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The culture of UK employee-owned worker cooperatives

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Purpose – This paper presents exploratory, empirical data from a 3-year study of organisational culture in for-profit, employee-owned businesses within the UK, comparing ownership types (direct, trust and cooperative). It outlines the study and then focuses on worker cooperatives. Culture is illuminated through the lens of performance and reward management.

Design/methodology/approach – Qualitative data was gathered from three worker cooperatives based in the North of England, using semi-structured interviews, participant observation and document review and was compared to qualitative data collected from other types of employee-owned business.

Findings – The findings suggest a distinct culture within worker cooperatives encompassing five key values: a whole life perspective, consistently shared values, self-ownership, self-control and secure employment.

Research limitations/implications – Additional time with each cooperative and a greater spread of cooperatives would be beneficial. The research was carried out during a period of organisational growth for the case organisations which may influence attitudes to reward and retention management.

Practical implications – The results inform recruitment and retention policy and practice within worker cooperatives and highlight concerns regarding the stresses of being a self-owner. These are important considerations for potential worker co-operatives alongside policy recommendations to advance employee ownership.

Originality/value – A comparative analysis of culture, performance and rewards across different employee ownership types has not been undertaken before. This addresses an under researched area of employee ownership regarding HR practices. Within the UK, recent research on the culture(s) of worker cooperatives is limited.

Keywords: organisational culture, employee ownership, worker cooperative, performance management, reward management

Article Type: Research paper

The Culture of UK Employee-owned Worker Cooperatives.

Introduction

This paper offers an empirical account and comparative analysis of organisational culture within employee-owned businesses (EOBs), with particular attention to worker cooperatives (WCs). It is the first paper of a wider study that explores variations of culture across three dominant types of EOBs within the UK (XXXX, YYYY). The ownership types are: worker cooperatives - enterprises where workers exclusively own and control a co-operative business; directly-owned - where shares are personally owned by employees, and trust-owned - where shares are owned on behalf of employees through a perpetual trust (Pendleton and Robinson, 2015). The aim for the wider study was to investigate the effect employee ownership (EO) has upon organisational culture. From there, a narrower focus emerged on how the WCs organisational culture varies from the other types of EO.

This study is important because it is a unique comparative analysis of EO cultures through the lens of performance and reward. EO is under-researched. Although much has been written on culture and HR practice, its application within EOBs is less known (Wright, 2010; Nuttall, 2012). Pierce and Rodgers (2004) cite a lack of understanding of different forms of ownership and Kalmi (2007) highlights the neglect of scholarship on the impact of alternative forms of shareholding in the UK that might support radical approaches to employment relations (Fox, 1966).

There has been an increasing interest in EO (Lampel, 2012). Sauser (2009, p. 163) said, 'the employee-owned company is a concept whose time has come' and Nuttall (2013) states the UK is experiencing a decade for EO. In 2012, it was the UN "Year of the Co-operatives" and the UK government expressed a desire to increase EO. This is important as cooperative start-ups are almost twice as likely to survive the first five years of operation compared to companies and yet they remain "the best kept business secret" (Co-operatives UK, 2018). Cooperatives follow a set of seven principles declared by the International Co-operative Alliance (ICA) (ICA, 2014): voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; cooperation amongst cooperatives and; concern for community.

The "Nuttall Report into Employee Ownership" (Nuttall, 2012) investigated barriers to EO and identified the two primary obstacles as lack of awareness and disadvantageous tax implications. It also recommended further research in EO (Recommendation N, p. 9), which would assist social entrepreneurs to create EOBs as well as founder-owners contemplating a transition into EO (BIS, 2013). By researching culture(s), this paper contributes to emerging debates on EO and enhances our understanding of how EOBs operate. The research question asks:

> How can attitudes to performance and reward management in worker cooperatives contribute to an understanding of the impact of EO on organisation culture?

Performance and reward are used to illuminate the cultures. This is appropriate as performance is rewarded, creating a virtuous cycle of behaviour (Armstrong, 2012) and specifically within for-profit EOB, employees receive a share of the surplus as a reward. Performance management can impact culture by defining what is acceptable or not (Bach, 2005). Co-ownership can influence the performance of employees who have a personal interest in the profitability of *their* organisation.

This paper has four sections. It examines the current literature and then explains the research methodology. The five themes identified are explored and then the conclusions apply the findings to questions about the operationalisation of WCs. Future papers will report findings on other EO types (direct- and trust-owned) and explore findings common to all three EO types.

Literature

Erdal (2011) positions EO as a response to the issues raised by Wilkinson and Pickett (2010), Norton and Ariely (2011) and Stiglitz (2013) regarding the growth and impact of inequality in society. Wilkinson and Pickett (2010) suggest a causal link between income inequality and a variety of social and health problems. Erdal (2011, p. 139) views the employment contract in a conventional firm as an agreement through which "the employee is rented". Employees do not benefit from the organisation's profitability as owners do, receiving limiting wages and benefits that perpetuate inequalities at work. In comparison, EO ensures employee-owners receive a share of all 'gains' that accrue to workers through enterprise ownership (Lewis, 1954).

Stiglitz (2013) suggests that income inequality stifles economic growth as the greatest proportion of earnings goes to a tiny minority and employees do not have the spending power to regenerate the economy. In the USA, 1% of the population own 50% of the wealth (Norton and Ariely, 2011) hence Blasi *et al.* (2014) propose taxation changes and greater information regarding EO that would reduce inequality. Austin (2014) calls for the expansion of WCs in New York, to cope with "*unprecedented levels of income inequality*" after observing dramatic wage increases (150% in a few years for low earners through WCs).

The three tenets of EO within for-profit EOBs are: the distribution of the surplus amongst the owners (employees); a degree of employee control through voice mechanisms, and; the right to information (Pierce *et al.*, 1991). Concerning organisational performance, ownership on its own is insufficient; it also requires participatory management (Thompson *et al.*, 2013). With all three tenets working together, EO facilitates the distribution of the surplus amongst the employees as well as moderating wage differentials through informed employee voice mechanisms. This is observed at the Mondragón Cooperative Corporation, where the ratio of highest paid to lowest has always been less than 10:1 and averages 5:1 (Ridley-Duff and Bull, 2015, p. 4) and the John Lewis Partnership (2019, p. 76), where the limit was 25:1 until a vote of the partners increased it to 75:1 (currently 66:1). This compares favourably to the ratio based on FTSE 100 CEO's average earnings (£5.7m) and the average employee's earnings (£29,009) which rose from 162:1 to 195:1 in the last year (CIPD, 2018). Berry and Bell (2018) see WCs as a form of protection for impoverished and marginalised workers in precarious work as it can provide economic empowerment. They too call for an ecosystem of WCs (ICA principle 6).

Thompson *et al.* (2013) explain EO can motivate individuals by satisfying their higher order needs. This, in turn, leads to a desire for the EOB to succeed, as it becomes a shared goal. Hence, they suggest that HRM should consider EO for its impact on performance at an organisational level, although it is contested (Summer and Chillas, 2019). The governance of EOBs enables employees a greater say in managing and using culture as a valuable resource. Although Grey (2013) is scornful of "*culture management*", suggesting that it is used to implement senior management

goals, although EO provides new 'critical-side' mechanisms to determine the goals and who benefits (Lewis, 1954).

Organisational culture is a contested concept with many nuanced definitions. For example, Martin (2002) lists ten definitions in addition to her own. Many authors base their work around Schein's (2010) understanding of culture being composed of three levels – artefacts, espoused beliefs, values and basic underlying assumptions. Ogbonna and Harris (2002, p674) define it as:

> *"the dynamic set of assumptions, values and artefacts whose meanings are collectively shared in a given social unit at a particular point in time"*

but Davis (in Martin, 2002, p. 57), takes it further to recognise that beliefs and values *"provide them with the rules for behaviour in their organization".* Therefore, this research explored culture through the underlying values in performance and reward systems and the impact they have on the perceptions of employee owners.

Grey (2013, p. 68), quoting Smircich, sees culture, either as a "*critical variable*" that can be managed (Grey suggests "*manipulated*") or a "*root metaphor*" where an organisation is a culture - *"spontaneous, unmanaged, just the way things are"*, a symbolic view, which can include conflict, feminist and critical perspectives (Martin, 2002). This research furthers understanding of the cultures of different types of EOBs, accepting that it is a variable that can be managed. Hence an integrationist view of culture was selected, assuming a dominant culture rather than multiple sub-cultures (differentiated view) or a fragmented, post-modern view of culture (Martin, 2002). Ybema (1997) concurs that the stance taken depends upon the purpose of the research. In this case, the research is pragmatic; to enhance understanding and make suggestions for effective working within the EO sector. Although sub-cultures are clearly acknowledged, this paper takes a high-level view of different forms of ownership. This provides an overdue update to past studies by Rothschild and Whitt (1986) and Bernstein (1980) on WCs in the USA and Whyte and Whyte's (1988) and Cheney's (1999) studies of Mondragón Cooperatives.

Whilst comparative studies have looked at the organisational level performance of EOBs (e.g. Lampel *et al.*, 2012), this study focuses on the performance of the individual. Armstrong (2015, p9) describes performance management as:

> *"the continuous process of improving performance by setting individual and team goals which are aligned to the strategic goals of the organization, planning performance to achieve the goals, reviewing and assessing progress, and developing the knowledge, skills and abilities of people."*

This is a holistic view of the organisation and its employees, working together towards strategic goals and recognises the centrality of people. It positions performance management as a facilitator of cultural change through the ability to define core competencies and then evaluate employees' abilities against them, using rewards to establish preferences (Bach, 2005). EO affords employees a voice to determine goals and who benefits, hence EO has the potential to alter the behaviour of employees who have a personal interest in the well-being of the organisation. Armstrong (2015) makes a connection between culture and performance and therefore the way that employees behave (see Davis' definition early in Martin 2002).

Whilst EO in a for-profit organisation leads to employees sharing the financial surplus (Lewis, 1954), rewards are not limited to financial pay-outs. Non-financial rewards can also be important. These can take the form of both extrinsic and intrinsic rewards such as job challenge, responsibility, autonomy and task variety (Armstrong, 2012). Employers should consider the "total reward" concept which includes everything that employees value (Kaplan, 2005). It consists of four elements; Compensation (pay, bonuses), Benefits (health cover, gym), Development (learning, personal growth) and the Work Environment (job design, work/life balance). Employee owner voice mechanisms can help to determine which rewards are utilised.

Methodology

To understand organisational culture, a qualitative, inductive approach was taken (Gill and Johnson, 2010) using a neo-empiricist stance (Clark, 2014). The wider study, looking into culture across the three types of ownership (cooperative, direct and trust), was split into two phases. Phase 1 provided a topical understanding of performance and reward management methods in a cross-section of EOBs representing each type. Phase 2 was an in-depth study of a smaller number of EOBs' culture allowing for a richer picture of each ownership type. All the EOBs had to be for-profit, with at least 20 employees, have employee participation and been trading for at least two years.

Phase 1 included eight semi-structured interviews across the ownership types with either an HR representative, founder or business manager involved in performance and reward management. Two interviews were conducted in WCs, five in directly-owned and one in a trust-owned EOBs. Interviews were recorded and transcribed.

Phase 2 included periods of ethnographic-style research in each of the ownership types. This enabled planned and ad-hoc semi-structured interviews (134 in total) alongside participant observation recorded in journals. It was possible to build a collection of documentary evidence (e.g. company websites, sales brochures and employee guidelines). Permission was granted for unrestricted site access, from the basement to the roof garden. Appointments were made with specific role holders (as in Phase 1) alongside approaches to employees at their workstation.

A month of ethnographic-style study was carried out in the direct and trust-owned EOBs. However, prior to attending the WC, the hosting member cancelled due to a lack of time and instead two WCs (one of which was from phase 1) were visited for intensive interviews and observation. These took place both on and off site and included a Quarterly General Meeting (QGM). These WCs had a high degree of commonality: both were located in the North of England, had single site locations, a common market sector (food wholesale and retail) and significant periods of trading (over fifteen years). They are cited as exemplars of cooperative working, and between them have received national awards from both the UK cooperative community and Employee Ownership Association. Contact took place between December 2013 and July 2014. See Table 1 for information on the WCs.

<Table 1 goes here>

The primary data (audio recordings, interviews and observations notes, pictures, company documents and websites) was digitised and loaded into NVivo 10. It was analysed using the general inductive approach for qualitative data (Thomas, 2006). All data items from both phases were coded twice to ensure emerging nodes were identified in earlier sources. Nodes that were common to all three ownership types were then excluded to identify nodes that were either unique to one type (or shared with only one other type). Themes were then identified for each EO type. The next section focuses on findings in WCs.

Findings

Based on the analysis of performance and reward in the WCs, five significant themes of organisational culture were recognised, which were not common to all the ownership types (cooperative, direct and trust). These were: a whole life perspective, consistently shared values, self-ownership, self-control and secure employment.

Whole life perspective

For all the members interviewed, in all three cases, being a member of a WC was much more than just being an employee - it was a way of life. The research affirms the finding of Rothschild and Whitt (1986) that WCs' flatter (less hierarchical) management/governance structures enable people to present themselves, and perform their roles, in authentic ways. The cooperative model provided the greatest opportunity to personally manage work/life balance, primarily because less division was made between the two. Work blended into life at a fundamental level rather than being framed as a discrete "add on" to be held in check. Members were freely able to express themselves and their ideas rather than adopt a corporate persona/uniform seen elsewhere (particularly in more hierarchical trust-owned EOBs). The value was more than work-life balance, and perhaps - more appropriately – could be framed as work-life integration. All staff were able to express their opinions but only members had democratic participation at work, taking a step towards Ellerman's (1997) vision of economic democracy in society. One employee in Coop 2 expressed it this way:

> *I feel like we are all very different people but there seems to be a common thread, like in valuing time and travel, life aside from work. I feel like this style of work does fit in a bit more with your character, you don't suppress yourself until the weekend, like a lot of jobs do. You put your Monday hat on, we don't do that. (Coop2, employee 5).*

Flexibility around work scheduling was a significant reward and facilitated integration of employment with life choices. This could be a bespoke work pattern (term time only, early/late shifts or restricted days) or enabling members to be absent with extended periods of leave, paid and unpaid (up to a year at Coop1), still having a job to return to, thus guaranteeing employment.

This flexibility aided retention and turnover rates were very low, around 1% for Coop1 and 3% for Coop2, although this figure is for members, rather than all workers. These findings are remarkable given CIPD findings that employee turnover has been estimated at 29% in the grocery retail industry (where Coop2 works) and

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21% for the wider food industry (where Coop1 works) (see CIPD, 2004, p. 23). Both cases, therefore, reported lower staff turnover than private sector comparators as well one of the trust-owned EOBs in this study (which reports its 'lower' turnover as "25% of the industry average" – around 5%).

This "Whole Life" perspective included respondents actively engaging outside of the organisation and recognising their impact on the community and globally (ICA principle 7). Resources were provided to the local community (e.g. free apples for children promoting healthy eating) as well as ethical sourcing. It included paying a salary above minimum wage level and distributing the surplus to members who then contributed to society via taxes (rather than claiming tax credits). This facilitated their financial independence. As Austin (2014) found, if wages do not cover living costs, then the organisation is externalising costs to the employee and society. Whilst internalising these externalities comes notionally at additional cost, staff retention and higher performance levels reduce costs.

All members interviewed believed that cooperative working was beneficial and therefore wanted to assist in the creation of further cooperatives (ICA principle 6) (Co-operatives UK, 2018). They agreed with the cooperative principles, not doing so prevented membership. Only a small group of probationary/temporary workers opted for fixed wages and the flexibility of temporary work. The finding was confirmed by members relating their positive experiences of cooperative working through comparisons with previous experiences in non-cooperative organisations:

> *"I took a 50% pay cut [to join Coop2] and I am over twice as happy, so it worked out!" (Coop2, member 6).*

> *"I think the best thing is feeling that you work for your own, for your interests... That is what keeps people here, I think it changes everything when you don't have a kind of organisation with a different hierarchy … controlling people's lives. People here have more control of their life, the independence of managing your time and your life work." (Coop1, member 2).*

Recognition of life external to work was demonstrated in members actively being told to leave at the end of their shift rather than hang around to help, even when it was busy (Coop2) or given permission to go home if there was no work to do, either paid (Coop Service) or unpaid (Coop1) (This was not observed at direct or trust-owned).

Jaumier (2016) documented this in his experience of a WC, where it was recognised as being "*badly organised*" if members exceeded their allotted hours.

> "*you are not expected to work overtime. If you are rota'd 9-to-5, you work nine till five.*" (Coop2**,** member 6).

> "*you can go home at 3 o'clock if you've got nowt to do*". (Coop Service, Company secretary).

Consistently shared values

All members interviewed exhibited a high degree of shared values, highlighting a strong culture where "*values and norms are widely and deeply shared*" (Thompson *et al.*, 2013). This was initiated by the recruitment process which was frequently through word of mouth and brand alignment. All the WCs enforced a probationary period for potential members (from seven months to one year) during which they had to demonstrate their character and ability. This is a crucial stage in the process of adopting the existing culture (Schein, 2010) and demonstrating required performance levels.

> "*We put people through, say a nine months trial membership program which is very expensive, I think it cost us in the region of 10 grand [£10k] per person.*" (Coop1, member 3).

In Coop1 and Coop2, probationers would undertake a variety of roles and their performance was reported to the membership. In all three WCs, a vote of the *entire* membership was taken to determine whether to admit the employee as a member. If not approved, employment was terminated (otherwise they could become full employees but not members, an untenable situation). This rarely happened though as probationers either achieved the standard or voluntarily left the organisation prior to the vote, typically due to disliking cooperative working or avoiding the shame of rejection.

> "*People do get rejected; yes it is an interesting one because I think if they do they know about it quite early on. They don't gel. They end up pulling out of it before it comes to the vote, but some people do get to vote and don't make it in… it's just democracy at the end of the day. You can literally rub someone up the wrong way and it won't happen for you but people generally do try.*" (*Coop1*, member 1).

This approval method was different to the other types of EO where the selection decision was taken by a small number of people, possibly even just one person. (Examples were seen in both direct-owned and trust-owned EOBs where a small,

elected body voted on the appointment of the chairperson but nothing below that level). In large coops (e.g. Coop1) not everyone may know the probationer; this was mediated by rotating employees around departments and providing written feedback to all members.

Recruiting members after a challenging probationary period helps to ensure a good organisational fit as was observed through very low staff turnover in all three WCs. This follows Gibson *et al.* (2006) understanding of maintaining the cultural status quo by recruiting and socialising new employees. Probationers were monitored against their adherence to the ICA's (2014) principles and not granted membership if they did not conform, hence the WCs culture was maintained and actively controlled by its *current* membership. However unlike a previous study, this attention to preventing 'culture mismatch' led to above average increases in staff turnover in a directly-owned EOB (Ridley-Duff, 2010). The WCs claim turnover levels a tenth of their industry averages. This attests to a member development process and induction strategy that is, perhaps, much more inclusive than those in direct and/or trust-owned EOBs.

Whilst this has the potential to create a homogenous workforce and possibly a monoculture (Rothschild and Whitt, 1986), the diversity within the workforce (e.g. sexuality, ethnicity and gender) was celebrated and actively championed in the WC case studies. For example, Coop1 took positive action in recruitment, with female members visiting schools to explain that they too drive forklift trucks.

Shared values were extended to other aspects of life, for example travelling, the environment, workers' rights and gender equality. Sobering *et al.* (2014) found that cooperatives promoted gender equality but did not necessarily achieve it, for historical rather than structural reasons. Whyte and Whyte (1988, p. 273) list the cooperative principle: "All human beings should be considered as having been created equal, with equal rights and obligations", in this sense, there was no distinction between gender. Job roles were distributed irrespective of race, gender, age or sexuality, within a variety of nationalities.

> *"That is part of the democracy as well, so I think in the Co-op we have a gay and lesbian community that is quite important. I do not know how it is in other places but in here for some reason we have this huge representation of*

> *lesbian and gay people. It makes the place more democratic as well, more
> diverse." (Coop1, member 2).*

This ensures a wider representation of society is present during democratic debates with less exclusion. Importantly, democracy is not just having a vote but also who is able to take part in the process. By being more inclusive, cooperatives help to make a more democratic society (Ellerman, 1997). A previous ethnographic study (Ridley-Duff, 2005, footnote 64) of a directly-owned EOB comparable in size to Coop1, noted an absence of lesbian and gay relationships during fieldwork and that post-fieldwork follow up revealed the active exclusion of the partners of lesbian and gay staff from company organised social events (verified by personal communication with author). This tentatively suggests that there is merit in studying whether UK-based WCs are more progressive on LGBT issues than other UK-based EOBs, and in a better position to end social exclusion.

Self-ownership

The flat organisational structure in all the cooperatives meant that either there were no managers, or everyone was a manager. Although there were roles and management committees that were empowered to execute the strategy of the membership, being a member of a WC allows for employee participation at the highest level, "Member-Driven Participation" (Ridley-Duff and Ponton, 2013). This involves frequent use of open meetings and online forums with democratic voting (or consensus decision-making) which allowed all members to decide what is discussed and express opinions. This deeply embedded level of democracy (with one person, one vote) was not as apparent at all levels of direct and trust-owned EOBs. However this increased participation was seen as a core part of the responsibility of being a WC member. As the Company Secretary of Coop Service describes, members who deliberately chose not to take part in membership meetings faced the sanction of losing membership:

> *"We have just changed all our constitution, our domestic rules if you like, to
> say that if you don't turn up for 50% of the meetings in the year then you will
> lose your membership." (Coop Service, Company secretary).*

Practical steps were taken to enable members to confidently engage with meetings. This included training in public speaking as well as opportunities to debate in smaller groups which were less intimidating. During probation Coop2 members had to present a new product to their colleagues solely for the purpose of learning to speak

in larger groups and thus developing the "economic *democracy"* skills that Summers and Chillas (2019) refer to. Pateman (1970) also agrees that individuals should receive training in democracy. Expressing an opinion was valued and desired, although it could not be forced, since that would be making members do something that they did not want.

Bernstein (1980) stated that a "*particular set of attitudes and values*" was required for workplace democracy to take place. The company secretary of Coop Service argued that 'getting people to the meetings' was the minimum level of 'democratic participation' acceptable. This raises a point of departure with Ridley-Duff and Ponton (2013) notion of 'member-led participation' since a policy *requiring* attendance was regarded by employees, in their study, as anti-democratic. This goes against their concept of a workplace democracy as one that maximises members *self*-control over their participation in management.

Unlike directly-owned and trust-owned EOBs, all the WCs researched had nominal £1 shares. This made joining easy and reduced the personal liability. Therefore, whilst the stress of financial ownership was low (unlike direct ownership - potentially 50% of salary) the stress of responsibility for the WC could still be high (similar to findings in Rothschild and Whitt, 1986 and less so in trust-owned). There was no higher management level to apportion blame or take responsibility in the organisation.

> "We don't have a shared adversary. We don't have a boss, 'that bastard up in that bloody office, I hate that twat!' We all have different adversaries and it can be each other" (Coop1, member 3).

Members who were not used to taking significant strategic decisions had to vote and accept the collective decisions. Each member had direct involvement in the running of the business and the responsibilities that it incurred, as well as the rewards rather than deferring to an unelected management structure. This issue of engagement provides a dilemma in light of earlier evidence that people do not always want more involvement and participation, and can desire to be less involved in some aspects of the organisation (Ridley-Duff and Ponton, 2011, 2013). Is constantly pressing individuals for greater participation, which is against the wishes of the members, a promotion or degradation of workplace democracy?

All three WCs expressed stress through interpersonal relationships at work. Pierce *et al.* (1991, p. 141) states,

> "[a] joint responsibility for organizational failure entails a personal cost. It will, for example, be more difficult for the employee-owner than for the non-integrated employee (or non-integrated employee-owner) to walk away from work at night and leave organizational problems and decisions at the door."

Opinions were expressed with passion and forcefulness which could be viewed as aggressive. Jaumier (2016) refers to the power of members over the executive board and this was observed at Coop1:

> "The first item on the agenda was open forum. This enabled any member to stand up and say anything about anything. Immediately one member stood up and explained his serious misgivings with the way in which the current [project] implementation was going. He called for an immediate cessation of the project as well as for the management committee to step down immediately." (Field notes from Coop1 at the QGM).

Intergroup conflict is not necessarily harmful to organisational performance but can become an issue when there is too little or too much (Gibson *et al.*, 2006). Rothschild and Whitt (1986, p. 167) quote Olivarius who found that from a survey of 400 producer coops in the UK there was a strong correlation between "economic vitality and the degree to which decisions making procedures are democratic", confirming the need for robust debate.

Self-control

Alongside self-ownership, there was a performance expectation of "self-control" within all three WCs. This was also observed in the directly-owned EOBs but less so in the trust where employees were one step removed from direct ownership. Members were expected to work hard, contributing to the organisation and not abusing their position. This extended to their own self-management, recognising what was required and making it happen, without being told what to do. This philosophy is reliant upon a high degree of honesty and trust, which must be demonstrated during the probationary period. Not having a senior management decision-making process diffuses the recognition of individuals who are equal in terms of power and status.

> Everybody is self-motivated, they all know it is their company, if they don't pull the weight, they know they're letting themselves down and anyone else down. (Coop Service, Company secretary).

However, once membership status was attained, withdrawing it was difficult. This can lead to "free riding", enjoying the benefits without contributing towards the effort required. Bohr (2014) suggests that people with low trust levels are less likely to contribute to collective goals because of the fear of being abused. Social exclusion and internal shame were used against members who were not contributing but there was also recognition that sometimes people did not know the reasons why members might not perform.

> *We are not very good at criticising each other; we tend to expect each other to be getting on with the job. (Coop2, member 2).*

> *Not much is done […] there are people who are considered that they don't pull their weight, piss takers and all the rest of it. It is just "okay, fine, be it on their own conscience". It is not a sore subject. (Coop1, member 3).*

360-degree performance appraisals were carried out in Coop1 and Coop2. In Coop1, members selected 15 other members to comment on their performance and for Coop2 the *entire* membership fed back annually on each member. This depth of response was not seen in either direct or trust-owned EOBs which typically just relied upon the line manager's opinion. The feedback was collated by the HR representative and anonymised during a face to face interview. Coop Service chose to appraise members by their hard-metric performance outcomes (the "What" e.g. time to fix) rather than how it was done, giving the member autonomy to manage their job, in the way they saw fit, rather than dictated to by higher management. This raises the possibility that appraising the "how" is a characteristic more often found in direct- and trust-owned EOBs.

Secure employment
The WCs saw secure employment for current and *future* members as a core belief, beneficial for members and society. This was less apparent in the trust-owned EOB where significant redundancies had taken place. Waddell and Burton (2006) recognise the benefits of 'good work' (described as healthy, safe, providing individual influence and a sense of self-worth) and therefore employment. The WCs prioritised employment over wealth generation. Secure, affordable, maximised regular pay within the constraints of a viable business was considered better than optimising the profit share and paying lower wages. External wage comparisons to market rates were less relevant (than direct and trust-owned). Instead, paying a wage that enabled people to thrive within their local community was key. A permanent salary

allowed members to access mortgages and reduced the need for government intervention in alleviating poverty (Austin, 2014). Since the cooperatives had no external shareholders, all surplus generated was shared amongst its members.

> *"There is nobody here on working tax credits or extra benefits from the government. Whereas [supermarket chain] pay everybody a minimum wage and they are all claiming working tax credits, so we are contributing massively to our local economy… because we pay people a fair wage" (Coop1, member 3).*

Pay differentials were minimised as far as possible, whilst being able to recruit appropriate members. For Coop1 and Coop2 this was achieved through setting a single pay rate for *all* members (nett and gross respectively). Therefore, some specialist roles were paid significantly less than the market rate (e.g. HR director) and some manual roles were paid above (e.g. warehouse picker). Offsetting this, members rotated around two or three roles which also provided greater variety and reduced stress (this level of rotation was not observed in other forms of EOB).

> *"I get a day playing, here in the toy room [warehouse] on all the toys [forklifts, electric pallet movers]" (Coop1, member 3, Sales account representative and warehouse operative).*

With flat pay scales at Coop1 and Coop2 there was no opportunity to use pay as a retention tool (unlike direct and trust-owned EOBs where pay bands and performance related pay was available). Where members desired greater pay, the only options were to increase hours or resign. To recruit technical staff Coop Service had to pay a wage premium to engineers, but the share dividend was divided equally amongst members, irrespective of role or hours worked.

The priority was for employment to be ensured for future co-operative members. Therefore, a proportion of profit was re-invested (for example purchasing premises) rather than distributing it to the current membership. This was rationalised as more than simple business logic but a genuine desire to ensure that there would be employment for future generations, a demonstration of a particular kind of philanthropy not seen elsewhere. As Coop Service's Company Secretary remarked:

> *"No we are here to keep people in work - that's our main thing. We are here for employment, yes. It is nice to make a profit but if we don't make massive profits then it is not, you know, it's more about being here next year. Same as when we bought the building, it is more about the future generations that are going to work here." (Coop Service, Company secretary).*

This influenced the decision whether to employ temporary workers. Whyte and Whyte (1988) point out, when a cooperative becomes successful the membership may choose to only recruit non-members so that the profit is shared amongst a smaller pool of members – a form of "collective selfishness". This tension was observed at Coop1, but it then recreates the owner/worker hegemonic situation that cooperatives actively seek to replace (Erdal, 2011). As field notes from Coop1 reveal:

> *"One member expressed his concern about the high rate of casual workers that were being employed as this was "ethically denying permanent jobs for people" and that temporary people are unable to get mortgages and participate in society as they would like to." (Field notes from Coop1 QGM.)*

Redundancy was viewed as an anathema and priority was given to maintaining employment of all existing members. McDonnell *et al.* (2012, p. 39) give an example from Mondragón in 2009 where members voted for a 9% salary reduction rather than make members redundant.

The observed culture of a whole life perspective, consistently shared values, self-ownership, self-control and secure employment was seen to have implications for human resource management in WCs. These are discussed below.

Implications and Conclusions
By answering the question:

> *How can attitudes to performance and reward management in worker cooperatives contribute to an understanding of the impact of EO on organisation culture?*

this study provides a series of insights. As Rothschild and Whitt (1986) found, WCs recruit members who appreciate cooperative principles (ICA, 2014) and this both enhances their capacity to take a 'whole life' approach to work, but also comes with additional stresses. The principles provide a strong foundation for the evaluation of shared values which is self-perpetuating and decreases staff turnover but is also likely to reduce the recruitment pool. This papers findings on WCs supports Davis' (2004, p. 50) contention that "Being a cooperative is one of the advantages you have [for] attracting people who are committed to sustainable development and justice". Not only did we find stronger commitment to voice rights in WCs compared to other

types of EOB, we also found the strongest commitments to flexibility (work-life integration), autonomy (self-control) and secure employment for current and future generations. Combined with provisions in each case for sharing financial surpluses equitably, WCs have a culture that represents a distinct approach to 'total reward' (Kaplan, 2005). This could be communicated more effectively in policy recommendations on EO (Nuttall, 2012).

Where WCs have a flat pay level (such as at Coop1 and Coop2), there is no scope for personal pay progression. Progress is only made through collectively agreed increases due to business expansion and increasing profitability. The lack of career development, as opposed to role development, can limit the selection pool to those who are content with their situation. In this study, this favoured mature home-owners or younger members without dependents who were happy to try something different before (potentially) having to leave the organisation. However, the findings suggest that if they make it to membership, they are highly unlikely to leave.

Mondragón are known to have low wage differentials (starting at 3:1) and maintain low turnover, so one recommendation for WCs could be to consider a solidarity pay ratio under democratic control to widen the recruitment pool without losing a strong sense of solidarity. Also, as Coop Service shows and Bernstein (1980) observed, there can be pragmatic considerations for specific high-skills workforce members.

The implications for HR policies are far reaching. It goes against the presumed wisdom of pay-scales and differentiated benefits for staff with more responsibility and/or length of service (Armstrong, 2015). In this study, there is a positive link between an organisation culture that produces exceptional levels of staff turnover and a cultural shift in employee relations (ER) practice that contributes directly to tackling inequality and poverty in wider society. It did this sufficiently well to save the state money (compare to Austin, 2014) and maximises the potential of business to reduce poverty, even compared to other types of EO. The public policy benefit of WCs, therefore, are understated as they can help to reduce the dependence of low-paid workers on state benefits. They could – with policy efforts to support an expanded sector, as is the case in Italy (Erdal, 2011) – contribute to substantial reductions in state expenditure on welfare and help to shape the economic environment (Cheney, 1999).

In this study, the performance-reward link enabled an increasing number of members to improve their lives, access mortgages and secure better housing. Over time (as found in Whyte and Whyte, 1988; Erdal, 2011), the policy of prioritising secure employment for current and *future* generations influences investment strategy and leads to a gradual and steady expansion of the cooperatives. The willingness to prioritise job security (including wage reductions that prevented redundancies) compares positively with the findings of McDonnell *et al.* (2012). This is further evidence of a new logic, putting people's welfare before profitability, but – importantly – it is not inconsistent with a steadily growing sector, and therefore has added value as a public policy.

Operationalising HR policy in a WC context, therefore, requires a revision of 'best practice' in HR textbooks. In the context of WCs, financial stresses cannot be met with rounds of redundancies. The cultural norm within WCs is a clear preference for (temporary) reductions in pay levels to protect as many jobs as possible. In such a culture, the decision to terminate employment shifts from the corporation to the individual. Members who cannot sustain themselves on a lower income can choose to leave, but the corporate body does not force people to leave employment. The role of ER specialists in a WC, therefore, is to protect the cultural norm of self-control and self-responsibility and ensure that overall wage levels are maintained at a sustainable level given prevailing trading conditions. ER practice in WCs is to charge individuals with responsibility for responding to any hardship created by deteriorating trading conditions.

This finding means there will be an ongoing tension between the pay policies that enable WCs to be resilient and protect jobs and the prevailing norms in employment law regarding fixed wages. In a conventional capitalist firm, the employee reward of wages is forfeit permanently if there is a wage reduction. In WCs, the forfeit is temporary, because any increase in profitability that occurs after a wage reduction can be returned to workers through sharing surpluses. Therefore, public policy support for carefully crafted variable wage policies would be helpful to WCs (Ridley-Duff, 2005; Erdal, 2011).

In this sample of WCs, the cultural norm also stressed working hard and not abusing personal autonomy. Probation processes were used to identify and remove (i.e. vote

out) ineffective workers before they became members. It is unclear whether the low turnover rates claimed by the WCs applied only to members, or both members and non-members, so further studies are warranted to improve knowledge of the subtleties of WC processes. Nevertheless, both WCs and other types of EOB claimed staff turnover well below industry averages, providing a strong indication that their cultures are focused on employee well-being, and not maximising profitability at workers' expense.

To conclude, this paper contributes to our understanding of how three different forms of EO (cooperative, direct and trust) impact upon organisational culture. In the WC approach to EO, five significant values were identified after inductive analysis: a whole life perspective, consistently shared values, self-ownership, self-control and secure employment. WCs placed the highest value on secure employment for both current members and future generations within a culture that enabled each member to bring their whole being to work and be justly rewarded. Members are recruited and selected on the basis of their alignment and commitment to co-operative values and principles, with an emphasis on self-leadership and self-control. As no member is granted the authority to manage others, the culture circumvents the need for managers telling (other) staff what to do, and avoids the social conflict and offence produced by managerialist culture (Willmott, 1993).

These cultural norms were sustained by a comprehensive probationary period organised by existing members which requires a great deal of trust and grants the individual significant freedom of expression (which is then judged by the entire membership of the WC at the end of the probationary period). Membership of a WC entails not only a commitment to work co-operatively but also a desire for the wider social transformation envisioned by both founders of the cooperative movement and recent advocates of EO (Ellerman, 1997; Wilkinson and Pickett, 2010 and Erdal, 2011). In this context, the framing of HR as a field of practice changes, and the demands on HR staff regarding their approach to employment relations shifts to the 'radical' paradigm identified by Fox (1966).

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