



Working in employee-owned companies: the role of economic democracy skills

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Abstract:	Employee owned companies (EOCs) are a growing sector of the UK economy and yet research remains divided on their impact and effectiveness. While research has focussed on the links between ownership form and organisational performance, in this paper we investigate whether distinctive 'economic democracy skills' can be identified. Our findings reveal that economic democracy skills in EOCs comprise formal business-owner skills - termed skills in economic democracy - and softer socioemotional skills necessary for effective democratic functioning, which we label economic democracy skills. These skills are developed through democracy work by EOCs. The implications of these findings for the sustainable performance of democratically owned firms are discussed.

Working in employee-owned companies: The role of economic democracy skills

Introduction

Research suggests that employee ownership in particular, and economic democracy more broadly (Cumbers et al. 2017), can have significant benefits for organisations and employees. Employee-owned companies, as a growing sector of the UK economy (Employee Ownership Association 2017, Pendleton & Robinson 2017, Nuttall 2012), are a topic of increasing policy interest especially as employee owners are seen to be “more committed to delivering quality service and more flexible in responding to the needs of the business” (Lampel et al 2010:4), with a positive impact on performance (Kaarsemaker, Pendleton & Poutsma, 2009, Kurtulus & Kruse 2017).

It is argued that EOCs are attractive places to work because of their management practices, and EOCs are successful in attracting, recruiting and retaining highly skilled workers (Lampel et al., 2010). However, despite the potential benefits of the EOC form, research remains divided on EOCs’ impact and effectiveness (Perotin & Robinson 2004, Kim & Patel 2017, Caramelli 2011). While studies have found many positive performance outcomes associated with employee ownership (O’Boyle et al. 2016), others have found no link (Sengupta et al. 2007), or a negative effect (Gamble et al. 2002). These diverse findings point to complexity in the employee ownership/performance link, –often labelled an unexplored ‘black box’ (O’Boyle et al. 2016, Whitfield et al. 2017). This complexity encompasses various causal explanations of the link, including the effects of financial incentives, participation in decision-making, and managerial practices. As such there are repeated calls by researchers to deepen and extend our understanding of “the full range of causes, characteristics, and consequences of shared capitalism” (Carberry 2011: 2).

However, in a curious absence, the skills required (by both managers and non-managers) to work in EOCs has received little scholarly attention. If democratic participation and ownership are seen to create a performance difference, then it is important to consider the skills associated with being an employee-owner. This intriguing absence is reflected in a stream of literature that suggests that, since this organisational form is substantively different to other sectors of the economy, there is a need to advance understanding of management within EOCs. For instance, the UK government’s Nuttall Review of Employee Ownership identified a gap in “*guidance on management skills*” (2012: 46), a point supported by Stocki (2015: 4), who found that “*being a manager in a classical firm and a co-op may involve two different domains of expertise.*” We contend that, without knowledge of the economic democracy skills of all organisational members, managers or otherwise, the links between

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3 economic democracy and organisational performance will remain an unopened black box. This paper
4 contributes to the debate by investigating whether, and if, skills related to employee ownership can
5 be identified.
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10 The paper will argue that 'economic democracy skills' is a key moderating factor in the employee
11 ownership-performance relationship. We begin by exploring existing research on the employee
12 ownership-performance black box which exposes a gap in the consideration of skills. Building on
13 concepts widely used in HRM, namely that performance is influenced by opportunity, motivation and
14 ability (knowledge and skills) (Appelbaum et al. 2000), we establish that employee ownership research
15 has focussed on the opportunity and motivation that this form provides for employee owners, but has
16 largely omitted employee ownership abilities. We then provide details of the research exercise, our
17 data set, and the process through we developed our findings. Our findings indicate that economic
18 democracy skills are manifest in all of the EOCs in the study, and comprise of formal business-owner
19 skills (which we term skills in *economic* democracy) and softer socioemotional skills necessary for
20 effective democratic functioning (*economic democracy* skills). Our findings show that these economic
21 democracy skills were developed through the 'democracy work' of the EOCs which focussed on
22 organisational identity and legacy work.
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35 **Employee ownership-Performance black box**

36 Despite scholarly and policy interest in employee ownership and its organisational effects, there
37 remains "a large unexplored black box" (O'Boyle et al. 2016: 443) of the causal processes linking
38 ownership to behavioural change. An extensive literature provides explanations in three principal
39 areas, the effects: on behaviours; of material rewards; of participation in decision-making; and the
40 moderating influence of contextual factors. Yet, as the following sections will demonstrate, for all the
41 merits of extensive research on the links between ownership form and organisational performance,
42 this approach has neglected the exploration of economic democracy skills.
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50 Principal/agent theory

51 Using a principal/agent approach, the first causal explanation contends that by becoming stock
52 owners, employees' financial interests are aligned with those of the firm thereby encouraging
53 behaviours in support of organisational goals. Conversely however, there are also claims that
54 employee owners will extract maximum individualised returns from the company, resulting in free
55 riding (Alchian and Demsetz, 1972), in employee-owners' reluctance to invest in a firm (Boatright
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3 2004) and ultimately in a reduction in competitiveness (Jensen & Meckling 1976). Given the mixed
4 theoretical predictions of the economic theory approach, and in order to explain some of the positive
5 effects of employee ownership on performance, a second conceptual approach is offered in the
6 literature.
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10 11 Participation in Decision-making

12 Increasingly, empirical evidence is “emphasizing the role of participation in decision-making”
13 Pendleton & Robinson (2011: 445) in effecting behavioural change. Here, Klein’s (1987) suggestion
14 that an increase in employee influence on decisions through ‘instrumental satisfaction’ is sufficient to
15 create attitude and behaviour change, has explanatory power. Other concepts used to explain
16 employee attitudinal changes in EOCs include Meyer & Allen’s (1991) model of organisational
17 commitment (affective, continuance and normative), Pierce et al.’s (2001) theory of ‘psychological
18 ownership’, and concertive control through social pressure on co-owners to perform (Summers 2004).
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26 Yet for all these studies on the effects of employee ownership on commitment, some deny a link (e.g.
27 Sengupta et al. 2007), or a sustainable effect on commitment (Long 1982, McCarthy et al. 2010). While
28 a number of studies indicate that a combination of financial incentive and participation in decision-
29 making can achieve the greatest positive performance effects (e.g. Summers & Hyman, 2005) research
30 continues to suggest that the effects of employee ownership are not predictable – being moderated
31 by contextual factors, including management practices.
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38 Moderating factors

39 The third explanation considers that previous approaches hold overly de-contextualised views of
40 securing commitment and behaviour change. Developing this idea, Kruse and colleagues (2004)
41 consider that performance enhancement is achieved in EOCs via ‘three prongs’ which incorporate the
42 established motivational explanations of, first, financial incentives, secondly participation in decision-
43 making, adding a third, organisational environment.
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50 Much research on this third prong has focussed on management approaches (and in doing so, has
51 largely ignored other employee owners and their capabilities) and the associated structures that
52 provide the opportunity for financial participation and facilitate involvement in decision-making. The
53 substantive difference of an organisational form based on democratic ownership implies that
54 managing in an EOC is “of a different order” (Storey et al. 2014:14) where managers are likely to
55 practice “more democratic management styles” (Stearse et al 2015:8) and so EOCs create “personnel
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3 practices that work for them” (Lawless & Reynolds 2004:8), practices which are likely to be equivalent
4 to a ‘soft’ HRM approach (Kruse et al. 2004). In fact, in EOCs there tends to be an “emphasis on good
5 HR practices” (Reeves Knyght et al. 2010:134), which includes a managerial focus on “extended
6 information flows” (Stear et al. 2015:8), information sharing and informing personnel (Unterrainer
7 et al. 2011:9). More broadly, Novkovic (2008) emphasises the role of networking and teamworking in
8 cooperatives, while Cook (1994) cites the role of coalition building in EOCs, and Lawless & Reynolds
9 (2004) find that management practices are designed to encourage debate in EOCs.

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16 A consequence of this debate on management practices in EOCs is the emphasis placed on conflict
17 management. This literature tends to be framed in unitarist language where “encouragement for
18 constructive dissent” (Stear et al. 2015:8) and the existence of “interpersonal friction” (Whittam &
19 Talbot 2014:5) mean that the importance of “managing tensions” (Storey et al 2014:11) is highlighted.
20 Similarly, Lampel et al. (2014:67) claim that ‘relational reserves’ are essential for “dealing with such
21 crises”. Such reserves might include a “positive attitude towards co-workers” (Agirre et al. 2014:4),
22 and be part of the ‘values system’ in an EOC (McQuaid et al. 2012:14). A similar point is made by
23 Basterrexea & Storey (2017:25), who highlight that management in John Lewis are “extraordinarily
24 active” in supporting economic democracy in the company.

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33 While active managerial input adds a ‘fourth prong’ (Basterrexea & Storey, 2017) to Kruse et al.’s
34 (2004) three pronged model noted above, the skills element remains unexplored. As Storey & Salaman
35 (2017: 339) conclude, for EOCs “managing in this responsible way is a practical accomplishment that
36 requires considerable conceptual and applied skills”, however we still know little about what these
37 skills entail. While Basterrexea & Albizu (2011:14) refer to “cooperative management tools” in EOCs,
38 what these tools might comprise is unspecified. In fact, the three and four prongs approach, highlights
39 the importance of motivation and opportunities for participation, yet lacks consideration of skills for
40 work in employee owned companies. The question of skills is pertinent as research acknowledges gaps
41 in our understanding of what ‘other factors’ (Kruse et al. 2004:17) may moderate the relationship
42 between employee ownership and organisational performance.

53 Skills

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55 Turning to skills in work, the literature has a long history and a variety of reference points within the
56 labour market and labour process, covering territories such as where skills for work are acquired and
57 general tendencies in the nature and utilisation of skills (Grugulis and Lloyd 2010). While an agreed
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3 definition of skill remains elusive, a number of qualifiers are used to sub-divide and clarify skills in
4 work, the most common being a distinction between 'hard' and 'soft' skills, along with a recognition
5 of the distinction between organisation-specific and transferable skills (e.g. Grugulis and Lloyd 2010;
6 Hurrell 2016). Hurrell et al (2013) define soft skills as "non-technical and not reliant on abstract
7 reasoning, involving interpersonal and intrapersonal abilities to facilitate mastered performance in
8 particular social contexts' (Hurrell et al., 2013: 162). They are argued to be scarcer, more difficult to
9 train and increasingly required by organisations and in occupations (Hurrell 2016).

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11 While these shifts in the nature of skills required for work, the impact of technology on skills and the
12 effects of management control on autonomy, have been thoroughly explored and debated in the
13 literature (see Green et al. 2016), the issue of skills utilisation has been relatively overlooked (Keep
14 2016). There is a clear difference between possessing skills and using them for the benefit of the
15 organisation. Work organisation is decisive in skills utilisation and, as Keep reminds us, "[w]orkplaces
16 that provide rich learning environments through the manner in which they structure tasks and
17 processes, and manage staff, also tend to be better at bottom-up forms of process and employee-
18 driven innovation" (2016:39). High performance workplaces (or HPWS) provide a typical example –
19 where research emphasises the central role of training in ensuring that employees possess the
20 "capability to contribute" (Ramsay et al. 2000: 504) to organisational success. Drawing on the ability-
21 motivation-opportunity model (Appelbaum et al. 2000), standard HPWS research considers three
22 areas integral to performance, namely capability (knowledge and skill acquisition), commitment
23 (motivation) and opportunity (Boxall & Winterton 2015). However, HPWS also has a dark side (Boxall
24 and Macky 2014) associated with performance enhancement via work intensification – and not via
25 enhanced skills and positive engagement. Certainly, early studies of coops, such as Fakenham
26 Enterprises (Wajcman 1983), suggested self-exploitation and not increased skill.

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28 We might then expect that in the context of EOCs, where the division between management and
29 workers is in theory less distinct (Summers 2004), there is a strong mutual incentive to create a
30 learning environment both in terms of task-related skills, and in the acquisition of skills required to be
31 a worker-owner. It is this latter skill-set that interests us here, and which we have labelled 'economic
32 democracy skills' to distinguish them from the skills that are connected to occupation or organisation.
33 However the acquisition of worker-owner skills, should they exist, introduces training as an important
34 element of the EOC form, and it is to this aspect we now turn.

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3 Research to date on training in EOCs is framed around opportunities for occupational or task-related
4 training. This focus is reflected in research which considers business, organisational and job skills in
5 EOCs from a mutual investment perspective (Pendleton & Robinson 2011, Guery & Pendleton 2016,
6 Blasi et al. 2016), where employee ownership can help to remove the 'hold-up' issue, namely the lack
7 of trust between employee and employer where neither accesses or provides training. It is considered
8 that employee ownership can "signal mutual commitment and therefore encourage employers to
9 offer training to employees" (Whitfield et al. 2017: 1281). This emphasis on business-focused training
10 is replicated by training in the formal responsibilities of being a business owner, through the
11 occasional mention of training (or lack of training) in running a business. The focus is placed on
12 commercial skills such as training for business literacy and mediation (Kaarsemaker and Poutsma
13 2006) and "continuous education for members [to] be able to understand the financial situation of
14 the coop" (Lawless & Reynolds 2004:7), a point replicated by and Timming and Brown (2015). While,
15 conversely, Chevallier found a lack of "financial competencies" (2011:5) in cooperative members. This
16 literature suggests that training in EOCs focuses on the economic aspects of economic democracy, in
17 other words, the occupational and business skills needed by employee owners in order to contribute
18 to organisational performance.
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32 Yet acquiring knowledge and being able to use this knowledge for the benefit of the organisation are
33 not the same. For instance, while increasing amounts of skill is seen as empowering workers (if they
34 are acknowledged and valued), others might see this development as decreasing workers' power by
35 placing heightened expectations on workers (Grugulis and Lloyd 2010). Therefore a consideration of
36 skills and abilities in democratic participation and voice is important since, if employee owners do not
37 possess participation skills, their effective participation may be low or non-existent thus potentially
38 explaining the mixed effects of employee ownership on performance even where participation
39 mechanisms are in place. While the HRM-focused employee ownership literature cites certain
40 practices as moderating factors - for example, the importance to EOCs of involvement and listening
41 (McQuaid et al. 2012), - the capability to democratically participate, in other words the economic
42 democracy skills, are overlooked.
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53 **Capability to Participate as a Missing Moderator**

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55 It is interesting that, as yet, researchers have not looked at skills which underpin employee owners'
56 capability to participate. In particular, where sharing of control is expected or desired by employee-
57 owners, the extent to which this desire can be met will depend, in part, on members' (managers or
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3 otherwise) democratic participation skills. While the influence of participation at work on the
4 development of participative efficacy (Pateman 1970) and attitudes (Timming and Summers 2018)
5 outside of the workplace is recognised, our analysis of the literature also suggests that participative
6 capability is an important, but neglected, aspect of the employee ownership-performance link. The
7 focus and assumptions of research to date has meant there remain questions about the ‘knowledge,
8 skills and experience’ needed to manage under employee ownership (Basterretxea & Martinez
9 2012:xx). In focusing our enquiry on the employee ownership/performance black box, it is clear that
10 ownership skills have been largely overlooked. In particular, where employee ownership provides the
11 opportunity and motivation to take part in decision-making, and managerial approaches ensure that
12 participatory mechanisms are in place, the fact that we can’t with certainty predict whether this will
13 have a positive effect on behaviour and performance may well be due to employee owners’ (workers
14 and managers) capacity to democratically participate – in other words their economic democracy
15 skills. The presence or absence of skills in effective democratic participation could thus provide an
16 additional causal explanation for the varying effects of participation on performance in EOBs. Our
17 research intends to address this gap. In this paper, we explore the matter of economic democracy
18 skills via the following research questions: *What forms of economic democracy skills (if any) are*
19 *identifiable in employee owned companies?* and, *How are economic democracy skills manifest and*
20 *managed?*
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37 **Investigative approach and research procedure**

38 In light of calls for research which “builds on the existing literature” (Caramelli 2011:5) and for studies
39 based on qualitative data to “add value by providing insights into the causal processes” (Whitfield et
40 al. 2017:1292), this paper uses a qualitative and exploratory approach to investigate how employee
41 owners navigate, prepare for and respond to the requirements of employee ownership. Our interest
42 is in how employee owners construct a meaningful picture of the ‘daily realities’ of economic
43 democracy skills out of the many, and potentially conflicting, positions within for-profit, democratic
44 organisations. Our sampling strategy was simple, a variety of Scottish EOCs were identified through
45 personal networks, contacted by email, and interviews arranged. Scotland is an appropriate research
46 location since all its EOCs are private sector, for-profit companies and none are public-service delivery
47 mutuals (Nuttall 2018), making it highly representative of typical growth areas in employee-
48 ownership. The EOCs were selected based on their financial health (all were successfully trading
49 companies), and their operation of participative democratic practices. Beyond this, we selected
50 employee-owned companies from across Scotland, both urban and remote rural areas, and from
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diverse sectors in order to explore whether any common ownership skills were identifiable. In-depth interviews took place in 2015/6 to explore respondents' views on employee ownership and whether (or not) they felt economic democracy skills were required or manifest. To avoid biasing our data (& respondents) with assumptions about what might fill the 'black box' – and to be open to the idea that economic democracy skills may not be significant in our EOCs - we asked generally about requirements and expectations of work-related skills in the EOC. All interviews were face-to-face conversations, with at least one senior manager per EOC and most often with multiple other members of the EOCs. Time spent with each company varied from two hours to two days with most visits being for four to six hours. All interviews were digitally recorded and later transcribed.

Our data comprises thirty interviews with managers and employee owners, covering eleven organisations in different industrial sectors (e.g. professional and care-related services, manufacturing, retail), and of different sizes with staff numbers range from 20 to 450 (see Table 1). Pseudonymising codes are used to protect participants' anonymity.

Table 1: The companies

Code	Sector	Size	No. of interviews	Interviewee code ¹
EOC1	Management support	20	2	(EOC1/1-2)
EOC2	Media	20	7	(EOC2/1-7)
EOC3	Social care	150	5	(EOC3/1-5)
EOC4	Social care	150	2	(EOC4/1-2)
EOC5	Manufacturing	100	3	(EOC5/1-3)
EOC6	IT	20	1	(EOC6)
EOC7	IT	20	5	(EOC7/1-5)
EOC8	Management support	20	1	(EOC8)
EOC9	Design	50	2	(EOC9/1-2)
EOC10	Retail	300	1	(EOC10)
EOC11	Retail	50	6	(EOC11/1-6)

¹ '1' indicates senior manager at the EOC

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3 All companies in the study were recognised by the Scottish Government agency, Scottish Enterprise,
4 as having adopted an employee ownership model where employees own the majority of shares and
5 where ownership provides employees with "a meaningful stake in their organisation together with a
6 genuine say in how it is run" (Scottish Enterprise 2018), but without the requirement that these EOCs
7 adhere to core cooperative principles². This is significant since this form of employee-ownership is
8 the fastest growing in the UK - at a rate of 10% per annum (EOA). None of the EOCs in our study had
9 any external equity share owners. All companies operated a hybrid model of employee ownership,
10 mixing indirect ownership via an Employee Benefits Trust³ with direct ownership via individual share
11 ownership.
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20 To ground emerging categories in the data we used a constant comparison approach over the period
21 of data collection. An open stance was adopted (continuing beyond the data collection period) in
22 terms of understanding and interpreting the employee owners' experiences recorded. Themes were
23 identified and analysed across the interviews (Miles and Huberman, 1994). The analysis was thus
24 cyclical in nature; that is, there was a search for meaningful themes and categories using immersion
25 in the data, cutting and rearranging which was repeatedly compared with the original contextual data.
26 Careful descriptions of the data were made which enabled the development of categories in which to
27 place behaviours and processes. After initial organisation of the data, the key themes that emerged
28 were then interrogated for fit. By being alert to the possibility of contrasts and disconfirming data,
29 interpretations were refined or completely reformulated where necessary. As themes arose in our
30 conversations with employee owners, or in our reading of the transcripts, these formed part of the
31 ongoing data collection. This process took place until we felt that no new themes were emerging. In
32 this way, saturation of categories was achieved in thirty interviews across eleven organisations.
33 Themes were identified inductively (Gioia and Corley 2013) and given the exploratory nature of
34 investigation are presented first as categories of hard and soft skill. An emergent theme aggregated
35 from these categories is presented as 'democracy work'.
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50 ² International Cooperative Alliance's seven cooperative principles (ICA 2018)

- 51 1. Voluntary and open membership
- 52 2. democratic member control
- 53 3. member economic participation
- 54 4. autonomy and independence
- 55 5. education, training and information
- 56 6. cooperation among cooperatives
- 57 7. concern for the community

58 ³ the establishment of these EOCs predated the UK's Finance Act of 2014 which introduced the Employee
59 Ownership Trust option
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Economic Democracy skills: capacity to contribute

In addressing our research questions, and in line with previous research on EOCs, it became clear that the significance of becoming employee-owned (for all employee-owners, irrespective of job role) involved the acquisition of technical skills related to being a business owner and shareholder, as the following quote illustrates

“there are skills you need to be the owners of a business. ... an employee owned business has to make its way in the world, like any other business” EOC7/1

For the companies in this study, employee ownership brought greater access to information, to the financial accounts of the business, and a collective responsibility for business strategy,

“we realised that actually we didn’t know anything about business ... We started these whole office group meetings really with a business coach who explained business to us and got us all to think about things like where do we want the business to go. A whole range of business things which we’d never thought of before.” EOC9/1

To accommodate these ownership responsibilities, EOCs across sectors cited the need for employee-owners’ capacity to contribute to organisational decision-making through skills in financial literacy and business planning. These hard skills include: understanding company accounts; share scheme operation; business development; and strategy setting. Training in these areas was sourced from a mix of traditional sources (e.g. Institute of Directors) and employee-ownership consultants.

Yet, finding a way to deploy these business-owner skills was a challenge. In fact, *“just putting in place employee ownership and all the structures around that isn’t enough”* (EOC6) for successful, sustainable economic democracy. However the EOCs had no clear idea what they needed to do, where they needed to focus training efforts, or what might effect a difference. For EOCs, ‘ownership’ skills were *“the missing link”* (EOC6) in realising the performance benefits of employee ownership. In particular, EOCs emphasised the importance, for the democratic functioning of the enterprises, of socioemotional skills. Though there was acknowledgment that building ‘soft’ economic democracy skills, to underpin democratic decision-making and participation, was not easy *“you’ll find that a lot of businesses really struggling with how to do it”* (EOC10). Unlike buying in training for the more formal, hard business skills, soft skills development was *“mainly time and it’s energy”* (EOC10) and yet *“it’s a very important aspect of what these businesses are about”* (EOC10). This was particularly so for EOCs which had become employee owned via an employee buy-out, since this meant *“you go into business with people you would not always pick to go into business with”* (EOC2/6). In line with previous

research (e.g. Hurrell 2016), the soft skills that employee owners require are not easily trainable, and often apparent only when they were lacking.

Economic Democracy skills: capability to participate

Being an employee owned company involved a qualitatively different way of working. Emanating from the data is a strong sense that democratic participation meant leaving individual differences aside to work collaboratively and supportively with a responsibility to, and for, other organisational members. The ownership form translated into an emphasis on a *“collective approach”*, *“it’s about collaboration”* EOC9/1, and *“a collective responsibility [where] we’re all owners. We’re co-equals”* (EOC2/2). This goes beyond Steare et al.’s (2015) *“more democratic management styles”* – in our EOCs, democratic ownership meant prioritising choices that advantaged the collective,

“we’ve always said, we’ll share the good times but we’ve also got to share the bad times and what we want to do is keep the staff we’ve got ... if we all want to stick together” EOC9/1

The bonds formed between workers in EOCs thus indicated a reduction in internal competition, with a focus instead on the construction of collective ambition. The unifying goal of ownership created a form of relations that were reciprocal in nature, for example,

“they’ll [other employee owners] help me out when I’m on a sticky wicket” EOC3/3

“we would support somebody through thick and thin rather than getting rid of them” EOC3/2

Notably there is an impression of loyalty imparted by these quotes. Furthermore, trust, reciprocity and mutuality in employment relations were not only apparent in high-performing EOCs, it also appeared to be maintained in precarious circumstances. In this respect, our findings confirm the claims made by Agirre et al. (2014) and Unterrainer et al. (2011) that EOCs pay more attention to people. Our findings also corroborate research on the importance of communication in EOCs, and of their focus on involvement. Yet, this is not a traditional, unitarist form of management-worker communication or employee-involvement since power had been democratised via employee ownership. Integral to the way employee-owned organisations operated democratically were genuinely lower levels of formal control, coupled with a high degree of openness about business practices – as EOC2/3 commented, *“Nobody’s in the dark about anything ... people are in the picture all the time, and I think that’s definitely a good thing”*.

For non-management employee owners, being able to voice concerns was important across all EOCs, and at all occupational levels,

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3 *“the ability to put your voice out there and to ask questions and to challenge. I’d say they are*
4 *the most important [skills]”* EOC10
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7 These abilities required a commensurate fit from management in terms of ability to listen,

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9 *“what a huge voice they’ve [employee owners] got and they have to be listened to”* EOC3/2
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11 The democratisation of power in EOCs meant that collaborative practices, rather than appearing to
12 encourage homogenisation, on the contrary encouraged the voicing of different interests, which could
13 be combative. While our findings support the existing literature, which cites “interpersonal friction”
14 (Whitton & Talbot 2014) in EOCs, we did not find this articulated as “crises” (Lampel et al. 2014). Quite
15 the opposite, far from a problem this was seen as a strategic advantage for the firms - and a unique
16 resource - with the recognition that this could *“bring problems. It always can. But I think on the whole*
17 *it gives us a lot of competitive advantage. It gives us a lot of strength and depth in our business”*
18 (EOC10). Across EOCs, this strength and depth lay in the collaboration between employee-owners,
19 allowing the organisations to forge high quality ties between members. Consequently, the democratic
20 skills required of employee owners were operationalised in relational conditions by the group (i.e. a
21 collective attribute) with EOCs demonstrating practices of power ‘with and for others’ (Ricoeur 1992).
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23
24 The centrality of egalitarian relationships and responsibilities appears to be a key component of
25 operating within an EOC - and also within the growing community of such firms. The qualitatively
26 different relationships in EOCs, in terms of being *“more collegiate, more collaborative”* EOC7/1, in turn
27 required a related skill set. Here, socioemotional skills were the ‘glue’ that underpinned the activities
28 of EOC members.
29

30 Socioemotional skills

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32 Our data indicates that democratic participation, whether at annual general meetings, monthly,
33 weekly, or even in daily *“scrums”* (EOC7/3) meant employee owners had to develop and rely on
34 socioemotional skills, to the extent that the most important skills in an EOC were the ability to *“be*
35 *empathetic, to care, to respect and have humility”* (EOC4/1). Rather than merely involvement related
36 to work tasks or organisation, economic democracy skills included a focus on *“compassion as well”*
37 EOC3/3 and the need to *“be sensitive and be understanding”* EOC3/2 in diverse democratic forums
38 within the organisations.
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41 Of note, collegiality and collective ambition were not focussed on homogenisation within the
42 membership, rather socioemotional skills were essential components in the ability to notice,
43 understand and support difference. Members’ emotional skills allowed EOCs to work with difference
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effectively in terms of openness and interaction with others, both in working together and in terms of strategically developing the business,

“open your mind more to other people’s point of view” EOC2/5,

“think about what and how you speak to other staff” EOC2/6

“it’s really important that we’re all understanding each other’s ideologies or philosophies about how we may want to be as a business” EOC10

In order to operate collaboratively, a key aspect of socioemotional skills was anticipatory awareness of the emotional state of co-workers, where *“it’s all of our jobs to look after each other ... we’ve all got to take five minutes out and say, are you OK? That’s everybody’s responsibility”* (EOC5/3), and *“it’s important for us to get a sense of what everybody’s feeling”* EOC4/2. The importance of socioemotional skills was repeated across the cohort, with some using deliberate strategies to surface emotion.

“there’s a board downstairs so that if you come in in a bad mood, you can tell everybody you’re in a bad mood. You put your picture against that - an unhappy face – and if you’re in a good mood, that’s fine. And if somebody puts you in a bad mood you can move your card” EOC11/1

This foregrounds another important element of ‘soft’ skills that emerged from the data in the form of management authenticity and humility *“I don’t have a monopoly on being right all the time, which employee ownership has kind of taught me”* EOC2/1. Consequently, managing in an environment of empathy involved *“managing people maybe at a higher intensity”* (EOC10) where that effort was characterised by an outwardly focussed humble socioemotionality. EOCs’ stock of economic democracy skills therefore focussed not necessarily on an ‘upbeat’ or ‘happy’ tone, but one of awareness and acceptance of difference, with a responsibility for and with others a central component of this. Notably, employee owners were all treated the same in this respect, irrespective of their position in the organisation.

The data show that the soft economic democracy skills that we have further identified as being socioemotional are deeply held. We argue that these are indeed skills, given that employee-owners can identify that they have acquired these skills as a result of changing to this organisational form. Irrespective of sector, employee owners connected the organisational form to development of economic democracy skills. Consequently, becoming an employee owner was a transformational event where *“the concept of ourselves has changed”* from individual workers, to being *“a shared realm”* (EOC9/1).

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3 This newly found understanding was mentioned in some form by workers in all EOCs, and influenced
4 attitudes to: work and to the employing organisation,
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7 *“there’s a different mindset and people are more, I don’t know, they feel more connection, I*
8 *think, with the place rather than it being a workplace”* EOC2/4
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10 to how individuals felt about their position in the organisation,
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13 *“it’s just a feeling of belonging ... it’s something that grows within individuals”* EOC4/2
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15 and to the level of importance attached to the employee ownership approach - underlined by its
16 emphasis at the expense of financial performance,
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19 *“the financial part is almost slightly less important than the [employee ownership] ethos that*
20 *we’re seeing”* EOC7/2
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23 The transformational influence of employee ownership, acquired by working in an inclusive
24 environment, was felt both by established staff, *“I think we’ve become nicer people”* (EOC9/1), and by
25 new recruits. For instance, EOC10 described the transformation of a new manager into a supporter of
26 employee ownership thus, *“within a year he was a completely different person in his mind ... it was*
27 *incredible the transformation”*. Employee ownership was, however, not for everyone – many EOCs
28 related a similar tale of employees who had disengaged from work both emotionally and physically.
29 For example, EOC7/1 - after transition to employee ownership - found that *“there’s a couple of people*
30 *who didn’t want to be here so, you know, they’re not here any more. It didn’t fit everyone”*. The
31 transformational effects of working in an EOC suggest that most, but not all, employees respond
32 positively to this organisational form. The widespread use of stories citing the ‘other’ implies however
33 that such a transformation was not unproblematic and required a ‘black sheep’ example (Marques &
34 Paez 1994) against which to reinforce and positively value the new situation. In emphasising that the
35 position of the other is less acceptable, the employee owners constructed a picture of ‘who we are’
36 through their narrative construction of ‘who we are not’ (Ybema et al. 2009), where ‘who we are not’
37 is the short-term financially driven individualist.
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52 **Democracy Work**

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54 We have suggested that *economic* democracy skills can be formally trained whereas economic
55 *democracy* skills emerge as a result of working in an EOC, and are apparent in all employee-owners
56 irrespective of their role in the organisation. In this section we explore how economic *democracy* skills
57 are mobilised and developed through practice, supported by organisational democracy work. What
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3 is clear from our data is economic *democracy* skills do not merely happen as a result of the transfer of
4 ownership, they are a result of active co-operation between organisational members, which is, as
5 EOC10 admits, 'hard work'

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9 *"I try very hard to break those barriers down ... I'll just mill around and chat to people, and it's*
10 *really important to know who they are, know what's going on in their lives – you want to know*
11 *who I am, and I want to know who you are because it just creates that glue that keeps the*
12 *business together ... but it's hard work"* ECO10
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16 Democracy work is apparent, first, in organisational identity work (Whetten 2006) that mobilises
17 identification with the 'we' of employee ownership through a shared community of democratic
18 practice (Lave & Wenger 1991), where identity is as much about the employee-ownership form and
19 skills as it is about organisational products or services. Second, in legacy work where economic
20 democracy skills produce and protect a long-term perspective of the firm. In combination, these areas
21 are operationalised in EOCs through Human Resource Management (HRM) practices. In this way our
22 research both adds texture to the claims that EOCs develop their own HRM practices (Storey et al
23 2014), and links these HRM practices to the moderating factor of skills development in EOCs. In the
24 following sections we relate the part that specific organisational practices play in securing, promoting
25 and maintaining democracy skills.
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34 Organisational Identity Work

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36 The significance of organisational identity work in securing, promoting and maintaining democracy
37 skills emanated from the data. For instance, the importance of an employee ownership identity
38 resonated through practices such as recruitment, where economic democracy skills or capacity to
39 acquire these skills became a key requirement,
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44 *"we're trying to employ people who are not just coming to a job but, without sounding*
45 *evangelical about it, are coming to a way of life"* EOC6
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48 *"when we're doing the interviewing, we're looking for people who're employee owners, or*
49 *have potential to be an employee owner, rather than just somebody to do the job ... I think*
50 *we're all a bit more eagle eyed, looking for the right character"* EOC7/2
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54 And also emphasised in induction programmes,

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56 *"we go through the business model with them ... and they know all about that. It's*
57 *indoctrinated into them about our process ... all our values, what employee ownership*
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3 *means, the board of trustees, all the different things that go to being an employee owned*
4 *business. That's all explained."* EOC9/1
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7 Recruitment, selection and induction programmes drew on identity resources in the form of employee
8 ownership symbols, operationalised in in organisational publicity, publications and branding. This
9 formed the organisational 'front' (Goffman 1959) for those gazing with interest at the EOC (including
10 local community members, clients, and prospective employees)
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14 *"all [company] literature mentions we're employee owned. Our masthead has 'employee*
15 *owned' on it. Everything from invoices to everything we do says we're employee owned"* EOC2
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18 It was also apparent that these symbols - on stationery, premises and uniforms – became imbued with
19 meaning for workers,
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21 *"people feel extremely proud to be working for [company name], and extremely proud because*
22 *it's employee owned, it's their company, it's on every branding, it's on every uniform that they*
23 *have, employee owned ... there's a badge on the uniform, on the left chest, that says [company*
24 *name] employee owned"* EOC4/1
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29 Consequently, these material devices served as "symbolic rallying points" (Ybema et al. 2009: 304)
30 around which identity was constructed,
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32 *"There's a badge on the uniform that says [company name] employee owned', and [name of*
33 *employee owner] was pointing at her badge saying, 'I'm an employee owner and I didn't know*
34 *about this, I'm not happy'."* EOC4/2
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39 In our data, the materiality of organisational identity work is related to, and stems from, employee-
40 ownership, where practices such as recruitment and selection are influenced by the ownership form
41 and its need for economic democracy skills. It follows that the organisational democracy work involved
42 in strategies to scope for, select and shape identity is driven by the organisational form and, thus,
43 organisational form becomes as much a part of the employee owners' identity focus as job, role or
44 occupation – as EOC10 indicated,
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49 *"it's part of our DNA ... it's just who I am"*
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52 And yet, the employee owner is not a passive or empty-vessel recipient of an ownership identity – as
53 the emphasis placed on democratic participation skills, and the capability to voice alternative
54 interests, indicated.
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58 The evidence shows that, across sectors, employee-owners identify with the ownership form as well
59 as the particular organisation or occupation, and in doing so, democracy work and democracy skills
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3 become co-dependent. In this respect our findings on organisational identity work make a novel
4 contribution to literatures on organisational commitment; identity work here being associated with
5 the ownership form (and the consequent economic democracy skills), not the organisation itself or its
6 products.
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10 11 Organisational Legacy Work

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13 EOCs also viewed their democratic legitimacy as a benefit that they sought to sustain, even where
14 there were short-term trade-offs associated with operating with and for economic democracy. These
15 focussed on balancing the financial needs of the organisation with its democratic and social legitimacy
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19 *“sometimes you need to make the people-friendly decisions, not particularly to a huge*
20 *detriment to the business but there can be things that could be of detriment to the business*
21 *because you’ve got this people element thing at the time”* EOC3/4
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25 The employee ownership form allowed the companies to hold a longer-term business perspective and,
26 rather than a risk, they considered their democratic and social legitimacy as a unique resource,
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29 *“When you speak to any one of us you are speaking directly to one of the business owners. As*
30 *a result we are united in our desire to deliver exceptional service for all our customers.”* EOC8/1
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33 Consequently economic democracy skills were a key requirement for internal promotion and
34 succession planning – enabling the EOCs to identify members with strong socioemotional skills for role
35 model positions. For instance, promotion from within was an important aspect of protection and
36 enhancement of economic democracy skills in the organisations,
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40 *“we are like a football team that plays with all our own recruits. We’ve not got any foreign*
41 *imports, we’ve not got any big celebrities coming in at middle management or higher ... the*
42 *people we’ve got, we know what we’ve got, we’ve trained them and they’re good people”*
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45 EOC11/1
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47 *“what we don’t want to do, ideally, is recruit externally and bring in, because I think that’s,*
48 *that’s potentially quite a risky strategy. If we did that it would need to be somebody who had*
49 *had a pretty proven background in employee ownership”* EOC6
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53 The finding that EOCs have a particular approach to (and focus on) internal promotion may support
54 the contention that EOCs are less likely to admit new members (the horizon problem), yet in all other
55 respects the focus on home-grown talent was driven by a long-term vision for the sustainability of the
56 organisation. In this way, our data both supports Nuttall’s (2012) and Lampel et al.’s (2010) assertions
57 that EOCs have a longer-term focus, and enables us to explain how economic democracy skills play a
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3 significant role in supporting these economic democracy effects. In this way we extend the
4 understanding of the importance of HRM for EOCs and illuminate how democracy at work can be
5 operationalised through what might, in other contexts, be viewed as conventional HR practices. While
6 to some extent identification with the organisation in terms of commitment, job security and a long-
7 term focus are already key pillars of a best practice approach to HRM (Beer et al 2014), participatory
8 skills are a missing element in this established literature. And yet, legacy work, supported by HR
9 practices was not without issues,

15 *"[internal promotion] is good in a lot of ways, but it also means that our progress is slower*
16 *because we're not bringing in talent that might accelerate our progress and growth"* EOC11/1

19 At times this focus on retention had a financial penalty but was seen to reinforce the importance of
20 legacy and sustainability of the organisational form,

23 *"we could have kept him ... it cost us about a million pounds in sales, so it was a big blow, but*
24 *again it was about being sustainable in the long term"* EOC11/2

27 *"ones who've left you would say they were good people for today, they were not good people*
28 *for tomorrow."* EOC11/1

31 Our data suggests that economic *democracy* skills can moderate the link between employee
32 ownership and performance by deferring short-term performance benefits in favour of long-term
33 democratic sustainability. This link between protecting democracy skills and legacy also adds
34 explanatory depth to the findings of Nuttall (2012) and of Lampel et al (2010) concerning EOCs' long-
35 term business perspectives. We argue that, in EOCs, the ideology of democracy at work is at least as
36 important as the financial stake, providing a counterbalance to the pervasive line of thought that
37 dignity at work proves an elusive goal in traditional organisational forms (Sayer 2007).
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46 **Conclusions and implications**

47 This research began by exploring 'economic democracy skills' and has revealed that there is something
48 more to achieving economic democracy than simply effecting a change in ownership. Drawing on the
49 AMO approach our consideration of the literature suggested that ability and skill were missing
50 elements in existing research into the 'Black Box' of the ownership/performance relationship. The key
51 findings of this study centre on the identification of economic democracy skills and their role in the
52 organisational processes that maintain economic democracy.
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3 To start with, our research identified skills related to employee ownership in all the EOCs in our study,
4 which we have been able to further classify as hard and soft skills. The identification of hard economic
5 democracy skills in EOCs extends our understanding of the need for training in business literacy in
6 EOCs by, first, identifying which economic democracy skills can be formally trained. Secondly, we
7 extend this understanding by demonstrating that the presence of such *economic* democracy skills does
8 not necessarily mean that they are used. We have been able to further highlight that the
9 operationalisation of these *economic* democracy skills (which we termed 'capacity to contribute')
10 requires capabilities to participate – in the form of socioemotional, economic *democracy* skills. This
11 'mastered performance' (Hurrell 2013), seen in the socioemotional skills use in EOCs, is diffused across
12 the organisations, irrespective of position or task – indeed these skills appear to be 'the glue' that
13 unites EOCs.
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23 Our research suggests that hard and soft economic democracy skills are important non-financial assets
24 of the EOCs in our study, underpinning effective democratic decision-making, participatory practices
25 and social support between individuals and between EOCs. It is the non-financial assets that the
26 organisational identity and legacy work described by EOCs is designed to protect and enhance – even
27 at the expense of the EOCs' financial assets. In this way, economic democracy skills are an ownership
28 dimension beyond a financial stake in the business or outcome-based approaches that preoccupy
29 existing research. Economic democracy skills thus transcend the traditional way of thinking about skills
30 provision in organisations. In making this claim, we suggest that our identification and analysis of
31 economic democracy skills deepens our understanding of contextual approaches to research on EOCs.
32 In particular it adds a further element to Kruse et al.'s (2004) 'three prongs' - of financial incentive,
33 participatory opportunity and organisational environment - and Basterretxea & Storey's (2017) 'fourth
34 prong' of managerial input. In revealing the socioemotional skills that underpin democracy work, we
35 suggest adding a 'fifth prong' to this model, that of skills.
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47 The fifth prong identified here is a focus on the *ability* of all to participate effectively in order to achieve
48 the performance benefits of employee ownership. We consider that the three and four prong
49 concepts highlight necessary conditions of opportunity and motivation to operate democratically,
50 however we suggest that an additional element, ability to participate in the form of economic
51 democracy skills, constitutes a 5th prong that goes beyond, first, the opportunity to participate,
52 represented in Kruse et al.'s 2nd prong and Basterretxea & Storey's 4th prong (their "extraordinary
53 active" management) and, secondly, beyond the motivation to participate, characterised by Kruse et
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al.'s financial incentive (1st prong) and motivating organisational environment (3rd prong) (see Table 2).

Table 2: Five- pronged concept

	Motivation	Opportunity	Ability
Three-pronged concept	Financial incentive (1 st prong) Organisational environment (3 rd prong)	To participate (2 nd prong)	
Four-pronged concept		Extraordinary active management (4 th prong)	
Five-pronged concept			Economic democracy skills (5 th prong)

By incorporating a 'fifth prong' for successful economic democracy into Kruse et al.'s (2004) three pronged and Basterretxea & Storey's (2017) four pronged hypotheses, the foregoing demonstrates the unavoidable presence of economic democracy skills, manifest in peer to peer and manager/worker interactions, for effective and sustainable employee ownership. Where performance is a function of capacity and capability to perform, in EOCs we therefore need to consider democratic performance as a mixture of; motivation to participate (ownership expectations, ethos and culture), opportunity to participate (participatory procedures and practices), allied with both capacity and capability to participate (hard and soft economic democracy skills). This theoretical contribution to the literature on contextualised understandings of EOCs offers an additional analytical category relevant in distinguishing this organisational form and in explaining its performance effects. Going beyond the EOC field, in shedding light on the 'black box' of the links between organisational form and performance, our research emphasises that organisational form, often taken for granted, should actually be a key consideration for research on soft skills development.

Although identifying economic democracy skills may suggest an additional burden on employee-owners to possess, or acquire, these skills, they are valued by EOCs as a unique resource and benefit - and not as a burden - which is reflected in their approaches to Human Resource (HR) practices. In accordance with Lawless & Reynolds (2004:8), who argued that EOCs are "creating personnel practices that work for them", we found specific HRM approaches in our EOCs. Our research pinpointed these as focused on human resource development, internal promotion, recruitment, induction and communication. However, in this EOC context, HR is not grounded in traditional, unitarist relations

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3 since power is democratised via employee ownership. In essence, economic democracy skills and
4 democracy work allow EOCs to operate a unique 'power-in-common' (Ricoeur 1992) form of HRM.
5 Whereas HR practices in conventionally owned firms are understood to be grounded in power
6 inequalities between managers and workers, albeit with the unifying goal of organisational
7 performance, the investigation of economic democracy skills in EOCs indicates HR practices derived
8 from power "with and for others" (Ricoeur 1992: 172). These findings on the importance of
9 organisational form and practices of democracy work in the promotion of economic democracy skills
10 suggest that although EOCs are distinctive in terms of ownership, research conducted in this sector is
11 insightful for other forms of organisation.
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20 **Implications for practice**

21 While our research advances theory on the EOC form, it also has implications for practice both in EOCs
22 and more broadly. In particular, developing an understanding of economic democracy skills is relevant
23 to other economic sectors seeking to enhance soft skills development, and has implications for the
24 operation and design of sustainable organisations.
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30 Democracy skills identified in EOCs add nuance to the discussion of soft skills, identified as essential
31 for the future of work (Grugulis & Vincent 2009), and yet the literature acknowledges that soft skills
32 are not readily trainable (Hurrell 2016). Our research suggests that continuing to search for
33 appropriate training methods to enhance soft skills may not be the most worthwhile route. Instead, a
34 focus on organisational design, emphasising democratisation of work, could enable practices, power
35 and social relationships to actively support and develop such skills - in essence enabling organisations
36 to develop economic *democracy* skills through democracy work processes without explicit training
37 interventions. This suggestion highlights the wider relevance of our research for soft skills
38 development in non-EOCs and suggests that workplaces in the future will need to become more
39 democratic if they are to secure, develop and maintain the skills of their workforce. The emphasis then
40 is on the means to facilitate skills development through organisational adjustment rather than via a
41 deficit model. Skills development through organisational adjustment then shifts responsibility for
42 skills development from the individual to the organisation.
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53 In conclusion, this research enhances understanding of the significance of skills as a key factor in the
54 sustainable performance of democratically owned firms. As our study has demonstrated, our findings
55 linking skills with democracy work allows us to offer insights into areas that appear to effect this
56 difference in EOCs. The theoretical and practical implications of this research offer a platform for
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3 further research on skills in EOCs and, we suggest, for the future of work and organisation more
4 broadly.
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