

# WORKING PAPER

*Worker cooperatives, a status to survive in a changing world or a status to change the world? Spain and France, two worldviews on worker cooperatives*

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***Worker cooperatives, a status to survive in a changing world  
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two worldviews on worker cooperatives\****

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## **Abstract**

*Since the recent crisis, the resilience of worker cooperatives has not gone unnoticed in Europe (Cecop, 2012). In France this renewed interest in worker cooperatives has led to a new law in 2013 promoting this model of enterprise based on democratic governance.*

*The legal status of worker cooperatives implies that such organizational forms are characterised by a double mission: to be profitable in order to maintain their activity and to be responsible vis-à-vis employees and towards their community. Such hybrid mission implies that such firms may be viewed as social enterprises.*

*In this context, we use Austin & al.'s (2006) framework in order to assess how leaders of French and Spanish worker cooperatives make sense of who they are in terms of social or commercial entrepreneurship. Our study is based on a series of twenty semi-structured interviews conducted with founders and / or leaders of worker cooperatives, from the Western region of France and the Basque country in Spain. Both regions are known for the large number of employee-owned cooperatives in their own country.*

*Findings show that French and Spanish leaders of worker cooperatives have very different ways of making sense of what a worker cooperative stands for. In Spain, managers' worldview is pragmatic and instrumental as the benefits mentioned are lower taxes, work flexibility, higher empowerment of workers and a great emphasis placed on of the role of the client. In France, managers' worldview is more normative and ideological and less commercial/instrumental as they frame the worker cooperative as an alternative model to the classical capitalist enterprise, stressing the importance of workers, labor compensation and democratic governance.*

**Key-words:** Worker cooperatives, social entrepreneurship, Spain, France.

## Introduction

In the past few years, there has been a wave of enthusiasm which has emerged from civil society for social entrepreneurship and social business. For example in 2013, The Guardian announced 68 000 social enterprises in the United-Kingdom<sup>6</sup>. The same year, in the USA, the Huffington Post accounts “likely hundreds of thousands of organizations that can and should self-identify as social enterprises”<sup>7</sup>. The notion of social entrepreneurship lacks a precise definition (Boutillier, 2010) and there are multiple conceptions of what being a social entrepreneur might be (Austin et al., 2006). The broad view frames social entrepreneurship as an innovative social activity which can be found in for profit, non-profit and hybrid organizations (Dees, 1998 cited in Austin et al., 2006). A more narrow view frames social entrepreneurship as the application of managerial expertise to the non-profit sector (Thompson, 2002 cited in Austin et al., 2006). Social business, also considered a subset of social entrepreneurship has been defined as something which borrows from two entities: “...On the one hand, companies can be seen as profit-maximizing businesses, whose purpose is to create shareholder value. On the other, non-profit organizations exist to fulfill social objectives. Social business borrows from both these entities: it has to cover its full costs from its operations, and its owners are entitled to recover their invested money, but it is more cause than profit-driven.” (Yunus et al., 2010). The social business model developed by Yunus is meant to solve societal and environmental issues using the power of business. Interestingly, the idea of a business combining both a social orientation and a profit making orientation has existed for many years in Europe but under different labels such as ‘the third sector’ or ‘the social economy sector’. Such labels also reveal a myriad of understandings of what hybrid organizational forms might encompass and include both the non-profit sector where one finds associations or foundations but also a particular type of for-profit firms such the cooperative and more particularly, the worker cooperative. Since the recent global financial crisis, worker cooperatives have been recognized to be more resilient in times of crisis than their traditional for-profit non-cooperative competitors (Cicopa, 2013). In France this renewed interest in worker cooperatives has led to a new law in 2013 promoting this model of enterprise based on democratic governance.

Based on the premise that organizations may take plural forms (Draperi, 2010), worker cooperatives constitute an interesting and understudied model to explore. Like social entrepreneurs or social businesses, worker cooperatives place more emphasis on employment, human well-being and community than on profit and have a longer term approach to running their business. Thus the similitudes between worker cooperatives and many social entrepreneurs make it relevant to

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<sup>6</sup> <http://www.theguardian.com/social-enterprise-network/2013/jan/21/mythbusting-social-enterprises-68000-uk>

<sup>7</sup> [http://www.huffingtonpost.com/ben-thornley/social-enterprise\\_b\\_2090144.html](http://www.huffingtonpost.com/ben-thornley/social-enterprise_b_2090144.html)

apprehend worker cooperatives using a framework from the social entrepreneurship literature. Where worker cooperatives differ from many social businesses as defined by Yunus (2010) or by much of the North American social entrepreneurship literature (Austin et al., 2006; Certo & Miller, 2008) is in their legal status. The worker cooperative's primary distinguishing characteristic is not its goal to alleviate poverty or its hybrid mission of meeting both social and economic objectives but rather its specific legal status which imposes democratic governance.

In terms of geographic presence, worker cooperatives are mainly located in Europe and South America and hardly present in North-America where they are estimated to be only two hundred (Artz & Kim, 2011). In Europe, there are about 90 000 enterprises (members of Cicopa) which take the form of worker cooperatives, social cooperatives, artisans' cooperative and worker-owned enterprises, and in South America their number is approximately 13 000 (Cicopa, 2013)<sup>8</sup>.

Within Europe, Spain and Italy are the two countries with the most worker cooperatives, with respectively around 31 500 and 54 200 enterprises. France and Poland which follow have far fewer worker cooperatives with only respectively 2 000 and 1 500 enterprises but most of them are worker cooperatives which is not the case for Italy and Spain in which 2/3 are worker cooperatives (Corcoran & Wilson, 2010; Cicopa, 2013). The remaining third are social or artisans' cooperatives.

Although the benefits of worker cooperatives are recognized (Artz & Kim, 2011), the model is clearly not widespread or well represented on a global scale. This could be the result of a weak diffusion of information concerning the model (Dickstein, 1991, in Artz & Kim, 2011; O'Connor, 1985). Moreover, employee owned cooperatives as an organizational form remain an understudied enterprise form, and very little research dedicated to this type of enterprise exist (Frémeaux, 2011).

Our research question seeks to understand how worker cooperative leaders/founders situate their enterprise in relation to the social entrepreneurship model in a cross-country context. In a previous study (Bayle-Cordier & Stervinou, 2012) we had inquired as to how leaders/founders of worker cooperatives in the Western region of France thought of themselves in terms of social entrepreneurship and corporate social responsibility issues. One of our conclusions had been that given the importance of context (Berthoin-Antal & Sobczak, 2007) to promote a firm's mission with multiple objectives (economic and social), it seemed highly relevant to further extend our research by conducting a comparative study with worker cooperatives from other countries in Europe or elsewhere.

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<sup>8</sup> The figures are not easy to find concerning worker cooperatives and they seem approximative enough.

The objective of this paper is thus to compare the perspectives of the leaders/founders from Western France worker cooperatives to the leaders/founders of similar sized Spanish worker cooperatives in the Basque region of Spain, a region where the cooperative model is particularly prevalent. These two regions account for the greatest number of worker cooperatives in each country. Moreover, the worker cooperatives we studied in France (Scop) and in Spain (Cooperativa de Trabajo Asociado) are most similar in their status and purpose than other types of worker cooperatives in Europe<sup>9</sup>.

We seek to answer if the world view of leaders and founders of French and Spanish worker cooperatives align or differ in terms of their social entrepreneurship identity. This making sense of the world or what some authors have referred to as ‘dominant logic’ (Prahalad & Bettis, 1986, p. 491) can be defined as “a mindset or world view... to accomplish goals” and which is “stored as a shared cognitive map among the dominant coalition.” Dominant logic is essentially the leaders’ recipe for success as it speaks to how identity translates into winning organizational performance. One of our main questions is whether the notion of worker cooperative is universally understood or if on the contrary, different interpretations or world views of the notion exist.

In order to assess different worker cooperative leaders’ dominant logic, we mobilized Austin et al. (2006) framework, using three key elements to distinguish social entrepreneurs from commercial entrepreneurs:

- Mission. A mission may emphasize meeting social or economic goals
- Resource mobilization. The ability to raise financial resources will provide information regarding a firm’s social/commercial orientation. Austin et al. (2006) consider that raising funds is easier for a commercial entrepreneur than for a social one.
- Performance measurement. The importance given to measure performance, the development of indicators, the economic nature of indicator will typically reveal commercial activity rather than a social one.

We draw some hypotheses as to what might explain some of these divergent viewpoints. Our paper is structured in the following way. First, we define what worker cooperatives are (1), then continue with a section on the social entrepreneurship literature (2), followed by the methodology section (3), findings from our empirical study (4) and finish with a discussion of findings (5).

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<sup>9</sup> For example, in Italy, a lot of worker cooperatives are social cooperatives.

## **About worker cooperatives**

Worker cooperatives are cooperatives which are primarily owned by their employees as employees hold at least 51% of the shares and 65% of the voting rights. These cooperatives are represented in all industries and compete with traditional enterprises. They have the same constraints as their non-cooperative competitors as they too must be profitable in order to be sustainable.

In worker cooperatives, workers benefit from a right to vote with the basic principle of “one man equals one vote,” whatever the amount of shares held by each individual. Workers all benefit from important decision making power through their voting rights to decide on the firm’s major strategies and on the nomination of their leaders (managers, boards of directors, etc.).

Profit sharing is also different from that of a traditional enterprise as it consists of two elements: profit sharing is based on the work accomplished and the creation of ‘reserves’ which contribute to the consolidation of the firm’s financial standing. This profit sharing model explicitly recognizes the value of employee labor and the importance of making the firm sustainable so that it may be handed over to future generations.

Another important characteristic of worker cooperatives is the importance given to employee training and information sharing within the firm. This is particularly relevant as employees all participate in the decision making and need to be well informed and trained to make the appropriate decisions for their firm. The fact that all workers, even non-administrative ones, have access to such information and overview of strategic issues, facilitates the understanding of everyone’s role within the enterprise and thus also facilitates exchanges between employees. All workers are expected to participate in the life of the enterprise and in the decision making process, on top of performing their individual function related role.

Moreover, studies have shown that workers of worker cooperatives have greater responsibilities and autonomy to carry out their tasks than employees in traditional enterprises (Artz & Kim, 2011). Because workers are working for their own company, they tend to give their very best in order to make their firm successful through innovation, solid relationships with clients and suppliers, investment for the future, growth, increased profits, and to ensure that the reputation of their firm is solid. Because they directly benefit from the success of their enterprise, employees have more incentives to work hard in order to enhance the performance of the firm (Bonin, Jones, Putterman, 1993, cited by Artz & Kim, 2011). Some researchers do note however that there is also a risk of free-riding as individual rewards depend on the performance of the group (Kruse, 2002 cited in Artz & Kim, 2011).

One final characteristic of worker cooperatives is the low staff turnover rate which can be explained by many of the factors mentioned above, among which the higher level of worker loyalty (Hoffman, 2006).



In France, there are approximately two thousand worker cooperatives (Scop which stands for participative and cooperative companies) with an average of 20 employees per Scop, which means that there are approximately forty thousand people working for a Scop. This number is low, and represents only 10% of the overall number of cooperatives in France. In Spain, there are approximately 17 000 worker cooperatives ‘Cooperativa de Trabajo Asociado’ with a total of 210 000 employees. The legal status Scop in France does not offer any significant financial benefits as their tax rate is at the same level as for traditional enterprises (33%). However, Scop are exonerated from paying a local tax (‘contribution économique territoriale’)<sup>10</sup> as an incentive from the government to keep jobs within France (as Scop cannot be delocalized abroad). In the Basque country, Trabajo Asociados benefit from a lower level of taxes on profits (a 20% tax rate versus 30% for other legal forms) and even a bonus of 50% if 75% of the workers are also members<sup>11</sup>.

### **Social Entrepreneurship: not a univerval conceptualization**

The notion of social entrepreneurship emerged in the 1980’s in the United-Kingdom and in the USA<sup>12</sup> with entrepreneurs who sought to find solutions that the State or the market could not find in order to solve societal issues through a novel product or service. Mainly, it concerns non lucrative projects where profitability is not the objective but only a tool to help the project succeed (Yunus et al., 2015). There are multiple conceptions of what social entrepreneurship might be (Austin, Stevenson & Wei-Skillern, 2006; Peredo & McLean, 2006; Defourny & Nyssens, 2011). According to a broader conception, social entrepreneurship is an innovative social activity, present in for profit, non-profit, and hybrid organizations (Dees, 1998, cited in Austin, Stevenson & Wei-Skillern, 2006). According to a narrower conception, social entrepreneurship is the application of managerial expertise to the non-profit sector (Thompson, 2002 cited in Austin, Stevenson & Wei-Skillern, 2006). Austin, Stevenson & Wei-Skillern (2006) distinguish social entrepreneurship from commercial entrepreneurship. Commercial entrepreneurship entails the identification, evaluation and exploitation of opportunities resulting in profits while social entrepreneurship corresponds to the identification, assessment and exploitation of opportunities resulting in social value. Thus social entrepreneurship can be distinguished from commercial entrepreneurship

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<sup>10</sup> The gain from this exoneration is under 3% of the added-value at maximum.

<sup>11</sup> In the Spanish interviews, some people mentioned the lowest taxes as an incentive for them to create a worker cooperative which was never the case for French worker cooperatives.

<sup>12</sup> At first the term would have been used at Beechwood College near Leeds, England by Freer Spreckley to describe worker and community co-operatives that used the 'social accounting and audit' system developed at Beechwood; and at Ashoka – where during the 1980s Bill Drayton established a program to support the development of social entrepreneurship. (Ridley-Duff, and Bull, 2011)

through its objective of creating social value instead of shareholder enrichment (Certo & Miller, 2008).

Other authors contend that economic and social objectives need not be conceptualized as dichotomic in nature but rather as a question of degrees or a continuum whereby the social or economic mission of an organization are given more or less emphasis (Peredo & McLean, 2006).

Another important characteristic of social entrepreneurship is the notion of service to the community. Dees & Anderson (2003, p. 2) highlight that “having a social purpose involves a commitment to creating value for a community or society.”

Looking beyond the North-American literature, one can observe some similarities and differences between Anglo-Saxon and European conceptions of social entrepreneurship/social economy.

For the European Research Network on Social Economy (EMES)<sup>13</sup>, a social enterprise should ideally encompass nine criteria.<sup>14</sup> These nine criteria are divided into three categories<sup>15</sup>: (1) economic/ entrepreneurial dimension, (2) social dimension, and (3) participatory governance. In the first category, three elements are mentioned: a continuous activity producing goods and/or selling services, a significant level of economic risk and a minimum amount of paid work. In terms of the social dimensions, emphasis is placed on an explicit goal to benefit the community, an initiative launched by a group of citizens or civil society organisations, and a limited profit distribution. Finally, participatory governance of social enterprises is characterized by a high degree of autonomy, a decision-making power not based on capital ownership and involving various stakeholders affected by the activity.

While there are common points between the EMES network in Europe and the school of social innovation in North America (Austin et al. 2006), what distinguishes the European approach is its emphasis on the notion of governance or one person one vote (Defourny & Nyssens, 2011), something which is absent from the North American literature. This reflects perhaps differing ontological assumptions about the nature of the economic system. For some Europeans scholars, the ‘social economy’ or ‘social sector’ is viewed as an alternative model to the mainstream capitalist model and the means of emancipation of the people (Draperi, 2010, p. 22), and according to these same authors, the Anglo-Saxon conception of social entrepreneurship does not sufficiently question the mainstream ‘system’.

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<sup>13</sup> EMES : European Research Network – Social Economy

<sup>14</sup> Defourny and Nyssens (2012) highlight that “the set of conditions that an organisation should meet in order to qualify as a social enterprise. Rather than constituting prescriptive criteria, they describe an “ideal-type” in Weber’s terms, i.e. an abstract construction that enables researchers to position themselves within the “galaxy” of social enterprises”. (p. 12)

<sup>15</sup> In the first definition (Defourny, 2001), they were only divided into 2 categories.

From a legal standpoint, another difference is that the social economy is defined by a specific legal enterprise statute (Boutillier, 2010) which is not the case for many social entrepreneurs who adopt the same legal statute as conventional enterprises. This is however in the process of changing in North America as more and more states are adopting a new legal status for social entrepreneurs entitled the ‘benefit corporation’ status. A benefit corporation is a new class of corporation that voluntarily meets higher standards of corporate purpose, accountability, and transparency and is administered by the state and legally recognized by twenty six US states and the District of Columbia<sup>16</sup>.

Finally, the importance of the leader mystique pervades the North American social entrepreneurship literature (much like in the mainstream entrepreneurship literature) where the founder is one exceptional individual with specific competencies, qualities, and abilities to succeed. From a European stand point, the creation of a social enterprise is not an individual project but a collective and collaborative project with, at minimum, two founders and cannot be created or initiated by a single individual (Allemand, 2010).

## **Methodology**

Our research methodology is qualitative and semi-exploratory. Qualitative and semi-exploratory research is appropriate to investigate nascent and under explored areas of research (Yin, 1994), which is the case for employee owned worker cooperatives. Our sample is made-up of twenty semi-structured interviews with leaders/founders of worker cooperatives. Interviews were conducted in 2011-2012 with ten Scop from Western France and in 2013 with ten Trabajo Asociado from the Basque Country in Spain<sup>17</sup>. The interviewees were half founders and half leaders of worker cooperatives.

We chose to focus on founder/leaders as the elected representative of the worker cooperative as we consider them to be legitimate to speak on behalf of his/her organization. In worker cooperatives such as the Scop or the Trabajo Asociado, the leader is elected democratically by employees to exercise his/her mandate and implement a strategy voted on by all for a given period of time. This unique governance gives more legitimacy to the leader to embody an authentic organizational identity and avoid the pitfalls of some leaders who may sometimes seem hypocritical in seeking to express a more ideal than real organizational identity (Balmer & Greyser, 2002).

We used the Austin et al. (2006) framework to assess if worker cooperative owners viewed themselves more as social or commercial entrepreneurs based on how they defined their mission, the ease with which they mobilized resources and finally, the way they measured performance, both financial and non-financial.

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<sup>16</sup> See <https://www.youtube.com/user/bcorporations>

<sup>17</sup> See complete list of the employee-owned cooperatives in Annex 1.

The sample of firms in France was selected to be representative of the diversity and reality of worker cooperatives in terms of activities (mainly in construction and industrial activity but today increasingly in services), in terms of size (most of them are small sized but some are medium-sized), in terms of date of creation (firms created from the 1970's to today). In selecting the firms in the Basque Region, we selected the *Cooperativa de Trabajo Asociado* model because it was the closest model to the French *Scop* model (Cf. Cicopa website). To select the firms in Spain, we made sure each firm chosen corresponded in terms of activity and size to a corresponding firm in our French sample.

Concerning the data collection, one team of French researchers conducted the research in France and one Spanish team in Spain. This was particularly important in order to conduct the interviews locally in French and Spanish respectively. Both research teams used the same interview grid based on Austin et al. (2006) items distinguishing social enterprises from commercial enterprises: the mission of the enterprise; the way it mobilizes resources and the way it measures performance. Both interview grids also took into account organizational work practice (in terms of process, management, consumer and stakeholder relationships) as recommended by Draperi (2010) for studying social economy organizations. We also asked founders/leaders why they had chosen the employee cooperative status, and what were the advantages and limits of such a status. Finally, we also collected data on how worker cooperatives situated themselves in relation to the notion of corporate social responsibility (CSR) but these findings are presented in a separate study.

All interviews were recorded and transcribed verbatim by each country research team. Spanish colleagues were able to read interviews transcriptions in French, so it was easy enough for them to go back to the French data set in order to better understand results. In order to help French colleagues to do the same, the Spanish team translated its data set into English. Once each team had analyzed its own data set separately, we exchanged on our results and discussed findings and implications.

## **Results**

In terms of our results, our major finding is that no overarching universal worker cooperative model emerges and that worker cooperatives cannot be categorized in a dichotomic manner as social or as commercial enterprises. We find differences between French and Spanish cooperatives, particularly in terms of how leaders conceptualize their overall mission and in their way of measuring performance. The French firms in our sample seem to lean towards being more social in the social/commercial continuum of social entrepreneurship (Peredo & McLean, 2006) than the worker cooperatives from Spain who adopt a more commercial orientation. Below, we analyze in more detail the results of our study.

## 1. Mission

When asked about their mission, leaders/founders of French worker cooperatives in our study unanimously expressed their main mission as ensuring the sustainability of their firm through job creation and retention on a specific territory: “creating anchored and solid jobs, here.” “The firm, we make it exist, it makes us exist. It is insuring jobs, a future. Then, it can be transmitted... and sustained over time” (Leader of SCB).” Yet, sustainability is not about profits first, as profitability is considered secondary, and only a means to maintain the sustainability of the firm. Customers are considered as very important stakeholders in order to achieve this aim and one important objective is to manage to satisfy them. “The aim is to maintain employment... to ensure a service to our clients that meets their expectations [and]... “to allow a partnership with the clients.” (COM, France).

Within this dominant logic of sustainability, job creation and retention on a given territory, two sub-groups of firms emerge: one for which the mission is hybrid (social and economic) and a second one for which societal interests prevail over the economic mission. For the hybrid firms, social and economic objectives are viewed as equal: “For me and MAC, the social and economic aspects are equally important, it's 50-50. It takes a militant dimension in our company... We want to show that there is another way to relate to work than what we see today.” (MAC, France).

For the second group, the purpose of business is to meet a social or environmental need expressed in society first. Second comes the economic mission, viewed only as a vehicle to help meet societal needs. For example, the Scop PAI seeks to establish partnerships with grain farmers, a milling activity and the production of sourdough bread and the training of bakers in using such techniques. This is also the case of the firms TEX and SCO who want to disseminate culture in an alternative way. EBS wants to “foster job creation for people suffering from exclusion from the job market and from society in general. The economic activity is a vehicle to help reach the mission. It is difficult to make people understand that the economic aspect is only a tool, a means to make the rest happen. Most of the money we earn is massively transformed into wages.” This category of Scop are most akin to the social entrepreneurs as defined by Certo & Miller (2008).

Some of these leaders go even further and define their mission as a public service mission, taking a more systemic perspective and thinking beyond the boundaries of the firm itself. For instance, some firms such as COM and MAT, emphasize the importance of employees becoming more autonomous and responsible through their experience in the democratic governance of the cooperative and how this skill set can then be taken outside the boundaries of the firm, where employees can become more responsible and involved citizens in their communities (Thompson, 2012). “[Recently...] we realized that people participating in the board of directors also ran more for election in their town’s

municipal elections. They are 6% of the employees who are in a City Council, among whom 7 people who have gone through the board of directors. We say to ourselves that it is a good training. There is a return [for society].” (MAT, France).

When asked to reflect on the links between their mission and the stakeholders they serve, workers/employees are considered a pivotal stakeholder at the heart of the organization. “The company really has no mission, just to give some work to all its employees in the best conditions. The mission it is to perpetuate the company no more than that.” (Leader of FRE). The worker cooperative is viewed as an entity which must serve its employees/workers, supporting similar findings from the literature on SMEs (Jenkins, 2004; Spence 2000b), even if Scop leaders tend to believe they are doing more than conventional enterprises: “In a Scop, contrary to a typical SME, we shall do everything to avoid a firing someone.” (FRE, France).

So, overall, we can say that in France, employee owned cooperative leaders are similar to social entrepreneurs who are situated somewhere in the middle of Peredo & McLean’s (2006) continuum as they do not exclusively serve social objectives nor are they looking for profitability as an end in itself. These leaders can be considered as hybrid social entrepreneurs.

In Spain, worker cooperative leaders/founders view the economic mission of their firm as the foundation upon which everything else may be built. In most of the cases, the social dimension is also mentioned and associated to the economic one, but always comes second:

“In this moment the most important goal is to maintain the activity of the company and our jobs. [...] Survive. Maintain the jobs of the ten workers is our priority. If this situation changes, we are not opposed to hiring more people but nowadays we want to maintain jobs. In this moment to keep attending to our customers with quality and maintain our jobs and families. [...] [the cooperative] has a social mission related to the maintenance of the activity and the job.” (IGA, Spain)

“First of all to generate profits and jobs, it is necessary to earn money and profitability but also generating jobs and harmony between employees. [...] By supplying electrical conductors and providing innovative solutions which give added value to our customers, our mission is to develop a company which, through the generation of profits and the satisfaction of people, society and the surrounding area, is able to grow in a stable and sustainable manner through a corporate model based on responsible people.” (BEC, Spain)

“[Our mission is to] generate wealth, resources and redistribute them in the most equal way. Everything start by generating, it is necessary in order to share something, it is the starting point.” (ERE, Spain)

The economic crisis context in Spain is clearly an issue, explaining perhaps why economics taking centre stage is to the detriment of maintaining cooperative principles:

“The mission is the cooperative principles. Finally, although being a cooperative, the economic aspect has a great importance. [...] Our mission is not concerned about the environment. In my opinion, it is more concerned about economic questions. It is sad, and even more during this period; I have to fight lots of times because we are losing the social principles. With the restructuring, we decrease our staff due to economic reasons and that mean to tighten the belt...” (LOG, Spain)

Moreover, all the terms used by respondents highlight the central role of economics for these firms: clients, quality of products and services, jobs, sustainability of the firm. So, in the Spanish worker cooperatives, whatever the type of mission, economic or more hybrid, the same vocabulary is used repeatedly. Leaders/founders interviewed did not spontaneously mention having a social mission. Overall, findings suggest less similarities with social entrepreneurs, especially compared with French worker cooperatives. Different hypotheses could explain this difference between the two countries. The first one is linked to the economic crisis which Spain entered in 2008 and the huge difficulties faced by the country ever since. Even if the economic crisis also impacted France, the impact was much less severe as in Spain where the economic activity collapsed and unemployment reached a historical high. In such a crisis situation, clearly a firm's main objective is to survive, so this could explain that the social dimension is hardly mentioned by the leaders interviewed. Another hypothesis could be that the worker cooperative model is well known and commonly used in Spain and that the status may be chosen for pragmatic reasons such as obtaining subsidies or having less taxes to pay, and not for more ideological beliefs about the importance of living values of cooperation and participative governance. In the interviews, it is surprising to realize that many leaders/founders were not necessarily aware of what the cooperative status entailed in terms of the values and principles inherent to the model. Some leaders even recognized that they were not working differently from a conventional business and that they needed to take the time to look at the model and think more deeply about their way of working. It seemed like the interviews triggered questions which they had never thought about before! Indeed the choice of the cooperative status did not appear to be a deliberate, militant, or an ideological choice for the Spanish leaders as it seemed to have been the case for the French leaders. Indeed, French leaders expressed being very proud of their worker cooperative model and of having the desire to prove to the world that it is possible to succeed in a market when you are a worker cooperative.

As one founder expressed in his own terms:

“[Scop] is only a legal status. It is the legal expression of a choice; what is important is the choice. The choice of the constitution of company, organization of the people, the distribution of the wealth, the democratic choice, to be able to influence the life of the people by influencing choices. It is also an ambition and a constraint, there are rights and duties. It is about being actively involved in the life of the group. For the Scop, it is to show that this model exists and that it is viable despite the difficulties, in terms of financing, decision-making ... At its modest level the Scop shows that something different is possible. That it is not necessary to give priority to the shareholder, it enables people being more free in an ethical sense.” (MAT, France)

One last distinguishing feature between the Spanish and French cooperative leaders is the attention paid to the local community. While French cooperative leaders seem to have more of a militant social mission and employee centric orientation, Spanish cooperatives are more supportive and interested in their local community. Most Spanish leaders expressed that their success was partly due to the support of the local community so they felt a natural obligation to give something back to their community:

“Be involved with the local people, participate in the town, in the different activities providing support. We participate in those kind of actions. I have been the president of the Zarauz Football Club. I consider that to offer internships to the people of our town is also a social responsibility.” (ERN, Spain)

“A cooperative has also a SR with the village that there is next to. A part of our results are dedicated to help the village of Legorreta. We have made the football field, the park... this is important. We must help the surrounding area. A part of our results is stipulated to that kind of actions. We decide to give money to the village.” (BEC, Spain)

## **2. Performance measurement**

As a consequence of the emphasis placed on the social mission, French worker cooperatives do not seem particularly interested in using specific financial indicators to measure performance. Profit is recognized as an important achievement for the firm for several reasons: first, the way it is reinvested through reserves helps reinforce the sustainability of the enterprise; second, employee profit sharing boosts employee motivation, involvement and confidence in their organization:

“I think that it is necessary to pay attention to the economic indicators. We made a good year when we have an acceptable positive profit. It does not need to be tremendous but it has to be acceptable in order to give the possibility to redistribute a small part. Because it is a motivation for everybody, it makes people understand that anyone can benefit from his/her work engagement, that it is not reserved for the leaders.” (SCB)



Even if it is not really expressed by the interviewees, profit may also be used to refund shareholders and help promote their commitment as associated-employees (owners-employees). French leaders/founders also mentioned turnover as an interesting indicator. Some qualitative elements are also mentioned as important and measures of performance by the French interviewees such as the employee perception studies, or client loyalty. This echoes literature on SMES where Spence (2007) highlighted leaders' attention and concerns regarding the well-being of employees as something common to many SMEs.

French leaders also express paying particular attention to the development of customers' loyalty, the quality of the product or service offered to customers: "What is really alive is the customer network [...]" (PAI). Another issue mentioned by French cooperative leaders is that indicators are always studied in the long term. The privileged relationship with clients is also present in conventional SMEs which are also embedded in their local communities (Perrini, 2006; Spence et al., 2003; Tencati et al., 2004).

In Spain, leaders/founders mentioned using typical economic profitability indicators to measure their performance but did not have much to say about non-financial indicators. Many Spanish cooperatives explained being able to benefit from sophisticated economic/financial measurement tools available through the wider Mondragon cooperative network.

Overall French worker cooperatives appear more interested in social performance measurement than Spanish ones but not well equipped in formal indicators. Among the indicators mentioned by the interviewees appear the staff turnover, non-worked days, training expenses, and also Human Resource tools such as the individual annual appraisal meeting, career management and training, and employee well-being:

"We are a company which is very strong economically. For the economic measure we have figures, dashboards... [Concerning social measures] we have worked a lot on an individual interview every year, with a strong methodology, training projects and we have a grid of questions which allow us to measure people's stress at work. This is going to help us measure well-being at work." (MAC)

"Yes, [we measure] the social aspect. We do a lot of prevention. We focus on training, on increasing competencies, worker competencies. That's what we do. We listen, we listen a lot." [SCM]

French leaders also consider the low salary ratio between highest and lowest paid as a good measure of the social climate in their firm. In France, it is extremely low in worker cooperatives (maximum 1 to 3.5 ratio) compared with Spain which is much higher (maximum 1 to 12 ratio which corresponds to the average salary ratio for SMEs)<sup>18</sup>. Spanish leaders/founders interviewed did not spontaneously discuss this aspect.

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<sup>18</sup> Ratios given in the interviews.

So, even if French worker cooperatives seem more concerned with social performance, they have not developed formal indicators to measure this dimension and its evolution. In France and Spain, some leaders expressed their interest concerning environmental issues but none mentioned the existence of any environmental performance measurement tool. This absence of formalized social and environmental indicators is typical of many social entrepreneurs (Austin et al., 2006) and also of SMEs (Capron & Quairel-Lanoizelée, 2010). Moreover, in Europe, CSR is said to be more of an implicit notion, which is not the case in Anglo-Saxon countries where it is much more explicit (Matten & Moon, 2008).

To conclude on performance measurement, French cooperatives appear similar to conventional SMEs in Europe (lack of formal reporting mechanisms) while Spanish cooperatives appear more similar to conventional and larger firms in their more prevalent use of formal financial indicators (at least for the firms benefiting from Mondragon network). In terms of commercial versus social orientation (Austin et al., 2006), French employee-owned cooperatives once again appear to have more of a social orientation while Spanish cooperatives in our study tend towards a more commercial orientation.

### **3. Resource mobilization**

In Austin et al. (2006), commercial entrepreneurs differ from social entrepreneurs in terms of their ability to mobilize financial and human resources. Social entrepreneurs tend to have more difficulties to access financial resources because of the nature of their activities and to access the best talents because of lower salaries.

Concerning financial resources, in France and in Spain, worker cooperatives do not consider their status as a constraint but quite the opposite as an advantage because of the level of reserves required by their status. Worker cooperatives put aside a huge percentage of profits: in France it is approximately 40% and in Spain 30% is allocated towards reserves. This ensures the bank's confidence in these firms when providing loans:

“We do not need to cry on our banker's shoulder, this is quite a luxury compared to typical firms [...]. We have reserves, bankers know that we are stronger than typical [non-cooperative] firms.” (FRE)

Moreover, worker cooperatives often develop their own financial network. In France, each worker cooperative can become a member of a local group whom it will give a small percentage of its turn-over (1/1000). The money collected is used to offer specific loans or to finance a guarantee fund that can help launch worker cooperatives who need help at a given point in time.

In Spain, worker cooperatives can become members of specific networks such as the Mondragon Cooperative Corporation (called MCC) which owns its own

bank or they may also use a system of inter-loans. Financial solidarity exists between different worker cooperatives, thus fostering trust from banks:

“We use the Banks, Caja Laboral is the bank of the Mondragon Corporation and that is better for us. Mondragon Investments also collaborates with us through a participation in our equity. During the crisis there has been a contribution. Then, there are the inter-cooperative loans, and they make a great difference during these [crisis] moments. Reconversion of results: these are the contribution of the positive results from the Mondragon Corporation companies, towards the companies with poor results. When we were having very good results, we had to do contribute greatly and people complained about that, and now it is the other way around.” (BIU, Spain)

Concerning human resources mobilization, in French employee owned cooperatives, the situation is not homogeneous. The salary average for workers in the low salary/minimum wage bracket is generally higher than in regular non-cooperative firms, and this is true for all industries. However for higher wage earners/higher profile employees, salaries are generally lower in employee-owned cooperatives than in conventional firms. Most of the leaders interviewed consider this to actually be an advantage to ensure that they are recruiting people with the right values. But some leaders recognize that it can sometimes lead to some difficulties in recruiting high profile candidates or people who are used to profit sharing based on their individual performance and not based on collective assessments (for example commercial agents). In Spain, the situation is more homogeneous in the firms we interviewed and the salary ratio between highest and lowest paid employee is higher than in the French cooperatives, thus bringing the Spanish model closer to more mainstream regular non-cooperative firms. Indeed, Spanish leaders/founders of employee owned cooperatives consider that employees do not all bring the same added-value to the community, so the question of the equality of salaries is less meaningful than in France.

Another advantage for worker cooperatives compared to conventional firms is the flexibility of salaries and ability of cooperatives to adjust salaries based on unforeseen events (both internal and external). This point is particularly highlighted by the Spanish cooperative interviewees that have been more impacted by the crisis than their French counterparts. This facility to adjust salaries to the level of activity also helps boosts banker confidence vis-à-vis employee-owned cooperative: “We had to reduce our salaries for one year and for bankers it was really important that we could do that.” (COM). In Spain, this element seems to be essential for some to ensure the sustainability of the worker cooperatives:

“Of course, the flexibility, sometimes we don’t charge, we delay the payment or reduce the salary, depending on the situation, this is less possible in a non-cooperative company, we meet and we decide.” (IGA)

“In the cooperative, the flexibility is higher because in this way, we can reduce salaries without big problems as in other non-cooperative companies. This is the advantage, the flexibility. This is the reason why other non-cooperative competitors can’t afford the crisis.” (ROS)

Something not mentioned by French cooperatives is the system used in groups of worker cooperatives in Spain such as Mondragon Cooperative Corporation which permits an exchange of employees between cooperatives in order to avoid having to hire or fire people when a cooperative encounters economic difficulties:

“There is also a solidarity mechanism between cooperatives, a part of the benefits goes to restructuring, some companies contribute and others receive money. This also exists in MCC. There is a great advantage regarding the unemployment thanks to Lagun Aro, if a company needs employees they move from other cooperatives and if a company closes, the companies of MCC hire those employees. Seven percent of our members, come from other cooperatives, this happens for entry level jobs (machine workers), not at manager levels, we look for other kinds of profiles.” (ERE)

## **Discussion of findings**

Despite a universal legal status and a set of principles and values that transcends borders, findings show that French and Spanish leaders of worker cooperatives have different ways of making sense of what a worker cooperative stands for. The Spanish leaders adopt what Talcott Parsons (1960) identified as a “utilitarian” understanding whereas the French leaders adopt a more “normative” one. According to Parsons, normative systems operate through traditions and symbols, an internalized ideology and altruistic motivations whereas utilitarian systems operate on economic rationality, financial incentive, and self-interest.

In Spain, managers’ worldview is pragmatic and more instrumental as the benefits mentioned for adopting the cooperative status are lower taxes, work flexibility, higher empowerment/motivation of workers and a great emphasis placed on of the role of the client. Spanish leaders/founders viewed themselves as business people first and had no issues about it. For our Spanish leaders, worker cooperatives are not considered to be an opposing model to the capitalist mainstream model. Some of the leaders interviewed did not even seem aware of the specificities of the cooperative model except for the fact that there is great flexibility in the possibility of modifying salaries.

In France, managers’ worldview appears more normative and ideological and less commercial/instrumental as they frame the worker cooperative as an alternative model to the classical capitalist enterprise, stressing the importance of workers, labor compensation and democratic governance. French leaders also stress how proud they are to adopt a different model of business, one which

places the human being at the heart of the system. For them, working in such a different system, makes them feel like political activists. One leader told us that in her worker cooperative, people felt that they were “entrepreneurs de gauche” (“leftist entrepreneurs”) which may be an uneasy posture to have, particularly in France, where business people are generally viewed as ‘exploiters’ of the people.

Within the French sample, worker cooperatives appear less homogeneous than the Spanish sample. Some French worker cooperatives are more akin to social entrepreneurs, placing their social mission as an integral part of who they are (part of their legal DNA). Others are more hybrid with both strong social and economic goals (long term economic vision, central place given to employees and job creation in the local region).

Spanish cooperatives are more homogeneous overall and all leaders view the economic mission as primary and necessary in order to survive and to share profits with employees. This more economic mindset clearly marks them as closer to commercial entrepreneurs than their French counterparts. In a comparative study of two large employee-owned retailers in Spain and United Kingdom, Storey et al. (2014) recognized that the tension between commerciality and principles of cooperatives had been successfully managed. In their study, what was put forward was the necessity to be profitable as worker cooperatives considered themselves to be first ‘businesses but different from conventional enterprises because ‘things are done by people for people... the result is for the cooperative members’ (Eroski Manager 1, p. 634).

Our study raises the question of why French worker cooperative leaders emphasize the social mission of their firm so much more so than their Spanish counterparts. Some possible explanations could be the cultural aversion to speaking about money which is rooted in the French Catholic tradition and which still permeates French society today. However Spanish society is also rooted in the Catholic tradition, and, yet the most famous cooperative group, Mondragon, was initially encouraged in the Basque region by a Catholic priest. The Spanish and French comparison is therefore an interesting one because we find differing interpretations of what it means to be a worker cooperative despite two societies rooted in the same religious tradition.

Clearly other factors are at work here. Perhaps another explanation is the lack of influence of pragmatist philosophers such as William James or John Dewey in France and the predominance of philosophers such as Descartes or Kant, philosophers with absolute ideals rooted in principles and theories of the world that are absolute and are not connected to empirical day to day realities.

The role of extraordinary events such as the major economic crisis in 2008 certainly seems to play a major role as well. Clearly the economic crisis has had more of an impact in Spain and this may also explain why leaders of Spanish worker cooperatives in our study adopt a more instrumental and pragmatic

perspective and stress the importance of economics much more so than our French counterparts.

Future studies could investigate further the role of leader profiles, backgrounds or experience to explain this difference. Indeed research has shown that leader make-up, values, thoughts, emotions and career background will necessarily impact a firm's strategy and identity (Hambrick & Mason, 1984; Kisfalvi & Pitcher, 2003). Some of the French leaders interviewed in our study had experience working for workers' unions prior to creating a worker cooperative while most of the Spanish leaders in our sample came from a business background.

On performance measurement and resource mobilization, both French and Spanish cooperatives seem more akin to commercial entrepreneurs, especially to other SMEs. The way they evaluate performance, economically, environmentally and socially is not very formalized. The economic indicators used are simple: turn-over, revenue and associated with some employee and client perceptions studies. In any case, being profitable is something important on two different points: it reinforces the firm thanks to the increase in reserves and it motivates employee thanks to the collective employee profit sharing. Neither the French or Spanish worker cooperatives mentioned any elaborate social or environmental indicators to evaluate the non-financial performance. Only a few Human Resources tools were mentioned by interviewees. This confirms much of the SME literature on CSR disclosure by small and medium sized firms (Spence & al., 2007) and the literature on CSR in France (Antal & Sobczak, 2007) which highlights the reluctance of French firms to disclose formally their CSR practices due to historical religious and political contexts.

## **Conclusion**

Our findings reveal some mixed results concerning the social or commercial orientation of worker cooperatives in France and Spain. When asked about how they view their mission, leaders in France adopt a more normative and ideological orientation (Parsons, 1960) while Spanish leaders adopt a more pragmatic and instrumental dominant logic (Prahalad & Bettis, 1986). As we discuss above, this may be due to different cultural country contexts, the role of a major external crisis event and differing backgrounds and experiences of the leaders interviewed.

When asked about more tangible aspects of their firm's operations, however, leaders of both French and Spanish worker cooperatives appear more akin to commercial entrepreneurs in the way they mobilize resources or measure performance. Spanish leaders of worker cooperatives in our sample seem more coherent in that their way of seeing themselves matches their way of doing things (they see themselves as regular businessmen and they have a more commercial orientation in their way of doing things) while overall there seems to be some discrepancy between the way French leaders view themselves and

the operating practices adopted in their firm. While many French leaders view themselves as different from commercial/capitalist entrepreneurs or at least as adopting a hybrid perspective, their way of mobilizing resources or measuring performance does not reflect a more social orientation (Austin et al., 2006). This surely supports the idea that the French worker cooperatives in our study are hybrid organizations with both social and commercial elements. It may also imply that the social entrepreneurship model developed by Austin et al. (2006) does not capture all the complexities inherent to the worker cooperative model as it does not sufficiently take into account important factors such as internal governance mechanisms and the social value which is created through such mechanisms. Indeed, our study does not address specifically how the particular legal status of the worker cooperative is actually embodied in work practices (and the fact that such firms are audited in order to ensure that they properly follow the principles of the cooperative model through election of the board, election of the CEO, and transparency of information). It would be interesting for a future study to inquire how cooperative principles are actually applied in practice.

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## Annex

| <b>Name of employee owned cooperative<sup>19</sup></b> | <b>Nationality</b> | <b>Activity</b> | <b>Year of creation</b> | <b>Number of employees</b> |
|--|--------------------|-----------------|-------------------------|----------------------------|
| SCO  | French             | Services        | 2004                    | 8                          |
| MAN  | Spanish            | Services        | 2008                    | 4                          |
| TEX  | French             | Services        | 2001                    | 4                          |
| TRU  | Spanish            | Servic          | 1987                    | 6                          |
| FRE  | French             | Construction    | 1985                    | 21                         |
| ERN  | Spanish            | Construction    | 1985                    | 14                         |
| PAI  | French             | Industry        | 1994                    | 12                         |
| GAS  | Spanish            | Industry        | 1986                    | 43                         |
| SCB  | French             | Construction    | 1998                    | 18                         |
| LOG  | Spanish            | Construction    | 1982                    | 42                         |
| COM  | French             | Services        | 1975                    | 16                         |
| REP  | Spanish            | Services        | 1981                    | 10                         |
| MAT  | French             | Construction    | 1983                    | 111                        |
| BEC  | Spanish            | Construction    | 1996                    | 160                        |
| SCM  | French             | Construction    | 1984                    | 24                         |
| ERE  | Spanish            | Construction    | 1963                    | 95                         |
| EBS  | French             | Services        | 1994                    | 89                         |
| BIU  | Spanish            | Services        | 1967                    | 35                         |
| MAC  | French             | Construction    | 1986                    | 117                        |
| ROS  | Spanish            | Construction    | 1989                    | 7                          |

<sup>19</sup> Names have been changed in order to maintain companies anonymous.





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