced by the proposition that human action is governed by an intentionality that precedes it—symbolized by the allusion to God—and that operates as an imperative to bring the world out of its state of nature through human intervention and the introduction of a human element into the world, which is also determined by its very being as property-of-itself and property-for-itself. Labor is the human activity that introduces the distinction and transition between the forms of property: It is the property (of itself) operating upon other beings waiting to become property in order to transform them into property (for itself), insofar that as it acts on them, it extracts them from their "nothingness" or not-being-property and turns them into property. In other words, property appears as the ultimate dynamism (efficient and final causality) of existing entities. In this way, property designates the primordial stage of existing entities, and as such, it is also the horizon that points to their ultimate realization. The manifestation of the being of existing entities appears, and is made by possible, through labor, with respect to both things and humans, and therefore we can say that in Heideggerian terms, the *alétheia* is, first and foremost, the revelation of existing entities as property. Following this logic, without property there is no truth.

7. The term existential corresponds to what Heidegger designates as distinctive of being, constitutive of existence, of being-in-the-world, or else, of its ontological condition, while existential has to do with the historically varied determinations of the ontic, i.e., with the different answers to the question of the meaning of being or ways of understanding oneself when being-in-the-world. Cf. Heidegger, *Ser y tiempo*, §4.

Secondly, the previous ontological reading requires concrete insights that enable us to understand and configure the ontic, i.e., the world of things as we deal with them beyond ontological concerns. Locke explains some of these insights with the terms "improvement," "right," and "conveniencies" used in the texts quoted above. These terms are not unfamiliar to contemporary Western societies, although we should not assume that they have the same meaning as they had for Locke; that would be an ingenuous mistake. Nevertheless, what interests us here is their presence and use in today's ordinary discourse. In current Western societies, each of these terms expresses normative forms of contemporary existence, which are often quite popular, in different spheres, and all are loaded with utopian connotations.

"Improvement" refers to a technological imperative as it relates the power of action and efficiency of and upon existing entities to a practical requirement calling for the continuous perfecting of existing entities simply because it is possible to do so. The upgrade already forms part of the guiding principles of human existence, not only with respect to the things upon which it acts but also to itself, and has a greater impact on the human psyche than freedom does, because in this proposal, improvement is not subject to ethics; instead it is something that is beyond question insofar as it constitutes ethics itself. Property is a kind of historical existential of improvement as an effective condition of its realization—Locke suggests as much in his use of the terms—and also, to the extent that it assumes the positive character of improvement as inexorable and undeniable, it becomes the material condition of the *telos* or finality of existing entities. Consequently, utopia would seem not to be conceivable but for the mediation and presence of property, as can be seen in the "last utopia:" human rights (Moyn, 2012, pp. 35, 223).

Law is the normative form that operates and governs in the intersubjective realm and in being-in-the-world—i.e., in humans' being, doing and relating with themselves and with the rest of the world's creatures. As an institutional imperative, law appears as dynamism and structure; the expression of a metaphysical order or its substitution in response to the disappearance or negation of said order. The obligation of the task of instituting ties and relations takes on a peculiar feature when it comes to property. Given the intentionality that the law must be the expression not of mere will but of reason, the preservation and ratification of property through law lays out in its most extreme form the quandary of property vs. irrationality, of property

vs. nihilism. The very intentionality of fulfilling a divine mandate or intention through property would seem to confirm this quandary. However, the discussion about legal nihilism remains open, as Zagrebelsky (2012) points out and tries to resolve—not compellingly, in our opinion, although with practical implications.

Indeed, the *horror vacui* or law's abhorrence of a vacuum seems to be key, both for the affirmation of private property—keeping violence at bay—and for promoting it, because it constitutes an essential foundation in the project of the juridical ideology that tends toward the juridification of all possible social relations, since in this way it makes them foreseeable and calculable (Capella, 2008). Once again, the utopia of a rational, violence-free world, a world of law, seems to be upheld by private property. Moreover, the juridical ideology—which is a feature of the administered world posited by Horkheimer—seems to make steady progress, since law's scope in everyday life appears to know no limits. On the basis of the premise of ensuring existence and affirming subjectivity, whether of human beings or of things, law has not only infiltrated the most intimate areas of life, it has also allowed private property to do the same. While the inclusion of property as part of human's material existentials—human rights—highlights the reach of private property in the order that replaces the metaphysical order, or that confirms it in its ordinary use, ordinary life also reflects this reach inasmuch as the property-based ideology goes so far as to touch and configure the relations with one's own body and with ideas. In this sense, law is one of the allied principles of private property today.

"Conveniencies" is an expression of the intentional imperative or the subjective interest. In the eyes of modernity, it is unquestionable that one ought to pursue one's individual interest, that which proves to be most convenient for oneself, which can be extended to one's own projects or plans, given their implication in the realization of one's own existence. In Locke's thinking, "conveniencies" can regulate property and the striving for ownership. However, the objective character of the amount of labor put in—which by right would confer property—exists in tension with the subjective character of conveniences, because the determination of "the conveniencies of life" involves either dealing with the arbitrariness of human interest or assuming a pre-established objective measure. Here two utopian ideals emerge: Society organized by the productive selfishness of liberalism, and the ideal of sharing

in socialism and communism. In both social formations the utopian element plays a significant role (Hinkelammert, 2002).

For his part, Locke (2017), takes the side of objective conveniences perceived subjectively[8] from his stance in favor of property, builds his argument on the basis of the dual assumption of the limited capacity of human labor to appropriate everything and humans limited capacity for enjoyment. Nevertheless, as time passed the two assumptions were called into question because the relation between property-owners and non-property-owners (this goes back far before Locke) proved susceptible of creating a situation in which there was an amount of work (and this amount even tended to increase) incapable of leading to direct ownership; while, the capacity for enjoyment, due to technological advances and the consolidation of institutions that guaranteed a certain social stability, extended into the future and could draw on a wider array of possibilities for enjoyment.

However, labor that is no longer capable of producing property ownership due to the pre-existence of property, in an age that purports to affirm the freedom of all human beings, suffers from a loss of ontological density in the face of, and because of, that which was its social and ontological effect: Labor made something property, but given the pre-existence of property—and all the more so seeing its prolongation and perpetuation—labor became incapable of producing property ownership. Its effect/product is thus separated from human activity and becomes something abstract, or else it turns out to be the primordial principle that gave labor its meaning and reason for being: To make property present as an existential of existing entities. Human activity also loses ontological density as doing is subordinated to having. Likewise, it is no longer simply social stability that ensures the permanence of property; instead, property is shown to be what procures social and ontological stability and, therefore, what ensures the enjoyment of life. A well-being that guarantees the stability of security and the abundance of enjoyment appears to be a utopia, a utopia that either serves the human being's interest or is primarily convenient to property and secondarily to property-owners, although it manages to be seductive and almost convincing.

8. It remains open for debate whether subjective perception can actually grasp an objectivity that determines its convenience or whether it is more about an apparent or perspectivist objectivity, or else, whether the subjective perception of convenience is more the result of an influx of the configuration of the objective.

Thirdly, value from the perspective of property appears as something "out of this world," since Locke's text reflects a clear disdain for matter in favor of human action. The almost total negation of any value for the earth, or wood, makes property not just the sign of the negation of matter but also the inversion of order to the extent that property becomes the condition of existence of the material. A "supernatural" world, a metaphysical order of human manufacture, becomes the support of the "natural." The order of property is the order of submission—and negation—of the material, biological, and physical to human activity, submission of a dialectical nature, inasmuch as, on the one hand, property calls for placing the material on the edge of nothingness—at least in terms of value—, while it simultaneously requires the material as a place for the realization of property. On the other hand, it is human activity that appears as the producer of value, both of itself by means of its own quantification and also of that upon which it acts. Existing entities are nothing but, on the basis of their being submitted by property, they become something, albeit in a fleeting and dependent way, because without human labor, without property, they irrevocably return to their initial nothingness or non-value. Property serves to save being from being nothing.

For this, as Locke describes it, the relation between the corruptible and the uncorruptible becomes viable, because through the use of money, the necessary and the unnecessary enter into an exchange, which is the constitution of a perverse equivalence. The necessary becomes "unnecessary" and the unnecessary, "necessary." The incorruptible displaces the necessary, such that the value of use is submitted and degraded by the value of exchange, and property finds a way to escape from the ephemeral temporality and integrates into that which stretches over time: Property becomes a symbol of the abstract and permanent—in the sense of what endures—, which is the realization of human action, and at the same time, its ideal. Without property, there is nothing but impermanence, ephemeral existence, and non-transcendent action. Being a property-owner is the utopia; not being one, the dystopia.

Thus, the utopian dimension of property proposes in a normative way—as a sign of improvement, with the force of law and as the realization of convenience—that "everyone can be a property-owner." Property is framed as the framework in which humans can realize their ideal: utility, improvement, security, freedom, satisfaction, and legality; moreover, things find their realization by way of the improvement produced by human intervention. Property is

presented as the means and experience of transcendence in full immanence; it is utility and sense of value. It is the authentic utopia of utopias, because it is posited as historically achievable, although, at the same time, kept at a distance, because trying to make heaven on earth only produces hell (Hinkelammert, 2002). As a utopian proposal, the dynamism of property takes on the problematical tension, to be expected of any historical dynamism, consisting of proposing a general idea and at the same time resisting its effective realization (it is no secret that, while the discourse affirms the desire and conviction that "everyone should be a property-owner," in practice not only is this considered unfeasible and unsustainable, but undesirable). Without a doubt, it will be important to tread carefully around the two unequivocal and unsustainable positions that arise with respect to utopia: systematic dismissal and acritical exaltation (Abensour, 2017).

The utopia of property is, in the final analysis, the utopia *of property*; not ours, as Marx (2018) insinuates:

> Private property has made us so stupid and one-sided that an object is only ours when we have it—when it exists for us as capital, or when it is directly possessed, eaten, drunk, worn, inhabited, etc., —in short, when it is used by us. Although private property itself again conceives all these direct realizations of possession only as means of life, and the life which they serve as means is the life of private property—labor and conversion into capital. (p. 179)

PRIVATE PROPERTY... AND ITS SECRET

Nothing becomes property on its own. There is no natural or ontological autogenous mechanism for becoming-property; no teleological principle that determines becoming-property as the realization of being or of a specific entity; no deontological principle that demands the becoming-property process for being or for a specific entity. The expression becoming-property refers to more than just "turning something into property," an action that is merely external, an imposition that, while it has no ontological implication, does purport to have one, i.e., to determine to such an extent something's being-in-the-world that that it is capable of altering it as far as removing and denying any resistance, opposition or dissidence with respect

to the regime, dynamism, and logic of property. In this sense, in the face of the process of becoming-property, two affirmations are possible: Either that human action actually exerts power on being, on all that is in the world, or that this action only coincides with an intrinsic dynamism of the very reality of things: within themselves, they carry the becoming-property dynamism and human action simply helps this to happen. In any case, becoming-property implies a metaphysical support, because insofar as it has no metaphysical "complicity," property must be recognized as an exterior phenomenon, a label, just another artifice that, given its lack of metaphysical character, can only pretend to have one, clothe itself in a metaphysical disguise that allows it to compensate for this lack with the exaggeration of its dominion on the plane of ordinary things and that can operate by wielding its apparent power in dimensions such as duration, rootedness, or participation in the real and the determination of existence.

Property thus requires a metaphysics to back it up, either as an effective or as an apparent support. In fact, the very idea that everything would be chaos in its absence suggests that a certain essentiality is recognized in property, or attributed to it, with respect to existing entities. However, property, inasmuch as it is no more than an appearance—who can compellingly demonstrate the existence of this thing called property?—and an appearance that purports to be the realest thing of all, to the extent that it is decreed as law, is the radicalization of an immanence that cynically affirms the awareness of its own artificial character or the facticity governed by it as an inexorable fact and thus would also seem to deny metaphysics itself. In this sense, property today is held up simultaneously as a metaphysical artifice and as the negation of metaphysics. These first dense, but empirically observable observations begin to give an idea of how "[a]ll things of this world subsist in a perceptible exile"[9] (Tiqqun, s.f.), or else, how (contemporary private) property leads us to be-thrown-out-of-the-world.

The expression being-thrown-out-of-the-world has at least two meanings. First, it indicates the opposite of the expression being-thrown-into-the-world with which the philosopher Martin Heidegger described human beings' existential condition. Humans find themselves in the world as entities whose

9. https://tiqqunim.blogspot.com/2015/05/metafisica.html

way of being-in-the-world—of existing—consists of being a project, being thrown into the world to deal with the world, which implies that they pose the question about being, about the meaning of being. The answer to this question supposes both the entity posing the question and all of being and therefore, that cannot count on a single simple answer, and that also cannot lead to an exaltation of the entities who ask about the meaning of being to constitute them as dominators or owners of being—of all that exists—or to place them in the world as something separate from it. Human beings have world to the extent that they configure a world and, with that, they also operate on themselves, although this must not be taken to mean that they are the decisive center of everything—as an anthropocentrically-inclined humanism might lead one to believe—. Thus, being-thrown-out-of-the-world refers to confinement in a condition of radical impotence and insignificance; it is the condition inherent to the spectacle in which there is no more than the mere fact of being there while witnessing a gradual loss of being, of weight and consistency of everything. If being-thrown-into-the-world was characterized by a certain anxiety, being-thrown-out-of-the-world is defined by the sensation of being absent when one is present; each person is the most alien thing to him/herself (Tiqqun, 2005, par. 3).

> To be sure, [s]olitude, precarity, indifference, anxiety, exclusion, misery, the statute of stranger, all the categories that the Spectacle deploys to make the world illegible from the social angle, make it simultaneously lucid on the metaphysical plane. They all recall, albeit in different ways, man's utter helplessness at the moment in which *the illusion* of "modern times" has just become uninhabitable [...]. And it is then that the Exile from the world is more objective than the constant of universal gravitation fixed at $6.67259 \cdot 10^{-11}$ $N \cdot m^2/kg^2$.[10]

This condition of exile in the world of property is put explicitly into words in the following monologue taken from the movie *Trainspotting*:

10. https://tiqqunim.blogspot.com/2013/01/bloom.html

> Choose Life. Choose a job. Choose a career. Choose a family. Choose a fucking big television, choose washing machines, cars, compact disc players, and electrical tin openers. Choose good health, low cholesterol, and dental insurance. Choose fixed-interest mortgage repayments. Choose a starter home. Choose your friends. Choose leisurewear and matching luggage. Choose a three-piece suit on hire purchase in a range of fucking fabrics. Choose DIY and wondering who the fuck you are on a Sunday morning. Choose sitting on that couch watching mind-numbing, spirit-crushing game shows, stuffing fucking junk food into your mouth. Choose rotting away at the end of it all, pishing your last in a miserable home, nothing more than an embarrassment to the selfish, fucked up brats you spawned to replace yourself. Choose your future. Choose life... But why would I want to do a thing like that? I chose not to choose life. I chose somethin' else. And the reasons? There are no reasons. Who needs reasons when you've got heroin? (Boyle, 1996)

Existing would seem to be, more than being *in* the world, the effort to *get out of* the world, although the possibilities of that, in the property-world, seem to be very slim or nil, or more to the point, inherent to a tragic process or a catastrophe. Here is where the second meaning of the expression being-thrown-out-of-the-world comes into view: In a very literal sense, the world of property gradually cuts the threads that sustain beings as part of it—especially, but not exclusively, human beings—until it throws them out; human beings are no longer characterized as project, but as abject. This "cutting of threads" alludes to the disaffiliation posited by Castel, and also to the progressive restriction of habitable spaces, whether they be places to live, stroll, get from place to place, have fun, interact; even art and talking itself.

In the dynamism of private property, the world where the meanings operate is gradually conditioned to the capacity to pay, conditioned precisely by this operating. The use of compositions of words, images, sounds, flavors, and smells in public seems to be more and more limited by the private property regime; to take this idea even further, what occupies and constitutes a good part of the content of everyday life is the spectacle of private property that exhibits itself, seduces, and appropriates every aspect of life: videos, songs, vehicles, texts, homes, clothes, everything is a vast parade and exhibition of private property strutting around in front of everyone and everywhere.

The more the ontological and hegemonic status of property is affirmed, the more abject human beings become, along with their lives and everything in the world. *Ab-ject* lives[11] refers to the dynamically and continually disposable form that we can also call utopian lives, placeless lives, because they are thrown out of the world.

In a world that prioritizes stability and individuality, private property takes on the appearance of tiny bubbles floating in the vast magma of that which has not-yet-become-property; nevertheless, as the emphasis shifts toward mobility and the diffuse, that vast magma might be what becomes private property and the bubbles are just the dead zones, isolated, unable to communicate without passing through the tribute given to the property-owner. In other words, to escape from the confinement, from the bubbles of exclusion, it will be necessary to pay, to pay to be part of the world, of a class, of a society, if only for a short time and in a certain space. Freedom is exclusively for those who can pay to live and move about the world of freedom of property: free *for* property, but not freed *from* property (Marx, 2015).

UTOPIAN LIVES: THE NEGATION OF PROPERTY

The utopia of private property actually does produce utopian lives, i.e., placeless lives, lifeless places. Speaking of property thus implies speaking of negation or, more precisely, of the dual negation of property: the negation that property creates by producing placeless lives, and the negation of property through utopian lives—lives-out-of-place, so to speak, in their lack of adjustment to the property regime—that open up other routes of existence.

The negation brought about by private property today consists of the fact that, given the negation of recourse to an indisputable metaphysics, inherent to a post-metaphysical time and thinking (Habermas), it is always possible to resort to the metaphysical simulacrum without mentioning it or making it

11. The etymology of abject: ab- indicates "of," "from," "separation," "distancing," and *jacere* means "throw," "hurl." Utopia comes from *ou-* "negation" and *topos* "place." The latter word thus means placeless, and the former seems to indicate the dynamism or condition of realization of that placelessness. This usage is different from the way utopia is traditionally used; nonetheless, it falls within the possible understandings of the term, especially due to the paradoxical anti-utopian character of this utopia of property, as suggested by Hinkelammert (2002).

evident,[12] for which the device of property will have to put on a show to make people experience the inviability of existence without property, for reasons of either logic or practicality, which will at the same time convince them of the desirability of existence with private property. Therefore, the first thing property will show is its capacity to make things last by combating ephemerality, its power to incorporate and root in the world by creating a link between property-owners and things, and finally its potential for producing meaning and value. In other words, property appears as a remedy for nothingness and oblivion, as access to enjoyment, to passions, to the sensation of reality, and as mediation of the transcendence of existing entities. According to the development of the "spectacular strategy" of property, those who are not property-owners are left exposed to nothingness and oblivion, lack enjoyment—or the right to it—in their exclusion from reality, and are intranscendent. Those who are not property-owners are deemed dispossessed of existence—existence for property, since it has already been suggested that existence might be the effort to get out of the property-world—; in other words, non-property-owners are beings-thrown-out-of-the-world. Although in the final analysis, paradoxically, property-owners are also beings-thrown-out-of-the-world: They also find themselves in exile since property is a reified form of identity to the extent that subjects define themselves by their property (Gorz, 1969) and, to take it further, if their being-in-the-world is determined by it. Property is indifferent to the property-owner. There is no personalization or link that confers aura or singularity. In terms of alienation, Gorz (1969) explains it as follows:

> Non-ownership is not in itself an alienation. The proletariat is not alienated because it does not own anything in a world where all things (and therefore, its work on things and its production of new things) are owned by others. It makes no sense to try to unchain the proletariat by giving it properties or the possibilities of acquiring them. Because ownership, far from being a de-alienation, is always an alienation to the owned thing (which explains, by the way, Christianity's embrace of poverty as a value). (p. 173)

12. This is suggested by Baudrillard in his book *On Seduction* (1981).

As we managed to see, private property today would negate metaphysics, and pass itself off as a world order without metaphysics, but it is actually a metaphysics of negation by which existing entities are shown to be tentative, hanging by a thread called property, as described by Tiqqun (n.d.):

> All things of this world subsist in a perceptible state of exile. They are victims of a slow and constant loss of being. To be sure, the modernity that purported to lack any mysteries and that swore to liquidate metaphysics has actually *realized* it. It has produced a decor made entirely of phenomena, of entities that go no further than the simple fact of remaining there, in their empty positivity.[13]

The negation of property as we lay it out here is perhaps better understood as a phenomenon of "destitution," i.e., rather than mounting an active opposition to property, we propose attacking our need for it; rather than criticizing it, we propose laying claim to what it supposedly does, but from outside of it (Comité Invisible, 2017). In this sense, the Franciscan praxis of poverty (*altissima povertà*) can be seen as destitution in deed, not just as a practice but as a way of life. As Agamben (2013) points out in his book *Altissima povertà*, the Franciscan way of life incarnates a life-outside-of-the-law, which does not make it illegal because it arises from an *abdicatio iuris* (renunciation of a right) on account of the fact that it makes use of things without owning them, by exercising the right to waive a right. The deactivation of property and its law is not feasible by simply carrying out isolated acts; it must come about from a way of life that prioritizes use over ownership, by which the waiving of the right to property is not an isolated act but the result of an affirmative option that turns this renunciation into a way of life.

This proposal is sure to bring immediately to mind the idea of utopia, but it is worth recalling that we are dealing with a historical fact, so instead of directing our gaze toward the future—as people usually do when they talk of utopia—, we look to the past that bears witness to an irruption of the unthinkable in the form of Francis of Assisi and his radical living of the Gospel. His life-out-of-place could provide clues for rethinking our present, so that

13. https://tiqqunim.blogspot.com/2015/05/metafisica.html

instead of waiting for a future realization, we get down to the work of recovering traces of what has already happened in the past but was given up for lost, in the hopes of reigniting that spark that already blew up our world once, if only for a short time. Moreover, those who live in the condition of being-thrown-out-of-the-world already offer of a kind of living that does not always and necessarily go through property or debt. This does not imply taking up the mendicant Franciscan life, but rather experimenting and remaking other ways of living in practice…, although, as Benjamin (2013) said, "the hallmark of salvation is its solid, apparently brutal assault" (n.p.), which suggests that perhaps we should not dare to experiment until catastrophe hits us and puts us in a place where a new idea of life emerges and a new propensity to joy, which is the distinguishing characteristic of a revolutionary situation (Hazan & Kamo, 2013).

To conclude, it is worth evoking the words of Morris (2013):

> […] I must point out where in my opinion we fall short in our present attempt at decent life. I must ask the rich and well-to-do what sort of a position it is which they are so anxious to preserve at any cost? and if, after all, it will be such a terrible loss to them to give it up? and I must point out to the poor that they, with capacities for living a dignified and generous life, are in a position which they cannot endure without continued degradation. (pp. 48-49)

And perhaps, like at no other time, we will have to recognize that an immense majority of human beings are in a position we cannot endure without continued degradation, and that we are anxious to preserve it at any cost.

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Wealth inequality is one of the most pressing issues of our time. Broad-based business ownership that includes employees helps improve lives and creates a more dynamic economy. Throughout the book, the authors analyze and demonstrate how models of shared ownership can serve as building blocks towards shared prosperity and help counter the growing income disparity faced by many nations.

This book is a collaborative effort of academics, researchers, and professionals from US, Mexico, Peru, Argentina, France, Spain, and Colombia. These pages contribute to the construction of an economic democracy while promoting a movement that stimulates growth, strengthens businesses, contributes to improving wages and savings whilst dignifying workers and building social progress.

Employee Ownership in the Americas. A Path to Shared Prosperity was inspired by companies and entrepreneurs who favor the participation of employees in decision making and include them as owners, by non-profit organizations that promote employee ownership, and by the research and experience of several of its authors. The case studies presented demonstrate that broad-based employee ownership not only achieves better job performance in large companies and small businesses, but also aligns with other trends that are becoming the new normal, such as shared capitalism, corporate responsibility beyond shareholder primacy, and community wealth creation.