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Cultures of Performance and Reward in UK Employee-owned businesses.

David Wren

A thesis submitted in partial fulfilment of the requirements of
Sheffield Hallam University for the degree of Doctor of
Philosophy

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Abstract

Employee ownership has the potential to reduce the growing wage disparity experienced in recent years, however research into employee ownership is limited. The purpose of this thesis is to explore organisational culture within for-profit employee owned businesses (EOBs) in the UK. Specifically, it looks to compare how different ownership types might influence the culture. Three types are researched: cooperative (enterprises where workers jointly own and control a co-operative business), directly owned (where shares are personally owned by employees) and trust ownership (where shares are owned on behalf of employees through a trust). Performance management and reward management were researched as conduits to expose the underlying culture. Insights into these two areas of management within employee ownership are also exposed. As a cross comparison of culture within ownership types, it has not been done before so this research provides a unique contribution to knowledge. This study has implications for those organisations considering the transfer into employee ownership as well as those who are already employee owned.

A qualitative, inductive and interpretive approach was taken. The research was carried out in two phases. Firstly, semi-structured interviews were performed with senior managers or human resources representatives of EOBs representing all three ownership types across the UK. This was followed by a more in-depth ethnographic phase within an example of each type, consisting of planned and informal interviews as well as participant observations involving employees from all levels of the organisations; managing directors through to "shop floor" workers. The data was analysed using a general thematic approach.

The main outputs from this research are models of organisational culture for each of the three ownership types, as well as what is common to all the types of employee ownership observed. A shared theme of a high commitment culture, based on trust, openness and fun was seen in all the types. The research also adds to the understanding of performance and reward to show how the ownership types influence them. From this, advice to HR personnel is suggested for working in each of the distinct types.

The research was carried out during a period of economic growth (late 2013 to early 2014), hence the findings may be affected by more severe economic pressure and more time could have been spent within a greater number of organisations. Hybrid forms of ownership are acknowledged and further investigation into them would be beneficial.

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I thank God for the opportunity to carry out my PhD; it has been a truly challenging experience that has helped me to grow.

I am deeply indebted to my supervisory team, Dr Rory Ridley-Duff and Dr Murray Clark. They bring together world class knowledge of the subject area as well as enormous experience of the PhD process. I look back on the supervision sessions where their passion for *my* PhD was utterly infectious. Whatever despondency or doubt I held, was blown away by the whirlwind of passion they expressed. They truly are the "dream team" of supervisors!

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List of Abbreviations

CIPD	Chartered Institute of Personnel and Development
EI	Employee involvement
EO	Employee ownership
EOA	Employee Ownership Association
EOB	Employee owned business
EP	Employee participation
ESOP	Employee Stock Ownership Plan
ESPP	Employee Stock Purchase Plan
GDP	Gross Domestic Product
HMRC	Her Majesty's Revenue and Customs
HR	Human resource
HRM	Human resource management
ICA	International Co-operative Alliance
MSV	Maximised Shareholder value

Chapter 1 - Introduction

1.1 Purpose of research

The purpose of this research is to investigate organisational culture in employee owned businesses (EOBs) in the UK. More specifically this study seeks to develop an understanding of how the different forms of ownership might influence culture in EOBs using performance and reward as the conduit to illuminate culture. Three specific types of ownership are researched, namely, cooperative (enterprises where workers jointly own and control a co-operative business), direct (where shares are directly owned by employees) and trust (where shares are owned on behalf of employees through a trust) (Pendleton and Robinson 2015). The research looks to see if there are distinct cultures in the individual types as well as any underlying features that are common across all types of EOBs.

1.2 Rationale for research

The ultimate starting point for this thesis is a personal desire for increased social justice within the workplace. Employees typically contribute a significant proportion of their life to work to receive a wage but does that lead to a fair distribution of the benefits of the enterprise? Should employment simply be an activity where employees are told what to do without any influence or involvement in how the organisation is run and how they are managed? (Ridley-Duff and Ponton 2013). Employee ownership (EO) provides an alternative to the dominant organisational form that has been linked to powerlessness, income inequality and secrecy (Erdal 2011) by providing a share of the possession, influence and information (Pierce, Rubenfeld and Morgan 1991).

Although there has been a “*massively increased interest*” (Storey, Basterretxea and Salaman 2014, p627) in employee ownership in recent years, it is less well known and understood. According to a UK government initiated report (Nuttall 2012) this is a direct barrier to the expansion of the EO sector and hence helping to create a fairer society in the UK (Lewis 1954). In 2012, the then Secretary of State for Business, Innovation and Skills (BIS), the Rt Hon Dr Vince Cable (2012) said

"This then, is the government's clear priority - ensuring we have a market economy rooted in a system of responsible capitalism".

The US economist Stiglitz (2013) pinpoints a link between income inequality and economic downturn, causing problems for everyone except the "1%". Norton and Ariely (2011) suggest that the top 1% of the population in the USA own nearly 50% of the wealth. Similarly, Wilkinson and Pickett (2010) link income inequality to a variety of social and health problems. Employee ownership can be a part of responsible capitalism (Copeman, Moore and Arrowsmith 1984) by enabling a wider distribution of wealth.

Bratton (2015, p383) points out

"the logic of capital accumulation - profit maximization - necessitates that managers relentlessly minimize costs, including labour costs, and maximize control of the manufacturing or service process.... Thus conflict is intrinsic to the capitalist employment relationship."

EO can bring an alternative set of values to the employment relationship; one that does not have to be built on conflict but on cooperation instead (ICA 2014). Employee owners can collaborate with management, whilst still enabling them *"to exercise almost complete control over their jobs and to participate in a wide range of decision making, without any loss in productive efficiency"* (Pateman 1970) thus demonstrating that EO can be an effective way of working.

Cathcart (2009, p3) scathingly suggests that

"For many people work is boring, oppressive, unjust, inequitable, alienating, divisive and poorly recompensed".

If so, why would anyone choose to work in that way if they could do something about the running of the organisation? EO is put forward as an alternative business model that values the opportunity for employees to have a voice in the company that they work for as well as benefit from a stake in its equity (Erdal 2011). How do these different value sets influence the culture of EOBs?

A key aspect of being an employee owner is the financial reward gained from the fruit of their labour; that a share of the profit goes to those who helped to create it. Allied with reward is how people are managed to create the necessary profit and how performance management is carried out when the workers and managers are both co-owners (Pierce, Rubinfeld and Morgan 1991). Out of the entire tool box of human resource management (HRM)

practice (CIPD 2016a), performance and reward management have been chosen to be investigated because organisational culture is expressed through the way people are managed and rewarded. It also limits the scope of the study to make it achievable.

Within EO, there are, however, different models of ownership, of how employees actually “own” the organisation (Pendleton and Robinson 2015). What differences do the ownership types bring and is there an underlying culture that spans EO, regardless of the type?

Increasing the knowledge pool and awareness of EO is therefore of benefit to the expansion of the EO sector and potentially enhances social justice in the UK (Erdal 2011). Hence increasing awareness and understanding of an under-researched area (Wright 2010, Nuttall 2012), namely organisational culture and subsequently performance and reward cultures within EOBs, is of benefit to that end. It benefits EOBs seeking to understand how the ownership type influences the culture as well as organisations that are considering the transition into EO and deciding on which form to take. The knowledge will also benefit personnel responsible for HR practices, to appreciate the different emphasises and requirements that each of the ownership types brings.

The study is focused on EO entirely within the UK, however it draws on secondary literature to explore lessons learnt and experiences from around the world. This was to simplify the task logistically (in terms of time, cost and language), as well as reduce the impact of national influences which Hofstede (2001) suggests are the most significant on culture and could overrule more subtle differences due to ownership. This research does not look to compare the advantages or disadvantages of EO with traditionally owned businesses (for that see Matrix Evidence (2010), Lampel, Bhalla and Jha (2012), EOA (2014)). Instead it looks entirely within the EO sector to see how the different types of ownership compare with each other regarding organisational culture, performance and reward management.

1.2.1 Why study employee ownership?

Sauser (2008, p163) said “*One thing is certain though: the employee owned company is a concept whose time has come*”. Currently we are in a “*Decade for Employee Ownership*” (Nuttall 2013) and in January 2012, at the start of the

United Nations' "Year of the Cooperatives", the then, UK Deputy Prime Minister, Nick Clegg, declared a desire to increase the level of businesses that are employee owned. In 2010, EOBs accounted for £30bn of the UK economy or 2% of Gross Domestic Product (GDP) (EOA 2010) and the target was to increase that to £100bn (or 10% of GDP) by 2020 (EOA 2013a). Following an All Party Parliamentary Report (Knell 2008) into EO, the government initiated a report, "The Nuttall Report into Employee Ownership" (Nuttall 2012) to investigate the barriers to employee ownership. It concurred that the two main obstacles were a lack of awareness of EO and disadvantageous tax implications. However, it also highlighted a lack of research (Recommendation N) into EOBs. This thesis is a timely contribution towards helping to fill the research void.

1.2.2 How does it add to existing theory?

This research recognises that there is a wealth of knowledge on organisational culture; however, with its focus firmly fixed on EO, there is a lack of research in this niche area. Although much has been written on culture and HR practice, its application within EOBs is less known (Wright 2010, Nuttall 2012), therefore there is scope to add to the knowledge corpus. Pierce and Rodgers (2004), and later still, Pierce, Rubinfeld, and Morgan (2009, p124) pointed out that there was a lack of research *"that compares and contrasts... across forms of ownership"*. Kalmi (2007) concurs that alternative forms of shareholding are being neglected in academic books. A review of the limited literature on the subject is explored in chapter two about the relationship between EO and culture, and performance and reward management.

1.2.3 What is EO?

To research EO an understanding of exactly what it is, is first required. This section provides an initial explanation which is greatly expounded on in chapter two.

The UK government defines EO to be

"where employees have both a voice in how the business is run through employee engagement and a stake in the success of the business." (BIS 2013, p2).

Hence both the governance and a stake in the equity of the organisation are important. Pierce, Rubinfeld and Morgan (1991, p125) go further and suggest,

in their conceptual model of employee ownership, that the rights of ownership are made up of three strands: possession, influence and information. They expand these as:

“(1) The right to possession of some share of the owned object's physical being and/or financial value,

(2) The right to exercise influence (control) over the owned object, and

(3) The right to information about the status of that which is owned.”

Other authors clarify further that possession can include both a portion of the capital as well as a share of the surplus (for example Kaarsemaker and Poutsma (2006)). However, this is similar to the statement by Lewis (1954), the founder of the John Lewis Partnership, the largest EO business in the UK by employee size (EOA 2012a) that the benefits of EO are *“Gain, knowledge and power”* although knowledge is much more useful than just information. Gain can include both a share in the annual profits as well as a share in the equity of the organisation if it were to be sold off. Different organisations allow power to be exercised in a variety of ways, with varying levels of participation (Ridley-Duff and Ponton 2013). Exactly how these three strands are operationalised brings significant diversity to the way that EO businesses can be organised.

Pendleton and Robinson (2015) quoting Kruse and Blasi, identify four dimensions of ownership:

1. The proportion of shares owned by employees - is it a token gesture, minority or majority holding?
2. The proportion of employees owning shares - what percentage of employees hold shares compared to the whole? Is it restricted to an elite managerial group?
3. The distribution of ownership amongst employees - not all employees may hold the same amount. Do a small, limited number of senior executives hold a disproportionate amount or are they uniformly spread amongst all owners?
4. The nature and extent of rights associated with ownership. Do shares have special privileges - voting or non-voting shares? What rights does ownership give?

In line with the Employee Ownership Association's (EOA) understanding of Employee Ownership (EOA 2010) and for the purpose of this research, EO is where ownership is shared wider than founding partners or just within senior executives as a form of reward (Oxley 2013¹). Ownership must be available to a broader spread of employees. In addition, having 25% of equity shared amongst employees is considered to be the entry point (Great Britain, HM Treasury 2013). However the actual distribution of ownership is not necessarily defined, such that, there is no expectation that ownership is shared equally amongst employees, although this can be the case. Some ownership can also be held externally by shareholders who are not directly linked to working in the organisation.

Gates (1998) sees ownership as providing rights that can be written into the articles of association. These include Liquidation (the right to receive the proceeds of an organisation if it is liquidated); Appreciation (the right to gain from an increase in the value of the organisation); Transfer (the right to transfer some or all the business to an external body); Income (the right to gain income, rather than just a wage); Voting (the right to take part in decisions) and Information (the right to have access to information). EO potentially provides employees with more meaningful rights, and responsibilities, than a traditional organisation, which can then have a significant effect on the running of the organisation and the culture.

Pierce, Kostova and Dirks (2001) state that ownership is more than just physical and has a psychological component, both of which have a bearing on the attitudes and behaviours of the employees. Simply owning shares is not enough, feeling like an owner is important too, as the Chairman of the John Lewis Partnership pointed out

"it is the culture of ownership that matters most when it comes to employee share ownership. Without that, employee ownership is simply an extension of the benefits package" (John Lewis Partnership, 2008).

This section has provided a rationale as to why research into EO should be carried out and as well as giving a high-level introduction into what EO is. It

¹ D. Oxley, Director of Membership, Employee Ownership Association (EOA). 1 October 2013. pers. comm.). In 2015 Ms. Oxley became the chief executive of the EOA.

explains the use of performance and reward management as conduits to illuminate the underlying values that make up the organisational culture (Schein 1992).

1.3 Personal interest

My personal interest in organisational culture was originally born out of my employment experience, where I encountered an overnight cultural shift, something that Schein (1992) says does not normally happen. Around 2001, I had been working for Royal Mail for 14 years, a company, at the time, wholly owned by the UK government. It was losing around £1m a day so the decision was taken to out-source the whole of the IT department (in excess of 1000 people I recall) to a large multi-national, American based organisation and I was transferred across in June 2003. Ultimately this meant that I was still doing the same job, from the same desk, with the same team for the same end customer however my perception of the new organisation's values was that they were very different to those of the Royal Mail. Instead of high quality customer service, it now became the minimum service required under the contract; instead of developing employees through training, it was only provided if the customer were to pay for it. Secrecy became more prevalent as previously published pay scales became confidential. The building was refurbished, turning a somewhat messy but homely feel into a large, clinical barn of grey and white that looked like a battery farm for computer workers. This maximised the accommodation usage at a cost to the employees' well-being. I concluded that no matter how hard I worked, the only person to benefit from it was a faceless managing director in America who, as I said to myself, *"could afford a larger yacht this year than he had last year"*. In this environment, I felt like my values were no longer in line with the organisation and after two years I chose to take voluntary redundancy (2005).

It was not until 2010, whilst doing an MSc in Human Resource (HR) Management, that I was introduced to the concept of organisational culture² and this helped me to understand what had happened to me, as well as giving me a vocabulary to describe it. During my MSc. dissertation on employee induction (Wren 2011), purely by accident I did some research at a local EOB, which

² I remember being struck by Schein's (1992) book and relating to his experience within the IT industry.

opened my eyes to a different way of working that I had not seen before. After graduating I found myself back in the position of looking for work but reluctant to commit to organisations that had the same ethos of wealth creation for a limited group that I had stepped away from.³

My Christian faith and political understanding lead me to prefer all members of society and not just the rich; that all people are of value and should have the opportunity to benefit from work and contribute to society, and hence my desire to see greater social justice. David Erdal's (2011) book "Beyond the Corporation. Humanity Working" enlightened me with its comparison of the employment contract to servitude but also inspired me to seek to investigate how to shape a better world, with stories of hope and a fairer system. In particular, with regard to the effects of employee ownership not just on employee owners and their pay but on the benefits to the wider community as well, for example, in improved health (Erdal 2011).

I am a keen traveller and I have been fortunate to visit many countries around the world. I enjoy observing and joining in with the local communities to experience their way of life. As Hatch and Cunliffe (2010) point out, by seeing alternative cultures it helps you to "*understand your native culture more deeply as well*", which I try to do. These different experiences and understandings then became the seed bed for my PhD alongside the guidance of my supervisors. Studying at Sheffield Hallam University was appropriate due to the in depth academic knowledge within the staff and the university's desire to research alternative forms of management under its participation of the UN's "Principles of Responsible Management Education" (Prme 2016). Hence I started on the long road to understand more about culture within EOBs.

1.4 Aims and objectives

The "grand question" that this research is looking to answer is: **"What effect does employee ownership have upon organisational culture?"** Hence the aim of this research is to gain a better understanding of organisational culture within EOBs and specifically how the different forms of ownership influence the culture. EO is a legal form of ownership which then has a bearing on how the

³ I did apply to work at Waitrose, part of the John Lewis Partnership, an EOB, only to be told on the day of my interview that there had been a ban on external recruitment as of the previous day, so the interview could not go ahead.

organisation is run and who the organisation is run for. The HR practices utilised are relevant with regard to culture; however researching the whole of HR within an organisation would provide too wide a field of research and take too long, so only two aspects, namely performance and reward management are the subject areas. This is explained more fully in chapter two.

The objectives of this research are:

1. To promote deeper awareness and provide guidance to HR professionals and managers with regard to performance and reward management practice within EOBs.
2. To inform academic and practitioner debates, within the context of the proposed expansion of the EOB sector, with regard to organisational culture.
3. To promote academic awareness of the dialectical relationship between performance and reward management practice and organisational culture in the different ownership types of EOBs.

The research will benefit members of 'partnership councils' (in trust / directly owned EOBs) and 'management committees' (in EOBs structured as worker cooperatives) by providing a theoretically grounded exploration of the relationship between culture and HR practice in EOBs. I expect these findings to have similar benefits for managers and governing bodies in EOBs. In addition, the theoretical conclusions will be of interest to professional bodies (like the CIPD) and academics with a research or teaching interest in EO approaches to HR management. The knowledge will also be of benefit to the government (BIS) as it seeks to expand the EOB sector.

The ethnographic research provided rich data from a number of EOBs to be able to investigate the potential influence of performance and reward management used in the different ownership types on organisational culture. The resultant output has provided a contribution to knowledge in an otherwise under researched area. Sandberg and Alvesson (2011, p31) refer to this type of research as “*neglect spotting*” where,

“It tries to identify a topic or an area where no (good) research has been carried out. There is virgin territory—a white spot on the knowledge map—that produces an imperative for the alert scholar to develop knowledge about the neglected area(s).”

To be able to observe the contribution EO made to the employees, regarding receiving a share of the profit, only profit making organisations were included in this study. If there were no profit to share, then it would have a profound effect on the reward management strategy of an organisation. Therefore the results of the study will also be of interest to the growing number of more-than-profit social enterprises currently being created (Ridley-Duff and Bull 2015).

1.5 Structure of thesis

The following section explains on a chapter by chapter basis, how the thesis is structured.

1.5.1 Chapter one - Introduction

Chapter one has introduced the thesis. It outlined the research topic and provided a background to the subject area. It explained why it is a relevant field to study, both academically and personally, and highlighted the research gap to be filled.

1.5.2 Chapter two - Literature review

Chapter two provides a more detailed explanation of employee ownership, its history and reasons for adopting it. The chapter then continues with a review of the limited literature that is currently available regarding employee ownership and how it relates to organisational culture, performance and reward. From this a theoretical framework is built that forms the basis for the thesis, defining relevant concepts that are required. The knowledge gap is identified and from this, the overall research questions are identified and refined.

1.5.3 Chapter three - Research methodology

Chapter three presents the research strategy and the justification for the methodology adopted to obtain the data, which was an ethnographic, inductive approach. Data collection was split into two distinct phases. It includes limitations, risks, timescales and ethics of the research and how the results are to be presented.

1.5.4 Chapter four - Analysis

Chapter four explains in detail the process of analysing the data (a general inductive approach) that was collected during the research fieldwork proposed

by the methodology. It also includes an introduction and brief history of the participating organisations from both phases.

1.5.5 Chapter five - Cooperative ownership findings

Chapter five provides details of findings from the worker cooperative EOBs researched, specifically what was observed regarding performance and reward, leading to an understanding of worker cooperative culture.

1.5.6 Chapter six - Direct ownership findings

Chapter six provides details of findings from directly owned EOBs researched, specifically what was observed regarding performance and reward, leading to an understanding of directly owned culture.

1.5.7 Chapter seven - Trust ownership findings

Chapter seven provides details of findings from trust owned EOBs researched, specifically what was observed regarding performance and reward, leading to an understanding of trust owned culture.

1.5.8 Chapter eight - Employee ownership common findings

Chapter eight provides details of findings that were common across all three types of EO (cooperative, direct and trust) regarding performance and reward leading to reflections of organisational culture that were apparent in EOB in general.

1.5.9 Chapter nine - Dimensions of cultural difference

Chapter nine builds on chapter eight, whilst there is much that is in common across the different types, there are differences in the implementation depending on the ownership type, these are highlighted and explored here. From this, suggestions regarding how HR practice is enacted within the different types are discussed.

1.5.10 Chapter ten - Contributions to knowledge

Chapter ten brings together the contributions to knowledge that have been made from this research. With the passing of time, it retrospectively reflects on the limitations of the research, discussing what could have been improved as well as suggesting opportunities for further research in this area.

1.6 Summary

This chapter has introduced the topic of the research, provided a rationale for its importance and why it is relevant to UK society, especially the timeliness of the

thesis. This included an academic and personal justification for carrying out the research and given an overview of how the thesis is presented. The following chapter provides a more detailed explanation of employee ownership and reviews the current literature that is available regarding the intersection of EO with specific HR practice.

Chapter 2 - Literature review

2.1 Introduction.

Chapter 1 explained the focus for this research, which is an investigation into the organisational culture of EOBs and specifically how the ownership type affects the culture (Schein 1992). It also provided a rationale for studying employee ownership and how the outputs can benefit the EOB sector as well as society in general. As Pierce and Rodgers (2004, p594) said *"To date, very little effort has been directed towards understanding the effects of employee ownership by taking its many differences into consideration"* and similarly Kaarsmaker, Pendleton and Poutsma (2010, p326) recently pointed out that *"no studies have compared the attitudinal effects of different types of employee ownership (ESOPs, share options, direct ownership, etc.)"*. This thesis helps by addressing this neglected area.

To develop the research questions an initial understanding of the existing literature of the relevant areas was required. Starting with employee ownership this chapter provides a contextual background of what it is and its importance to the UK economy in a challenging economic period (CIPD 2014a). It then turns to organisational culture, and the lense through which it is viewed, that of an integrationist perspective. Then the intersection between EO and performance and reward management are highlighted and finally all four (EO, culture, performance and reward) combined. It seeks to identify the theoretical understanding of what is currently available and therefore to identify where this research fits in. As an inductive piece of research, the body of literature will be built up throughout the research process as themes become apparent and relevant, hence it is an initial start and further literature is then included in the findings chapters (5, 6, 7, 8 and 9).

2.2 Employee ownership

A brief introduction to EO was given in chapter one. This chapter expands on this, in addition providing a history, global perspective and relevance for the UK. It then further develops Pierce, Rubenfeld and Morgan's (1991) conceptual model regarding the right of possession, the right to influence and the right to

information. The purpose of this is to clarify necessary concepts and illuminate societal issues that can influence the culture of the EOBs.

2.2.1 Context - an introduction to employee ownership

Employee ownership is the underpinning empirical context for this research. As such an understanding of its global roots, benefits and reasons for creating an EOB are presented below. This also includes an insight into the growing relevance of EO to the UK economy at the time of writing.

2.2.1.1 Employee ownership - a global phenomenon

According to Hofstede (2001), the country an organisation operates in has a significant influence on the organisational culture of that site. Examples of employee ownership are present around the world. However, the uptake and dominant form of ownership varies from country to country. This section looks at the development of employee ownership across the world, progressively narrowing down to the UK where this study takes place. The purpose of this is to demonstrate that EO is a worldwide phenomenon with significant impact on employees and not simply a recent spectacle of little value, hence it is worthy of research.

In America, a significant form of employee ownership is the Employee Stock Ownership Plan (ESOP). This concept was first implemented by Louis Kelso in 1956 when the employees of the Peninsula Newspaper in Palo Alto purchased the company from the retiring owner. It was achieved through securing a loan against future profits and the shares were then held on trust. Subsequently Kelso was involved in securing tax benefits for ESOP employees and the plans are now frequently seen as a form of retirement provision, providing significant tax benefits for the organisation and the employee (Rosen, Case and Staubus 2005). In 2011, there were approximately 11,400 ESOPs, with 14 million employee-owners holding a total value in excess of \$900bn (Erdal 2011). ESOPs primarily, but not exclusively, hold shares only in their associated organisation and there still may be external ownership. Employees cannot buy shares but receive an allocation, which is then available to all employees irrespective of grade. On retirement, the ESOP will then buy the shares back from the employee which is then used to fund the employee's retirement plan, again under beneficial tax arrangements. An alternative method is the Employee Stock Purchase Plan (ESPP) where the employee buys the

shares directly, often at a discounted rate and it comes with different tax allowances (Rosen, Case and Staubus 2005). The ESOP and ESPP are akin to the UK trust and direct models of ownership, where the employees are gifted shares in the first case and can buy them in the second.

Blasi and Kruse (2006) present a political history of employee ownership within the USA. At different periods employee ownership has found and fallen from favour, depending on the ruling presidential party of the time. Ronald Reagan (1981-1989) signed laws that enabled the creation of between 1500-2000 majority (or entirely) employee owned organisations – predominantly small and family owned businesses.

"There has been an almost Jeffersonian ideological theme beginning with President Ronald Reagan that every citizen deserves a stake in capitalism, that wages are not enough, and that people need to strive towards individual economic responsibility." (Blasi and Kruse 2006, p133).

Subsequent administrations (for example the Clinton administration, 1993-2001) have taken an opposite point of view. In recent years the UK coalition government (Conservative and Liberal Democrat, 2010-2015) has been supportive of the EO sector (BIS 2012). Since coming to power in 2015, the current Conservative government has been less vocal in its support.

In South America, EO has been a response to the collapse of organisations via reclaimed businesses. As Ranis (2005, p94) puts it

"The Argentine workers depict dramatic confrontations between the rights of private property and the rights of the well-being of the working class confronted with unemployment and poverty".

Ex-employees reclaimed the business (known as "Worker-take-overs" in Europe) from owners who had the capital (buildings and equipment) but no longer had the appetite to run the business hence denying people access to employment and therefore personal wealth, financial security and health (Paton 1989, Jensen 2011). This led to the creation of worker-cooperatives and employment rights were returned to the workers.

One of the most famous European examples of employee owned firms is that of Mondragon, in the Basque region of northern Spain, founded by the Catholic priest, Father José María Arizmendiarieta in the late 1950s (Whyte

and Whyte 1988). (Technically Mondragon Co-operatives are actually worker-owned as the workforce is self-employed; however they are a good example of a worker cooperative by virtue of being joint-owners of the co-operative capital). By 2000, 85% of the population were directly or indirectly involved with one or more cooperatives and by 2009 it was employing over 100,000 workers. This provides significant benefits to the local community in terms of employment, finance, healthcare, education and childcare (Whyte and Whyte 1988, Erdal 2011, Ridley-Duff and Bull 2015) all areas that are constantly under pressure within the UK. *"In Mondragon, I saw no signs of poverty. I saw no signs of extreme wealth...I saw people looking out for each other."* (Long Island University 2000). The personal financial gain from being a member of a Mondragon cooperative is in the form of a capital account, where money is paid in, from the surplus but can also be taken out again if there is a deficit, hence there are also similarities to the UK direct model, as each member has a personal stake which can go up and down in value.

Similarly, in Italy there is *"the west's largest most successful genuine workers co-operative movement"* according to Birchall (1990) quoting Holmström. With the significant density of coops around Imola, Erdal (2011) found evidence to suggest that the impact of worker cooperatives had a positive effect on the health and education of the population, as well as a propensity to not purchase larger cars (even though they could afford them with the higher wages) as they *"did not feel the need to make a public display of their wealth"* (Erdal 2011, p241). Hence this cooperative form of EO was affecting the culture of the surrounding population and as such makes it an interesting and relevant subject to study further.

Kibbutzes in Israel were created along similar lines to worker coops, with four underlying principles (Barkai 1975):

1. Property is owned in common by the membership, both land and buildings. This has similarities to the UK trust model where there are no individual owners and all participants are beneficiaries.
2. Self-labour of the membership is paramount, so hired labour should not be employed, although this is an ideal and not a reality.

3. Labour power is at the disposal of the community (that is, members do not individually determine what work they do or the amount).
4. Equality of distribution - effort and reward are not linked. Individual monetary reward is minimised by providing communal rewards instead, for example housing and dining, however this enables at least a comparable wage to the average wage in the country.

This was a utopian view and although the number of people in kibbutzes has increased (115,300 in 2000, up from 69,089 in the early 1950s (Abramitzky 2011, p187)) the percentage of the overall national population involved has dropped since the halcyon days of the 1950s. Issues of “brain-drain” (skilled participants becoming frustrated with equal reward, shirking (those less ideologically committed were less hard working) and adverse-selection (people of lower ability choosing to work there in order to receive a better wage than they could otherwise obtain) have all impacted upon their desirability (Abramitzky 2011). As such this is a different expression of the rights of an employee owner from those presented above by Pierce, Rubinfeld and Morgan (1991) and Gates (1998) and the espoused values will impact on the culture (Schein 1992).

The former Yugoslavia attempted to utilise self-management hoping to build the economy around labour managed firms and thus provide full employment for the country (Vanek 1973, 1975, Holmström 1985). However the model was based around the state owning the capital, rather than the individual, aligning it more to a trust based model (Ramachandran, Russell and Kun Seo, 1979) but clearly with different governance and not determined by the actual workers. Mygind (2012, p1616) provides further history on the rapid growth of EO and subsequent decline in the rest of Eastern Europe. Following the political revolution away from communism in the late 80's, it led to *“the most comprehensive privatization in history and laid the foundation for a new distribution of wealth and power”* whereby companies were given to their employees. However this was rapidly followed by a steep drop in production and wages. This downturn, linked with poor governance structures, enabled strong management to extract capital from the organisation and encouraged

employees to sell their ownership. Therefore EO blossomed and withered quickly. It managed to survive more effectively in Croatia where they already had appropriate legislation and governance structures.

It was a similarly story in Poland. As part of the revolution away from communism, the desire was to turn all of the state owned industries into worker cooperatives, however in order to cope with the crippling debt the country faced, they were in fact sold into western interests, who proceeded to make staff redundant and close them down (Klein 2007).

In the UK, the “Rochdale Pioneers”, are frequently regarded as being the first successful cooperative society formed in 1844; a collection of weavers and artisans who combined their resources in order to buy and sell, however cooperatives originally existed in Scotland dating back to 1761 (Harrison 1969). The Pioneers created the first draft of the cooperative principles which have evolved over time but still bear a clear resemblance to their origins.

In 1929, John Spedan Lewis (Lewis 1948, 1954, Flanders, Pomeranz and Woodward 1968) created what has become the largest UK EOB utilising an Employee Benefit Trust (EOA 2012a) which now has approximately 90,000 partners and sales of £10bn (John Lewis Partnership 2014). The trust is held on behalf of the partners (employees) who receive a bonus based on the profits of the partnership. In 2013, this was 17% of a partner’s annual salary, leading to an average pay-out of £4000 (Ruddick 2013). The partnership’s ultimate purpose is *“the happiness of all its members, through their worthwhile and satisfying employment in a successful business”* (John Lewis Partnership 2013a) and as such, business decisions are constantly checked to see that they are in line with the stated purpose (Erdal 2011, John Lewis Partnership 2013b, Ruddick 2013). The John Lewis partnership is a keen advocate for EO and it sponsors research into the field (for example see Matrix Evidence (2010)) as well as supporting the EOA.

Sunderland Home Care Associates (2016) is an example of a hybrid EOB having both a trust and a direct element of ownership. The majority of shares are held in an employee benefit trust (EBT), to which all employees are beneficiaries but pre-tax profits are then used to purchase shares. These are then given to the current workforce so that employees hold their own personal

level of shares too, dependent on length of service and the performance of the organisation.

These are examples of EO taken from around the world and many more could be cited, Germany, Denmark, Canada and so forth (Erdal 2011). They illustrate that EO is part of the global economy and relevant today, so worth studying.

2.2.1.2 Scale of employee ownership in the UK

Ownership in the UK tends to be broken into two distinct groups, that of Cooperatives (UK Cooperatives) and non-cooperatives (primarily the EOA definition of EO), however both like to share the John Lewis Partnership for its pioneering role and positive contribution to the size of EO. Pendleton and Robinson (2015) report that there are *"around 250-300 firms with significant employee ownership"* in the UK, employing 150 thousand employees and generating over £20bn in sales (EOA 2012a). Whereas Co-operatives UK (2015a) report that there are nearly 7000 Coops, employing 15 million people with a turnover of £37bn and that the cooperative sector has grown 20% since the recession of 2008 (ICA 2013). However this includes all forms of cooperative (for example consumer, producer, worker) hence these figures are over represented. A conservative estimate of worker cooperatives suggests that they account for £146m of business, employing over 6000 people (Atherton 2012). The ICA (2013) suggests a more significant contribution (when John Lewis Partnership has been removed from the figures), that there are 496 worker cooperatives with a combined turnover of £500m. As mentioned in section 1.1, this research specifically focuses on trust, direct and worker cooperative forms of EO.

As such EO is still a relatively niche area of the UK's total economy however it was being promoted by the government that the UK needed to move to a "John Lewis Economy" (Mason 2012). The EOA has a target to increase the turnover of EOBs to £100bn (or 10% of GDP) by 2020 (EOA 2013a) hence it is an area that is growing in importance.

2.2.1.3 Benefits of employee ownership

Employee ownership is argued to have a beneficial effect on both employee owners and the overall businesses but they are not guaranteed. The meta-

research by Matrix Evidence (2010) suggests a number of benefits from EO. However this research is sponsored by two large EOBs that potentially have a vested interest in promoting EO, so there is still a need for independent university led research into the claimed benefits of EO. They report that the most significant benefit for employees is being able to have a voice with regard to management decisions and that employees are better rewarded both financially and intrinsically (for example job satisfaction). Employee commitment and satisfaction "tends" to be stronger in EO organisations than not, but it is unclear if it is a causal effect.

The increased work autonomy leads to better overall employee health or at least does not lead to the detrimental effect on health from a lack of autonomy. This is supported by McQuaid et al (2012). EOBs can also have a positive impact on the surrounding population, suggesting that the concentration of EOBs in different parts of Italy correspond to increased levels of health and life expectancy (Erdal 2011).

EO is seen to have benefits for the commercial performance of EOBs as well (Henry 1989). Performance of EO businesses is at least as good as non-EO businesses and in certain conditions there are productivity gains from EO. This is most obvious when there is a definite link to involvement in decision making. Survival in difficult economic times is at least as good if not better for EO businesses. There is also a suggestion that EO creates conditions which are favourable to innovation within the organisation (Matrix Evidence 2010).

There are, however, well-documented examples of EO businesses that have not survived in the long term (Rosen, Case and Starbus 2005, Blasi and Kruse 2006, Fahey 2009). Erdal (2011) celebrates the paper manufacturing firm Tullis Russell as being a family owned business (since 1809) that transferred into EO in the late 1980s. However a significant part (Tullis Russell Papermakers, employing 374 staff) went into receivership in 2015 as it was no longer economically viable (Tullis Russell 2015, BBC 2015). Similarly organisations can move in and out of EO, subject to approval of the governing trustees if it is considered in the best interests of the employees (Pendleton and Robinson 2015). This was the case of Loch Fyne Oysters, which transferred into EO following the sudden death of one of the two founding owners and then

transferred back into private ownership nine years later in order to gain access to funds required to expand the business (Erdal 2008, 2011, BBC 2012).

McCarthy and Palcic (2012) tell the story of Eircom, the Irish telecommunications organisation that *"despite the substantial shareholding and influence of the ESOP, we find that it has failed to create a sense of psychological ownership among employees"*, this led to short termism, maximising of personal profits and ultimately massive debts rather than a longer term shared view. The governance board were appointed by trade union representatives rather than employees and when employees left the organisation they were able to hold onto their shares, causing over 50% of the "employee ownership" to be owned by ex-employees with a preference for personal profit over employment which was no longer relevant.

Kaarsemaker and Poutsma (2006, p677) also question the benefit of EO suggesting that:

*"Several reviews of studies of the link between employee ownership on the one hand, and HRM outcomes and company performance on the other hand, have concluded that hardly any negative effects have been found, but at the same time that positive effects do not appear to come about **automatically**" (emphasis in original)*

It can be seen that EO is not a guaranteed panacea for solving all of an organisation's problems but it does have potential to bring benefits to the organisation and its employees as well as society in general (Wills 1998, Erdal 2011). Therefore this is a potential reason for an organisation to become employee owned, and this is now discussed further in the next section.

2.2.1.4 Why adopt employee ownership?

In researching the organisational culture of EOBs it is important to appreciate why people choose to adopt employee ownership in the first place as it may have an impact on the culture (Schein 1992). Hyman and Mason (1995) suggest two potential reasons; firstly, *"to enhance workforce performance through the alteration of employee behaviour"* (that is, for purely commercial benefit hoping to gain a perceived competitive advantage as shown in the previous section (Matrix Evidence 2010, EOA 2014)); or secondly, for *"idealistic philosophy"* and moral reasons (Harrison 1969). Under these two broad headings there are a variety of options which are discussed below.

Employee ownership can provide a degree of social justice in response to the excesses of capitalism, in order to reduce wealth inequality and the negative impact it has, as shown by Wilkinson and Pickett (2010). Copeman, Moore and Arrowsmith (1984, p15) point out that:

"...the low popularity of capitalism, in spite of its economic success, does not lie in the nature of competitive enterprise itself, but in the way the tax system and the workings of the capital market together have caused the bulk of the population to be shut out from owning part of the enterprise system. The criticism has lain not on the amount of wealth produced, but on its distribution."

A practical example of this is the John Lewis Partnership and how the founder, John Spedan Lewis, was deeply upset by the huge wage inequalities he saw in the organisation (£2m for three family owners compared to £4000 each for 300 workers). He subsequently chose to transform the business into an EOB, handing over his ownership (£50m in today's money) to a trust (Erdal 2011). Ernest Bader (1975), the founder of Scott Bader, tells a similar story of disillusionment with capitalist values so he also chose to voluntarily give the ownership over to the employees via a trust (Scott Bader 2015). These are both illustrations of a moral response to perceived injustices that could be partially rectified through moving to EO.

Adler, Forbes and Willmott (2007, p157) define capitalism as:

"a form of society characterized by wage employment (thus domination by the class of owners, as distinct from cooperative ownership) and competition between firms (thus domination by the anarchy of the market, as distinct from democratic planning)".

As a form of social innovation, EO confronts this definition head on via cooperative ownership and with the class of owners being the same group of people as the employees. Employee ownership challenges the standard Master/Servant employment contract, since the employee holds both roles simultaneously (Ellerman 1997). It is an attempt to move from the position where capital buys labour to where labour buys capital. In fact it seeks to challenge the whole employment relationship and alters the balance of power to that of one of democratic sharing (Erdal 2011, Jensen 2011a). Bader (1975, p227) similarly questions the values of wage employment:

"The wage system takes almost everything for granted; it is all too common to speak of obligations and rights, of duties and hours of work."

In a family, such a state of affairs would be strange since, ideally whether rich or poor, there is a natural concern for all."

At the same time, Vanek (1975, p364) wrote similarly, proposing a *"labor-managed system"* that is *"at worst equal to the western-type capitalist system"*. The emphasis being on maximised income per worker rather than total overall profit. However in times of recession this can lead to downsizing the organisation in order to maintain the individual profit level for the remaining employees and casting aside the redundant ones (Vanek 1977). Post Yugoslavia, is this the preferred strategy for EO in the UK now?

Principle 6 of the ICA's cooperative principles (ICA 2014) states that there should be *"Cooperation amongst cooperatives"*. This provides an alternative to the *"anarchy of the market"* whereby cooperatives actively work together to support each other. An example of this is in seen in the Italian worker coops where *"When labour must be laid off, other co-ops come under strong moral pressure to take on extra workers or even to absorb a whole co-op"* (Holmström 1985, p10). Similarly the Mondragon cooperative members pay a tax (in 1985 it was 2.35%) to the social security cooperative (Lagun-Aro) which is then responsible for relocating redundant members into other coops (Whyte and Whyte 1988). This is different to the standard market approach of letting failing organisations simply go to the wall.

Ellerman (1997, p1) argues for an economic democracy, *"A market economy where the predominant number of firms are democratic firms"*, in order to renegotiate the employer-employee relationship so that employers no longer *"hire"* human beings but they can become members of the organisation . EO where EOBs reportedly give their employees influence via a voice could therefore be a step towards this. Similarly, Johnson (2006) argues for organisational democracy which ultimately spills over into a *"democratic culture in civic life"*, once again employee owners who are democratically involved in the governance of the organisation will exhibit this.

However EO can be construed negatively, simply as a means of tax avoidance. The offer of a proportion of ownership has been used as a mechanism for exchanging employment rights for possession (for example reduced wage increases for share options). A recent example of this in the UK was the selloff of Royal Mail where employees received 10% of the ownership

in exchange for changes in working conditions (Parker 2014). Another example of this brings into question, for whose benefit is the EO for?

“One of the few businesses to start using the scheme is private equity owned fruit firm Whitworths, where eight senior executives have been handed stakes as part of a £90 million sale. They won’t have employment rights, but they will – entirely coincidentally - be exempt from capital gains tax when they sell their shares.” (People Management 2013).

Slott (1985) argues that although EO may be good for the employees of an EOB, it weakens the power of trade unions in general and as such is bad for employment overall. However from their experience of the UK bus industry Pendleton, Robinson and Wilson (1995) disagree. They found that organisations that transferred into EO, kept their existing union roles which could actually become stronger with a greater voice.

Sauser (2009) questions whether EOBs can maintain a truly democratic structure as they grow larger and individual voice diminishes whilst some form of management power rises up instead. Ultimately he sees that this could then degenerate into an abuse of power by a few with no distinction from a traditional organisation. Although he does suggest that EO might be the *“ideal blend of capitalism and communitarianism”*. It is also recognised that capitalism has different emphasises around the world, for example *“the Japanese see capitalism as a system in which communities serve customers, rather than one in which individuals extract profits”* (Hampden-Turner and Trompenaars 1994, p167) the latter of which is a more Anglo-American perspective and this research, based in the UK, fits into.

EO may lead to a fairer society, as Spedan Lewis (1957, p1) said in a radio broadcast

“The present state of affairs is really a perversion of the proper working of capitalism. It is all wrong to have millionaires before you have ceased to have slums.”

Using Wilkinson and Pickett’s (2010) information Erdal (2011, p243) picks out social problems (suicide rates, drug abuse, prison population) that would benefit from *“a better, fairer distribution of wealth”*. In classically owned companies large wage disparities can exist. In 2009 the average pay for FTSE 100 chief executives was 88 times that of the UK median pay, up from 47 times just ten

years earlier (Armstrong 2012). In 2016, People Management (2016) put the average FTSE 100 CEO pay as 183 times that of the “typical” employee. Bratton (2015, p253) goes further in his example of an American CEO who received 1795 times the lowest paid worker in the organisation (\$53m compared to \$20k) and who was then subsequently laid off for underperforming. Would a democratic EOB allow such an extreme disparity to happen (Dietz, Cullen and Coad 2005, Norton and Ariely 2011)? In large EOBs the ratio between the highest paid and lowest can be dramatically different. In John Lewis the ratio was capped at 25:1 until recently (Cathcart 2009) but has now been extended to 75 times with the bi-annual option to dismiss the chairman by the elected board for under performance (John Lewis Partnership 2014). Ridley-Duff and Bull (2015) note that the ratio at Mondragon has always been less than 10 to 1 and averages just 5:1, which has to be agreed by all members via a vote. Stiglitz (2013) in the USA and McDonnell, Macknight and Donnelly (2012) in the UK report that wealth inequalities have been seen to be widening in recent years; as Oakeshott (1975, p293) pondered *“what differentials would result in Britain if they were decided by even a partially democratic voting system, as at Mondragon?”*

Therefore, choosing to create or become an EOB could be for a variety of reasons; social justice, personal moral conviction, a desire for a more democratic society, improved organisational performance, a reduction of wealth inequalities, community benefit, increased personal gain, tax avoidance or a reduction in workers power. Therefore having a greater understanding of EO would be beneficial to employers, employees and society in general.

2.2.1.5 How EOBs are instigated

The EOA (2015a) highlight how organisations can become employee owned at different points in the business lifecycle (Cornforth et al. 1988). These include:

- **Start-ups** - where the founding partner(s) deliberate set out to create an EO company from scratch.
- **Growth** - Utilising the positive features of EO to obtain and retain key employees.
- **Public service spin-out** - On conversion from public service to an external organisation (Pendleton and Robinson 2015).

- **Succession** - where private owners chose to leave the organisation or retire. This is the most frequent route into EO (EOA 2015b) however it does not guarantee that the option will be welcomed by the current workforce.
- **Insolvency or closure** - using an employee buyout or worker-take-over to extend the life of a failing organisation (Paton 1989, Wills 1998, Jensen 2011) or one threatened with being sold off to a competitor or closed down on the retirement of the owner. By sharing ownership amongst all the employees and writing the deeds of the trust in such a way that the organisation cannot be sold, this provides a level of protection of employment to the employees (Aubert et al. 2014).

Each scenario brings different challenges to face with regard to the conversion to EO and subsequent psychological adoption of ownership (Pierce, Rubenfeld and Morgan 1991). According to Schein's (1992) definition of culture concerning new members being taught successful ways to work, previous experience clearly has an impact on the current culture, so the history of the organisation is important. Hence at the point of becoming employee owned, the culture will either have carried on from before, to a greater or lesser extent, or been initiated by the founding workforce. This will be relevant to the research. This section has provided a background to EO in general, it now turns in detail to look at the specific models that are relevant to this research.

2.2.2 Types of employee ownership

As previously mentioned there are different ways in which employee ownership can be operationalised and these fall into three broad models of ownership. They are: cooperatively (or mutually) owned, directly owned and trust owned (also known as indirectly owned). They differ in the way that shares (or equity) are acquired by employees as well as the amount an employee can hold. They also have different ways of financially rewarding the employees based directly on their stake in the organisation. As Toscano says, quoted by Pierce, Rubenfeld, and Morgan (2009, p130), *"Different forms of ownership have different effects on companies and their work force"* and a significant aim of this research is to understand how the ownership model influences the culture of the organisation. Therefore a clear understanding of the three ownership models is important and provided below.

2.2.2.1 Cooperative ownership

There are various forms of cooperatives based on who is eligible for membership, for example consumer cooperatives, producer cooperatives, worker cooperatives, client cooperatives and mixtures thereof. This research focuses purely on worker cooperatives, as it means the workers have the greatest influence on the cooperative and not external shareholders. Ellerman (1997, p68) defines worker cooperatives as

“a cooperative where the members are the people working in the company, and where patronage is based on their labor as measured by hours or by pay.”

Cooperatives have been traditionally created along ideological lines (typically formed in the 1970s in the UK) or more pragmatically simply as an effective business model (formed more in the 1980s). Cornforth et al. (1988) found that the average size of a worker cooperative was only seven people. Membership may require a capital investment by a new member, which can potentially exclude people, or a nominal £1 share is often used, with the capital being raised elsewhere. This can be a particular issue for cooperatives, as banks can be reluctant to loan money to them due to the poor equity to loan ratio (Ridley-Duff 2009). In addition, coops may not have an equal distribution of ownership amongst members, although all the coops in this research are equal and so membership was a purely nominal cost (Paton 1989). Similarly it looks at cooperatives where the entire ownership is within the workers and not held externally, so that it is not diluted or subjected to external control due to ownership.

The initial share value (whether £1 or a share of the true cost) is typically offered at “par value”. This means that it cannot accrue in value and prevents any desire for the cooperative *“being run mainly for the purpose of increasing the value of the shares (just like an investor-owned business)”* (McDonnell, Macknight and Donnelly 2012) and instead allows it to be focused on the values of cooperatives.

Cooperatives follow a set of internationally agreed principles; the most recent version declared by the International Co-operative Alliance (ICA) in 1995, has 7 principles (ICA 2014):

1. Voluntary and open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and independence
5. Education, training and information
6. Cooperation amongst cooperatives
7. Concern for community

These principles were adapted by the ICA (2005) to specifically cover the characteristics of worker cooperatives and are reproduced below:

1. They have the objective of creating and maintaining sustainable jobs and generating wealth, in order to improve the quality of life of the worker-members, dignify human work, allow workers' democratic self-management and promote community and local development.
2. The free and voluntary membership of their members, in order to contribute with their personal work and economic resources, is conditioned by the existence of workplaces.
3. As a general rule, work shall be carried out by the members. This implies that the majority of the workers in a given worker cooperative enterprise are members and vice versa.
4. The worker-members' relation with their cooperative shall be considered as different to that of conventional wage-based labour and to that of autonomous individual work.
5. Their internal regulation is formally defined by regimes that are democratically agreed upon and accepted by the worker-members.
6. They shall be autonomous and independent, before the State and third parties, in their labour relations and management, and in the usage and management of the means of production.

Therefore worker cooperatives are characterised by their adherence to the ICA (2005) principles and have a focus on democratic governance usually made upon a one member/one vote basis (Ridley-Duff and Bull 2011). Profit is shared in a manner agreed amongst the membership.

2.2.2.2 Direct ownership

In directly owned organisations, employees possess personal shares in the organisation. They can either be purchased voluntarily or mandated to be purchased as a condition of continuing employment or given to the employee as part of the overall reward package (Shields 2007). The cost of share purchase can be a barrier to ownership so organisations sometimes provide loans to help support employees. Often there is a limit on the amount of shares an individual can hold, specifically to stop them obtaining a controlling share in the organisation, therefore denying liquidation and transfer rights (Gates 1998). Paton (1989, p102) refers to direct ownership as “*Worker Capitalism*”.

Organisations provide a mechanism to enable employees to buy and sell shares, often this is time limited (for example during one day or month in the year). Typically when an employee leaves or retires there is an agreed plan to return the shares, either immediately or over a period of time (Ellerman 1997). The employee gains personally from this ownership in potentially receiving an annual share dividends as well as benefiting from any increases in share value when they are sold, however they can also go down in value, losing the employee money. If governance is based on a one share/one vote basis, it can lead to a potentially uneven distribution of power, limiting some people’s voice (Johnson, Scholes and Whittington 2008).

Therefore direct ownership is characterised by personal ownership of a variable quantity of shares, that provide a dividend as well as potentially gaining in value over time, that can be extracted from the organisation by selling them back (Pendleton and Robinson 2015).

2.2.2.3 Trust ownership

An Employee Benefits Trust (EBT) is a legal arrangement whereby ownership of an organisation is held on behalf of the employees, typically by a board with appointed trustees (Nuttall 2012). The governance and purpose of the trust is defined within the Trust deeds, which may require specific requirements to be upheld. For example the John Lewis Partnership, a well-known UK Trust owned organisation, has a list of defined principles that can only be changed through the democratic process; they include Principle 1 –

“The Partnership’s ultimate purpose is the happiness of all its members, through their worthwhile and satisfying employment in a successful

business. Because the Partnership is owned in trust for its members, they share the responsibilities of ownership as well as its rewards – profit, knowledge and power.” (John Lewis Partnership 2013a, p7).

All decisions in the organisation are reviewed against this principle to see that they are consistent with it.

Trust ownership is an effective way of handling business succession. In this scenario, the retiring owner can sell their shares to a trust which uses a loan to pay for the purchase. The profits of the organisation are then used to initially pay off the loan and ultimately provide a dividend to employees (Rosen, Case and Starbus 2005, Erdal 2011). In the case of the John Lewis Partnership, the owner (John Spedan Lewis) deliberately chose to donate all of his shares to the trust thereby avoiding the need for the trust to commence its existence in debt (Lewis 1948, 1954).

Trusts can have a defined duration (a maximum of 125 years) or be in perpetuity and on completion the trustees can choose to allocate the shares to the employees directly, create a new EBT or, give them away to charity (Nuttall 2012). The trustees also determine the dividend that each employee receives.

Trust ownership is also known as indirect ownership, in contrast to direct ownership explained above. It therefore allows employees to benefit from the trust (as beneficiaries) however ownership is not personally held by the actual employees but by the trust instead (Pendleton and Robinson 2015).

2.2.2.4 Ambiguity in ownership

The three models presented above represent different methods of achieving EO however in reality the situation is much more complex. In their purest form, EO organisations would be entirely owned by the employees, but external ownership of a portion of the organisation is still possible. This may be due to initial investors maintaining a stake, retired or leaving employees retaining shares, venture capitalists buying a share or for a variety of other reasons (McCarthy and Palcic 2012).

Similarly, more than one model of ownership can be in operation at the same time, thereby creating hybrid models. For example the EOA recognises a fourth model of “hybrid ownership” (McDonnell, Macknight and Donnelly 2012, EOA 2012b, Pendleton and Robinson 2015,). This is a mixture of trust owned

and directly owned, which benefits from allowing employees to purchase their own shares and also provides a repository for any currently unallocated shares, which are then held in trust for the benefit of all employees. Hence in this scenario employees may receive a dual benefit of reward from their personal shares as well as a dividend on the shares held centrally. This can lead to an ebb and flow of shares from the trust to employees, providing an ever changing situation. In addition thought is required in order to ensure an appropriate democratic influence, considering whether some employees get a double vote through the trust and their personal share ownership.

Again though the EOA (2012b) model is too simplistic, since hybrid models can exist between each of the three primary types. Worker cooperatives can themselves be members of other cooperatives. For example the Mondragon Cooperative Corporation in Spain is a cooperative of coops (De Normanville, Wren and Ridley-Duff 2015). Each member coop is primarily owned by its workers and the secondary coop, which will have seeded the initial creation with start-up funding. Profits from the organisation are not paid directly to the employee in cash but held on their behalf in an “internal capital account” that accrues interest which is similar to an employee holding a share in the direct model (Ellerman 1997, Ridley-Duff and Bull 2015).

Cooperatives do not have to have an equal equity share distribution between members and the cost of joining can be a true percentage of the value of the cooperative. Hence this is more akin to a direct model however voting is restricted to “*one member one vote*” and is not affected by the amount of shares held (Co-operatives UK 2015b). Nor does the surplus distribution have to be shared equally amongst members; it can be defined within the articles of the coop, making it more aligned to a trust model.

As part of the contested definition of exactly what EO is, it has only been in the last five years that the EOA has fully recognised worker cooperatives as part of the EO sector. During their sponsored study of the effect of EO on organisations (Matrix Evidence 2010), the EOA specifically requested that during the data gathering phase it “*Exclude studies of worker co-operatives*”. Similarly in 2011, the UK government stated that there are “*two main types of employee ownership*” (BIS 2011), which are direct and indirect. Hence outside

the cooperative world, worker cooperatives are not as well recognised although John Spedan Lewis (1954) created the John Lewis Partnership as a *“Producer-Cooperation, as a method of sharing more fairly”*. Since it is the largest employed owned business in the UK and a vocal supporter of EO (John Lewis Partnership 2013c), the EOA have been keen to embrace it but still do not make specific reference to worker cooperatives within their definition of EO (EOA 2015a).

The influential Nuttall (2012) review, investigating the barriers to growth of the EO sector, only acknowledges direct, indirect and hybrid (direct and trust) models. The response by the UK government still makes a distinction between *“employee ownership and cooperatives sector”* (BIS 2012). More recently though in collaboration with the EOA, Pendleton and Robinson (2015) recognise four forms (direct, indirect, membership/mutual and hybrid) in their survey of EO in Britain.

The purpose of this research is to investigate organisational culture within EOBs, specifically considering how the ownership type might influence the culture. Therefore to provide the greatest contrast between the types, hybrids are avoided (as far as possible, although practically this is not straightforward) and only the three initial theoretical models (worker cooperative, direct and trust) are used, to attempt to provide a clearer distinction between them. Table (2.1) below summarises the different forms of ownership prior to fieldwork.

EO Type	Gain ownership	Reward	Hybrid (?)
Cooperative	Purchased (either nominal value £1 or % of actual value).	Share of surplus	Cooperative of cooperatives.
Direct	Purchased via shares in the organisation	Share dividend and increase in share value on sale.	Yes with trust type.
Trust	Ownership remains with the trust but the benefits are given to all qualifying employees.	Bonus determined by trust from the profit created.	Yes with Direct type.

Table 2.1 Summary of ownership types⁴

2.2.3 Rights of ownership

What does ownership actual offer? Gates (1998) defines ownership as providing a collection of rights (see also McDonnell, Macknight and Donnelly (2012)). These are revisited (from section 1.2.3) and reviewed from an EO standpoint below since the expectation of rights feeds into underlying beliefs and assumptions and hence culture (Schein 1992).

- **Liquidation** Upon liquidation employee owners would have greater rights to obtain a portion of the remaining value of the organisation than if they were just employees since they are shareholders as well, entitling them to a preferred status as well as residual value after creditors are paid.
- **Appreciation** The direct form of ownership does give appreciation rights to owners who are able to sell their personal shares. This does not apply to trust (as individuals have no shares) and cooperative (those that have a nominal £1 fixed price share) employees. In this way direct owners can receive recognition for their entrepreneurial effort. Sauser (2009) suggest that this can also lead to a conflict of interests whereby employees are supporting the ongoing profitability of the organisation for the long term whilst seeking to maximise their own personal income in the short term.
- **Transfer** As owners do employees have a right to transfer some of their shares elsewhere or alternatively, prevent the organisation being transferred into different ownership? Again direct ownership allows employees to have personal shares. However whether they can be transferred outside of the organisation is a question to be determined during the research. Cooperatives and trusts do not normally allow shares to be owned outside of the trust or cooperative itself. This control does give employee owners a say in whether the organisation is partially sold off or even prevented from being sold off. Cathcart (2009) tells the story of a single employee that raised the question of whether the entire John Lewis Partnership could be transferred into private ownership, potentially realising £100,000 for every partner. It was prevented by the

⁴ Note this table is revised in chapter 8 following the fieldwork.

constitution and the requirement upon the chairman to resist any such attempt. However Eaga (an EO organisation) was sold externally by the elected trustees, who considered that they were acting on behalf of the employee owners. However when the workforce became aware of the deal, they were able to negotiate a continuing stake (in the form of a trust) in the organisation, thereby preventing a complete transfer of ownership (Ridley-Duff and Bull 2015). Sauser (2009) advises that EOBs should *“Create an organizational structure that shares power among several bodies, and thus limit its concentration”* which he sees as a way of avoiding the conflict of interests of a single power base as well as reducing the scope for the potential abuse of that power, including selling the organisation off. This is seen in the tripartite governance structure of both John Lewis Partnership and the Mondragon cooperatives (De Normanville, Wren and Ridley-Duff 2015). Therefore EO does provide additional rights to employee owners to be involved in the decision to transfer shares.

- **Income** What right do employees have to receiving an income based solely on being an owner, rather than just a wage which is earned? As employee owners, they have the same right as external owners to a share in the profits generated, this is potentially more than a non-owner but employee ownership on its own does not guarantee in sharing dividends. This is seen in the recent NHS spin offs, that are declared as not for profit from the outset (Cooper and Robinson 2013). For an example see Spectrum Health (2015) in Wakefield. However this research specifically focuses on “for profit” organisations so that there is a link between ownership and potential, personal financial gain in order to see its influence on culture. If there is no possibility of personal gain then it could be expected that it would have an impact on the culture as well.

Therefore EO does give employee owners greater rights than would normally be given to an employee in a traditional investor-led organisation. Possession entitles possession of the organisation as well as possession of the fruits of the organisation and not simply a wage (Kaarsemaker and Poutsma 2006, Erdal 2011). By providing a voice, EO gives a level of influence within the

organisation. Share ownership without control rights “*make little difference to the pattern of worker layoffs and management practices*” (Ridley-Duff and Bull 2015, p99). However that influence can be enacted in multiple ways.

Do employee owners have rights to vote on decision and be involved in the governance of the organisation? Pierce, Rubinfeld and Morgan (1991) suggest that being able to exercise influence (control) is a key tenet of EO and therefore employee owners should have greater involvement in the running of their organisation over that of a traditional investor-led organisation. Control may or may not be enacted through voting but other mechanisms yet to be determined in the field. Do employee owners have equal influence or does it alter depending on the level of ownership? Are voting rights linked to the amount of ownership or are they simply “one person, one vote”?

Ridley-Duff and Ponton (2013, p13, 24) developed a theoretical framework showing varying depths of participation (reproduced below in table 2.2). To what extent do the different ownership types encourage participation in the management and governance of the organisation?

Level	Depth of participation
1 - No involvement	A management style where members/employees are not invited to meetings or elected to management bodies to contribute to operational or strategic decision-making. Typically, staff are not provided with any verbal or written guidance by managers and/or governors before decisions are made.
2 - Passive involvement	A management style where members/employees are provided with both written and verbal guidance by managers and/or governors, but are not invited or elected (individually or in groups) to contribute to operational or strategic decision-making.
3 – Active Involvement	A management style where members/employees (individually or in groups) have discussions about (pre-formed) management proposals, but are not invited or elected to participate in the formation of these proposals, or final decisions about their implementation.
4 - Managed Participation	A management style where members/employees (individually or in groups) can participate in the development of ideas, and where managers focus on coaching members/employees to develop

	their ideas into proposals, and support them during implementation. Managers retain some powers to screen-out weak proposals.
5 - Member-Driven Participation	A management style where any member/employee (individually or in groups) can initiate discussions on operational or strategic issues, arrange and participate in meetings to develop proposals, and exercise both voice and voting power when decisions are made about implementation.

Table 2.2 Depths of participation (Ridley-Duff and Ponton (2013, p13 & p24)).

Greater involvement is not necessarily a good thing though. Hyman and Mason (1995) see empowerment as a form of employee involvement whereby employees are given individual job ownership with a view to improving the organisation. From their experience, empowerment is used where management layers have been removed and is therefore a form of work intensification. This can have two negative effects; additional stress from the responsibility without any extrinsic reward being given and secondly, being held responsible for any failures, rather than the deficiency of managerial support.

What information is made available and who and when can they access it? Pierce, Rubinfeld and Morgan (1991) suggest that information access is a vital part of ownership and it would therefore be expected to be more available than in a non-EO organisation. There may however be restrictions on what employee owners have access to and considerations on the timeliness of information. Within the John Lewis Partnership, employees can write to the chairman requesting information which has to be supplied or an acceptable explanation given for not doing so (John Lewis Partnership 2013a). Therefore it is expected that employee owners will have greater access to information than normal organisations and this will be reviewed in the field.

2.2.4 Employee ownership summary

The section above has provided a background to what employee ownership is; its different forms; where it came from and its current standing in the UK. This is the foundation to the research, which focuses exclusively on the three specific types of ownership (cooperative, direct and trust) and so is required in order to understand the rest of the investigation. The aim of the research is to understand how the ownership types influence culture, so attention is now turned to look at the literature on culture and its intersection with EO.

2.3 Organisational culture

Watson (2001, p32) provides a sombre warning regarding the creation of cultures in society,

“a process which involves power, violence and intimidation, in which regularly see some human groups winning out over others in the competition for scarce and valued resources, for power and for the freedom to define meaning for others.”

How is culture created and maintained within EOBs? In this initial look at organisational culture, three theoretical models are described and reviewed; those of Schein (1992), Johnson, Scholes and Whittington (2008) and Martin (2002). There are many more that could be selected (for example Deal and Kennedy (2000), Hatch (2010)) however these are selected as being significant signposts in the development of the topic and widely acknowledged by other authors (for example Ouchi and Wilkins (1985), Kahn (1990), Bratton (2010)) and each other). It is expected that during the findings chapters (5, 6, 7, 8 and 9) a wider spread of literature will be brought to bear but for this inductive research only a limited amount will be considered initially.

2.3.1 Schein's model of culture

Schein (1992, p12) defines the culture of a group as,

“A pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems”.

As such he sees it as being made up of three levels that move from surface and visible to deep and unobservable:

- Artefacts
- Espoused Beliefs and Values
- Basic underlying Assumptions

Schein (1992, p26) suggests that you can learn about culture through studying all three levels of culture however the *“essence of a culture lies in the pattern of basic underlying assumptions”* and it is only after grasping these that the other two levels can be appropriately understood. Artefacts are easy to observe but can also be misinterpreted when trying to understand the underlying

assumptions. This study is looking to uncover the underlying assumptions within the culture and how EO might influence those assumptions.

Looking specifically at worker coop culture Whyte and Whyte (1988, p270) provide a definition that is similar to Schein's, *"the culture of a people is a system of widely shared beliefs and values and a set of characteristic behaviours used in organizing social processes"*. Caramelli and Briole (2007, p296) recognise the influential nature of values and the impact they have, hence the importance in selecting them, as far as is possible,

"By setting the rule of what is good and bad, important and unimportant, etc., values are considered as the determinants of attitudes and behaviours in determinate situations. They are therefore likely to moderate the attitudinal and behavioural effects of management practices".

Within EO who determines the outwardly declared values? Is it management or are all employee owners involved in defining them?

In line with Schein's understanding of teaching new recruits how to behave, Gibson et al (2006, p41) define socialization as *"the process by which organizations bring new employees into the culture"* and it is made up of three stages: anticipatory (both employer and employee finding out about each other prior to starting work); accommodation (what happens as the employee starts work) and role management (how the employee adapts to balance their life inside and outside of work as well as adapting to working alongside different departments). Each of these stages is relevant to the recruitment and performance of an employee owner and their adoption of the psychological element of ownership.

2.3.2 Johnson et al. Cultural web

Johnson, Scholes and Whittington (2008) build on Schein's understanding of culture and refer to the *"organisational paradigm"*, by which they mean the *"set of assumptions held in common and taken for granted in an organisation"* this is in effect Schein's basic underlying assumptions. As a way of being able to analyse an organisation's culture they proposed the *"cultural web"* (see figure 2.1 below) which illustrates the *"behavioural, physical and symbolic manifestations of culture"*. The different "petals" of the web provide useful

lenses through which to look at the culture of the EOBs and can help form questions to be asked during interviews.

[Figure removed for copyright reasons.]

Figure 2.1 “Cultural web” (Johnson, Scholes and Whittington 2008).

Are there cultural **symbols** that relate to employee ownership? How is **power** distributed within the organisation? To what extent does EO affect it? Are the **organisational structures** altered by being EO? Is it more hierarchical or less or something completely different than would be expected? What **control systems** are used for monitoring and supporting members of the organisation, such as Key Results Areas (KRAs) and Key Performance indicators (KPIs) (Shields 2007)? How are they influenced by EO? Are there **Rituals and Routines** that relate to being EO? Are there **Stories** relating to EO that provide good examples of the culture; either heroes of the culture, villains (that demonstrate anti-culture), mavericks (who demonstrate a different way of doing something), successes (reinforcing the good) or failures (warnings against the bad)?

2.3.3 Martin’s view of culture

Martin (2002) lays a significant foundation for researching organisational culture both theoretically and practically. She identifies eleven different definitions of organisational culture, in addition to her own definition of culture,

“patterns of interpretation composed of the meanings associated with various cultural manifestations, such as stories, rituals, formal and informal practices, jargon, and physical arrangements” (Martin 2002, p330).

This multiplicity of definitions helps to explain some of the controversy and confusion surrounding the subject.

To help understand Martin’s definition it is important to recognise that patterns of interpretation are

“collectively shared mindsets which are neither accidental estimations nor selective individual opinions. They are implicit and normative in that they guide human activities” (Fuchs 2013).

Hence they are shared understandings of cultural indicators that are potentially accessible to anyone in the organisation if they are available and these then guide the actions of the actors involved. To be part of the culture the mindset

must be recognisable among more than just one person, if not, it is an opinion rather than a shared understanding.

Several of Martin's listed definitions also emphasise the shared nature of culture amongst the participants. For example, Sathe (Martin 2002, p57) states,

"Culture is the set of important understandings (often unstated) that members of a community share in common".

These understandings are interpretations of unwritten rules that exist socially, but have a physical manifestation and outworking. Davis (Martin 2002, p57) says

"(Culture is) the pattern of shared beliefs and values that give members of an institution meaning, and provide them with the rules for behaviour in their organization".

However conflict and ambiguity can also form the culture. Mills (Martin 2002, p57) says,

"Ideas and cultural arrangements confront actors as a series of rules and behaviour; rules that, in their contradiction, may variously be enacted, followed or resisted".

Different actors can interpret the rules independently, as well as having different motivations for choosing to follow or reject them. They can actively desire to be anti-cultural but in so doing there is recognition that there is still a culture with defining rules.

Martin (1992) proposes three different views for looking at organisational culture; Integration, Differentiation and Fragmentation⁵. The views all differ in the way that they consider "*Orientation to consensus*"; "*Relation among manifestations*" and "*Orientation to ambiguity*". They are:

- Integration – There is only one legitimate culture which is consistent across the whole organisation although this does not necessarily mean that it is accepted by everyone within the organisation but it has the consensus particularly amongst management. Consequently, those elements that are not accepted do not form part of the culture or alternatively the employees ("lower-level employees") are not researched so that deviations from the norm are not identified.

⁵ These different views are clearly illustrated in the paper by Harris and Ogbonna (1998).

- Differentiation - culture is defined with sub-groupings of the whole which can either help, hinder or be independent of each other although Martin points out that this is not as simple as a collection of individual “Integrational” cultures as people will belong to many different sub-cultures.
- Fragmentation – *“(where there is a) focus on ambiguity; complexity of relationships among manifestations and a multiplicity of interpretations that do not coalesce into a stable consensus”* (Martin 1992, p130).
Fragmentation is more akin to a postmodern view of organisations, a position Martin (1991) chose to explore further as her academic career has developed.

Martin (1992) uses each of these three views in turn to analyse an organisation that she researched to show how they illuminate different aspects of culture. She further points out that some papers written will use only one of the views. For example, Schein (1992) reflects on his time at DEC using an integration view; Van Maanen (1991) explores the different sub-cultures within employees of Disneyland and Hatch (1999) compares organisational structure to improvised jazz but her strong recommendation is that all three views should be used to give a better understanding.

2.3.4 Critique of culture

Schein's (1992) integrationist view of culture is contested by many authors. Martin (1992, p165) considers that this view is a *“relatively unlikely scenario (consistency, organization-wide consensus, the absence of ambiguity)”*. Van Maanen and Barley (1985, p32) suggest that even though the expression “organisational culture” implies a single and unique culture, it is *“difficult to justify empirically”*. They expect sub-cultures to be *“scattered throughout an organisation”*, potentially based around function, gender, divisions and/or locations. Louis (1985) points out that a unique culture would necessarily be visible anywhere and therefore by talking to just one group of people, it will become revealed. Hence talking just to management would be sufficient, thereby ignoring the employees' voices. She also questions whether a singular culture can be a determining force within an organisation.

Van Maanen and Barley (1985) prefer the differentiated view, illustrated via a Venn diagram showing sub-cultures that at some points (in time, location,

people group, values) overlap. Any elements of a common culture would be where all the sub-cultures overlap, if that is possible. Therefore, they do not entirely rule out a unitary culture and suggest that it would require specific circumstances: where participants face the same issues; where everyone communicates with all other members (implying a smaller organisation); where participants agree on a set of behaviours and during a crisis. Alvesson (2002, p164) also discounts the integrationist view and prefers to recognise the differentiated view as well as giving tacit recognition to the role of ambiguity and hence the fragmented view. However, as he points out, if there is total ambiguity and fragmentation with no consensus, then there is in effect no culture either and there must be "*some modest degree of shared meaning*".

Martin and Siehl (1983, p52) take issue with the integrationist view, that of "*unifying the diverse elements of an organisation*" and that there can only be one culture per organisation which can be intentionally managed through actions. They also question the link between some cultures causing greater organisational performance and they assert that "*the most that can be expected is that a manager can slightly modify the trajectory of a culture*" (ibid 1983, p53). They prefer to acknowledge the existence of sub-cultures and countercultures that can help to define the boundary of a dominant culture.

Schein (1994, p342) does not agree with Martin (1992) though, suggesting that the three views proposed by her are more dependent on the research method being used -

"Integrationists are more ethnographic and clinical, while the differentiationists and fragmentationists work more closely in the positivist quantitative and qualitative tradition."

I consider the fragmentation view is postmodern and therefore comes from a subjective ontological and epistemological position. Cleaveland (1994) concurs that by looking at all three views it enables a "*blending of modern and postmodern perspectives*". Ybema (1997) and Ashkanasy (2003) also disagree, saying that that any cultural research that chooses to only use one perspective is not necessarily "*flawed*" but it will lack the three dimensions that Martin (1992) proposes "*is both possible and desirable*".

McDonald and Foster (2013) apply the “cultural web” to each of Martin’s three perspectives. In the Integrationist view they suggest that it is helpful for creating a schema to describe a culture or for comparing two culture (past and present, present and future desired or two different organisations). The differentiated view will create multiple webs, reflecting different groupings within an organisation and they concluded that the web was suitable for handling conflicting opinions, unresolved issues and other ambiguities that are found in the fragmented view.

Grey (2013) quotes Smircich saying that she sees that culture can be seen in one of two ways, either as a “*critical variable*” that can be managed or a “*root metaphor*”. In the first case organisations have cultures that can be managed (a managerialist view) or as Grey suggests manipulated. In the second case 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, Bratton 2010). The purpose of this research is to understand the organisational culture of different types of EOBs, in that sense it is a culture.

Ybema (1997) explains that the dissent on views is partly due to the purpose of the research, be it either theoretical or pragmatic. The purpose of this research is to observe what cultures exist within EOBs and then attempt to provide suggestions for effective working within the sector for managers. Hence this is fundamentally a pragmatic stance using the integrationist lense. It acknowledges the differentiated and fragmented views but looks for the intersection within Van Maanen and Barley (1985) Venn diagram of consensus and hence depicts culture as a tool or variable of management that can be managed (Nord 1985).

Charlie Mayfield, the current chairman of the John Lewis Partnership, told the following story (Mayfield, Purnell and Davies 2012, p216):

"I was speaking the other day to a woman who worked a shop that we acquired from a competitor. She said that with the old company, she came in to work on time, she did her hours and then she went home straightaway. Now she usually comes in early, she usually stays late, she gets involved in a whole lot of social activities around the shop, which we encourage, and I'm absolutely confident that she is contributing a lot more than she did before."

He mentions that employee owners have rights as well as responsibilities “to do their job **better** every day” (emphasis in the original) but are the responsibilities balanced or a form of management abuse? Grey (2013, p68) is scathing in his opinion of the abuse of value manipulation to achieve culture management,

“Culture management imagines a world in which shared values are directed towards the goal of productivity, whether as quantity or quality. So, suddenly, the goal of freedom and empowerment envisaged by culture management takes on a new hue: these supposedly progressive goals are only on offer if the employees accept that their efforts must be directed towards the profitability of the company... And this is the thing about culture management. It is based upon the idea that cultural values are hierarchically defined - that is defined by senior managers or by head office.”

Watson (2006, p283) raises a similar ethical concern regarding manipulation, “given the considerable difference in power between corporate employers and individual employees”. Willmott (1993) too likens culture management to an Orwellian 1984, totalitarian state. The primary focus of his article is a review of the ideas raised in the book “In Search of Excellence” by Peters and Waterman⁶ (1982), in which “successful” organisations were studied, and from that it is suggested that creating a “strong culture” is beneficial. A strong culture being one where there is significant alignment between an employee’s held values and the corporate values, and hence the employee will exhibit organisational commitment and outperform organisations that do not have such a “strong” culture. Storey (2007) sees that within HRM, managing culture is “*more important*” than managing via procedures and systems in obtaining the discretionary effort that committed employees bring.

Clegg, Kornberger and Pitsis (2005) point out a potential pitfall of having a strong culture though, if the culture has blind spots that encourage employees to work unethically or take unacceptable risks. They cite the example of Barings bank, brought down by the actions of one person, when the pervading culture relied on expecting people to do the honourable thing rather than checking to see if they were. Kotter and Heskett (1992) also question whether strong culture leads to excellent performance, especially if the “cultural drummer” is heading in

⁶ Twenty years later Peters (2001) went on to discredit the reliability of his own work.

the wrong direction! Their research found that companies with a “weak” culture could still have strong performance.

Returning to Grey's (2013) quote above, is this still true for EOBs? Is profitability the only desire of the company and is it hierarchically defined by senior managers to the exclusion of rank and file employees? Is the profitable success of the organisation the only measure of success? EO can provide a voice into management to influence what the purpose of the organisation is. As mentioned, for Spedan Lewis (1948) in creating the John Lewis trust, the “*happiness*” of the employees was also highly regarded and the international cooperatives principles do not make profit making the highest priority (ICA 2014). Therefore, for EOBs at least, there is worth in looking at how culture is managed, specifically using values in an organisation, since the employees are involved in defining the values and external shareholder profit is not the only measure of success.

Ridley-Duff's (2010) research raises the issue of “culture mismatch”, where employees' personal values are incongruent with those of the organisation. In extreme cases staff members were invited to leave with the benefit of a financial payment. To what extent do EOBs attempt to avoid cultural mismatch? Do the organisations actively look to recruit people who do have the “right” values or are they moulded into the company form? What happens to those that do not fit the organisation?

From his personal experience, Handy (2009) using an integrationist view, suggests four organisational cultures, which are: Club, Role, Task and Existential (shown below in table 2.3).

Culture	Description
Club	Based around the power of a central person (probably the founder) who all other employees are subordinate to. It is informal and enables quick decision making.
Role	Based around the definition of the role or the job to be done, and not around personalities. Classical, hierarchical structure, with an overarching management team, the predominant structure for large corporate organisations.

Task	Based around networking and team work, people assembled together to complete a task and then disassembled, ready for the next task.
Existential	Based around experts who can work independently (for example a practice of lawyers) that has an administrative function that joins them together. Each person is powerful in their own sphere of influence but cannot override a colleague.

Table 2.3 Handy's culture typology (2009).

Using his typology, he suggests how different work practices will flourish or struggle depending on the culture that surrounds them. As he points out (Handy 2009, p20)

"It is important to realise that each of the cultures, or ways of running things, is good - for something. No culture, or mix of cultures, is bad or wrong in itself, only inappropriate to its circumstances."

Inappropriate cultures lead to inefficient performance. Do the ownership types fall under any of Handy's cultures? If so, is the culture benefitting the overall performance or is it in conflict with the employee owners?

Erdal (2011) discusses culture within EOBs and suggests that it takes a significant time for organisations that transfer into employee ownership to grasp the fundamental changes that have happened and for it to be expressed in the culture (Schein (1992) suggests it takes years for cultures to change). These include a reduction in intimidation plus a greater sense of equality and openness. Rothschild and Whitt (1986) suggest that within cooperatives there is a significant degree of cultural homogeneity. This can be based around nationality, educational background, political viewpoint, life experience or membership of a social movement. Is this still relevant, some thirty years later and does it apply to other types of EO?

Hence the first research question to be answered from this research is:

Q1) What can we understand about culture in EOBs with regard to the different ownership types?

From what has been shown, a key part of ownership is the being able to share in the rewards of the organisation and hence how they are generated

through the performance of the employees. The next section looks specifically at the literature regarding performance and reward management.

2.4 Performance and reward management

Initially the idea of reviewing the whole scope of Human Resource Management (including learning and development, resource and talent planning, organisational design and development, service delivery, employee relations, employee engagement and performance and reward (CIPD 2016a)) and its interaction with employee ownership was considered. However, this was quickly considered to be too vast a topic for a single thesis, so the area was narrowed down to provide a viable piece of research. From the breadth of HR, the topics of performance and reward management were selected.

Reward management was identified as a key component primarily due to the link between EO and the opportunity to gain intrinsically and extrinsically through being an employee owner. EO recognises that employees have a right to gain from the capital of the organisation, which is not always the case in traditional investor-led or charitable organisations, so is likely to influence the culture in a specific way (BIS 2013). The CIPD (2015a) also recognise its importance,

"Reward has always had an important role in attracting and retaining employees, securing their engagement and enhancing their performance – hence its central place in any HR strategy."

In addition, culture is expressed through the way people are rewarded; be it generously, holistically, miserly, financially or in a multitude of ways, so can be seen as an expression of the culture, hence studying reward will help to illuminate that culture.

Storey (1989, p7) identifies the human resource management cycle; this shows a link from performance to appraisal and then on to both reward and development, which both in turn feedback to performance⁷. Hence reward and performance are directly linked. Armstrong (2015) makes a connection between culture and performance and therefore the way that employees behave (see for example Davis's definition of culture mentioned previously (Martin 2002, p57)).

⁷ More recent authors (for example Shields (2007)) include development as a specific form of reward which is not apparent from Storey's diagram.

Bach (2005) also sees performance management as a vehicle through which culture can be influenced. Co-ownership has the potential to alter the behaviour of employees who have a personal interest in the well-being of the organisation.

Hence performance and reward management were selected as the vehicles through which culture would be studied. In addition, the annual CIPD (2013) Outlook survey report suggests, *"In terms of HR priorities, managing performance is currently a strong area of focus for the majority of HR departments"* hence it is also a timely topic to review.

2.4.1 Performance management

It is important to be clear about what performance management is regarding this study. Performance is taken to mean the performance of the individual employee and not the performance of the organisation as a whole. Therefore, in this case the profit (or loss) of an organisation is not a measure of success. Instead, performance is both the outcome and behaviour of the individual (Armstrong 2015). High achievement outcomes with poor behaviour were a fruit of Management by Objectives (Ford 1979) leading to moral bankruptcy (for example see the collapse of Enron by Finchman and Rhodes (2005)). Conversely poor achievement with great behaviour makes for a high-quality customer experience but poor sales figures. Hence both are valued in the field of HR.

Armstrong (2015, p9) provides a useful starting point to understanding performance management, he says it is

"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."

Hence his definition is more expansive than simple doing tasks and then trying to do them better in the future. It takes a holistic view of the organisation and its employees, working together towards strategic goals and recognising the centrality of people within the organisation. The CIPD (2014b, p16) Employee Outlook survey suggest though that organisations' performance management systems do not necessarily incentivise individual's performance, with only 22% of employees saying they are effective or very effective and 38% describing

them as ineffective or very ineffective. However, many organisations see performance management as a facilitator for cultural change by being able to define core competencies and then evaluate employees' abilities against them (Bach 2005).

Armstrong's definition does not mention who defines the goals, or how it is done and to whose benefit the goals are in favour, management, workers, shareholders or even clients? Legge (1978) points out, the interests of managers and workers are different and hence their goals will be. Townley (1993) suggests that the overriding purpose of performance management, is the control of workers which Bach (2005, p305) elaborates, seeing it

"as part of a more sinister management regime to control all aspects of employee behaviour and eliminate scope for resistance."

Is this the same for co-owners?

Boxall and Purcell (2010, p40) explain that *"employers pursue a mix of both economic and socio-political goals which are subject to strategic tensions"*. Hence it is important to ensure a financially viable organisation as well as one that is compatible with the surrounding society and its laws. Legge (1989) refers to "tough love", which recognises that people are the most important resource in an organisation and their needs should be acknowledged but if the firm goes bust, then it will cause even more harm to the people and the connected community. What relevance do the social aspects of work and the dignity of work have and are they enhanced within EO? McLeod (2009, p73) quoting Pope John XXIII said

"Justice is to be observed not only in the distribution of wealth, but also in regard to the conditions in which men are engaged in producing this wealth. Every man has, of his very nature, a need to perfect his own being. Consequently, if the whole structure and organization of an economic system is such as to compromise human dignity, to lessen a man's sense of responsibility or rob him of opportunity for exercising personal initiative, then such a system, we maintain, is altogether unjust - no matter how much wealth it produces, or how justly and equitably such wealth is distributed."

Armstrong (2015) does highlight the joined up approach of connecting individuals to teams to the organisation (see also Shields 2007); that none of the elements are independent of the others although they may not all be acting

in harmony. Does EO have a bearing on the management structures of the organisation and is it different in each of the ownership types?

Armstrong (2015) continues, the relationship between the employee and their manager is important and it is not just the process that matters - a performance management system *"with the most academically correct competencies or performance measures may fail if it does not fit with the company's culture or workforce"* (Stoskopf 2002). The trust levels with a line manager may determine how honest an employee is when providing a self-assessment of their performance (Bach 2005). Does EO alter the relationship between an employee and their manager and therefore how they are managed?

Performance appraisals are a recognised tool within performance management (Armstrong 2015). Townley (1997, p267) identifies two specific forms, judgemental and developmental. Judgemental emphasises a centrally coordinated system, used for resource allocation as well as punishment and reward, this can however, limit its effectiveness as employees may choose what to accentuate or not to reveal instead. Developmental appraisals seek *"to identify individual strengths and weaknesses and develop skills and abilities"* with the aim to breakdown the relationship with punishment or reward so that a more trusting relationship is formed allowing a free flow of information. However, Townley (1993) suggests that the appraisal is a form of management control and one of the *"techniques used by employers to elicit commitment and at the same time to exercise detailed control over employee behaviour"* (Bach 2005, p290).

McGregor (1960) saw appraisals as a *"judgemental and demotivating process"*. They can be used to provide a rating for an employee, that feeds into reward or to identify the poorest performers who are then subsequently "yanked" from the company. Managers can feel uncomfortable in giving a low rating, in order to avoid conflict or thereby acknowledging their poor performance as a manager in supporting the employee. This can lead managers into over inflating the rating (Bach 2005). From her research Lee (2002) identified that performance appraisals provided an opportunity for bullying in the workplace by deliberately giving an unsatisfactory rating. Typically, in an appraisal there is no third person (which can be the case in a

selection interview) which provides more scope for abuse (Bach 2005). How do the different types of EO use appraisals and does the ownership type influence it?

Some organisations choose to use “360 feedback” to improve the quality of the feedback and reduce bias from just one person. This can lead to information overload though and make the administrative task harder. A significant proportion of employers (45%) felt that direct reports felt threatened whilst taking part and were therefore unable to provide honest answers (Bach 2005) hence the quality may not be as good as hoped for. This option would work best in a high trust environment, where fear was not so prevalent.

McCloy, Campbell and Cudeck (1994, p494) hypothesise that performance is a function of three components,

“to perform a task, a person must (a) possess the prerequisite knowledge, (b) master the prerequisite skills, and then (c) actually choose to work on the job tasks, for some period of time at some level of effort”.

Hence motivation to carry out the task is a key aspect. Does EO motivate employees? Klein (1987, p320) provides three theoretical models of the psychological effect of employee ownership regarding job satisfaction and commitment which in turn have a bearing on performance. These are: the intrinsic satisfaction model, whereby employee owners will be more satisfied and committed just because they are owners; the instrumental satisfaction model, whereby *“employee ownership increases employee influence in company decision making which in turn increases employee commitment”*; and the extrinsic satisfaction model whereby commitment is increased if employees receive a financial reward from their ownership. Her research found that only the instrumental and extrinsic model were relevant; the greatest influence on commitment came from being involved with decision making and to a lesser extent, the financial rewards obtained. This research was subsequently repeated by Buchko (1992) with the same results; simply making employees into owners was not enough, they needed to be involved with running the organisation and receiving financially from its gain to be satisfied and committed.

Pierce and Rodgers (2004, p601) argue that *"individual's possessions are commonly interwoven into the self-concept"* and as such EO directly feeds into an employee's self-esteem as they own part of the organisation, leading to *"organisation based self-esteem"*. As such they see EO as an effective communication, which leads to greater motivation. They propose, that employees have a desire to maintain (or enhance) their self-esteem, hence they are motivated to perform for the organisation, leading to greater self-esteem, creating an upward cycle of greater performance. Grey (2013, p79) sees this as cultural manipulation though, taking advantage of a powerful relationship for the good of the organisation and therefore abusive, *"culture, like all these other examples, is crucially concerned with the promotion of self-managing, self-disciplined individuals."* (See section 2.3 for further discussion of this.)

Rothschild and Whitt (1986, p158) suggest that cooperatives "self-select" members, attracting

"idealists, people who demand a strong sense of purpose from their work. Such people are probably also more prone to guilt than most. This disposes them to overburden themselves with extra responsibilities and tasks."

This leads to a virtuous circle of hard work and less voluntary absences, leading to reduced turnover which requires less supervision, thus increasing labour productivity. But at what cost? Does this lead to exhaustion for members? The alternative is the *"free-rider"* problem where there are *"people who don't carry their weight"* (ibid, p112). How is this managed within an EOB?

Herzberg's (1968a, 1968b) theory of motivation-hygiene explains how different elements of job enrichment (achievement, recognition, work itself, responsibility, advancement and personal growth) can lead to greater job satisfaction and help to motivate people rather than move them (he sees that motivation repeatedly comes from within the employee and movement requires repeated external intervention by management). Similarly, hygiene factors, if not handled correctly, lead to dissatisfaction which is not the opposite of satisfaction; these are: company policy and administration, supervision, relationships with supervisor, peer and subordinates, salary, personal life, status and security. How does EO rate against these different aspects? Does it encourage the motivators as well as satisfying the hygiene factors?

Looking specifically for literature that combines employee ownership and personal performance management, there is a lack. Most literature is based on the EO experience (primarily ESOPs) within America, with very little from the United Kingdom. When searching for performance, the articles returned concerned organisational performance rather than an individual's personal performance management. Hence this thesis will provide a contribution to knowledge in that area. Appendix 1 gives details of the literature review carried out and the lack of results obtained.

To summarise, performance management is used to enhance individuals' performance leading to greater organisational effectiveness, although this is in no way guaranteed. Frequently objectives are set to define the behaviours and outcomes desired; this can be used to bring about cultural change by rewarding employees that are aligned to the organisational values and removing those that are opposed (Bach 2005). Performance management can therefore be a form of management control, imposed on workers (Townley 1993). Performance appraisals can be used to determine performance levels (providing a comparative rating across the organisation) or for development purposes or both (Townley 1997). They are subjective in nature and potentially provide a back door for workplace bullying to take place (Lee 2002). Collective feedback can be given to provide a more complete picture of an employee but this requires high levels of trust, otherwise employees can feel threatened to participate (Bach 2005). Thus, performance management hinges on "who" determines "what" behaviours/outcomes are required and "how" it can effectively be measured (Armstrong 2015). How does EO fit into these parameters and for whose benefit?

This section has reviewed the limited existing literature about EO and personal performance; this will be used as pre-understanding for this inductive study. As performance and reward are inextricably linked attention is now turned to the literature on reward management.

2.4.2 Reward management

Armstrong (2012, p6) defines reward management as dealing with the

"strategies, policies and processes required to ensure that the value of people and the contribution they make to achieving organizational, departmental and team goals is recognized and rewarded."

A key input in to this is the reward philosophy which is the set of values and beliefs that influence the reward strategy and therefore, according to Schein (1992), make up part of the organisational culture. Hence this will be company specific although there is significant scope for overlap between organisations with broadly similar values.

The three main aims of reward management from a management perspective are to attract the right staff to the organisation; motivate them to work and retain them in the organisation. The outcomes of the reward system (Armstrong 2012, p10) are then:

- Performance
- To define/Influence behaviour
- Attraction and retention
- Motivation and engagement
- To add value

Hence reward and performance are linked (Kessler (2005) refers to the “effort-reward bargain”) as reward provides the mechanism to acknowledge achievement, competence and merit. It can be a motivating factor and lead to greater engagement with the aim of creating a high-performance culture where *“the achievement of high levels of performance is a way of life”* (Armstrong 2012, p50).

Employee ownership in a for-profit organisation should lead to a share in the profits but rewards are not limited just to financial pay-outs (for example salary, bonuses, pension and share dividend). Non-financial rewards may also be important and these can take the form of both extrinsic and intrinsic rewards (Armstrong 2012). Shields (2007) lists extrinsic rewards as financial, developmental and social. For intrinsic rewards, he suggests job challenge, responsibility, autonomy and task variety. Are these implemented distinctly within the different EO types?

Having a *“desirable job”*, one where employees want to work, is a form of reward. Greene (2014, p7) lists the five components of the *“job characteristics index”* which are *“(1) task identity, (2) task variety, (3) task significance, (4) autonomy and (5) feedback.”* Kessler (2005) notes the link between reward and

the job (what is involved), the person (skills, knowledge, experience) and the performance (how well it is done). Rewards should also balance internally and externally. That is, are comparable jobs internally paid the same and how do pay rates compare to the external market? If they are set too low in relation to the external market then, there may be issues recruiting new employees and *"organisations cannot survive"* (Kessler 2001). Internal comparisons also matter; there was an 18% pay gap between male and female full time workers in the UK (Kessler 2005). Do employee owners, with the right to a voice, have any control over creating roles that are desirable and enjoyable whilst still maintaining a viable business? Does EO influence pay equality?

Kaplan (2005) suggests employers should consider the "total reward" concept which includes everything that an employee values. It is made up of four elements; Compensation (pay, bonuses), Benefits (pension, health cover, child care, gym), Development (learning, personal growth, new skills) and the Work Environment (job design, flexible working, work/life balance). Increased flexibility of reward also brings an increased administrative burden which may make total rewards unaffordable for smaller organisations (Kessler 2005). With employee owners having a voice with influence in their organisation, to what extent do they benefit from a total rewards perspective? Can they be involved in prescribing what rewards are available or what wage levels are set at? Being an owner should provide additional financial compensation but how much more? Is it significant? Do the different forms of EO give a different weighting to the elements of reward? Pérotin and Robinson (2002) point out that creating and maintaining some form of profit sharing scheme does come at a financial cost which needs to be considered as part of the overall viability of ownership.

Aubert et al. (2014) see that EO can be a double-edged sword. It can be used to improve overall company performance and enhance the satisfaction of employees or as a way of entrenching, potentially poor, management - denying external investors the ability to purchase the organisation and then removing the management. As such they see the rewards of EO being given out ultimately for managements benefit. Spedan Lewis was philanthropic when he gave his company to its employees, although he recognised and encouraged the improved performance of the staff (Lewis 1948). How does the reason for

creating the EOB impact on its culture? Reward can also directly impact on culture, as Trevor (2011, p147) points out

"Pay is also a powerful tool for communicating what is valued by senior management to employees and serves to promote a sense of shared culture that is valued by line management and employees."

Note though that in this quote it is the senior managers that determine the values, allowing for the control of workers but Kessler (2001, p219) agrees that pay can *"send very strong messages about corporate values, beliefs and principles."*

Kuvaas (2003) highlights a key difference between the reward employee owners receive from a profit-sharing scheme (i.e. trust or co-operative) and a share dividend (i.e. direct) scheme with accompanying increase in share value. Profit-sharing reflects recent, past performance (perhaps over the previous year) whereas direct share ownership reflects the organisation's *"long-term performance"* and therefore comes with greater risk. He suggests that this helps in

"reducing any feelings of "them and us" and creating a sense of shared goals, of one's own fate being tied to that of the organization." (Kuvaas 2003, p198).

Similarly, Renaud, St-Ogne and Magnan (2004) and Milkovich and Newman (2002) both question the benefit of the direct ownership model whereby employees look to cash in their shares at some distant point. How can the effort of an employee today be related to the final price? So the incentive value becomes complex, uncontrollable and unclear. However, they suggest that

"ESOPs foster employee willingness to participate in the decision-making process. And a company that takes advantage of that willingness can harness a considerable resource—the creative energy of its workforce" (Milkovich and Newman 2002, p336).

It is this desire to participate that makes the difference to the organisation's performance which then potentially feeds through into the final share price. Pendleton (2006) is in agreement with this view; although the potential incentive of a distant reward may be limited, it helps employees to think long-term and be more cooperative than if they were paid purely on individual performance.

Writing later though, Pendleton and Robinson (2011, p443), still question this perspective,

“However, linking pay to performance via share plans is probably not the most effective way of providing direct incentives because of free-riding, the potential for noise and a lengthy ‘line of sight’ between employee effort and corporate outcomes”.

Specifically looking at cooperatives (in the USA), Rothschild and Whitt (1986) found from their research in the 1970s that incentives did not necessarily follow the bureaucratic norm. Cooperatives relied more upon a shared purpose and friendship ties and less on financial rewards, even to the extent of working for no pay if there were insufficient funds. Cooperatives were seen by young employees as a place to gain critical work experience to obtain a foothold on the career ladder of a traditional organisation. Wage differentials were often limited and status distinctions minimised by utilising task sharing, job rotation, informal relations, dress and collaborative decision making.

Within cooperatives, Davis (2004) suggests that individual performance related pay, is a threat to their solidarity, however the pay is collectively determined which may in fact lead to equal pay for members. Rothschild and Whitt (1986, p99) provide an illustration of this where members received the same pay so that highly skilled members were receiving 18-25% of a comparable external pay rate whilst secretaries were receiving 83-100% of a comparable external rate. Therefore, there must be other aspects of working in a cooperative that compensate for the reduced financial rewards. What effect does EO have on pay dispersion? How do the rewards of EO motivate employees or alter their perspective of the organisation? How does this affect the culture?

Armstrong (2012) lists intrinsic rewards as one of four enablers of employee engagement, so what intrinsic rewards does EO give to the employee? Other forms of organisation can also use collective pay arrangements, for example team pay or group level pay. Kessler (2001) gives an example of a national building society that paid employees a bonus dependent on the success of their branch but overall, team pay has a low take up with less than 20% of organisations involved (Kessler 2005). Pérotin and Robinson (2002, p14) suggest that reward related to collective performance

(profit sharing or dividend payments) encourages cooperation and enables *"intangible forms of commitment like 'company spirit'"*. Also, that the democratic governance within EOBs promotes economic democracy within society leading to greater social justice. This can resonate with employee's personal values leading to personal congruence with their work. Spedan Lewis (1954, p28) saw the potential of

"a society far healthier and for almost everyone far happier if the national income was divided very much less unequally."

In this case the rewards of the organisation spread out further than the direct participants as was observed by Erdal (2011) in Italy.

Kurtulus, Kruse and Blasi (2011) consider rewards that are dependent on overall organisational performance, so applicable to all the forms of EO. They point out that this can lead to the free rider problem, so employees have a choice to not cooperate or it may encourage cooperation along with monitoring of colleagues, rather than leaving it to the management. Therefore, they see the relationship between co-workers as being key in the effectiveness of EO and their attitude towards cooperation with regard to shared rewards. This also extends to trust with the management; that they will be effective in managing as well as fair in distributing the rewards of the organisation. EO changes the dynamics of the manager/worker relationship by providing a level of influence (Pierce, Rubenfeld and Morgan 1991) so does this enable a sufficient level of trust to occur?

Sobering, Thomas and Williams (2014) looked at gender equality within worker-owned businesses (primarily in the USA) to understand how ownership influenced reward. They concluded that inequalities could still exist within EOBs however not for ownership reasons but due to historical factors. The difference was either the same as non-owned organisations or more equal but not worse. They did find examples where there was no inequality, for example the Worker Reclaimed Companies in Argentina (Ozarow and Croucher 2014) and more feminist worker co-ops that were specifically set up with equality in mind.

With the rapid demise of collective bargaining facilitated by trade unions over recent years (there was a 50% drop in union involvement between 1984 and 1989 alone) there has been a significant move to pay being specified by

managers (Lindop 2009). Individual performance related pay can reward employees for a specific contribution leading to greater commitment, but limited research shows that for most employees it creates no change in commitment (Kessler 2001). Similarly, Trevor's (2011) research found that although pay systems are designed to bring about strategic outcomes (for example increased discretionary effort and performance) at an operational level he concluded that "*Pay is non-strategic*". As Pendleton (2000, p346) points out, it is easy to overlook whether "*the potential to secure additional rewards is important to the employee*". If not, then the reward is unlikely to influence performance. Does EO influence how pay is determined?

Again, turning specifically to the literature that combines employee ownership and reward management, having performed a systematic search using terms such as "Employee ownership" or "cooperative" with "reward", there is also a lack of it (Wright 2010, Kurtulus, Kruse and Blasi 2011, Sobering, Thomas and Williams 2014), hence this thesis will provide a contribution to knowledge in the reward area too. Details of the results of a systematic search are shown in appendix 1.

To summarise, reward is used to attract and retain desirable employees and encourage them to perform but reward is much more than just pay. It can take many forms, intrinsic and extrinsic, as well as individual and collective and can include options like benefits, development opportunities, flexibility, additional leave and increased responsibility, all coming together in the form of a Total Reward. Equality of pay, across jobs and genders, is an issue and hence exactly how pay is determined for an individual can be contentious. Reward is a cultural change enabler, by rewarding what is good and discouraging the bad, although its effectiveness is questioned.

Hence the second question to be determined from this research is:

Q2) What cultures of performance and reward are observed in EOBs within the different ownership types?

2.5 Combined literature

Following a systematic review of potential literature (see appendix 1), it is apparent that there is a lack of literature on the intersection of the three areas of

organisational culture, performance and reward management associated with EO. This is also recognised by the few authors that do cover the area. For example, in response to the banking crisis, Wright (2010) investigates the relationship between reward and organisational culture. She acknowledged a “*substantial gap*” in the literature and suggests further research should be done. Similarly as Caramellie and Briole (2007) agree “*The theoretical propositions presented in this paper are exploratory in nature since there are virtually no past studies of the cross-cultural attitudinal effects of employee ownership.*” One potential reason for the lack of literature could be that the field has no relevance and is therefore not worth researching, however as has already been shown the EO sector is growing in significance and this research will create new knowledge in this area. The omission of EO from relevant literature is significant. Articles (for example Trevor (2011), Sisson (2007)) frequently do not mention EO and the impact that it might have within HRM. A good example is Legge’s (2001) article in search of the “Holy grail” of HRM, finding a link between HRM practices and high performance. At no point, does she consider the influence EO could have on practices and the resulting performance. Therefore, the results of this research will be a key contribution to knowledge.

A significant purpose of this research is to help equip employees regarding the HR function within EO, therefore the third and final question to be determined due to the current lack of research is:

Q3) What guidance can be given concerning HR practices with regard to cultures of performance and reward in EOBs in general and individual ownership types?

2.6 Summary

This chapter has presented a theoretical understanding of the key components in this research, namely employee ownership, organisational culture and performance and reward management. It has explained the relevance of EO to the UK economy and society in general and then looked at the intersection of it with each element (culture, performance and reward) in turn. From it, the lack of combined literature has been highlighted. This neglected area paves the way for the following research to add to this limited area. A managerialist approach for the research has been proposed. The limitations of this are recognised

however it fits the purposes of the research in answering the following questions:

Q1) What can we understand about culture in EOBs with regard to the different ownership types?

Q2) What cultures of performance and reward are observed in EOBs within the different ownership types?

Q3) What guidance can be given concerning HR practices with regard to cultures of performance and reward in EOBs in general and individual ownership types?

The next chapter considers the research methods required to be undertaken to answer these questions.

Chapter 3 - Research methodology

3.1 Introduction.

This chapter explains the research methodology chosen and makes justifications as for its appropriateness to be able to attempt to answer the questions previously posed. Inherent in the choice of methodology are philosophical stances regarding ontology and epistemology and specifically my personal understanding of them which have a direct bearing on the methodology (Johnson and Duberley 2000). This is followed by a detailed explanation of the actual methods used as well as a review of timescales, risks, ethics, limitations and how the research might be evaluated. Finally, there are some thoughts as to how the results are communicated to the reader along with an explanation of the notation used throughout the rest of the thesis.

3.2 Research philosophy

Gill and Johnson (2010, p6) argue that a methodology should not be selected just from looking at the research question and the area under investigation in isolation but by considering the philosophical commitment of the researcher too,

"research methods ... are not merely neutral devices or techniques that we can 'take off the shelf' to undertake a particular task for which they are most suited. Such a perspective implies that it is the nature of the research question, and what phenomenon is under investigation, which should pragmatically dictate the correct research method different research methods available to the management researcher also bring with them a great deal of philosophical baggage".

They go on to say that a researcher's pre-understanding must be brought out into the open by revealing what they think about ontology (the nature of being), epistemology (the theory of knowledge) and axiology (the study of values) (Gaarder 1995). Morgan and Smircich (1980, p491) agree that underlying assumptions need to be included in the choice of research methodology,

"the choice and adequacy of a method embodies a variety of assumptions regarding the nature of knowledge and the methods through which that knowledge can be obtained, as well as a set of root assumptions about the nature of the phenomena to be investigated."

They discuss a subjective/objective continuum approach to research which has a direct bearing on the understanding of what is being researched and therefore

how it can be researched, although some methods are more suitable at different points of the continuum. Without this prior thinking, as Johnson and Duberley (2003) point out, decisions will be made *"usually by default"*.

Cunliffe (2010) responds to Morgan and Smircich (1980) by pointing out specifically that organisational culture can be studied from an objectivist or subjectivist position depending on the researcher's understanding of culture. Indeed, Hofstede (2001) has operationalised organisational culture into 4 dimensions (Power Distance, Uncertainty Avoidance, Individualism and Masculinity) although his methodology has subsequently been challenged on a number of fronts (for example choosing one organisation to represent an entire country, putting the Netherlands and Belgium together shows a lack of granularity and could be offensive to either nation). These issues have been addressed in his more recent work and the number of dimensions has increased to six (Hofstede, Hofstede and Minkov 2010). Also, Ouchi and Wilkins (1985) suggest that the way in which culture is studied (holistically, via language or quantitatively) will also affect the methodology.

Advocates of positivism assert that there is a real world that is separate from the researcher which can be viewed from a neutral (objective) viewpoint. This is an "etic" stance where the observer is outside and distant from the object being observed. It usually favours a deductive approach to prove causal theories via quantitative methods (Johnson and Duberley 2000) although it is not exclusively deductive. Typical methods are questionnaires using Likert scales (May 2001) and laboratory experiments often using large data-sets and statistical analysis. Key questions to do with positivistic methods are the reliability (can it be repeated?), validity (does it measure what it sets out to measure?) and generalisability (how representative is the sample?). It is still the dominant philosophical position, particularly regarding getting academic papers published (Fitzgerald and Howcroft 1998, Johnson et al. 2006, Gill and Johnson 2010).

Based on Alvesson and Deetz, Clark (2014, p111) explains that neo-empiricism refers to *"methodologies that assume the possibility of unbiased and objective collection of qualitative empirical data the analysis of which is capable of ensuring objective truth in a correspondence sense"*. Alvesson and Deetz

(2000) continue to say that it "*simultaneously reject falsification in favour of induction*". They therefore share a positivistic view of an objective ontology however it differs from a purely positivistic stance in that the actors (those being observed) subjectively interpret what they see depending on their personal understanding - they are not blindly led by cause and effect like automatons. Johnson and Duberley (2000, p35) explain it well,

"the observers' registered observations are epistemologically privileged as they are construed as being independent of the processes of the observer observing. Therefore it is claimed that 'truth' is to be found in the observers' passive sensory registration of the facts that constitute external reality through the application of a neutral observational language. Thus the veracity of accounts may be adjudicated through reference to their correspondence with the facts of a cognitively accessible external social world."

Thus a neo-empiricist view relies on a correspondence theory of truth; that is when a proposition is compared to see if corresponds with "*the way the world is*" (Mingers 2008, p66). There is also an underlying assumption that the protocols devised by the researcher during data collection and analysis propel them towards an objective evaluation as well as in the integrity of the researcher (Lincoln and Guba 1994).

Research can either be deductive (trying to prove or falsify a hypothesis) or inductive (looking to create themes or theories). Hence inductive research can be followed by deductive to verify any theories that have been suggested. With the lack of current literature acknowledged previously and a desire to simply see what culture looks like within EOBs, this research is inductive, that is, it is looking to understand what is there and generate themes from the data (Gill and Johnson 2010).

Martin (2002) highlights two distinct branches of organisational culture research. Research for managers is aimed at understanding culture to be able to inform management practice to change it for organisational benefit. Research for academics is where the emphasis is to understand and explain. A managerial orientation clearly serves the best interest of management, except in the case of critical management research which is more likely to be emancipatory for the workforce (Grey 2004). EO can already be seen to be emancipatory as a key tenet of it is an element of information and power sharing. Therefore the key critical act of empowering workers has already

happened. The primary purpose of this research is to simply “*see what is there*” rather than having an “*ambition to stir things up, to challenge the ongoing reproduction of modes of social ordering evaluated to constrain human possibilities*” which is the ambition of Critical Research (Alversson and Deetz 2000, p208). Similarly for the purpose of this thesis organisational culture is seen as something real that produces tangible observable social practices that concretely affect the subjectivities of culture members. Hence the ontology of culture is objective rather than subjective.

To summarise, this research adopts a neo-empiricist perspective so that, according to Clark (2014, p113),

“the ‘qualitative’ descriptions are not contaminated by the researcher who, as in mainstream positivist research, remains separate from the ‘objects’ of research so as to produce neutral findings”.

It utilises qualitative methods to inductively build themes from what is empirically observed of an actor’s subjective realm rather than deductively trying to establish a cause or law (neo-positivism) (Johnson and Clark 2006). It assumes an objective ontology, that there is a real world out there that can be observed empirically and that the researcher will follow research protocols that propel them towards neutrality and impartial evaluation of evidence is passive and neutral, separated from the actors’ “*inter-subjective cultural experiences*” (Johnson et al. 2006). It relies on a correspondence theory of truth (Mingers 2008).

3.3 Research strategy

The research strategy must be in alignment with the research questions in order to be able to contribute relevant answers. The questions are:

Q1) What can we understand about culture in EOBs with regard to the different ownership types?

Q2) What cultures of performance and reward are observed in EOBs within the different ownership types?

Q3) What guidance can be given concerning HR practices with regard to cultures of performance and reward in EOBs in general and individual ownership types?

The research starts with open ended questions, seeking to understand what cultures and reward/performance management is there rather than to verify a hypothesis. Hence the research is inductive rather than deductive (Johnson and Duberley 2000). It looks at EO across the three different ownership types of cooperative, direct and trust owned.

3.4 Research method

The fieldwork was planned to be done in two distinct, sequential phases:

- **Phase 1** - was designed to provide an introduction to current performance and reward management methods utilised by a variety of EOBs of different ownership types in order to scope and inform the second phase. It also looked at the culture of those organisations.
- **Phase 2** - was designed to be an in-depth study of a much smaller number of EOBs' culture regarding possible interaction between performance management and reward management and organisational culture. This phase was considered to be the more significant of the two phases as it looked in greater depth at each of the ownership types in turn.

The research design for each phase will now be explained in turn.

3.4.1 Phase 1 - Scoping the landscape.

The purpose of this first phase was to supplement the scant existing literature with experience from the real world. This enabled me to immerse myself in the language and thoughts of employee owners as well as start to understand the situations and challenges that they engaged with in business currently. Using this understanding enabled me to be able to communicate more effectively when it came to the Phase 2 and not simply have an academic view of the business world that EOBs are facing⁸. It also provided a more current understanding than academic literature can keep up to date with.

It had been considered whether to use an electronic email survey sent out to all the HR representatives of EOBs as an alternative to interviews

⁸ During a conversation with Iain Hasdell, Chief Executive of the Employee Owners Association – 11/01/13, he pointed out that the term "Human Resources" would be seen as offensive to a number of EOBs and a more appropriate expression would be "Human Relationships".

(Simsek and Veiga 2000, 2001); however, to allow the recipient to complete the information in their own words, it would require the opportunity for descriptive textual boxes in response to open questions. If the recipient were to be given multiple choice options or Likert scales (May 2001) then the survey creator is in effect defining the boundaries in a positivistic fashion which does not allow for new data to be discovered (Gill and Johnson 2010). In addition, this approach was discounted for several reasons:

- Email addresses might not be made available en masse from the ownership bodies to send the survey out to.
- Targeting the HR representative within an organisation might be infeasible.
- Expecting busy HR personnel to spend sufficient time giving sufficiently detailed textual answer was unrealistic within a limited time span (Kessler 2001).
- It assumes that one person knows everything about the topic and is prepared to find out, rather than guess if they do not (Legge 2001).

Hence the semi-structured interview was considered an appropriate method to use as suggested by Storey and Sisson (1989).

A list of EOBs of each of the three ownership types (cooperative, direct and trust) was drawn up and potential candidates contacted, usually via email or telephone. The initial selection criterion was:

- Having one of the required ownership types. For directly owned businesses, where the majority of employees have their own personal shares. For trust ownership, more than 50% of the ownership must be held in trust for at least 25% of the employees. For worker cooperatives, at least 50% of the employees must be members.
- There must be some form of involvement (level 3 or above according to Ridley-Duff and Ponton (2013)) by the employees in the governance of the organisation as well as access to information on how the organisation is performing.
- The organisation must intend to be profit making as opposed to a charity or a social enterprise that is not-for-profit.

- Reasonable chance of being able to gain access within the required timeframe (November 2013 - February 2014). In some cases contact had previously been made with a representative of the organisation, usually through networking at a conference and the research had already been discussed, alternatively this was done via a trusted friends network. In some cases organisation were identified purely by searching the internet using an appropriate Employee Ownership membership site (for example The Employee Ownership Association EOA (2013b) or Co-operatives UK (2014)).
- A preference for organisations based within commuting distance so that face to face interviews could be held where possible, although a number were done via telephone. Although any multi-national organisation had to have a permanent UK office presence.
- At least 20 employees. Anything smaller may in effect act like a club or extended family rather than an organisation.
- Been trading for a minimum of two years to avoid a still rapidly evolving culture.
- A desire to speak to at least 3 organisations of each of the ownership types.

Although the criteria were quite specific, information gained in advance about EOBs from available sources (typically websites) did not go into such levels of detail. Hence EOB websites often proclaimed that they were employee owned but gave very little information as to the extent of the ownership. Therefore not all the criteria could be checked out prior to arranging an interview however this was not considered to be critical. This is purposively sampling as suggested by Cresswell (2003) since a set of requirements need to be satisfied in order to be included and participants were then actively sought out that met the criteria. A list of all the phase 1 contacts and a brief description of each is provided in chapter 4.

The initial scoping was done by carrying out a limited number of semi-structured interviews with one person from each company, either an HR representative, founder or business manager who were involved in performance

and reward management (Kvale 2007). Sample interview questions are given in appendix 2. They were developed from the literature that had been read and based around the research aims. After each interview they were reviewed and refined depending on the experience (there were 3 iterations in total). The interviews were carried out either face to face or via the telephone, depending on the logistics (e.g. diary availability, distance to travel). Initially ten interviews were sought, from across the spectrum of ownership types. The number was set to achieve some level of “*saturation*” (Glaser and Strauss, 1967) and identify recurrent themes without expanding to an unmanageable amount causing excessive delay to the research. It also allowed for each of the ownership types to be represented. It was not expected that any of the organisations interviewed for Phase 1 would be invited to take part in Phase 2, so a longer-term relationship was not sought. The organisations were selected from contacts made with the Employee Ownership Association (EOA 2013b) and other such ownership bodies, as well as Sheffield Hallam University’s contacts and those made attending networking events (e.g. Employee Ownership day, 4th July 2013 (EOA 2013c)). There were a diverse set of organisations of varying ownership types, sectors, ages and sizes.

All the interviewees were asked permission to record the conversation using a digital recorder, to which they all agreed, except for one (**DIR_Service**). Digital recordings were used for two reasons. Firstly, to enable me to focus on the person and what was being said rather than trying to make copious notes at the same time. Secondly, to gain a more accurate view of what was said rather than to rely on memory, which can act as a “*selective filter*” (Kvale and Brinkman 2009) and as Hammersley and Atkinson (2007) point out “*Memory is an inadequate basis for subsequent analysis*”. For **DIR_Service** the question sheet was printed out and used to manually record responses against each question. These were then expanded upon immediately after the interview had finished in order to maximise the information recorded. Hand written notes and recorded interviews were converted into electronic WORD documents to assist the analysis. This experience, and information, gained was then used to inform Phase 2 and a detailed explanation of how the data was analysed follows in chapter four.

3.4.2 Phase 2 - In-depth study of culture.

In order to study the culture of the organisations a suitable technique had to be used. Ethnography is a relevant method to carry out research into culture as Spradley (1979) states, "*Ethnography is a culture-studying culture*".

Hammersley argues that the aim of ethnography, "*is to find the general in the particular; a world in a grain of sand*" (Hammersley 1992, p16) and that it is "*a form of social and educational research that emphasises the importance of studying **at first hand** what people do and say in particular contexts*" (emphasis is the author's) (Hammersley 2006, p4). A significant element of it is the need to observe people in their own location and it can include a variety of methods within it, for example interviews, document analysis, surveys and unstructured conversations (see for example Watson (2001), Kunda (2006)).

From an anthropological position the word ethnography literally means to "write" about a "cultured" being (Watson 2011) and Watson (2001, 2011) further advocates the use of personal observation to enable people to understand "*how things work*". He contends that it is a pragmatic approach to research that enables both academics and practitioner peer-groups (of those being observed) to '*hit the ground running*'. Ethnography gives access to what people actually do ("*the informal organization*") rather than what they espouse ("*the formal organization*") (Gill and Johnson 2002). There are numerous examples of ethnography being used in a wide variety of settings (Frost et al. 1991, Monaghan 2002)

The level of involvement in participant observation is important to understand. At one extreme, ethnomethodology, the researcher attempts to become one of the team being observed. They enter fully into the activities of everyone else, so that they not only hear about the area but get to feel for themselves what it is like. Their reflections on their feelings then become crucial in understanding the environment and the method allows them access to often unspoken and hidden aspects of the culture. However, there is a danger that they become so immersed that they can no longer distinguish the culture from themselves and therefore cannot see what it is they are trying to record. If this happens, culture that might appear abnormal to an outsider can start to become normal. Vaughan (2004) found this when looking at levels of risk in a high risk environment, ultimately leading to catastrophic failure. At the other extreme -

purely non-participant observation, where the researcher observes and does not interact at all with the subjects, there is a danger that they must rely on what they see and are told, which may be a complete misinterpretation or even fabrication. Between the two extremes there is a continuum of decreasing involvement.

For my own research, I became a partial participant-observer (*"Participant-as-Observer"*), whereby I observed and interacted with the actors but stopped short of doing their work (Gill and Johnson 2002). As well as observing the people, the physical environment including artefacts, uniforms and displays were also noted and photographed, where allowed (Schein 1992) although care was taken to not be able to identify individual people.

Ethnography has its drawbacks though. It can require considerable time observing, in order to ensure that the involvement and subsequent reporting, authentically reflects what happens. Martin (2002) suggests anthropologists require one to two years of participation to attain true emic status and Bate (1997, p1150) disdainfully refers to researchers who fly in and out of organisations for quick visits as carrying out *'jet-plane ethnography'*. Although Alversson and Deetz (2000 p200) provide a more realistic view, within a time constrained thesis:

"One does not, however have to stick to the old anthropological norm of being at least one year in the field, but can limit and concentrate the efforts. Some weeks of participant observation is, according to our experience, sometimes sufficient".

It was also considered to be a more effective use of time observing in several organisations, as it was a requirement to be able to research the effect of the different ownership types on the culture.

Watson (2011, p204) highlights some further issues with ethnography and hence his confession as a *"reluctant ethnographer"*. He states that ethnography is:

- Emotionally tiring and requires considerable nervous energy for long hours in the field. This was my experience, with an introverted preference (Briggs Myers 2000); continually building rapport with strangers was emotionally draining.

- Viewed with suspicion in academic journals and can therefore have a negative impact on an academic career although they can bring significant benefit once a study has been published. Although there are now dedicated journals to ethnographic study which has helped with this aspect.
- Potentially generates huge volumes of data to be transcribed and analysed (Hammersley 2006). This can create electronic storage issues (the recordings from phase 1 alone exceeded the default storage allocated to a student at the university) and the transcription and analysis took far longer than was expected.
- Perceived to have a lack of (positivistic) reliability and validity (LeCompte and Goetz 1982). However, Guba and Lincoln (1989) provide suggestions to mitigate the subjectivity of the researcher which are discussed later in this chapter.

I intended to overtly spend one month at three separate organisations carrying out observation and having “*friendly conversations*” (Spradley 1979). A standard set of questions (shown in appendix 3) was developed from what was learnt in phase 1. This acted as a guide, so that conversations were semi-structured but flexible to allow the conversation to flow naturally. I expected to be on site during the working week and evenings as required, for example to attend a social or business event outside of normal working hours. The observation time is shorter than either Watson or Martin suggests however it was achievable and provided an opportunity to develop a “*rich picture*” of the culture. Journaling was done at every available time and at the earliest opportunity to ensure that the memories were still fresh, aided by on-site photographs (DeWalt and DeWalt 2011).

Martin (1992) poses the question - which people make up the organisational culture? Or, who are the “*cultural participants*”, as she refers to them? At first thought the simple answer is everyone who works within the organisation; however, there are a number of potential complications. Are family members of employees’ part of the culture as they will affect and be affected by it? Similarly, what about regulators, customers and suppliers who all have a direct involvement with organisations? Kunda (2006) reversed the question by querying the effect organisational culture had on society around it, in terms of

burnout, stress, divorce and alcoholism. Do part-time employees have less affinity to the culture than full-time employees? With the rise of home-working are off-site workers less influenced by the culture and for multi-national organisations does the culture in different countries influence the organisational culture? Employees can have “variations in intensity” with regard to the culture, for example compare a University student doing a part-time job to pay the rent with the founding managing director. What impact do shareholders have on the culture and are they therefore part of it? (Barclay’s shareholders voted against excessive pay awards, challenging the culture of bank bonuses (BBC, 2012)). I chose to limit myself to talk with people who were part of the EOB and not external to the organisation (e.g. spouses/family members related to employees (Barney 2004)) although in some organisations both husband and wife did work for the same company and in **Direct1**, I was voluntarily introduced to a supplier to get an external perspective.

A further option was to carry out focus groups or group interviews, terms which are often interchangeable but do have different emphasis. In a group interview the researcher asks questions of the group who reply, whereas in a focus group the researcher facilitates a discussion between members who are given various prompts to start a discussion, so the role is more peripheral rather than central (Thomas 2011). As previously mentioned culture is inter-subjectively created so a group discussion of it makes sense however with regard to performance and reward management these can be very personal topics (for example, how much a person gets paid; who is currently on a performance improvement program) so a group discussion is potentially not the best place to obtain such information. Therefore, although both options could be used, neither option was deliberately sought or arranged although at points group discussions did occur naturally, particularly in relaxed settings like the staff canteen.

Being on site does not give necessarily direct access to those employees who work remotely (for example from home, on the road, at client sites or at different sites) however for **Direct1** I was taken to multiple sites and given the phone number of a travelling salesman, whom I contacted. His connection with the culture was therefore looser since he spent less time on site but it was a significant aspect of his role.

By choosing three different organisations it allowed me to analyse each one in turn as well as to compare and contrast them. This was essential in order to observe the potential variations in culture specifically due to ownership type. A preliminary consideration of the data gathered from the initial site was carried out to inform the second visit and subsequently for the third.

In some cases, participants were invited to tell stories about culture as it is a useful method, since culture is often passed on via stories of heroes, villains and mavericks to new employees (Schein 1992, Yiannis 2000, Wren 2011). This can give an insight into sub-cultures that are at odds with the espoused culture (Watson 2001, Martin 2002).

Reviewing company documents (e.g. websites, annual reports and staff handbooks and publications) provided further information. It helped to triangulate the data providing greater credibility (Guba and Lincoln 1989) but is secondary to the direct observation and interaction with actors (Gill and Johnson 2002).

The research was intended to be three ethnographic episodes rather than one multiple-case study as described by Yin (2012, 2014) whereby the individual cases should either be *“literal replications”* or *“theoretical replications”*. Case study has many overlaps with ethnographic research and both share the potential use of multiple methods as well as the skills required of the researcher (*“Asking Good Questions”*, *“Good Listener”*, *“Adaptive”* Yin (2014, p73)). These are attributes which I feel I possess. However, Yin suggests that the fundamental difference between case studies and ethnography is the former’s requirement to generate theory prior to carrying out fieldwork which is not applicable to this inductive research.

The purpose of my research was to discover themes and provide guidance, rather than to prove a specific occurrence of a phenomenon under research. Selected conclusions were fed back to the organisations who took part (as an incentive for their involvement) but the overriding purpose was not to fix any specific issues that they had. Therefore, this was not Participative Action Research (PAR) (Whyte 1991).

Each of the three ownership types was to be represented by a different organisation. In reality it did not happen as planned and led to involvement with two worker cooperatives, one directly owned and two trust based. Again, purposive sampling was used with the same criteria as for Phase 1 but with an emphasis on ensuring that the different ownership types were represented (Cresswell 2003). Although specific people were targeted within each organisation (senior managers, HR representatives, line managers), there was an emphasis on trying to talk to anybody and everybody irrespective of gender, grade or position since trying to ethnographically understand the culture meant seeing it at all levels.

Following an initial email conversation with a trust owned company (**Trust2**), when it was subsequently approached to confirm access for a month long ethnographic study, it no longer felt it was suitable. This was primarily due to the potentially hazardous working environment, so allowing an untrained person to wander freely around the site was unsafe. However, the Finance Director did volunteer himself to be interviewed, which was gratefully accepted. The information provided is included in the final analysis. Another Trust based organisation was therefore required. After attending an Employee Ownership conference, facilitated by the White Rose Consortium (2014), an introduction was made to a senior ex-employee of **Trust1**. He was able to provide the email address of the branch manager of a store, from which the necessary access was obtained (June 2014). Previously I had tried twice before to personally access the organisation (by calling in to a store and using the enquiry service on their website) neither of which had yielded any viable response.

Verbal agreement to carry out research in a worker cooperative had been agreed on two occasions with the HR director of a medium-sized worker cooperative. Once again when contacting them to confirm my desire for a month-long visit, there was considerable delay as it required a member to volunteer to host me as well as have the time to do it. Eventually only a single day on-site could be arranged so this was gratefully accepted and ultimately led to a second period afterwards. As this did not meet the desired month, one of the coops approached during Phase 1 was asked if they could host me again and they also agreed to an intensive day on-site, interviewing members (July

2014). Although this was less than had been planned it did give an alternative perspective to the directly owned and trust owned organisations.

Specific details of each of the ethnographic periods in the different EOBs are given below.

3.4.2.1 Worker cooperatives - Coop1 and Coop2

A day was spent on-site at **Coop1** on 17th July 2014, from 9:15am to 4pm.

During this time nine conversations were held with seven distinct people (or groups) lasting 4.5 hours of which 2.5 hours were recorded. Subsequently I was allowed to attend the Quarterly General meeting (the evening of 25th July 2014), where a further 3 hours of observation and conversations took place.

To supplement my understanding of worker cooperatives, a day (25th July 2014) was spent at **Coop2** where I spent 6 hours on site, carrying out eleven distinct interviews with individuals, all of which were recorded lasting for a total of just over 3 hours. A member responsible for HR was specifically targeted (as I had already spoken to her in phase 1); otherwise all the other interviewees had been arranged for me and the members had various roles with the organisation. In both cooperatives notes were made alongside the interviews and everything was transcribed for subsequent analysis.

3.4.2.2 Directly owned organisation - Direct1

As part of an initial bid to have the PhD funded, a directly owned company had already given written consent to taking part in the research. As consent to access the company was in place, **Direct1** was the first one to take part in the research fieldwork (Jan-Feb 2014).

An initial face to face meeting was set up with my contact person and a member of staff responsible for "People & Culture". I discussed with them my aims and plans and showed them my consent form. This was brushed away with disdain, due to a strongly dislike of bureaucracy but access was agreed. During the period 10th February to the 13th March 2014, the organisation was visited on eleven separate days (over 51 hours on site); 61 contacts were made with 51 distinct people (or groups of people); over 15 hours of conversation were had, of which 5hr 45m was recorded electronically. Targeted interviews were held with the founder, the current managing director, two people responsible for "People and Culture" (the company explicitly does not have an HR department

or “Human Remains” as the founder refers to it in his interview), several team leaders and one conversation was with an offsite salesman via telephone. Numerous spontaneous conversations were held with other shop floor and office workers.

3.4.2.3 Trust based organisations - Trust1 and Trust2

Whilst attending an academic conference at York University I obtained the email address of a branch manager of **Trust1**. I contacted him directly and received a reply from his assistant inviting me for an initial meeting in the canteen. After explaining my plans, I was invited to carry out my research within the branch, having received approval from the Central office as well. During the period 4th June to the 28th June 2014, I observed at a single branch of **Trust1** on thirteen separate days (68 hours on site); 62 contacts were made with 49 distinct people (or groups); 33 hours of conversation were had, of which 6 ½ were recorded electronically. Targeted interviews were held with the branch manager, regional HR representative, middle managers, regional representative and elected representation committee chairperson as well as general employees on an ad hoc basis.

As previously mentioned, a recorded interview was held as part of Phase 2 with the Finance director of another trust based organisation (**Trust2**), which lasted for an hour and included a tour of the site. Additional literature was also provided that gave information on the structure and history of the organisation.

3.4.2.4 Phase 2 summary

Table (3.4) below shows a summary of the EOBs contacted during phase 2 and the amount of time spent with each.

EOB	Contact period	On site time	Contact time	Number of distinct contacts	Audio Recorded time
Direct1	10/02/14 - 12/03/14	51 hr	15 hr	51	5hr 45m
Trust1	04/06/14 - 14/07/14	68 hr	33 hr	45	5hr 15m
Trust2	19/05/14	1 hr	1 hr	1	40m
Coop1	17/07/14 & 25/07/14	10.5 hr	7 hr	10	2hr 45m
Coop2	25/07/14	5.5hr	3hr 10m	11	3hr 10m

Table 3.4 Summary of contact time with EOBs during phase 2.

3.5 Methodological reflexivity

A Neo-empiricist stance allows for methodological reflexivity, which is “*critically scrutinizing the impact upon the research setting and findings of the researcher and his/her research strategy*”. These should include reviewing the balance between being an ‘outsider’ or ‘insider’; ‘distance’ and ‘inclusion’; ‘detachment’ and ‘involvement’ (Johnson and Duberley 2003, p1284).

During the fieldwork, such reflexivity did take place and some examples are given below.

- Interview questions were deliberately phrased to be open questions (Kvale 2007) (see appendix 3) to allow the participant to give an opportunity to speak rather than just answer with a single word. However, with a lack of experience at times, multiple questions were asked before a response was given which meant that some questions simply did not get answered at all. An example is given below from

Coop1:

Me: “So you are not involved in any of the democracy or anything like that? You come in, five days a week?”

Casual Worker: “Yeah, I’ve been doing four but for a few weeks been doing five.”

Hence the original question of how much a temporary worker is involved in the democratic process was completely ignored.

- To best capture what was being said during interviews, audio recordings were made, where permitted. This meant that it was necessary to momentarily check that the “red light” was still on the recorder and therefore still recording. This was a distraction from what was being said but necessary to make sure the information was captured (see Darabi (2013) as an example). In some locations (e.g. staff canteen) there was a lot of background noise that made it hard to hear exactly what had been said. Transcribing the information as soon after the event as possible helped to alleviate this issue. Not having to write notes as the interview happened also meant that better eye contact and rapport could be maintained throughout.

- Where recording interviews was inappropriate or impractical, for instance in customer areas of **Trust1**, notes were written onto the question sheet or added immediately after the interview but as Hammersley and Atkinson (2007, p142) say, although this was carried out "*with as much care and self-conscious awareness as possible... Fieldnotes are always selective: it is not possible to capture everything*". Memories fade quickly and written notes do not always reflect the inflections in a voice that give emphasis.
- During management meetings, I was sat amongst the managers and felt uncomfortable making notes as the meeting was going on. Clearly anything I wrote would be visible to the managers on either side of me and I felt this restricted what I could record at that time. Again, my thoughts were written up immediately after the meeting in a safe place. Hammersley and Atkinson (2007) say that notetaking can be seen as "*inappropriate or threatening, and will prove disruptive*" so care was taken to minimise the disturbance.
- Hammersley and Atkinson (2007, p28) point out, "*in ethnographic research the development of research problems is rarely completed before field work begins; indeed, the collection of primary data often plays a key role in that process of development.*" This was found to be the case as the research questions were repeatedly refined as the data was analysed.
- I was conscious of the clothes I wore to want to appear to blend in as well as stand out! For example, at **Trust1**, the standard uniform for a male on the shop floor is either a white or black shirt and tie, hence I deliberately wore a coloured shirt and tie, so that I had the professional image to be part of the shop but then be different from all the employees, to not confuse customers. Although I was approached once, to be asked how to get out of the store!
- Due to employees working shift patterns, particularly in **Direct1** and **Trust1**, I deliberately chose to be on site at different times of the day, including the start and end of a day.

3.6 Reporting method

It is important to consider the writing style of the results. Martin (2002, p269) asks the pertinent question *"In whose interests do I want to write - in the managerial interest, or do I want to focus on change-oriented emancipatory political agenda that would improve the lives of workers who earn relatively little?"* This includes the assumption that EO employees receive a small wage which will be reviewed as part of the research. She discusses three types as proposed by Van Maanen - realist, confessional and impressionist (Van Maanen 1988, Hammar 1991). As has already been explained this research is interpretive and attempts to portray what is being observed, hence the most relevant style is that of *"realist"* with elements of impressionism as it is more akin with how I prefer to write and gives space for humour that for example Van Maanen can include - *"the lone vuvuzela in the orchestra"* (Van Mannen 2011, p218). Another example of this style would be Kunda (2006).

3.7 Ethics

The ethical aspects of the research needed to be considered and can have a profound effect on the research methodology. A key aspect was whether to be covert or overt during the fieldwork. Covert participant observation may potentially lead to a greater depth of revelation as employees talk in an unguarded manner, however if the researcher were to be exposed, the damage done to the trusting relationship towards myself and the university could be devastating, causing a loss of reputation and for the research to be halted immediately. This was deemed an unacceptable risk and not in line with the University's ethical policy (Sheffield Hallam University 2012). Therefore this research was carried out overtly at all times (Gill and Johnson 2002).

Informed consent for arranged interviews is important and was requested at the start of interviews for Phase 1. This was done either on the phone verbally or by signing a consent form for the face to face interviews. For Phase 2 it was more complex. One of the features of ethnography is that participants may not provide explicit consent for an informal conversation next to the coffee machine. To mitigate this, as part of negotiating access, consent was obtained from the company sponsor during which the method of research was clearly explained and it was suggested that the organisation communicates with all

employees the dates for which I was on site. From my observations, this did appear to have happened as people frequently knew who I was when I approached them. When requested, I wore the standard issue, company provided visitors badge (**Trust1** only) but did not have any other formal identification (e.g. a badge identifying me from the university) however this had the potential to affect the interactions that I had (Saunders, Lewis and Thornhill 2009) which was observed. In addition, every time I deliberately approached a participant to request their help I always introduced myself as a researcher from the University and asked for their permission rather than assuming it. Some manual machine operators appeared to be overawed by a PhD student whereas for alumni members of the University it helped to build the rapport quicker. Also, the University is independent from the EOBs, which potentially gives interviewees greater freedom to answer, rather than if the research was being funded by their employer.

Anonymity is required so that individual people and their contributions cannot be identified. Using fictional names or amalgamating several people into one quasi fictional person can help with this (see for example Ridley-Duff 2005). Similarly, confidential and commercially sensitive information had to be handled appropriately by denying public access both physically and electronically. During the fieldwork large amounts of electronic data was collected. This was located on a secure password protected network and will be held in line with the University's data protection standard (Sheffield Hallam University 2012).

3.8 Limitations

The proposed research does have a number of identifiable limitations; the key ones are:

- *The length of time spent in the field during the ethnography.* As already mentioned the duration of the ethnographic period is significantly less than some authors would agree with. Further research could be done by spending longer in the field. For example, at **Trust1**, it felt like fully trusted relationships were starting to be created that would have potentially led to a different perspective on the organisation. However, the vast majority of employees I spoke to were of one mind and only five people (out of 62) expressed any form of dissent from the company view.

Therefore, this research provides the potential opportunity of a platform for further prolonged research in each of the organisations where contact has already been made.

- *The number of EOBs involved.* Clearly having more organisations involved would give a richer picture but again there is a trade-off between time and results. I consider that sufficient organisations were involved to be able to generate credible results bearing in mind that it is an inductive study.
- *The type of EOBs involved.* Organisations from different sectors or different sizes would bring a different perspective but again there has to be a limit on what is achievable and what is acceptable.
- *The location of EOBs.* During Phase 1 the location of the EOB's was less relevant as interviews could be arranged by phone, however for the ethnographic phase the EOBs had to be within commuting distance to manage the cost in time and money and be practicable for everyday living.
- *Myself as a researcher.* Ethnography requires a confidence to initiate conversations and my personality (introvert/extrovert) (Briggs Myers 2000) had a bearing on the ease with which that was done. A different researcher with a more extrovert personality may have achieved different conversations. Similar my gender may or may not have influenced the access or openness to which I was received (Summers 2002). As Savage (2000) points out "*the researcher becomes the medium of research, features such as the age, gender, and personality of the researcher will direct the findings*". The researcher must also be reflexive to understand their own culture and views; how they might impact on the research. It would be easy for a researcher to completely miss underlying beliefs within an organisation that were in line with their own as it would appear "normal" and therefore unremarkable. Reeves Sanday (1979, p528) quoting Clyde Kuckholm points out "*It would hardly be fish who discovered the existence of water.*"

3.9 Risks

With any methodology there are potential risks that need to be identified and managed. Regarding this specific research the risks were:

- *Access to organisations (in both phases).* Without organisations taking part there would be no data to analyse. This was mitigated by building up personal connections with EOBs as well as umbrella organisations (for example the Employee Ownership Association (EOA 2013b)). However once on site, it still required individual cooperation of employees as well, to capture their personal understandings. This was best achieved by building up a level of rapport and trust through openness, visibility, transparency, communication and explanation with all employees on site.
- *Constant concentration.* Maintaining a focus during long hours of observation can prove difficult and in trying to understand culture, the smallest look instead of the spoken word might be the biggest clue which could easily be missed as demonstrated by Summers (2002) in her ethnographic work. To reduce this risk, it was important to take breaks from the fieldwork as well as be ready to capture observations as soon after the event as possible. Consequently, a notebook was taken everywhere on site to record such thoughts. This included a copy of the cultural web (Johnson, Scholes and Whittington 2008) glued into the front to remind me that it was the organisational culture that I was trying to understand. Using a voice recorder and camera to record events also helped, providing data to be analysed.
- *Breaking confidence with participants.* Great care was taken when talking in and outside of each EOB to not identify specific individuals. This was especially important when talking to managers about what their staff may have said. This could have led to a breakdown in trust and much suspicion if it had failed.
- *Insufficient data being collected.* I appreciated the opportunity freely given to me by the EOBs so I endeavoured to glean as much information as possible. In reality, a large volume of raw data has been collected.
- *Physical risks.* This was important whilst on site in potentially hazardous manufacturing plants, however health and safety was of a very high standard, so it was not an issue. Toe-protection was provided where

necessary although the over-sized shoes probably created more of a trip hazard! In one organisation, due to the hot weather and a lack of inside cooling, interviews were carried out on the roof space but at a safe distance from the edge of a flat roof. Hence I was either supervised in dangerous areas (with fork lift trucks operating) or the risk was acceptable with common sense.

3.10 Timescale

The actual timeline for the research was as follows:

Time period.	Activity
November 2013 - January 2014	Phase 1 - Create, test and utilise semi-structured interview with approximately ten EOBs.
February 2014 - July 2014.	Phase 2 – Carry out ethnographic studies within the three different ownership types, and analyse findings in between.
August 2014 - September 2014	Transcribing of audio data.
October 2014 - March 2015	Intensive coding of nodes within Nvivo, repeating the process.
March 2015 - October 2016	Continual reflection and writing up of findings, prior to submission.
October 2016	Submission.
December 2016	Confirmed.

Table 3.5 Timeline of research

3.11 Research evaluation

Positivistic research can be measured on reliability (can the experiment be repeated with the same results?) and validity (does the experiment measure what is required?) (Johnson and Duberley 2000). However for qualitative research, reliability and validity cannot be the yardsticks for evaluation as it is almost impossible to replicate a scenario to the necessary degree. Therefore as Johnson et al. (2006) and Thomas (2006) point out, different criteria are required and they both suggest Guba and Lincoln's (1989) work as a starting point, in order to evaluate qualitative research with an objective epistemology, although their particular stance is constructionism.

- *Stability* in both the methods used to carry out the research as well as the phenomena being observed. This is relevant for organisational culture which does not undergo rapid changes (Schein 1992).

Throughout the process I was the sole researcher in the field collecting the information. The set of questions used in each of the different organisations was fundamentally the same and they were asked in a consistent way. I made no deliberate effort to adopt a different persona in the different locations so that too was stable (although I learnt from each experience). Especially for the organisations where there was a longer period on-site (**Direct1** and **Trust1**), the specific time slots were not unique in comparison to other points in the year that I could have visited. Although both organisations go through seasonal variations (especially in retail, for example the busy Christmas period versus the quieter summer months in **Trust1**), fundamentally the business being done is still the same. For example, there is no shift from heavy labour in the summer to high tech IT services in the winter.

- *Credibility* which is "establishing the match between the constructed realities of respondents (or stakeholders) and those realities as represented by the evaluator and attributed to various stakeholders" (Guba and Lincoln 1989, p237). They suggest this can be enhanced by substantial engagement with the situation; persistent observation; being reflexive; discussing potential thoughts and theories with a disinterested party and primarily by reflecting back to the original actors what has been observed to see if they agree with the understanding. All of these facets of credibility were available to me as a researcher but required a concentrated effort. Specifically for the two sites (**Direct1** and **Trust1**) where a reasonable amount of time was spent on site, the experience was consistent throughout and definitely did not change on a frequent or even ad hoc basis (Bate 1997). Observation was carried out all the time on site and a notebook was always to hand to record information. Being in the field allowed for times of methodological reflection to see if I was maximising my opportunity. During the fieldwork and subsequently, discussions have been had on a regular monthly with my supervisory team to flesh out my understanding. Feedback on the initial findings was specifically requested by some organisations and therefore provided and the response noted (either neutral or very positive, never negative or contradictory). Whilst on site I had a specific contact person and would meet with them (at least weekly) to informally discuss progress and any

initial thoughts, in effect “*Member checks*” as Guba and Lincoln (1989, p238) call them. This helped to clarify and rectify any potential misunderstands,

- *Transferability* which places the emphasis on the receiver of the research information to verify whether it is transferable to their specific situation. Ultimately it will be the reader’s responsibility to see if it applies to their situation however an aim of the research is to provide guidance to HR practitioners so it should be transferable to organisations within the EOB sector, subject to the limitations of their own ownership type. By looking at three different types of ownership it increases the breadth of potential comparable organisations. Another option is to present the findings to an informed body to gain their comments. This happened on 11th March 2016 at a regional meeting of the EOA where the findings were presented to a group of EOA members who were given the opportunity to discuss and feedback their comments. This group included one of the key contacts from **Direct1** (employee 21). As such the feedback was positive and agreeable and the minutes reported on the EOA website. The findings were also presented at a doctoral conference at Sheffield Hallam University on 20th May 2016 to an academic audience for comments, again receiving positive feedback.
- *Confirmability* which is allowing the reader to track where the data came from as well as understand the processes it went through in order to produce the findings. A detailed explanation of the analysis process is given in chapter 4. The reader does not have access to the entire set of actual transcripts or notes taken for confidentiality reasons. However they were made available and reviewed by my supervisory team which gives credibility to the claim. In my research the transcripts could be verified by the participant however this only happened once where it was specifically requested (**DIR_Service**).
- *Fairness* which is the way in which different constructions are given an equal voice to be heard. This is very relevant in EOBs where the normal owner/manager and employee demarcation is not so obvious. The ethnographic method allows for many more voices to be heard rather than a few elite and so a more consistent picture is built up. This is also achievable through being methodologically reflexive; reviewing whether I

have preferred one group (say managers) over another (say shop floor workers) (Johnson and Duberley 2003).

- *Authenticity* (Ontological – that respondents understand their own construction better, Educative – that respondents understand other people's constructions better and Catalytic – that the results brings about action). Ontological and educative can be achieved by feeding back the results of the research to the actors involved and this was done for both **Direct1** and **Trust1**. It is intended to provide guidance to those responsible for performance and reward management so it should be catalytic and emailed correspondence implied that it would be reviewed at a management level.

To summarise, *"To put the point more bluntly, prolonged engagement and persistent observation (or any other methods one might choose) do not ensure that stakeholder constructions have been collected and faithfully represented."* (Guba and Lincoln 1989, p245). There will always be the potential for misrepresentation, unintentionally or not, and researchers need strategies in place to address this potential. Considerable time and effort was spent in trying to accurately reflect actors' contributions through repeated, detailed transcription checking and comparing my notes against what was said to give greater confidence that the meaning was recorded and not just the words.

3.12 Summary

This chapter has reviewed a wide range of methodological options for the research and explained the chosen one, which was a two-phased approach of interviews and ethnography. It detailed the selection criteria and briefly introduced the organisations that participated. It has also highlighted the commitment to ethical research and some identifiable limitations of the research as well as criteria for evaluating it.

The next chapter provides explains in detail how the analysis of the data was carried out and gives a background to all the organisations involved, from this the findings can then be reported.

Chapter 4 - Analysis

4.1 Introduction.

In the previous chapter the methods used to collect data relating to the research questions were set out. This chapter explains how that data has been analysed as well as detailing what assumptions have been made to evaluate the research (Braun and Clarke 2008). Background information on all the individual research organisations is given to provide a contextual and comparative perspective.

4.2 How the data was analysed.

The inductive, interpretive approach of the research allows for themes and core meanings to be identified from the data collected. This happens as the data is analysed by the researcher. The analysis was guided by two articles that both provide an explanation of, and method for, analysing qualitative data, namely Thomas (2006) and Braun and Clarke (2008). Thomas refers to a *“General Inductive Approach for Analyzing”* qualitative data. His concern is that analysis should not only be efficient but defensible as well and that it allows for *“The identification of any significant unplanned or unanticipated effects”*. This is appropriate as no prior theory was assumed nor was I trying to prove any theory through deduction but it does allow for understanding to be generated from the data. Braun and Clarke (2008, p79) describe Thematic Analysis as *“a method for identifying, analysing and reporting patterns (themes) within data.”*

As such, Thomas (2006) and Braun and Clarke (2008) both offer a very similar method for analysing qualitative data although their terminology is slightly different. Thomas (2006) creates meaning from complex data via data reduction using themes or categories. Braun and Clark see Thematic Analysis as the *“foundational method”* of qualitative analysis and the first method researchers should use. They differ from strict Grounded theory (Glaser and Strauss 1967) in that there is a recognition that the researcher will bring prior knowledge to the experience and that coding will not be done in an *“epistemological vacuum”*.

The six phases of Thematic Analysis from Braun and Clark (2008, p87) are:

1. Familiarizing yourself with your data
2. Generating initial codes
3. Searching for themes
4. Reviewing themes
5. Defining and naming themes:
6. Producing the report

Obtaining permission to undertake research is obviously critical and often difficult to obtain. As such the opportunity for ethnographic site visits were grasped with both hands when they were offered. This meant that there was only a very limited period between Phase 1 and Phase 2. (In fact the final Phase 1 interview occurred during the on-site research at **Direct1**.) Therefore, there was insufficient time to analyse Phase 1 discretely from Phase 2 so the decision was taken to amalgamate the two sets of data into one. Therefore, for both Phase 1 and Phase 2 of the research, the underlying method of analysis was the same and is described in detail below. (Note that to reduce confusion between phases of research and phases of analysis, the six analysis phases will subsequently be referred to as stages instead.)

4.2.1 Stage 1 - Familiarising with the data.

A significant amount of time was spent familiarising with the data which was done via creating, listening, transcribing and reading the information. The raw data was primarily electronic audio recordings of interviews and hand written notes made during, or immediately, after interviews. (There were other forms of data that will be discussed later.) In the case of electronic recordings these were transcribed with the aid of voice recognition software (Dragon version v12 - (Nuance 2015)). Interviews were listened to via headphones and then spoken into a microphone to be automatically transcribed into a Microsoft WORD document. From previous experience (Wren, 2011) this was found to be the fastest method of transcribing and assisted with Braun and Clarke's emphasis to "*immerse yourself in the data to the extent that you are familiar with the depth and breadth of the content*" (2008, p87). Interviews were then listened to again and reviewed against the initial automated output to allow for manual corrections and further punctuation to be added ensuring the written words

conveyed the intent of what had been said as well as the actual words. This was a long, slow process and mirrored what Braun and Clark (2008, p87) accurately quote from Riessman, namely *"The process of transcription, while it may seem time-consuming, frustrating, and at times boring, can be an excellent way to start familiarizing yourself with the data"*.

In the transcripts, a consistent approach was taken to differentiate my voice from an interviewee by highlighting mine in bold. This was not done to add any extra emphasis or weight to it but simply to be able to recognise where one voice finished and another started. An example taken from the interview with **DIR_Professional** is shown below:

Do you have employees who don't own shares then?

Yes we do. They don't own shares outright because the trust holds them on their behalf.

A deliberate choice was made not to note every pause, cough, "Urm" or "Err" unless it had a direct bearing on the meaning of what was being said as it did not affect the message and would have further added to the time taken to transcribe. This confirms Lapadat and Lindsay (1999) that the act of transcribing is a form of analysis by choosing what to write about and what to exclude. According to Lapadat and Lindsay (1999, p75) Poland says that the quality of transcripts can be adversely affected by deliberate, accidental, and unavoidable alterations of the data. Although no deliberate attempt was made to alter the data, minor mistakes were found and corrected in the transcriptions during subsequent stages of the analysis (typically words that had been incorrectly translated by the software). At some points in the recordings, background noise made it difficult to hear what was being said and English was not always the first language of interviewees making comprehension still harder. In these cases the written notes made on-site were used to help fill in the gaps. Finally on 24th September 2014, all the raw data had been transcribed. As noted by Braun and Clark, initial thoughts about coding occurred to me throughout this process and these were noted down in an "Analysis Diary" and later added to the model.

Other forms of data such as physical documents provided by organisations, websites and pictures taken on site were also collected. Documents were scanned and electronic versions then used instead.

Therefore the data corpus (Braun and Clark 2008) was made up of the following:

- Electronic recordings of interviews
- Hand written notes of responses during interviews (either on a pro-forma question sheet or free hand in a notebook).
- Hand written notes of reflections on interviews and other observations.
- Pictures taken on site with a mobile phone.
- Electronic documents (.pdf, WORD, POWERPOINT, emails) provided by organisations
- Paper documents (sales catalogues, brochures, appraisal documents, newsletters) provided by organisations.
- Organisations' websites.

From this the data set was created, which differed only in the amount of physical items used (all electronic documents were included). For example, **COOP1** provided an entire sales brochure (272 pages long) so practically not every page could be scanned and included nor was it necessarily relevant however my observations about the style and content of the brochure are included in the data set. Similarly, the "Values statement" (as it has a direct bearing on the culture of the organisation (Schein 1992)) from the company brochure of **DIR_Manuf** has been copied into the interview notes taken but the document in its entirety was not scanned in.

4.2.2 Stage 2 - Generating initial codes.

The second phase in Braun and Clark's (2008) thematic analysis is to "*Generate initial codes*". Due to the large quantity of data items and time constraints, no attempt was made to perform manual coding and software for analysing data was used instead (Seale 2010, Kelle 2004, Patton 2002). There are a variety of software tools for analysing data (for example MAXQDA (2015)) however Nvivo (QSR International 2013) was chosen as it is readily available within the University and I had previously been trained in using it as well as having experience of applying it in a qualitative study (Wren 2011). Individual

items were loaded into the Nvivo software in a systematic manner, by phase and then chronological order. The two phases of research were separated out into different folders (See Figure 4.2).

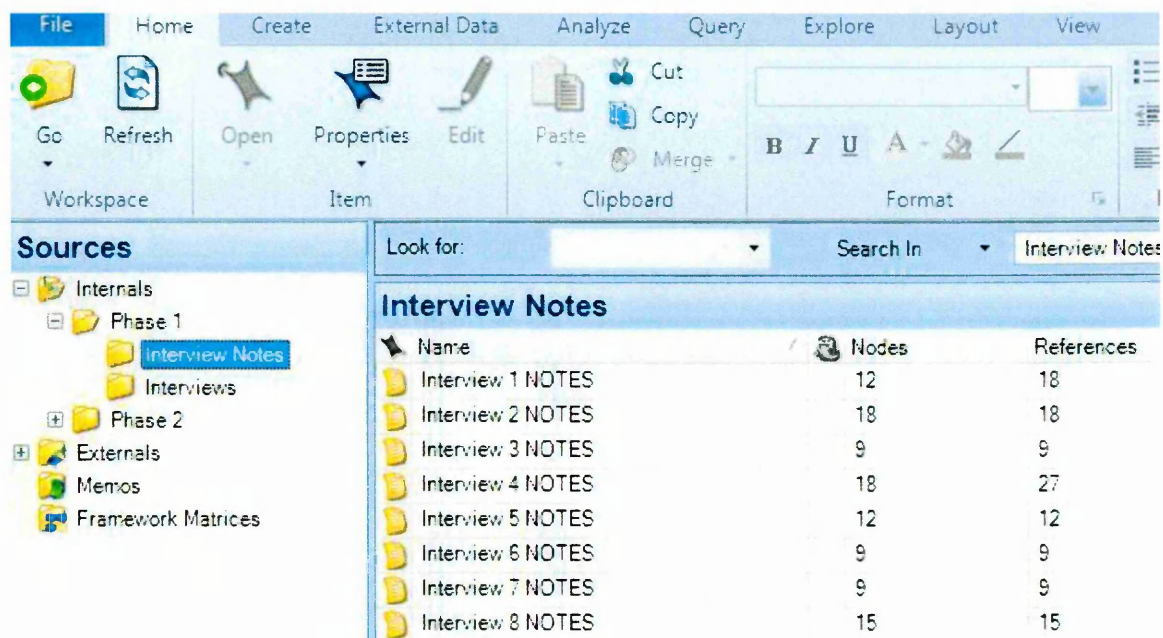


Figure 4.2 Initial sources loaded into Nivivo.

Braun and Clark (2008, p88) describe Codes as identifiers of “*a feature of the data (semantic content or latent) that appears interesting to the analyst*”, which relate to the most basic element of raw data that has meaning. Thomas (2006, p241) explains that the “*evaluator then identifies text segments that contain meaningful units and creates a label for a new category to which text is assigned*”. Potential codes that had been identified during the first stage were added as “Nodes” in the Nvivo model. Each data item (for example, transcribed interview or record of observation) was then coded in turn, working chronologically with Phase 1 and through onto Phase 2. The data item was read in detail and using the software, data extracts were associated with zero, one or more nodes. Coding was “*data-driven*” rather than “*theory-driven*” (Braun and Clark 2008, p88) as the purpose of the research is to allow for themes to be created from the data rather than to deductively prove a theory. Therefore items were coded according to the meaning rather than whether they were thought to be part of an answer hence there was potential to over code extracts that would not form part of the final report.

By 24th November 2015 the data set had been coded throughout and 273 nodes had been created. Partway through this exercise, each node was reviewed to clarify its meaning and give it a description to ensure distinction between nodes. This allowed for more accurate coding and new nodes to be created. On completion, the entire data set was then re-coded (building on the existing nodes) as suggested by Braun and Clark (2008). This allowed for nodes that had been identified in later data items to be recognised within the initial interviews to see if they had in fact occurred previously. (100 nodes were added between **Direct1** having been coded once and then being coded again.) On completion, the total number of nodes had risen to 284; a small increase however a meaningful number of new links had been identified. This is to be expected as *"coding is an ongoing organic process"* (Braun and Clark 2008, p91).

During the coding no intentional bias was applied to the data. That is, management interviews were not treated any different from subordinates; no regard was given to gender; each voice was given equal weight. Extracts were also coded inclusively, so that some surrounding text was included to provide a relevant context and make it easier to when referring back to it (Braun and Clark 2008).

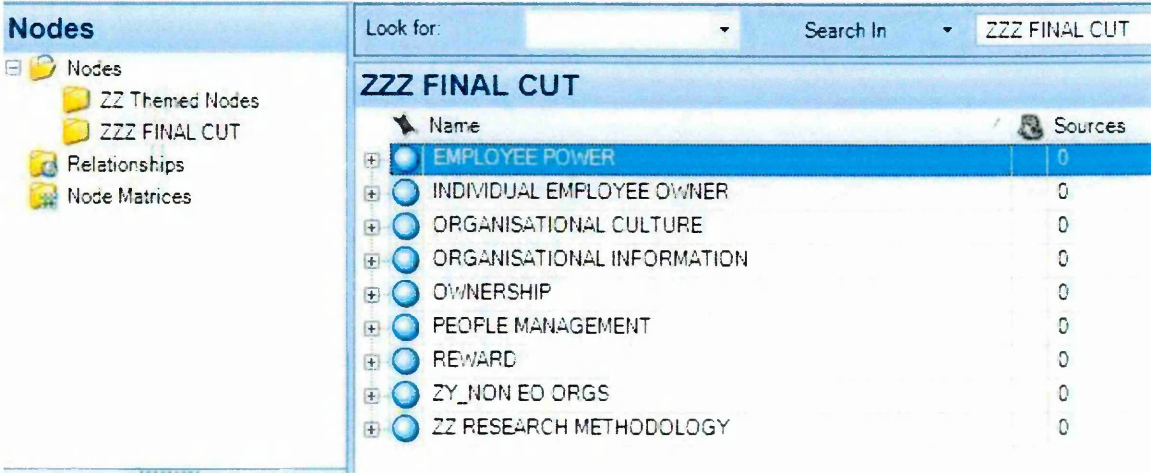
Once again all nodes were checked to ensure that they had a distinct definition. Where this wasn't the case, nodes were collapsed into their twin (for example "People Valued" and "Valued as a Person"). During this whole stage hierarchies of nodes were already being created. This typically happened for several reasons:

- Where nodes were created as more detailed explanations of an existing node. For example, "leaving the organisation" was created and then different reasons for leaving were noted (e.g. "Death", "Leave by Choice", and "Pressure from Peers".)
- When two nodes were the opposite of each other (e.g. "Happiness state" was created to include both "Happy" and "Unhappy")
- Where similarities between nodes were already being identified (e.g. "Type of Ownership" contains "Direct Ownership", "External Ownership" and "Trust Ownership").

Nodes that only had one or no reference were checked to see that they were relevant to the study and deleted if obsolete. For example, “Inward looking Culture” had been added as an antonym to “Outward looking culture” but then never referenced so was deleted. Each node within a hierarchy was then reviewed to see if it was still appropriately placed and moved if not. In some cases parent nodes had become a catch all, so were reviewed to see that the references contained with them were appropriate, with the aim to remove all references from parent nodes if at all possible. This finally led to a set of 349 nodes in total which became the master version of the data. From this point the data was frozen and no new nodes were created, otherwise the task of coding could become an infinite task.

4.2.3 Stage 3 - Searching for themes

The third stage is to search for themes within the codes and *“involves sorting the different codes into potential themes, and collating all the relevant coded data extracts within the identified themes”* (Braun and Clark 2008, p89). This was practically done within Nvivo by moving nodes to create further hierarchies, of parents, siblings and orphans. Nodes were reviewed to see if they could be combined into overarching themes, initially these were given very generic names to allow the process to happen quickly without being slowed down (e.g. “Culture Stuff”). From here nine high level themes were created (See figure 4.3), a significant reduction in nodes which is the desired aim (Thomas 2006).



Name	Sources
EMPLOYEE POWER	0
INDIVIDUAL EMPLOYEE OWNER	0
ORGANISATIONAL CULTURE	0
ORGANISATIONAL INFORMATION	0
OWNERSHIP	0
PEOPLE MANAGEMENT	0
REWARD	0
ZY_NON EO ORGS	0
ZZ RESEARCH METHODOLOGY	0

Figure 4.3 Themes derived from Nvivo model

Graphical displays were also used to help with the analysis (see figure 4.4) to give a visual and therefore different way to view the data. This helped to clarify the content of the super-ordinates.

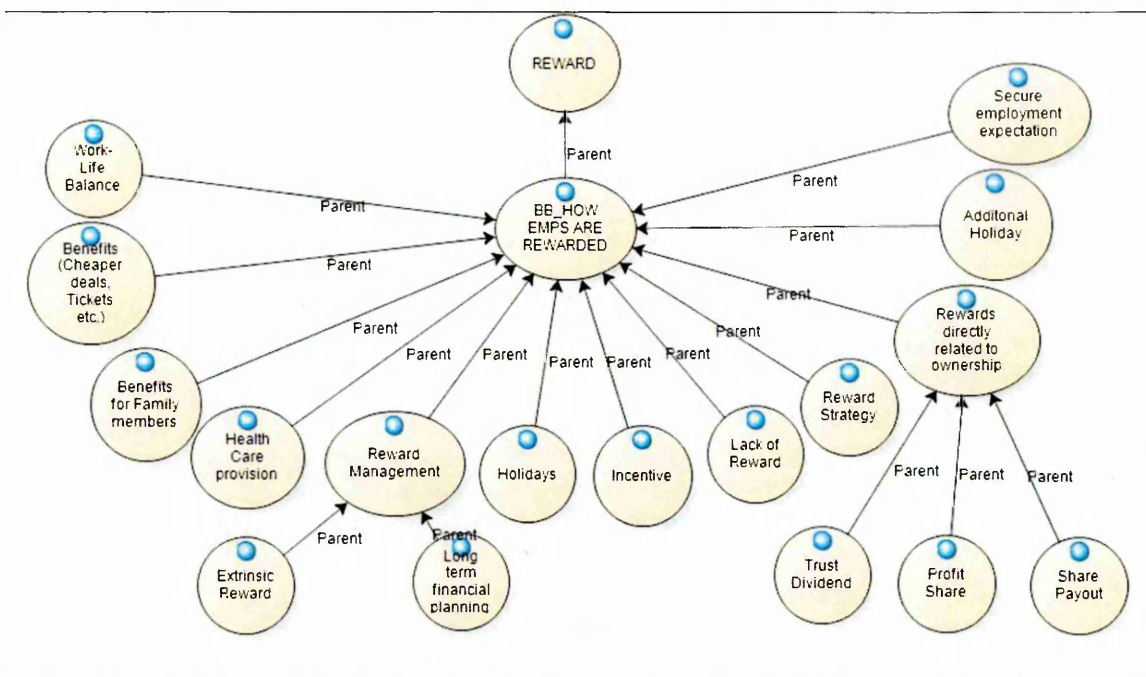


Figure 4.4 Representation of initial themes from Nvivo model

4.2.4 Stage 4 - Reviewing themes

Having created the themes, it was then important to review them to ensure that they had both *internal homogeneity* (that the data within a theme should all relate to each other and there should be no odd members of the family) and *External heterogeneity* (that a theme should be different from all other themes) (Patton 2002). This was done by reviewing each node in conjunction with its description, to see that all data extracts within it were appropriately coded and if necessary amending the description or name, recoding or creating further nodes. This was done for all 349 nodes (Braun and Clark 2008).

4.2.5 Stage 5 - Defining and naming themes

In this fifth stage (Braun and Clark 2008), the themes are accurately named to reflect their content and refined to ensure that they are not “*too diverse and complex*”. Again, the overall number of themes was expected to reduce but also identify redundant themes that, although may be of importance were not relevant to this specific study.





It was at this point that it suddenly became clear that analysing the data as a collective was not exposing the potential differences of culture between the ownership types, a fundamental objective of the research. Therefore, from the

master Nvivo model three separate sub-models were created, each only containing the sources from the appropriate ownership type:

Ownership type	Organisation
Cooperative	Coop1, Coop2 & Coop_Service
Direct	Direct1, DIR_Professional, DIR_Consultancy, DIR_Service, DIR_Eng & DIR_Manuf
Trust	Trust1, Trust2 & TRUST_Service

Table 4.6 Organisations within type.

This then allowed each of the ownership types to be viewed in isolation and in comparison, with the others. This was further aided by exporting each node set into a spreadsheet so that the number of references and sources for each node for each ownership type could be viewed simultaneously. This provided a visual perception of the data that could be interpreted whilst still using the in-depth knowledge of the overall dataset. From this five “levels” of nodes were defined (and colour coded):

Level	Colour	Meaning
5		Nodes that were significant and were common across all the ownership types (e.g. “Openess”)
4.xx		Nodes that were present and unique to one ownership type (e.g. “Share payout” in Direct ownership).
3		Nodes that were not considered to be significant due to their presence or absence. This typically arose due to coding items that after further reflection were not considered directly relevant to the study (e.g. “Working hours”) or nodes that were perhaps only mentioned by one person (e.g. “deadlines”) and considered to be insignificant.
2		Nodes that were conspicuously absent from one of the ownership types. That is where two of the ownership types did refer to a node which might be considered to be mainstream organisational practise but one type clearly omitted it. (e.g. “Grading for performance” was absent in cooperatives). These nodes were then often renamed to acknowledge their absence (e.g. “Line manager - Lack of” in cooperatives).

1		Nodes that were expected to be in all ownership types but were not significantly present. Only two nodes were left in this level - “pressure from peers” and “Anti-culture”.
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Table 4.7 Repetition of nodes across types.

This spreadsheet was reflected upon and revised, leading to a further subdivision of level 4 to acknowledge which types the node did relate to (for example 4.23 meant that the node was present in both trust and cooperative EOBs but not direct). A screen print from the spreadsheet is shown below (see figure 4.5):

1	Name	DIRECT Sources	DIRECT Refs	TRUST Sources	TRUST Refs	COOP Sources	COOP Refs	
2	Job Satisfaction	6	7	8	11	15	18	4.3
3	Profit Share	0	0	0	0	11	23	4.3
4	Prise - Recognition (Look at/Thank)	16	29	19	37	4	8	2.3
5	Work-Life Balance	8	11	10	12	14	31	4.3
13	Additional Holiday	4	4	6	7	4	12	4.3
14	Retention (Look at it?)	17	23	12	20	4	7	2.3
16	Benefits (Cheaper deals, Tickets etc.)	12	18	16	21	9	21	5
21	Pay	20	32	21	45	16	37	5
22	Secure employment expectation	3	3	1	1	5	8	4.3
26	Pay increase	9	13	9	19	5	5	2.3
31	Cooperative	2	5	0	0	19	26	4.3
32	Coordinate (rather than manage)	0	0	0	0	10	19	4.3
33	Flat Structure	5	6	1	1	14	27	4.3
35	Critical Feedback	0	0	0	0	5	10	4.3
36	Self-manage	0	0	0	0	10	17	4.3
37	Flexibility	18	25	10	14	19	49	5
39	Probationary period	5	9	3	3	16	36	4.3

Figure 4.5 Spreadsheet showing comparison of nodes within ownership types.

This finally revealed four distinct datasets (cooperative, direct, trust and combined) with parent nodes within them (these are shown in the findings chapters). Taking each set of nodes in turn, themes were then drawn out to highlight the culture within the different ownership type. These node sets and final themes are presented in chapters 5, 6, 7 and 8.

4.2.6 Stage 6 - Producing the report

The purpose of writing the report up is to publish the findings and so make them accessible to a wider audience. This needs to be done in a way that convinces the reader “*of the merit and validity*” of the analysis process (Braun and Clarke

2008). Thomas (2006, p245) provides a suggested “reporting style” for presenting findings, which includes the following three levels:

- Top-level category (or theme).
- A detailed description of the theme
- Suitable quotes to illustrate the theme

This model has been used in each of the findings chapters (5, 6, 7 and 8) but is preceded in each case by a more general section that illustrates some of the source information to show originality.

Throughout the rest of this thesis, verbatim quotes (potentially grammatically incorrect since they are part of a spoken conversation) and copies of field notes taken are included to illustrate the points made. These are indicated by indented, italicised text, followed by the organisation and some reference to the person speaking (if applicable). Quotes in **bold** are questions or comments that I have made during the conversation. The originating organisation is always shown and if necessary an anonymous identifier so that the contribution of a person can be identified but not the actual person. An example quote is shown below:

“What are the main benefits of employee ownership to you?”

*For me, its happiness. If you're looking forward to coming into work, that says more than anything. You are not waking up and thinking “God I'm going to work!” You are actually quite happy, because you know “I'm going to have a really good time” and get your job done and hit everything you need to do.” - **Direct1** employee 1.*

Conversations have only been changed when it is required to preserve the anonymity of a person or organisation, or provide further clarification to an extract of a conversation. This is typically shown by enclosing a substituted word within “[]”, for example:

Can you tell me about the culture?”

*There is a “[Organisation] Culture”. Wherever you go in the world in a [Organisation] office, I could walk in and feel welcome, comfortable and have things in common with other people. - **DIR_Service**.*

As previously mentioned the writing up of ethnographic studies has its own style (Van Maanen 1988) and the themes are explored in detail in Chapters 5, 6, 7 and 8.

4.3 Background information about the organisations involved

4.3.1 Phase 1 organisations

This section introduces each of the organisations that agreed to take part in Phase 1 of the research. For confidentiality reasons, some of the explanations are deliberately vague but they provide sufficient understanding to gain an appreciation of their context and enable a degree of comparison. All the interviews took place between December 2013 and February 2014 and the lifespan is at the point the interview was carried out. All the organisations are still in existence at the time of completion of this thesis (2016) except for **COOP_Service** which has been bought out by a larger operator in the sector in 2014. The exact reasons for this are unknown. Where ownership is considered to be a hybrid form, the dominant ownership type has been highlighted; this is the ownership model that the organisation has been most like and has been used when analysing the data. A summary of all the contacts made as well as unsuccessful attempts is shown in the table (4.8) below, followed by a description of each one in turn.

Interview number and date	Ownership Type (dominant type shown in yellow)	Pseudo Name	Description	Access method	Type of Interview - Face or Telephone
1 4/12/13	TRUST + DIRECT	DIR_Professional	Medium sized professional services firm	Identified from EOA website, then cold called.	Telephone
2 9/12/13	TRUST + DIRECT	DIR_Consultancy	Small sized professional services firm	Via networking at EOA Conference	Telephone
3 10/12/13	COOP	COOP_Shop, becomes Coop2.	Small sized retail firm	Suggested by trusted friend.	Face to Face
4 16/12/13	COOP	COOP_Service	Small sized professional services firm	Identified from Co-operatives UK website, then cold called.	Face to Face
5 20/12/13	TRUST	TRUST_Service	Large multi-national professional services organisation.	Via networking at EOA conference and White rose event.	Telephone
6 7/1/14	DIRECT	DIR_Service	Large multi-national professional services.	Via networking at EOA Conference	Telephone (not recorded)

7 7/1/14	TRUST + DIRECT	DIR_Eng	Medium sized engineering firm	Via networking at EOA day & EOA Conference	Face to Face
8 21/2/14	TRUST + DIRECT	DIR_Manuf	Medium sized manufacturing firm	Via networking at EOA day	Face to Face
-	TRUST	Declined_1	Large retail organisation	Dropped card off - no response	
-	TRUST + DIRECT	Declined_2	Medium sized engineering firm	Via Networking at EOA Conferenc e	
-	COOP	Declined_3	Small sized retail firm	Suggested by trusted friend	
-	COOP	Declined_4	National medium sized retailer	Identified from Co- operatives UK website, then cold called.	

Table 4.8 Summary of Phase 1 organisations contacted

Note: the definitions of size (Small, Medium and Large) are taken from the European Commission's definition of Small and medium-sized enterprises (SME's) (European Commission 2014).

Note: From the very first two interviews it became apparent that my simplistic view that an organisation might be a trust or directly owned was inadequate. Where employees directly owned shares, it was frequently done in conjunction with a Trust holding shares on behalf of employees as well. These are therefore

examples of the hybrid model discussed in chapter two hence the dominant ownership type is shown above in **bold**.

4.3.1.1 DIR_Professional

Pseudo Name	DIR_Professional
Ownership Type	68% owned by employees either in trust (all employees are members) or directly owned thorough share purchase (approximately 2/3rds have acquired shares). 32% is externally owned (acquired before EO was an option). The target is to be 100% employee owned by 2017 ⁹ .
Dominant Ownership Type	DIRECT
Lifespan (starting year)	25 years (1988).
Number of Employees	1600
Sector	Personal Services
History of EO	The organisation was started with private investment by one person with external help. After seeing a successful model of EO run by his father, the founder chose to make it employee owned from 2000, where all employees became beneficiaries of a trust and were given the option to buy further shares if they wished. EO is seen as irrevocable and core to their way of working.
National/Global	National
Multi-site	Yes.
Contact Person	HR Director.
Access Method	After attending the EOA Conference in 2013, I cold-emailed the organisation specifically asking to speak to the HR director and received a positive response.

⁹ From a conversation with a current employee at the EOA Robert Oakeshott lecture, 20/3/15 in London

4.3.1.2 DIR_Consultancy

Pseudo Name	DIR_Consultancy
Ownership Type	Majority owned by the 3 founders (all directors/employees). 13% of shares are in a SIP (Share Incentive Plan) where shares are given directly and personally to employees. Potentially in the future employees will also be able to purchase shares. 5% belong to an EBT (Employee benefit Trust) where all employees are members automatically of the trust, subject to a probationary period.
Dominant Ownership Type	DIRECT
Lifespan (starting year)	3 years (2010).
Number of Employees	30
Sector	Professional Services
History of EO	Founded by 3 colleagues, who all left a FTSE 100 organisation. From their previous (negative) experience they wanted to create an employee owned business from the start so took professional advice from Baxendale on how best to do this. The recommended solution was the result.
National/Global	Local
Multi-site	No.
Contact Person	Director/Founder.
Access Method	Contact with one of the employees who I met at the EO conference in 2013, who then gave access to the director.

4.3.1.3 COOP_Shop (This becomes Coop2)

Pseudo Name	COOP_Shop
Ownership Type	100% Cooperative - however operates as a sociocracy where decisions are made by consensus rather than voting.
Lifespan (starting year)	17 years (1996)
Number of Employees	44 members, 6 probationers, 10 casuals.
Sector	Food retail
History of EO	Created from the start as a worker coop, has continued to grow from its original three founders. Probationers serve a 7-month period after which the entire cooperative votes as to whether they should become members and pay for their £1 share.
National/Global	Local
Multi-site	No.
Contact Person	HR Director
Access Method	Contact was initiated via a colleague at the University who introduced me directly to the HR director.

4.3.1.4 COOP_Service

Pseudo Name	COOP_Service
Ownership Type	100% Cooperative
Lifespan (starting year)	21 years (1982)
Number of Employees	32
Sector	Professional Services
History of EO	Originally created as a worker cooperative from the outset by seven founders.
National/Global	Local

Multi-site	No.
Contact Person	Company secretary and commercial manager (just one person).
Access Method	Cold emailed after looking through Coops UK website for local Cooperatives, specifically asking to speak to senior manager.

4.3.1.5 TRUST_Service

Pseudo Name	TRUST_Service
Ownership Type	100% Trust owned by all employees. Shares are not evenly distributed; they cannot be purchased only accumulated due to length of service (gain 1.5 shares for each year of service) and position within the organisation (seniority is rewarded).
Lifespan (starting year)	67 years (founded in 1940s, moved into EO in late 1980s)
Number of Employees	11,700 (4,500 in the UK)
Sector	Professional Services
History of EO	Create by 2 brothers with some external partners. When they came to retire, they decided to move the organisation into EO.
National/Global	Global
Multi-site	Yes.
Contact Person	HR Director
Access Method	Made personal contact via a colleague at the company after hearing a speech at the EOA Conference in 2013. I specifically targeted the HR director.

4.3.1.6 DIR_Service

Pseudo Name	DIR_Service
Ownership Type	100% Directly owned, however only 56% of the employees choose to purchase shares following their one year probation. Therefore 44% choose not to own shares. Shares are purchased and cannot be kept outside of the organisation (i.e. on retiring or leaving they must be cashed in.)
Dominant Ownership Type	DIRECT
Lifespan (starting year)	53 years (1960)
Number of Employees	9000
Sector	Professional Services
History of EO	Originally created by 3 founders they decided to give employees the option to purchase shares from the beginning.
National/Global	Global
Multi-site	Yes.
Contact Person	HR Principal
Access Method	Made personal contact after hearing a speech at the EOA Conference in 2013 given by the interviewee.

4.3.1.7 DIR_Eng

Pseudo Name	DIR_Eng
Ownership Type	Direct and trust owned. Employees must buy a minimum quantity of shares as a condition of their full employment (i.e. once they have passed probation). They can then optionally purchase more if they wish (some do, some do not). Hence the distribution of shares is not equal and the founder holds significantly

	more than average. The remainder of the shares are held within a trust for all members of an umbrella trust. (Note some non-executives are given shares rather than paid for their services so this is external ownership but relatively insignificant.)
Dominant Ownership Type	DIRECT
Lifespan (starting year)	14 years (2000)
Number of Employees	50
Sector	Engineering/Manufacturing
History of EO	This organisation was purchased out of a business run by the MD's father in 2000. At this point employees could optionally purchase shares in the business however it was not until 2006 that EO was formally introduced. Ownership via share purchase is now mandatory on joining the organisation.
National/Global	Local
Multi-site	No.
Contact Person	Managing Director (and founder).
Access Method	Originally met the MD at an EOA event and subsequently phoned up to arrange access.

4.3.1.8 DIR_Manuf

Pseudo Name	DIR_Manuf
Ownership Type	On starting an employee must purchase at least 5% of their salary in shares (via a loan over a 12-month period). There is the annual option to purchase more if they wish and they must be sold within 5 years of leaving the organisation (or quicker if they have served less than 5 years on a year for year basis.) The

	remainder of the shares are held in trust for all the employees.
Dominant Ownership Type	DIRECT
Lifespan (starting year)	33 years (1980)
Number of Employees	120.
Sector	Manufacturing.
History of EO	The firm was started by two partners and transferred into EO in 2004 following the sudden death of one of them.
National/Global	Local
Multi-site	No.
Contact Person	HR Director
Access Method	Via contact at the University who introduced us. Specifically targeted the HR director.

4.3.2 Phase 2 organisations

This section provides a similar introduction to each of the organisations that agreed to take part in Phase 2 of the research. More information is provided for these organisations because of their greater role in the overall research; however, anonymity is still observed. Fieldwork took place during the period February to July in 2014.

From Schein's (1992) definition of organisational culture concerning shared assumptions that are valid and therefore passed onto the next generation, it is important to have a deeper understanding of the history of these organisations to see how the original understandings were first created.

4.3.2.1 Coop1

Pseudo Name	Coop1
Ownership Type	100% worker cooperative
Lifespan (starting year)	37 years (1977)

Number of Employees	150 + 35 casual workers
Sector	Wholesale food retail
History of EO	See below. Created by its founder then sold in 1977 to 7 members who created the cooperative from the outset.
National/Global	Local
Multi-site	No
Turnover	£40m
Contact Person	HR Director
Access Method	Via a contact at the University who introduced us.

4.3.2.1.1 Coop1 history

From the initial seven members of the cooperative, the organisation has moved premises several times as it has grown. It now resides in a purpose-built unit on an industrial estate in roughly the same locality. The membership has grown to 150 members as well as having several people on temporary contracts. The turnover is approximately £40m.

4.3.2.1.2 Coop1 ethnographic experience

Access to Coop1 for a month long ethnographic placement had been verbally given in discussions with the HR director, some months prior to attending. However when trying to email and finalise exact details of when to come, the responses became slow and unforthcoming. After some pressing it became apparent that the HR representative could not host me and that another member had to be found to do it. In addition, it would no longer be a month. Repeated email requests over some months by the HR director around the membership did finally provide a contact who was prepared to host me for one day. This was less than desired but taken with a view to possibly being able to extend once on site.

On the visit day, I was met by my host and two interviews had been prepared in advance for me to attend. One was in the staff canteen, a noisy but important hub within the organisation, the other being outside due to the sunny weather. I also interviewed my contact and a member volunteered themselves on spec as well as volunteering a casual worker for them. I was given free

access to look through the record of past minutes of the management committee meetings. We returned to the canteen for lunch where members on long tables were happy to talk to me and at the end of the day, my contact took me on a tour of the warehouse. Throughout the day I had contact with nine individuals or groups.

One member suggested that I come to the upcoming Quarterly General Meeting that all members are requested to attend, so on my return home I emailed to see if this was possible. After a delay of a few days I was invited to come, on the understanding that a vote would be taken at the beginning of the meeting to see if I could attend. If the membership decided against it I would not be allowed access. On the day, I drove to the external meeting venue and waited in the car park, chatting to members prior to the meeting. Once the meeting started, the vote was taken immediately and I was allowed in to observe. I managed to find my contact person who could explain to me what was going on and give me some background to what was being discussed. Hence I did achieve more than the initial day but still less than I had hoped for.

4.3.2.2 Coop2

Coop2 and COOP_Shop are the same organisation. It was not expected that a Phase 1 organisation would also be used in Phase 2, however due to the restricted access to Coop1 it was considered to be beneficial to get a better understanding of worker coops by revisiting this cooperative. The table below shows the updated information from the interviews, which took place only seven months after the Phase1 interview.

Pseudo Name	Coop2
Ownership Type	100% Cooperative
Lifespan (starting year)	18 years (1996)
Number of Employees	59 members and probationers, 20 casuals.
Sector	Food retail
History of EO	Created from the start as a worker coop, has continued to grow from its original three founders. Probationers serve a 7-month period after which the

	entire cooperative votes as to whether they should become members and pay for their £1 share.
National/Global	Local
Multi-site	No.
Turnover	£6m
Contact Person	HR Director
Access Method	Via a contact at the University who introduced us.

4.3.2.2.1 Coop2 history

The organisation was created as a cooperative from its outset, based on a successful model from another shop. It quickly grew beyond expectations, leading to purchasing its own premises and extending the building where possible. It continues to remain profitable and busy.

4.3.2.2.2 Coop2 ethnographic experience

Following the initial interview for Phase 1 and the limited access to Coop1 in Phase 2, the contact within Coop2 was contacted again to see if further access could be given. This was willingly provided and a single date arranged later that month. On arrival, I was able to interview the HR director again to see what had changed in the intervening seven months. The remainder of the day was taken up with pre-arranged interviews with members. Initially this was done in a very hot office but then moved outside to a roof space which was cooler but made the voice recordings harder to capture. I had no time to find additional members but did purchase my lunch from the shop and was free to observe the business in action. In total I interviewed eleven individuals on the day.

4.3.2.3 Direct1

Pseudo Name	Direct1
Ownership Type	Directly owned by employees with all other shares held in trust for all members of an umbrella organisation (made up of three EO business, that is Direct1 , DIR_Eng above and another one, spun out of Direct1 .) Within their first-year employees must purchase £1000 worth of shares in the organisation and have the option to buy more if they wish. Larger

	<p>holdings are required for more senior appointments. Approximately 25% of employees have the minimum amount and therefore 75% have more than the minimum, typically the longer the employee has worked there, the more they have. Shares can be kept on retirement otherwise they cannot be kept if leaving by choice. The founding two partners hold significant amounts of shares however to reduce their shareholding they have voluntarily chosen to give up half of their shares to an umbrella organisation which will hold them in trust for the benefit of the trust members. The transfer of shares is a 10-year process (finishing 2021). The trust also prevents the organisation from ever being sold for profit. A minimum of one third of post-tax profits is paid as dividend (enshrined in the articles). One of the founders (now retired but still a non-exec director) and some other non-executives hold some shares otherwise the ownership is 100% employees.</p> <p>Although this might appear to be a trust based or hybrid, the ethos of the organisation is very much about “direct” ownership. Employees must be personal share owners and at this point the trust has only been going for two years (started in 2011) so there has been little benefit or dividend for members. Eventually the trust will own 60% of the shares and no one person will own more than 10%.</p>
Lifespan (starting year)	25 years (1988)
Number of Employees	400
Sector	Manufacturing

History of EO	See below. The company was formed in 1988 with employees given the option to purchase shares if they wanted to. In 2010 it was made mandatory for all employees to own shares (existing and newcomers).
National/Global	Global
Multi-site	Yes.
Turnover	£40m
Contact Person	Special Projects manager
Access Method	Originally through a contact within the University, the organisation was approached following some successful research for an MSc dissertation (Wren 2011).

4.3.2.3.1 Direct1 history

The following history is based on an interview with the founder on 10th March 2014 on-site at **Direct1**.

The founder of **Direct1**, who is still a non-executive director and a proud Yorkshire man, built his first manufacturing company in direct competition to a sole supplier with a monopoly. This was very successful and led to selling his company back to the competitor. During the sale he was aware that not only he had invested his effort in the organisation but his workforce had too.

"I did very well out of the sale but I thought it was wrong that I should take all the money when everyone else contributed to making it. So part of the deal, what we did when we sold the business, was that 10% of the proceeds went to the employees."

He then created **Direct1** based around a unique, innovative product, along with seventeen employees to whom he gave the option of purchasing shares, thirteen of which chose to. Subsequently the company grew (though not always) and each year every employee has had the option to purchase shares. In 1996 10% of the company was sold to an investor (and has now been bought back - 2009) with the condition written into the articles, that one third of post-tax profits would be given as a dividend to shareholders. Mandatory ownership was discussed in 2006 and rejected however in 2010 it was introduced so that existing employees as well as any new employees had to purchase a minimum amount (£1000, although this is reduced to £50 for the office in India). At this

point an umbrella trust was set up, from three organisations (**Direct1**, **DIR_Eng** (sole supplier of raw materials to **Direct1**) and a spin off from **Direct1**). The shares from the two original owners are now being voluntarily given into the trust at the rate of £600,000 per year over a ten year period. The dividend from the trust is then shared amongst the trust beneficiaries (who are all the employees of the three companies) on an equal basis. The board members of the trust represent each company in a proportion to the number of employees in that organisation and are freely voted for. Now the organisation employs 400 people and has a turnover of £40m. It is based over three local sites as well as having offices in France, America and India.

4.3.2.3.2 Direct1 ethnographic experience

When the research started I was allocated a hot-desk in the open plan office area and given free permission to go anywhere in the factory and office and talk to anyone I wanted to. I could attend at times convenient to myself and did not need to sign in or wear any form of identification. I made appointments to interview the Managing Director, Founder and representatives from People and Culture. On my first day I was booked in to see three team leaders and on another day I was taken to a different site to meet a director and his team. Other than these appointments, all other conversations were initiated by me and took place at the interviewee's work area (desk or machine) - I had been requested not to interview people in the rest room as employees would be on their break. The interview with the MD took place at his desk in the open plan office in full view of all other staff. Except for two people (one had poor English and the other was busy) everyone was happy to talk to me. Some of them were aware of who I was once I had introduced myself and this recognition grew as I continued to spend time on site.

4.3.2.4 Trust1

Pseudo Name	Trust1
Ownership Type	100% trust owned on behalf of all its employees.
Lifespan (starting year)	100+ years
Number of Employees	50,000+

Sector	Retail
History of EO	See below.
National/Global	National
Multi-site	Yes.
Turnover	£1bn+
Contact Person	Section Manager
Access Method	Contact was made at an academic conference (White Rose Consortium 2014) with a senior ex-employee who could provide contact details for a branch manager. This was followed up and access was agreed with the branch and central office.

4.3.2.4.1 Trust1 history

Trust1 was originally a family shop which has subsequently expanded into being a national chain. It was converted into a trust owned business on behalf of all its employees, mid-way through the last century, primarily as a moral response to the inequality between the owners and the employees. Through acquisitions and new shops the organisation has grown significantly and provides an annual bonus for each employee dependent on the profits created in the previous year. The organisation is organised into branches and regions throughout the UK. Employees are elected on to governance boards to represent the workforce.

4.3.2.4.2 Trust1 ethnographic experience

Access to the specific branch was obtained at a meeting with the Branch Manager but had to be subsequently approved with the Central office. On my first day I was instructed to prepare a presentation to the management team within the branch to explain exactly what I was doing and what I wanted from them. In the end I delivered the same presentation three times; firstly to the management team, then to the managers who had been on the shop floor and could not attend the first briefing and then to the elected team that represented all of the employees within the branch. Subsequently I was taken on a tour of the entire building, including the shop floor, office space, stockrooms, staff canteen, unused office block and the loading bay. I was allocated my own

closed meeting room and given permission to go anywhere I pleased and talk to anyone I wanted to.

Each day, on entering the store I had to hand in my personal bag/coat and carry all other equipment (pens, notebook and voice recorder) in a clear plastic bag. This is standard procedure for all staff to help prevent theft. On leaving each night I had to press a red "Search" button; if it randomly stayed lit I then had to empty my pockets again to show that I was not stealing anything. I arranged specific meetings with the Branch Manager, HR representative, elected body chairwoman, and a regional representative; all other interviews were spontaneously carried out. Three people volunteered themselves to be interviewed (two managers and a member of Business Protection). I was free to attend when I wanted and able to participate in several daily staff meetings. I continued to attend the management meeting every week as well as have a catch-up meeting with my contact (an operations manager) on a weekly basis. Information was readily and willingly provided for me to take home and no one declined to talk to me. I usually ate my lunch in the staff canteen, which I found to be a very useful source of conversation.

4.3.2.5 Trust2

Pseudo Name	Trust2
Ownership Type	100% trust equally owned by two trusts; a charitable trust that gives away its dividend for good causes and an employee trust that distributes its dividend back to the employees.
Lifespan (starting year)	82 years (1932)
Number of Employees	380
Sector	Manufacturing
History of EO	In the mid-1960s, the 98% of the shareholdings were evenly put into the two trusts by the founding co-directors and on their deaths, without children (1980s)

	the remaining shares were transferred. This was done to prevent outside ownership.
National/Global	National
Multi-site	Yes.
Turnover	£25m
Contact Person	Finance Director
Access Method	Original contact made at an EOA event and subsequently phoned up to arrange access.

4.3.2.5.1 Trust2 history

The company was founded by three partners each with different skills.

Following the Second World War, one partner dropped out, so the remaining two (one male, one female, both unmarried) continued to grow the organisation into a world leader in a niche field. Neither wanted nor needed outside help so shares were never offered outside of the business. To prevent the company ever being sold off, the two trusts were created that now hold all the shares on behalf of the employees or for charitable purposes.

4.3.2.5.2 Trust2 ethnographic experience

The ethnographic experience regarding Trust2 is limited to an email conversation to gain access and a single interview on site, with an accompanying site tour. One hour was spent with the Finance Director, including a detailed tour of the site. Although a prolonged period had been requested for the research, it became apparent that being able to walk freely around the site would be a safety hazard and was therefore understandably declined.

4.4 Summary

This chapter has explained the analysis process that was followed and how the themes were created from the data. A general inductive approach was adopted (Thomas 2006) and data was coded, with the aid of software, to enable qualitative data reduction to take place. The data was then split into different ownership types to allow individual investigation of each type as well as a comparison across types. From this, themes regarding the culture of each of the types (cooperative, direct, trust and combined) were identified. Examples of

performance and then reward are used to illustrate what was observed in the field. The cultural themes for that specific ownership type are then revealed, along with their explanation as well as examples of illustrative dialogue. These themes are now presented in chapters 5, 6, 7 and 8 respectively.

Chapter 5 - Cooperative ownership findings

5.1 Introduction.

This is the first chapter that focuses on the findings from the analysis stage. It considers employee owned businesses that are worker cooperatives and therefore aspire to the ICA (2014) principles of cooperative working. It considers the research questions for this specific ownership type, firstly by focusing on what was observed in the field concerning performance and reward management (Q2) and then theorising about organisational culture in worker cooperatives (Q1). The findings are drawn from the research at three worker cooperatively owned organisations, namely **Coop1**, **Coop2** and **Coop_Service**.

Five key themes of worker cooperative culture are identified, these are:

1. Whole life perspective
2. Shared values
3. Self-owner
4. Self-control
5. Secure employment

Elements that are common to all three ownership types (coop, direct and trust) are investigated and reported in chapter 8.

5.2 Performance and reward management within coops.

This section highlights and provides illustrations of performance and reward that were observed in the field. In effect, this is looking at Schein's (1992) artefacts, values and norms as an attempt to get at the underlying beliefs. From these, themes regarding culture are subsequently drawn out and explored.

5.2.1 Performance management within coops.

The probation period is a serious undertaking. It enables employees to demonstrate their character and prove their ability at being able to carry out the required tasks. This is a critical stage in the process of employees adopting the existing culture according to Schein's (1992) definition of culture that talks about teaching new employees *"the correct way to perceive, think, and feel"*. All the coops researched demonstrated significant time, effort and money being

invested into the recruitment and probation process. A lengthy probation period, typically seven to nine months, was the normal practice.

“And so they are all members?”

30 are, two are due to become members tomorrow, at the members meeting tomorrow.

So is there a probation period?”

One year.” - Coop_Service.

“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.

During probation potential members would undertake a number of roles under the supervision of “overseers” (or team leaders). They were treated like full members as far as possible (for example access to members meetings and information) however there were limitations. Certain roles were excluded (for example payroll) and privileges (for example being able to vote in member meetings). Performance was monitored closely during this period, often reported on a monthly basis. At the end of the period, a vote was taken by the current membership as to whether to admit the employee as a member. If it was not approved, the employment was terminated. This rarely happened though as employees usually knew how members were feeling (from the regular feedback they received) and either improved to the required standard or voluntarily left the organisation prior to the vote. They might have already decided that they did not want to work in a worker coop environment or to avoid the potential rejection of being turned down.

“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. Yeah, it’s a funny one. Some people, 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.

Rejection could be due to a number of reasons; inability to perform the role, not willing to accept the cooperative principles or simply a personality clash. The voting system allows the entire membership to decide who “fits” in with the current culture and who does not.

“Does anybody not make it past the seven months?”

Yes. It's not like loads of people but it could be anything you know. We've had people with extreme lateness. That's just unacceptable." - **Coop_Service**.

This approval method is very different to other organisations where the decision to employ someone is usually taken by a very small group of people, possibly even just one person. Clearly in larger coops not everyone might know the new recruit in detail; this was off-set by rotating employees around different departments and the designated mentor providing written feedback for other members to see, putting them in an influential position. This can make the probation quite stressful for the new recruit, trying to impress a large number of people. Allowing potential recruits to drift past twelve months employment was considered unacceptable as it gave them a right to claim protected employment status but still not be a member of the cooperative, which was an untenable situation.

The financial rewards at **Coop2** (flat salary of approximately £21k) attracted two distinct groups of people into becoming members. There were older members; these had had previous careers through which they had established an acceptable standard of living/housing and were therefore now content to maintain their current social and living standard. Alternatively, there were typically younger or foreign workers, who were just starting their working life (after university or travelling the world) who were excited to try something out and enjoy the experience but potentially had to move on to a different job if they wanted to buy a house or start a family in the relatively up-market locality. Hence new members were not school leaver age but already had some experience of life, either from working or travelling, before coming to the coops.

"The organisation tends to recruit more mature people. There are very few school leavers who come directly to work here. The guy felt that this made sense as you had to have a degree of confidence and the ability to express it in order to take part in the debates that happen, and that many school leavers don't yet possess that." - Field notes from conversation with **Coop1** member 6.

Being confident to speak and express an opinion mattered, otherwise members were restricted in their ability to participate in the numerous debates (officially in members meetings and unofficially around the canteen table). This however did not mean that only extroverts could work in a coop but it was observed that people either did speak freely or learnt how to do it (Kelman

1958). Hoffman (2016, p168) refers to a greater freedom to express emotions in coops as part of the interaction required,

“Often, members would describe how they would first engage in surface acting and fake a required emotional response, but later would come to have altered their own feelings so that they truly felt the required emotions.”

This was observed in the fieldwork to.

“Do you have to be strong? Do you have to have a certain amount of self-confidence to work here, in order to express your voice?”

I don't think so, I don't think so. I was, when I started I wasn't like I am now. If anything I think you gain confidence from working here. Like really shy, just a completely different person. It is almost like, the environment has been created that helps you improve but again because of emails and things, because you are communicating in a different way, I think it is easier for shy people, less confident to actually be able to speak up and share their opinions so I don't think, and everyone is just very welcoming as well, so you feel like “Actually if I say something, I am going to be so taken seriously” so that does help. Yes I do genuinely think people gain confidence by working here.” - Coop2 member 11.

Support was provided to train people in public speaking and options were given for members to express themselves in smaller group settings rather than whole member meetings. Hence it appeared to be a supportive culture, welcoming people who might lack confidence in speaking, thus avoiding a power structure that excluded them instead. Although attending whole member meetings was required, speaking was optional.

“some people find it very intimidating, they just don't feel they can sit there and talk in front of lots of people” - Coop_Service.

Alongside self-confidence, there is an expectation for members to be able to self-manage themselves. Depending on the perspective there were either no managers present or everyone was a manager. Therefore they were responsible for how they utilised their time and how much discretionary effort was expended (Saks 2006).

“..so in a way we have got 150 managers, working here... self-managing, that is a crucial thing because you have to be able to work on your own and manage your own time because you don't have anyone looking over you necessarily and telling you what to do, so you need to be comfortable with that and that sounds like an easy thing, or something that everyone wants to do and do well but it is not as straightforward as you think.” - Coop1 member 1.

"We are all managers of both ourselves and each other. I would say it is more like guidance than management." - Coop2 member 6.

This can lead to a tension between people wanting to do their own thing and having the support and cover of a leadership team above them who take responsibility for the difficult decisions that have to be made in organisations.

"He explained that he thought a number of people will be thinking "What we need now is strong leadership but don't fucking tell me what to do"" - The contradiction between wanting someone to take charge but not actually telling me personally what I have to do! - Field notes from Coop1 all members meeting.

With regard to personal performance, there was an expectation that people would naturally want to do the best for the organisation and therefore themselves via the resulting increased profit share. Where members were considered to not be pulling their weight there was a feeling that self-guilt was the primary motivation for correction rather than actually telling them, however some peer performance management did take place either during appraisal feedback or face to face in team meetings. This however appeared to be confused with the attitude that no one is actually managed and therefore nobody has the right to tell anyone else what to do.

"Researcher: So what happens if somebody isn't pulling that 95% of the 95%? Do you just talk to them? Or do you just leave them to it?"

[Long pause]. Tricky subject actually. Not much is done, we have, 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.

Performance appraisals were carried out in all of the coops researched but they were all done slightly differently. In **Coop1**, a member selected a group of approximately 15 fellow members to feedback on their performance. In **Coop2** the entire membership (60 people) fed back on a member via an automated email system, the results of which were then collated by the HR manager and passed on anonymously to the member in a face to face meeting. **Coop_Service** focused primarily on the technical performance of a member (are they hitting all the necessary KPI's?) and much less on development aspects. As long as the customer was satisfied, how it was achieved was of little consequence. The underlying feeling was one of complete autonomy:

"I'm a member you can't tell me what to do, I'm a member. [Laughter]." - Coop_Service.

Hence individuals saw themselves as being powerful, having significant self-regulation in how they behaved. Appraisal frequency was usually yearly or sometimes even longer (up to two years in **Coop1**) which allowed for a significant time for a member to drift before corrective action would be acknowledged as being required.

5.2.2 Reward management within coops.

5.2.2.1 Financial reward within coops.

All of the coops researched had the same basic financial reward structure of paying a regular salary enhanced with some form of profit or surplus share, distributed periodically during the year.

In two of the worker cooperatives (**Coop1** and **Coop2**), pay was not bench marked against the market but was determined by being the maximum that the coop could afford based on current performance and the financial state of the organisation. Hence it could go up as well as down. However in 2015, **Coop1** had a 5% rise and **Coop2** had a 10% pay rise against a UK average wage increase of 2% (Scullin 2015). The wages paid were also consistent across the organisation for each member. In **Coop2** everyone received the same hourly rate (£11per hour or full time equivalent (FTE) salary ~ £21k.) and **Coop1** chose to pay everyone the same **nett** pay (FTE salary £29k), hence wages were individually amended to cater for different tax codes so that the final figure was the same for all members (subject to the number of hours worked).

"[Coop1] is a fully democratic workers' cooperative. All cooperative members and employees receive the same net hourly rate of pay, no matter what their job or responsibilities."- Taken from Coop1's ethical policy.

Therefore compared to the external market, some manual workers (e.g. warehouse pickers, shelf stackers) were receiving more than the external market rate and for some office workers (e.g. HR director, marketing) they were receiving less than the external rate. Partly to compensate for this, employees undertook both technical/managerial roles as well as manual work within the

space of a normal week. Hence the HR director might perform an HR role three days a week and then drive a forklift in the warehouse for the other two.

“Some people like [name] works in the canteen but she is also on the marketing and PR team, she does sales, she does credit control, in fact what don't you do?” - Coop1 member 3.

This rotation was also seen to dilute some of the stress related to responsible positions and balanced the workload amongst the members.

“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).

The cooperatives employed temporary workers, either to cater for increased demand or as part of the journey of probation towards becoming a member. **Coop2** choose to pay a reduced rate than those for members (80% of the members pay rate in 2014). Hence the added responsibility of being a member was recognised financially and it also included the profit share, which was not available to temporary members.

Although staff turnover was actually very low, retention of members using financial inducements was not possible, since the terms of reward were not individually tailorable and people had a free choice to accept or reject them. Hence retention focused on other aspects of work, for example by making the working week more amenable - reducing hours, term-time only contracts, changing work days or shift times and access to unpaid leave but not on personal financial inducements. This was particularly important for employees who had dependants or desired time away from work and was therefore seen as incredibly valuable. Once an employee had met the minimum requirements for hours worked per week, it provided a great deal of flexibility and individuality within the working week which is not always available in a traditional organisation.

“I am part-time, which is also a really valuable part of the organisation, that a lot of us are able to flex our working week around childcare responsibilities and other things outside of work which is incredibly valuable for me. It is really crucial at this stage in my life” - Coop1 member 7.

Coop_Service had a different pay policy and chose not to pay a flat rate across all members. This was considered necessary as some members were

highly skilled within a niche employment market, so in order to attract such employees a comparable market rate had to be paid, although it was acknowledged as being lower than the market rate. This could not be reflected in all members pay otherwise the coop would become unviable; therefore there were unequal rates of pay. Hence the pay rates were sector dependent.

"We have some people that are much more skilled than others and in this industry we wouldn't be able to pay people just a flat rate." -

Coop_Service

The surplus profit share or "interest on member's shares" was relatively small in comparison to the annual salary and as such it was not seen as a great incentive (approximately £2k or 7% of the salary in **Coop1** and £1600 (8%) in **Coop2** per year). It was only paid to members and not to temporary workers. The allocation of the bonus to each member was also very specific to each coop, with a view to maximising it legally under current tax legislation.

"now 50% we all get just because we are a member, we have those responsibilities so that is shared out equally regardless of how many years you have been here, 25% is for your service, length of service which is maxed out at 10, then 25% is your hours, contractual hours." -

Coop2 member 10.

Coop-service, choose to divide the profit equally amongst all members regardless of whether they were part-time or full-time since they were all members who had paid £1 for their share. However the method of calculation can be a cause of tension amongst members.

"I feel I work just as hard as someone who is just starting here so I think it is very unfair and a lot of people do as well." - **Coop2 member 10.**

"I thought it was quite unfair considering we are a workers coop" - **Coop2 member 1.**

In some cases the profit share was not a significant amount of money as shown below in response to hitting the sales target required to trigger a bonus:

"There was one year when we nearly reached it but it became a bit of a joke like, "We've almost reached it, if we just get another hundred pounds we will get it!" so everyone did their massive shop to hit the target, it was bit like a joke. It's definitely not an incentive; people are working hard here anyway." - **Coop2 member 1.**

In setting the pay rates and profit dividend, there was an emphasis on providing secure employment for both current and future members. Hence a conservative approach was often taken.

"We know we could definitely pay ourselves a bit more but it gives us a bit of a cushion" - **Coop2** member 1.

This philanthropic perspective of providing future employment was important. The desire influenced the purchasing and renovation of property (therefore a significant cost) and impacted on the financial rewards that were available to the current membership. Hence there was an avoidance of short term, profit maximisation and instead an emphasis on building for the longer term for people who were not even part of the organisation.

"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** member.

A policy of avoiding redundancy wherever possible was also consistent although this was not always achieved. Members resorted to reducing wages and hours in order to maintain the membership however in dire circumstances even this was not enough.

"so we had to make redundancies which is unheard of in a co-op, so we have lost a couple of major contracts and had to make some big changes.... So we just had to make the decision in a members meeting, we talked to the members and said we just cannot carry on. Obviously we had no redundancy matrix in place or anything so we had to do a matrix to work out who we had to lose. So it was pretty bad."
Coop_Service member.

Whether all workers should actually be members was a contested view point, which was vigorously debated in public. By maximising membership it fulfilled the desire for full employment and solidarity of working providing opportunities for all. However by minimising the membership and employing temporary workers it maximised the profit of members but reemphasised the dominant capitalist owner-servants status (Erdal 2011).

"The guy who I had previously identified as "cigarette guy" expressed his opinion that it should be 100% membership rather than a large bank of casual workers - this received a round of applause, possibly demonstrating the schism between a utopian fully co-operative

*organisation and a profit driven business.” - Field notes from **Coop1** quarterly general meeting.*

The coops all demonstrated a flat organisational structure although people had different roles and responsibilities within the organisations. “Management committees” and “Executive committees” were used to facilitate the business but they were members who remained accountable, and were typically elected by the membership. Therefore the concept of promotion or moving up a career ladder was not observed in the coops, since there was no *“life-long ladder to ever-high positions”* (Rothschild and Whitt 1986, p56) or any additional individual pay obtainable. Instead members were encouraged to move around the coop, doing new roles, gaining new experience and becoming more flexible. This therefore is potentially an issue for retention and was most obviously counteracted by the joy and pleasure of working in the environment.

*“There are studies that have been done, so that after two years when people realise all of a sudden they have got everything they can get, and we have got this thing, people realise after two years they’ve got everything and they are driven by promotion so they will have to go somewhere else and we have got that.” - **Coop2** HR department*

*“because we are all on the same pay, we all have the same job description; there is no competition to get that next promotion, to get that bigger bonus. There is none of that; it is in our best interests for us all to be happy and all to be working well.” - **Coop2** member 6.*

5.2.2.2 Non financial reward within Coops.

Non-financial rewards are a significant element of the total rewards package offered at the cooperatives that were researched (Kaplan 2005). An important aspect was the ability to be flexible about when people worked, extending to not being at work at all due to generous leave policies.

*“He had recently come back from a period of three months off. You can take one year off every five years which is unpaid but brings a massive amount of flexibility. He told the story of a casual worker who would work hard for a period of months and then take the rest of the year off travelling, repeating this over a number of years.” - Field notes at **Coop1**.*

Especially in **Coop1** and **Coop2**, members enjoyed a significant degree of alignment between their own personal values and those of the organisations. For example being ethical, ecological, vegetarian, organic, and supporting workers’ rights. This was often the first step in people becoming members as they would often be customers of the coop in the first place. This meant that

members were not at odds with their beliefs in the workplace, thus enhancing the potential for organisational commitment (Saks 2006).

“What attracted you to the organisation back then can you remember?”

Primarily the fact that I am light on vegetarian and vegan so I think actually I would have wanted to work here irrespective of the actual management type structure. That is a definite bonus and all the organic side and fair trade, but primarily vegetarian and vegan.” - Coop2 member 2.

How did you get here? How did you get to this organisation?

First of all I started off by being a customer, then I noticed on Facebook that they were recruiting so I applied.” - Coop2 member 8.

This was not readily observed in **Coop_Service**, (where only one research interview took place so there was limited scope to observe it) however the service provided was automotive/engineering based and so the greatest espoused value was that of cooperative working.

There was an emphasis on equality, specifically gender equality allowing all members to be comfortable at work.

“He explained that there was a great sense of equality between men and women, that anybody could do any job, as well as be paid the same amount. The management committee is deliberately split 50- 50 (three men, three women)” - Field notes from Coop1.

“What is the ratio of male to female split or don’t you care about that?”

Do you know what, I have looked recently and I think it is about 50-50. I think there is a few more men than women.” - Coop2 HR.

This also assisted in creating a diverse workforce representing many countries, races and sexual orientations.

“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. So all of these issues are part of democracy.” - Coop1 member 2.

By encouraging people from different groups to be part of the coop, it ensures that a wider representation of humanity is present during democratic debates. Therefore the voices heard are representative of a wider spectrum and there is

less chance of people groups being totally cut off from the opportunities that democracy brings. Democracy is not just about people having a vote but includes who is able to take part in the process. There is potential for whole groups of society to be ignored but by being more inclusive cooperatives can help to make a more democratic society.

Individual expression was celebrated and was most easily observed in a lack of standard uniform (subject to the requirements of health and safety, e.g. steel toe cap boots in the warehouse, hairnets in the food preparation area etc.). This allowed members to express themselves freely through what they wore and maintain their unique identity.

"it is like there is no corporate brand as such. There is no dress code" - Coop2 member 4.

Happiness at work has to be considered as a reward in its own right. The vast majority of members spoken to clearly enjoyed their job very much. Not just the pleasure of working in a supportive, fun, team environment but the ability to have a direct influence on how the organisation was being run.

"I took a 50% pay cut [from a large corporate multinational employer] and I am over twice as happy, so it worked out!" - Coop2 member 6.

"everyone has got a say in how the company runs and there are not many places where you work where you can have the say in how the company actually runs so to me that is a big plus. You have got nobody on your back telling you "You should be doing this, you should be doing that and why aren't we doing this and why aren't you doing that". You just get on with your job. To me, to work in that sort of environment is great." - Coop_Service.

Members were actively encouraged to develop their skill base at work, by performing many different roles. People moved around the organisation, learning the necessary skills and thus providing a more flexible workforce overall. This helped to reduce boredom, provide greater security for the coop as well as satisfaction for the member as they developed themselves.

"That variety, how much of that is part of the reward, the fun of the job then? Having different roles on different days.

... I think it does add to it because it breaks it all up and it means you have more knowledge of the business as a whole so you are not just pigeonholed in something." - Coop2 member 10.

Rothschild and Whitt (1986) suggest that this can have both positive and negative effects. Rotating staff around hinders critical knowledge from being built up in a select few members thus creating the potential for the associated power to be abused. They also suggest that rotation can lead to significant stress for members when they are asked to do a role for which they have no aptitude or appetite for and it can lead to ill-defined levels of quality so that members are unclear as to whether they are performing the role well enough.

Recognition of hard work was not always acknowledged. There was an expectation that members should all be working hard so there was no need to appreciate the normal way of working. In addition, with a flat organisational structure, there was a question as to who should give the recognition? Typically it is handed down from more senior positions, but without such a management structure that was not an option.

"because "thank you" is more I am giving you something, we are all working to the same end so it is not quite like that, I think it is slightly different." - Coop1 member.

For all the coops observed, personal financial risk was negligible. Each coop required new members to purchase a single share, valued at £1, hence if the business collapsed, the immediate loss of ownership would be insignificant but the loss of employment would be.

"we all have £1 share capital in the business" - Coop2 member 10.

Therefore stress caused as a direct result of capital investment was not a factor but stress caused by being an owner and running the business could be very significant. This could easily lead to burnout and hyper engagement. Burnout (Saks 2006) was observed with people taking on a large workload and having to deal with multiple opinions. This was potentially exacerbated by not receiving any reward for the role over and above what other members were receiving doing manual/mundane work. Dealing with other members who had their own opinion of how the company should be run was a potential source of stress without the ability to resort to a hierarchical power structure to implement change. This was what Rothschild and Whitt (1986, p158) found that a management layer could be shrugged off as *"as a fool or worse"* but that *"criticism from peers carries more sting"*.

*"He himself had come very close to two nervous breakdowns, due to working in the organisation - not because of the work but to do with people issues/interaction." - Field notes from **Coop1**.*

*"People do have a love hate relationship, more love than hate but you can fall out with the organisation and I think most people fall out with their place of work anyway but 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, which is quite interesting, the dynamics." **Coop1** member 3.*

Hyper-engagement was due to the responsibilities involved in running the company and not being able to mentally leave the work at the "factory gates".

*"I think we have a problem to disengage people sometimes. People take work home, I am like one of these people on Saturday evening I am quickly checking my emails and that is definitely, definitely a problem here. People carry on worrying about if they have ordered enough carrots!" - **Coop2** HR.*

Members chose to divert some of the coop's profit (hence their own personal wealth), into supporting causes that were selected by the membership or in line with the values of the organisation. In **Coop2**, 5% of our previous year's wage bill was put aside to spend and **Coop1** support causes such as: animal welfare, Amnesty International, homelessness, women's refuge as well as promoting cooperative working (taken from **Coop1's** website, September 2015).

Rather than money, emphasis was placed on a whole of life perspective; that work was an integral part of the whole (partly due to the proportion of time spent there) but not seen as more important. Hence a healthy balance with work and life was important as well as a common sense approach based on trust, rather than regulations. This was demonstrated in members actively being told to leave the building at the end of their shift rather than hang around to help, even when it was busy or being given permission to go home if there was no work to do, either paid or unpaid.

*"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**.*

5.3 Organisational culture within the cooperative ownership model

All the different issues above concerning performance and reward in the previous section are represented in the diagram below (figure 5.6).

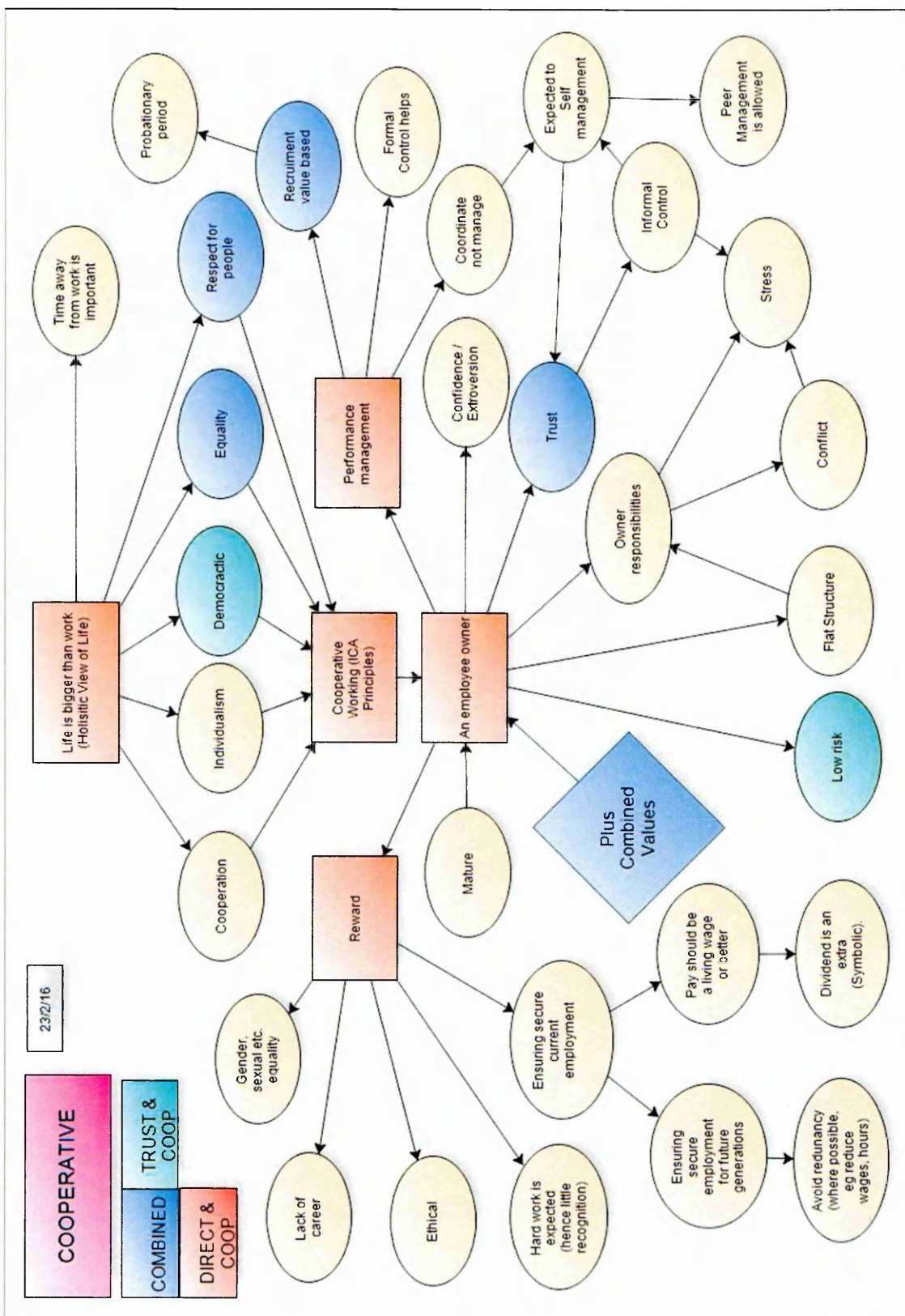


Figure 5.6 Performance and reward in cooperative EOBs.

Using the detailed nodes highlighted above and continuing with the thematic approach to analysing the data, five overarching themes emerged whilst studying the cooperative culture. These are:

- 1. Whole life perspective**
- 2. Shared values**
- 3. Self-owner**
- 4. Self-control**
- 5. Secure employment**

The overall culture that is exclusive to the worker coops that were researched (or shared at most with only one other ownership type) is shown in the diagram below (figure 5.7). Elements of culture that were shared across all three ownership types are explained in chapter eight, hence this chapter does not provide a complete picture of cooperative culture but highlights it's unique features.

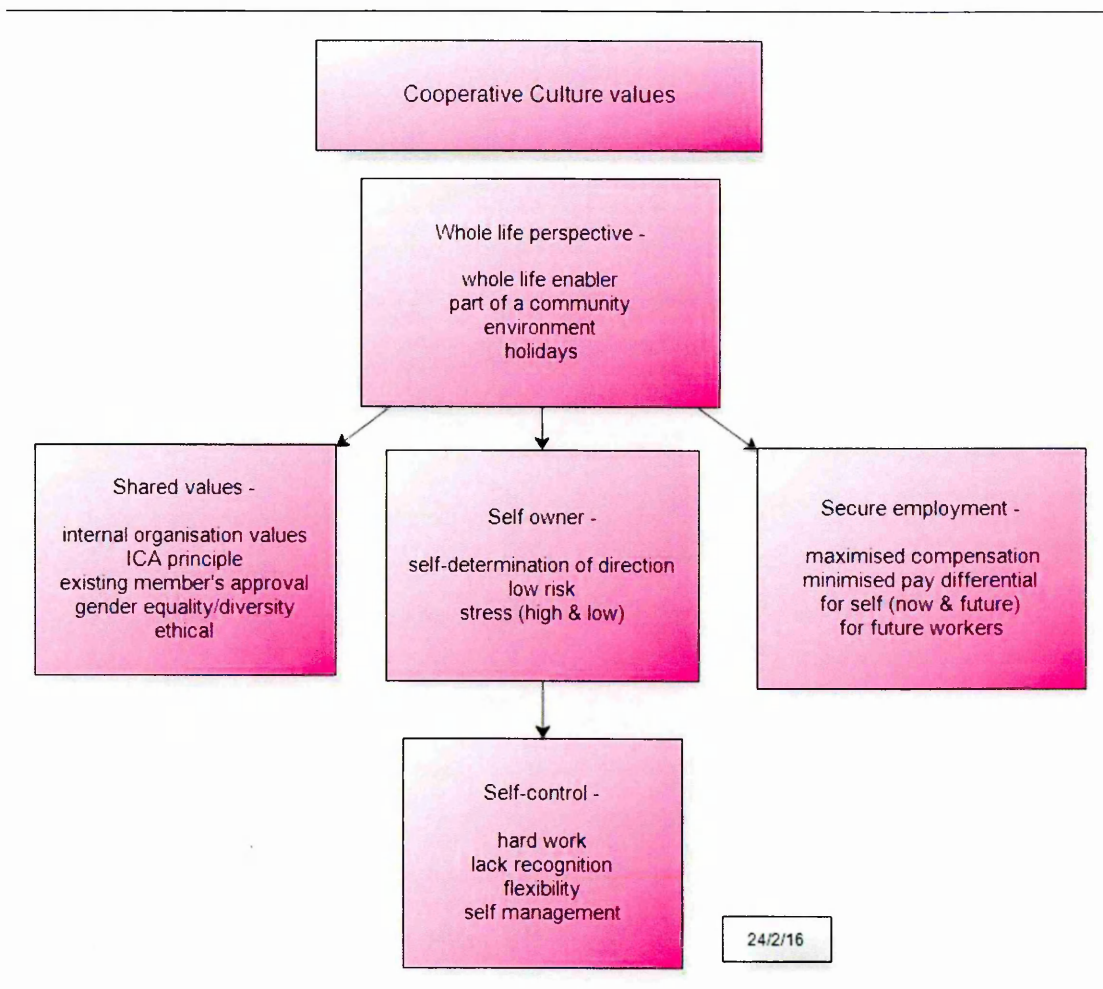


Figure 5.7 Cooperative culture values

Each of these five themes will now be expanded in turn.

5.3.1 Whole life perspective

Whyte and Whyte (1988, p274) point out that *“there is or there should be, dignity to any human labor, blue collar as well as white collar or managerial work.”* Work in itself is of value and should be respected, not simply endured to enable life. The emphasis within the coops was on a whole of life perspective. That work, regardless of role, was an integral part of life and as such should allow a seamless continuation of values and identity of the individual whether at work or at home.

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.

Considerable effort was also put into helping members to achieve a pattern of working that most suited their personal requirements. This could mean a bespoke work pattern (term time only, early/late shifts or restricted days) or helping people to be away from work by providing extended periods of leave (paid or unpaid). Once an employee had become a member, significant flexibility was shown to enable them to remain in work rather than lose them from the coop because of conflicting work/life demands.

Time away from work was important too. Holiday time was very flexible, being able to accrue additional hours off as well as take large amounts of unpaid leave (up to a year) and still have a job to return to (thus guaranteeing employment).

*A significant reward is the ability to take large amounts of unpaid leave. The paid leave is 30 something days per year when you start but then it goes up by one day for every year of service up to a maximum (unknown). - Field notes from **Coop1**.*

This perspective also included looking outside of the organisation to the wider community and even the world. There was recognition that the coop and its members were part of a community and therefore influenced it, consciously and unconsciously. Time and resources were freely given to building the local community in ways that were in line with the coop's principles (e.g. free apples for kids, promoting a healthy lifestyle) and not purchasing supplies from countries with a poor record on workers' rights; instead, actively promoting cooperative working as a method of employment. This included providing sufficient financial reward for members to contribute to society (via taxes) as well as have their own financial independence. The underlying belief was that cooperative working was beneficial to its members and therefore was worth sharing with the business community to assist in the creation of further cooperatives.

With a significant proportion of the week spent at work, as Bakke (2005) points out, it is good if you can have fun at work. This was repeatedly demonstrated by members talking about their own experience and comparing it with previous jobs at non-cooperative organisations. Members liked coming to work and benefitted from the social life that it provided.

The reason I am talking about this is I feel that, for us what we are working for the reward is, and it is in our mission statement, is a rewarding working environment. That means good holidays. - Coop1 member 1.

Whenever we have a party here it is pretty good. Yes people are very good I think at, what I love about this organisation is, we are very good at having fun with very little money which doesn't happen a lot much in the bigger wide world. Corporate do's are so expensive now. We just have a laugh on not very much, which is quite refreshing really. - Coop2 member 10.

It is recognised though that not all employees saw their role within the coop as anything more than a job that paid a wage. They were seen as the minority and different as they did not fit the social norm. However it also reduced their chances of succeeding at applying for full membership, since compliance with the cooperative principles was one of the requirements for gaining membership. The majority of staff embraced the cooperative as it gave them greater potential control of their own personal destiny.

"I think the best thing is feeling that you work for your own, for your interests, not for... 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, I think that is the main issue for most of the members to be here. Control of your life, the independence of managing your time and your life work." - Coop1 member 2.

5.3.2 Shared values

Recruiting potential members, who are then approved by all of the current membership, after a significant probationary period helps to ensure a good organisational fit. This is in line with Gibson et al. (2006) understanding of bringing about cultural change or, alternatively, maintaining the cultural status quo by recruiting and socializing new employees that fit in with the culture. Members were specifically monitored against their adherence to the ICA's (2014) seven principles and not approved without conformance, hence the cooperative mind-set was maintained, even if the new member knew nothing about it at the start of the selection process (Taylor 2008). Therefore the culture is actively controlled by its current membership. New members could be seen to go through the three levels of attitudinal change that Kelman (1958) refers to, namely compliance, identification, and internalization as they became more immersed in the organisation. Initially they were often ignorant about cooperative ways of working, but keen to have a job and maintain it, so were

compliant with the rules regardless of how they viewed them. However in order to belong to the body of members they needed to identify with it, otherwise it remained as just surface acting. To achieve identification, they needed to want to establish a relationship with the coop rather than simply being required to, to persist in employment and hence apply for full membership. The final stage of internalization happens when a member *“adopts the induced behavior because it is congruent with his value system”* (Kelman 1958, p53). In this final stage members lived the values of the coop and were often very passionate about the cooperative they worked for.

“I wouldn’t leave the organisation, I love him <pointing at my contact person>. I love the spiky relationship I have with him <pointing at someone else through the window>. You know, I do. Perks here are amazing, working conditions are astonishing. Every now and again, in 6 ½ years I’ve been here, the organisation comes along and gives you a great big hug and you think “God that is why I love it here” - Coop1, employee 3.

Shared values were not just limited to purely organisational ones though and frequently included values such as a passion for travelling and being environmentally friendly. Under the Equality Act 2010 discrimination based on gender or sexuality orientation is unlawful. Within the coops observed, equality and diversity were more obviously celebrated as a strength. Whyte and Whyte (1988, p273) 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 male and female. Job roles were shared on ability not gender and in addition a wide spectrum of nationalities was also present. For example, at **Coop2**, there were members from Slovakia, Germany and Argentina.

Although people were like minded, leading to a homogenous group (Rothschild and Whitt 1986) it did not mean that they agreed on everything; in fact, healthy debate was a key aspect of decision making and everyone was encouraged to share their opinion.

5.3.3 Self-owner

Although all the organisations being studied in this research are employee-owned, the coop members expressed the greatest level of self-determination (as in the ability to influence their own path) because of ownership. They had direct personal (as opposed to indirect) involvement in decisions that affected

the running of the business, due to the one member, one vote system and the frequency of debate.

Members who deliberately chose not to take part in membership meetings were potentially punished, with the ultimate sanction of losing their membership. However it was unclear if this would lead to the termination of employment under disciplinary procedures, therefore participation was expected.

"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. Because we had the same people not turning up" - Coop_Service.

Practical steps were taken to enable members to express their voice, if they were not confident in doing it. This included providing training in public speaking as well as opportunities to speak in smaller groups which were less intimidating. This is in line with Pateman's (1970, p45) evaluation that *"individuals should receive some 'training' in democracy"*. Expressing a person's opinion was valued and desired, although it could not be forced, since that would be making members do something they didn't want to do. Being present at the meeting was considered as participation, not necessarily having to speak.

"Apart from getting people to the meetings and getting them to, not participate as such, as I just said you can't force people to participate." - Coop_Service.

Clearly within the cooperative structure it allowed for participation at level 5 (Ridley-Duff and Ponton 2013) and involved a lot of self-regulation. Frequent use of public meetings with democratic voting (or consensus) allowed all members to decide what was discussed and express their opinion with regard to implementation.

In the cooperatives observed, ownership was low risk in terms of personal money invested (all the coops researched were nominal £1 shares although it can be more reflective of the actual value of the business). This made a low barrier for entry and reduced the liability of each member, although if the organisation were to fail, the impact would be the loss of employment. As such the stress of financial ownership was low.

However being a co-owner could potentially be very stressful with regard to being responsible for the organisation (Rothschild and Whitt 1986). There was no higher management level to blame or shoulder the weight of the organisation. Members who perhaps were not used to taking part in significant strategic decisions had to vote and work with the outcome of the majority, whether they agreed with it or not. In this case, each member had direct involvement in the running of the business and the responsibilities that incurred, as well as the benefits. As Holmström (1985, p11) points out,

"If workers in a private firm are dissatisfied, they can blame the management rather than individual managers, who in turn may blame the owners. Management is an outside force representing another interest, to be fought or compromised with. But in a co-op, management is the members' own power, delegated through the Council to managers who are expected besides to listen to workers in their departments."

This is also similar to what Pierce, Rubinfeld and Morgan (1991, p141) point out,

"[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."

Ridley-Duff and Ponton's (2011) research also showed that people do not always want more involvement and at times they desire to be less involved in some aspects of the organisation. Therefore constantly pushing for greater participation can actually be against the wishes of the employees.

Stress through inter personal relationships was also present. Being part of the decision-making process potentially brought members into contact with other members who held opposing views but still had to be listened to. Opinions were observed to be expressed with great passion and forcefulness, primarily due to a desire to see the right outcome as thought by that member but it could also be construed as aggressive. As an outsider, I was surprised by the boldness of members during an all member meeting 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 all members meeting.*

According to Gibson et al. (2006), intergroup conflict in itself is not necessarily harmful to organisational performance. However it becomes an issue when there is too little or too much conflict. With too little, ideas are being suppressed or not voiced, hence potential new ideas or solutions do not see the light of day. With too much conflict, people can argue and fight for the sake of fighting and personal ego, which is not for the benefit of the organisation. Hence a middle ground is required, whereby members can be comfortable with expressing their opinion in a potentially hostile environment and in this case conflict is constructive (Bratton 2015). Rothschild and Whitt (1986, p167) 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.

5.3.4 Self-control

In line with being a self-owner, there is an expectation of "self-control" within the cooperative. Members were expected to work hard, contributing to the organisation and not abusing their position. This extends to managing themselves as well, recognising what is required and making it happen, without being told what to do.

*"Sometimes you need a degree of leadership of people but the difference between a management body here and somewhere else is you begin to take responsibility on yourself. You are encouraged to, so you start to think "well I don't know about this, I need to learn more" as you start to learn more..., I have had people teaching me, showing me the ropes and then within a few months asking me questions about things, or weeks actually. I think there is a sense of humility rather in not knowing, then I felt like I was managing something more because of that responsibility" - **Coop2**, employee 9.*

This is in contrast to a hierarchical organisation with micro-management, in effect McGregor's Theory X approach (McGregor 1960). It therefore relies on a high degree of honesty and (personal) trust to be shared amongst the members, which must be demonstrated as part of the probationary period otherwise membership approval is unlikely. However once membership has been obtained, withdrawing it (in effect terminating employment) is harder to achieve. This can lead to "free riding"

“enjoying the benefits of a collective good without contributing toward its continuation, potentially negating the sacrifices made by active participants over the long term.” (Bohr 2014, p362).

Bohr goes on to say that people with low levels of trust are less likely to contribute to collective goals because of the fear of being abused. To mitigate this, trust is required (which is discussed more fully in chapter 8). Social exclusion and internal shame were used as weapons against people who were deliberately not contributing appropriately but also recognition that people did not always know the reasons why it might be happening so should be allowed a degree of freedom.

Like I say we are not very good at criticising each other, we tend to expect each other to be getting on with the job I think. Very occasionally, particularly in team meetings I would say you might raise a criticism. You seem to be doing a lot of work and you notice that other people seem to be hanging around and talking. - Coop2, employee 2.

Grey (2013, p79) sees that culture *“is crucially concerned with the promotion of self-managing, self-disciplined individuals”* primarily through surveillance, either actual observation or using KPIs and other such metrics. Clearly there were examples of colleagues observing fellow colleagues, but this would be normal in any form of organisation and is not limited to EOBs. However within an EOB, there may be more personal concern and a desire to speak out, for the wellbeing of the organisation since it is their organisation¹⁰.

As self-control is a normative value, individual recognition did not appear to be widespread, since everyone is “just doing their job”. Therefore personal praise was less prevalent in cooperatives. This again increased the reliance on self-control and self-motivation.

5.3.5 Secure employment

Employment is good in itself and as such it should provide a living wage¹¹ that is for life, not just for current members but for future generations of workers yet to come. Secure, affordable, maximised regular pay (monthly salary) within the constraints of a viable, ongoing business is considered better than trying to optimise the profit share and paying lower wages. External wage comparisons

¹⁰“Who washes a rental car?” An expression used at the EOA conference 2013, by the representative of an EO business.

¹¹ The “Living Wage” is a wage level determined by an independent charity (Living Wage Foundation) based on the cost of living in the UK, rather than specified by the UK government. See <http://www.livingwage.org.uk/what-living-wage>.

to market rates were irrelevant; what mattered was paying a wage that enabled people to live within their local community to the best of their ability. A significant, permanent salary allowed people to access mortgages and removed the need for government intervention in alleviating poverty (“tax credits”). Since the coops had no external shareholders, all profit generated was shared amongst its members.

“There is nobody here on working tax credits or extra benefits from the government. Whereas Tesco’s pay everybody a minimum wage and they are all claiming working tax credits so we are contributing massively to our local economy. All these people own houses, well some of the young boy’s own stupid cars but they will grow out of that. They are all spending the money, you know, their kids are doing fine so it is benefiting the local economy because we pay people a fair wage” - Coop1 member 3.

Pay differentials were minimised as far as possible, whilst being able to attract appropriate employees. For **Coop1** & **Coop2** this was achieved through setting a consistent pay scale for all members (nett and gross respectively). In order to recruit technical staff **Coop_Service** paid a wage premium to engineers but the share dividend was then the same to all members regardless of pay rate. This is in stark contrast to the average pay of CEOs in the UK FTSE100, which in February 2016 was 183 times the salary of a typical employee (People Management 2016). Hence each member was valued through financial reward.

Alongside the value that employment was a valuable part of normal life, it was also important that employment should be ensured for future generations as well. Therefore, a proportion of profit was invested in the future (for example purchasing property) rather than distributing it to the current membership. This appeared to be much more than simple business logic, making wise decisions to maintain the organisation but instead a genuine desire to ensure that there would be employment for future generations, a demonstration of philanthropy.

“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.

This influenced the decision to employ temporary workers who were not members. As Whyte and Whyte (1988, p289) point out, when a coop becomes successful, there is a temptation on the existing membership to only then recruit

non-members, so that the profit is shared amongst a smaller pool of people - what they refer to as "Collective selfishness". This tension was observed at **Coop1**, however it then fosters the traditional owner/worker hegemonic situation that cooperatives actively seek to surpass (Erdal 2011).

*"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** quarterly general meeting.*

As part of the expression of secure employment, within all the coops, redundancy was seen as an anathema and avoided at all costs. Priority was given to maintaining employment of all existing members. McDonnell, Macknight and Donnelly (2012, p39) give an example from Mondragón,

"When the global financial crisis took hold in 2009, Mondragón members voted for a nine per cent reduction in salary rather than making any workers redundant. This ensured that Mondragón protected the welfare of its worker-members by reducing business costs and ensuring sustainability."

5.4 Conclusion.

In comparison with the two other ownership types, it was found that the worker cooperative culture has a substantial reliance on the character of the individual; for members to have significant self-control and self-management ability. This was assisted by a strongly held set of common values and a perspective on work of being a part of the whole of life's tapestry. Thus secure, rewarded employment was important, not just for the member but society as a whole. Overall there is a great deal of freedom of personal expression at work, both in voice and dress. People dress to express themselves, rather than to a corporate brand and uniqueness is celebrated. Members are relied upon to manage themselves and exert appropriate effort, circumventing the need to be told what to do and being offended if it were to happen, since no-one has the managerial authority to do that.

The culture appears to be a blend of Handy's (2009) Task and Existential cultures. Significant emphasis is placed on team working and joining different groups of people for a specific task, with employees being members of many different teams, therefore task orientated. As well though each member was

expected to work independently and did not necessarily have a managerial control over other members where there were in effect no managers - hence more existential.

This chapter has specifically looked at the cooperative form of EOBs, to determine the aspects of culture that are either unique or shared with only one other form of ownership and are therefore not common across all three forms of EO. The next chapter repeats the same exercise, but instead focuses on directly owned organisations to determine the organisational culture values that specifically make up direct ownership.

Chapter 6 - Direct ownership findings

6.1 Introduction.

This is the second chapter that focuses on the findings from the analysis stage, specifically regarding EOBs that are directly owned. It considers the research questions for this specific ownership type, firstly by focusing on what was observed in the field concerning performance and reward management (Q2) and then theorising about organisational culture in directly owned organisations (Q1). The findings are drawn from the research at six directly owned organisations, namely **Direct1**, **DIR_Professional**, **DIR_Consultancy**, **Dir_Service**, **DIR_Eng** and **DIR_Manuf**.

Four key themes of directly owned culture are identified, these are:

1. Personal reward
2. Personal development
3. Founder's input of values
4. Limited servant leadership

Elements that are common with all three ownership types are investigated more thoroughly in chapter 8 however there are some elements that are common with another type, either trust or cooperative but not both.

6.2 Performance and reward management within directly owned EOBs.

This section highlights and provides illustrations of performance and reward that were observed in the field, again looking for artefacts, values and norms of behaviour (Schein 1992). From these, themes regarding culture are subsequently drawn out and explored.

6.2.1 Performance management within directly owned EOBs.

Individual performance was assessed via performance appraisals with an emphasis on developing the employee and looking for opportunities to grow rather than negatively criticising performance. Discussions were frequently based around the values of the organisation, which were typically defined by the founder(s).

"Told me what I was doing well, what I could improve on and all that. And I did the same for him. It was a very, very frank conversation; he came out of it knowing that I had got some gripes with how my career was going and things like that. In general, I really enjoy myself but that was my forum to get my opinions across. He thanked me for my honesty and things have started happening. It was a very, very frank conversation; I think I was in there for two hours and a quarter, just me and him. Not battering each other but very, very frank conversation, very honest. Some of the stuff has started happening for me so, can't complain about that." - **Direct1** employee 35.

The two-way unrestricted, dialogue also provides a forum for the employee's voice to be heard, acknowledged and responded to, with subsequently, positive action taken (Pierce, Rubinfeld and Morgan 1991). Contact with the line manager was the most obvious form of direct involvement with the running of the organisation rather than elected committees found elsewhere.

*Following the appraisal a secondment to the USA branch was created to enable him to see if a longer term move was appropriate - **Direct1** field notes.*

There appeared to be a supportive environment that encouraged honest communication, rather than a fearful or controlling one, looking to dictate what could and could not be talked about.

The values also fed into the recruitment process which looked to select people against the values of the organisation. This attempts to ensure a workforce that hold to a similar set of values, thereby restricting access as to who can become owners of the organisation but still permitting a diverse workforce in nationality, gender and age. Potentially this could lead to a mono-culture, if the hiring managers (a limited group of people within the organisation) restrict the process even further. Values were widely proclaimed; printed on appraisal documents or displayed on external websites as well as very visibly within the buildings visited. This helps to remind and reinforce the espoused values of the organisation (Schein 1992).

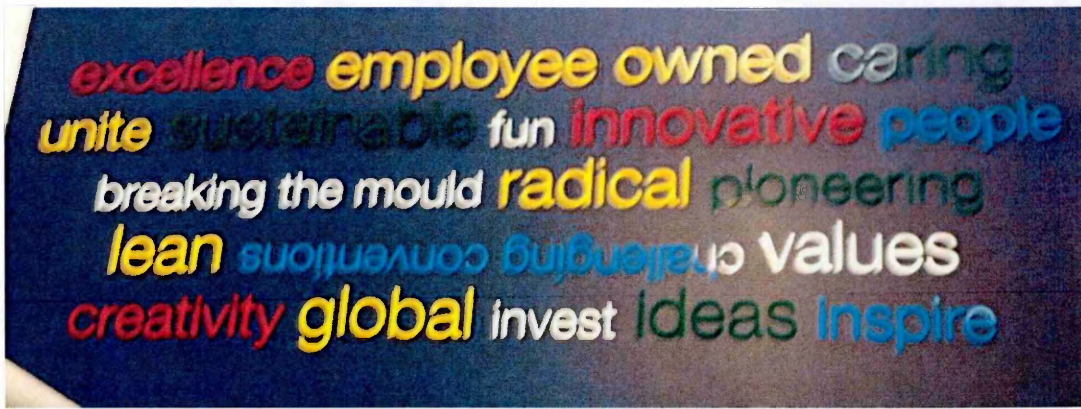


Figure 6.8 Values printed on internal wall (Direct1).

"When we do interviews we look for cultural fit." - DIR_Service.

There were examples of employees giving their colleagues encouragement to improve their performance or even chastising them for poor performance, directly because of being employee-owned. The negative performance of an employee would have a detrimental effect on the overall profitability, and hence share price, for all the employees. This gave justification for colleagues to pick up on each other's performance. One potential side effect of this, if taken too far, is that it could lead to a culture of bullying and intimidation although there were no intimidating examples observed or discussed.

"...you get one guy saying "I'm not bothered, I don't want to do it" but then somebody, a peer in the same team, might come back with "well go and get a job somewhere else then, because we don't want you here if you are not bothered". It was fascinating to see that. And they have every right, because they are shareholders." - Direct1 employee 17.

The organisational structures were deliberately hierarchical with minimal layers (three or at most four at **Direct1**); however a key aspect was the visibility and availability of senior management. Offices were open planned and the leadership actively encouraged employees to talk with them, via planned walkabouts or simply being available and willing to talk, either at their desk or the communal coffee area.

"There is a non-hierarchical style. Management is approachable. Offices are open plan." - DIR_Service.

At **Direct1** the managerial hierarchy pyramid was turned upside down; the managing director saw that it was his role to serve the employees and provide what they needed so that they could do their job to the best of their

ability, without hindrance. In essence this was a servant leadership approach as advocated by Greenleaf (1998). Hence he served the managers who reported to him and so on, until the front-line workers (who were the majority) were given the support they needed to fulfil their job and create the profit (Sausser 2009). The style was in line with MacGregor's Theory Y rather than Theory X (McGregor 1960). Affinity with colleagues was helped by the MD wearing the standard office uniform (logo emblazoned polo neck shirt and work trousers) reducing the status difference, as advocated by Pfeffer (2008) in his list of HRM best practices.

*"Unfortunately hierarchical, command and control businesses, often in the West, totally misunderstand all of that and believe that everyone is here to serve me as the top guy and that is very indulgent but not very effective as a business." - **Direct1** Managing Director.*

The companies researched had ambitious plans to develop their organisation, increase profits and develop whole new markets. Standing still was not considered an option and constantly pushing targets and being innovative was the norm. Although this was directed from above by the senior management, it was also embraced from below by the shop floor workers who stood to gain from the potential doubling of the share price.

*"That set us with a series of different things to work on, the outcome of which is if we did all those things we believed we could double the size of the business in three years." - **Direct1** managing director.*

As such, Key Performance Indicators (KPIs) were widely available so that employees could very quickly see if they were on track, which ultimately increased the share price, or enabled corrective action to be taken. Therefore information was freely provided to enable employees to be aware of the overall performance of the organisation and how their particular team was doing (Pierce, Rubenfeld and Morgan 1991). This meant the employee owners could have a meaningful discussion with the management team regarding the current strategy, as to its success or otherwise.

*Sat in the canteen. Somebody put financial information onto each of the three tables in the canteen showing that they had hit the target, sales were up 8% on last year approximately £X00,000. It includes a breakdown of sales per country. - **Direct1** field notes.*

Employees could see a correlation between the results of their team, dependent upon the personal effort that each person put in, and the profitability

of the organisation. This leads onto the financial rewards from working in a directly owned business.

6.2.2 Reward management within directly owned EOBs.

6.2.2.1 Financial reward within directly owned.

In directly owned organisations, employees own personal shares which have a realisable monetary value. The shares may be given to them by the organisation, voluntarily purchased or the mandatory purchase of them may be a condition of employment. All three scenarios were encountered during the research. It is the personal acquisition of a variable number of shares with monetary value that makes direct ownership different to the other models of employee-ownership.

Direct1 and **DIR_Eng** make it a condition of employment, requiring at least £1000¹² worth of shares to be purchased by the end of the first year. In **Direct1** senior positions have an even greater requirement:

"In terms of the shares, have you bought the minimum amount or more?"

As a director, you are compelled to hold half of your salary in shares.

I didn't realise that, I've not heard that before. So that is quite a lot.

*Yes! So you have to go and borrow it". - **Direct1** director, employee 37.*

By making it mandatory, they force the employee to become an owner, whether they agree with the policy or not. Complete disagreement with the policy would prevent them from being an employee all together, so dissent may not be visible to maintain employment. **DIR_Manuf** require 5% of the annual salary to be purchased during the initial year. **DIR_Service** and **DIR_Professional** give employees the option whether to purchase shares (56% and 66% respectively have chosen to). When employees have only purchased the minimum requirement or not purchased shares at all, it primarily appeared to be due to a lack of available finance however a small minority did object on ideological grounds.

"Gut feeling is that: 56% think it is a good idea and have shares, the majority of others think it is a good idea but are not in a position to buy shares (say new graduates with student loans) and only a small

¹² This reduces to £50 in the Indian office where there are lower wage scales.

*proportion object on 'ideological' grounds." - Notes from conversation with **DIR_Service**.*

*"I like it to be fair, but it is almost racketeering in a way, because you don't have a choice. You come in and, not immediately, obviously you have to buy into the culture or you would just leave, so it is not too bad but you don't have a choice. That could be money in your bank, I'm not saying it's not safe but it's almost like "you have to give me money". So it is almost racketeering." - **Direct1** employee 35.*

Clearly the employee in this quote felt that they were being financially abused by having to purchase shares, even though there is the potential to gain from the transaction. The concern is the lack of choice whether to participate or not; a fully informed choice would satisfy this employee but then goes against the founder's desire to ensure that everyone is a shareholder, which was how the organisation was initially set up. This would therefore appear to be a state of compliance, according to Kelman (1958) and as Griseri (1998, p115) points out *"the absence of dissent is not the same as the presence of assent"*.

Where shares are purchased, it brings a degree of personal risk, as the share value can go up as well as down. This brings a tangible link between ownership and the performance of the organisation.

*So the net asset value of the shares dropped substantially. Down to less than a pound, that they paid for them. It went down to 69p. And it was probably one of the best things that happened because it taught everybody that they can go up and down. It isn't that we just make brass." - **Direct1** founder.*

*People genuinely do own the business and as you know it is a pure employee ownership, and they have to put their hands in their pockets to make the investment which is not gifted to them in any way shape or form. They actually have to put their hands in their pockets. - **Direct1** employee 25.*

*If the company was to go bust, they would lose their money. - **DIR_Eng***

*Unfortunately, I know from when I started and what I have put in, the shares are worth a lot less now than they were then but I think that is just the economy as it is. - **DIR_Manuf**.*

Where employees only have the minimum or a limited number of shares, the dividend was not considered to be of any real value and hence not an incentive; however there was still a tremendous sense of ownership.

"To me I've not got many shares in the company, because I have not got much money, but it don't make no difference to me, those shares. I have not got enough to make me rich or wealthy. The dividend will pay for a

*takeaway pizza and a bottle of wine. So it doesn't make any difference to me". - **Direct1** employee 17.*

*"Incentive [dividend] is nice but it is not a big driver. It is better than having money in the bank." - **Direct1** employee 26.*

In this case the employee was comparing the increase in value against bank interest rates, which in 2014 were very low (Bank of England interest rate - 0.5%), so there was an expectation that the share price rise would supersede a return purely on interest. However when employees had built up a large number, either over the years or as a one off purchase then the dividend became a noteworthy amount.

'another story, one of the factory workers came in and said "I don't know whether to buy shares in the organisation or [elsewhere]."

So I said "well it is up to you ... So I said "How much are you thinking of putting in?"

"£30,000".

*A shop floor worker!' - **Direct1** founder.*

*"She has 38,000 shares, which provides a dividend of between £3000 and £4000... The dividend pays for 2 to 3 holidays a year definitely an incentive to her." - **Direct1** field notes.*

By their nature, shares are usually a long-term option. Where employees have purchased them, they are seen as a long term financial plan, for example as additional funding for retirement to supplement a pension or to pay off a mortgage on a property. This can be used as "golden handcuffs" (Sengupta, Whitfield and McNabb 2007) to lock employees into the job and reduce the risk of them leaving the organisation. For example, **Direct1** shares cannot be sold within the first 3 years; if the employee leaves they are returned at the face value they were bought for and not at any increased value.

*Customers recognise that we are trying to be around in the long term and we are looking to retain people so there is not this constant churn. I think a lot of our clients get very frustrated with this churn within companies; so if they are providing consultants and one day they are not there and they're working for a competitor then that becomes a frustration for them. If we can find really good people to tend them for the long term, that benefits our clients. - **DIR_Consultancy**.*

In this case, the organisation is looking to provide secure employment for its employees. This can be seen as a reward in itself since stable employment helps to foster a less anxious environment.

The purchasing of shares was usually limited to an annual window (typically the month after the share price had been evaluated) and the selling of shares was positively discouraged. Only on leaving the organisation (voluntarily or via retirement) was it encouraged or mandated. This maintains a level of control over purchase and disposal and therefore the share owners themselves. Forcing employees to sell when they chose to leave the organisation removed their influence at the same time, to not do so is potentially dangerous and dilutes the employee ownership. This is what McCarthy and Palcic (2012) observed when the retired employees had significant control over an organisation they no longer worked for. Ellerman (1977) suggests that on leaving employment (voluntary and retiring) shares should be paid off, over a five-year span rather than on termination. Potentially, owners might choose to leave the organisation because they feel that the share price has reached an attractive maximum value, so is it in their interest to quit maximising their personal income, which has resourcing implications for the organisation, should lots of people leave at the same time.

“Officially people can sell although we don’t encourage the selling of shares unless they really need it. A house move, or a new car although we try and say look, you’re in and those shares are there till you leave and that’s some of your retirement fund. We don’t encourage a stock market with buying and selling. We want people to come in and buy and keep those shares throughout their term, though people do get into financial difficulties and they do sometimes need to cash them in.” - DIR_Eng.

“When you retire you can keep your shares, if you leave you must sell them¹³.” - Direct1 Shares administrator.

Salary was determined on an individual basis, based on the skills and experience the person brought with them alongside the initial role they undertook. Flexibility within the organisations allowed for rapid, non-linear progression, depending upon task requirements rather than pre-determined steps. Therefore people were given the opportunity, and encouraged, to move through the organisation utilising their full skill set for the benefit of the organisation. For example, at **Direct1**, qualified graduates recruited as machine

¹³ Unfortunately, exactly why retired employees could keep shares was not asked.

operators on the shop floor were given roles within their speciality if such a need subsequently arose.

*We needed a graphic designer, because we were really busy and we were desperate. "Can we get somebody in an agency or something?" and we have never been asked to bring agency staff into the office before. There was a lad in the factory who had applied, and I went down, when we employed our last graphic designer and he wasn't in but the team leader said "[NAME], he's a graphic designer, he's got a degree in graphic design" so went straight up to [NAME], "come here"... And now he has got a full-time position down at the other site doing graphic design. - **Direct1** employee 17.*

*We pay the salary rate for the advice you can give. So obviously if you are graduate the rate you can be charged out at is less than if you have 25 years' experience. This encourages people to develop themselves to increase their pay. - **Dir_Service**.*

Salary was not specifically tied to the market rate for the job. Being employee owned, with a greater control regarding the use of profits within the organisation, they could deliberately choose to pay above the market rate, assuming the business could afford it (Pfeffer 2008). Maximising shareholder value (MSV) at the expense of low wages for the employees was not the goal. Ensuring that everyone had a good wage mattered, regardless of position within the organisation although there were wage differentials. This therefore particularly benefitted employees who had a smaller shareholding but subsequently received a larger wage.

"We have just increased the minimum wage to £20,000, so if you come in here at 16, 17 you're going to be on 20,000 + overtime. So you can imagine they all want to work here.

Absolutely! What is the normal rate them?

I think ours works out at £9.40 an hour.

And the minimum wage is £6.30. [Feb 2014]

*So we really look after people." - **Direct1** employee 17.*

Similarly, individuals received performance related pay, to reflect their personal contribution (Kauhanen and Piekkola 2006, Shields 2007). This was decided by their immediate manager (not collectively), in relation to their colleagues. However, no other types of bonus were paid (for example commission on sales or "Good idea" bonus) as these were considered to benefit the whole company, with the reward ultimately reflected in the increased share

value and dividend. This was a particularly difficult policy to apply for sales staff that normally expects to receive a commission as part of their total reward and required the Sales manager to be more inventive in incentivising the staff. Therefore the non-financial rewards were important to attract and retain skilled and experienced staff. The reputation and culture of the organisation was part of the attraction.

*"Biggest challenge is motivating people without money, they must be self-motivated" - PhD field notes, following discussion with Sales manager at **Direct1**.*

Having looked at financial rewards and recognising that they are not the entire reward, I now look at non-financial rewards within directly owned EOBs.

6.2.2.2 Non-financial reward within directly owned EOBs.

Status within the organisations was not dictated by seniority or title but had more to do with ability to carry out the role.

*"People move around from different sides, they will go from office into Ops, other way round as well. It is not seen as, necessarily a promotion to come into the office, it is just a different job, different skills." - **DIR_Manuf***

*"In most companies you either move up or out... Here, it is more important to do the roles required, so someone might be invited to be an office manager for several years and then move to a different role, perhaps a technical role, without any loss of face. It gives a great degree of flexibility and people are rewarded in the recognition of their ability to do the role." - **DIR_Service**.*

This encouraged a flexible workforce where employees could and were willing to undertake multiple roles as required. The driving force, being to get the work done rather than objecting to a task that was not on their job description.

Direct1 explicitly avoided job descriptions for this very reason.

*"We don't have any job descriptions. Because if you see the ball dropping you catch it! Job descriptions stop people doing that. Everybody just gets on with it." - **Direct1** founder.*

Job flexibility also rewarded employees with a greater range of opportunities rather than progressing through an organisation only following a pre-determined career path. However career moves were not guaranteed and did rely on the performance of the employee.

"A good example is the cleaner here on this site, she wanted to get more involved so they trained her up and helped her out and now she is

helping with some of the webbing machines on the shopfloor. That is the thing, you can go and talk to anyone, and they will give you a shot to try.”
- **Direct1** employee 35.

The ability to communicate personal opinions and receive information, as is common with other forms of EO, was however, not impacted by the quantity of shares held in the organisation. Information was freely available to everyone regardless of their stake and everyone could express their voice.

“What about information, how much information is shared around the company?”

Everything. Even down to the point where, we have only just started doing it now, but we never locked up even salary levels. Somebody found all the salaries, that everybody was paid and distributed it. Which, for me, if you can’t hold your head up and justify your salary, then you shouldn’t be there.” - **DIR_Eng.**

“We are all here to put our ideas forward, because we also benefit from it. Ultimately, the people offer their ideas and suggestions for improvements because they can see it is benefiting them in the long run anyway.

Is it easy, if someone has an idea?

Yes, ideas come through because it is continuous improvement anyway. We do run quite a lot of improvement ideas and we have meetings every morning. It doesn’t have to come from the meetings. People offer their ideas in how we can improve.” - **Direct1** employee 2.

6.3 Organisational culture within the directly owned model

All the topics in the previous section are represented in the diagram below (figure 6.9) - which highlights the features of performance and reward observed in the direct organisations researched.

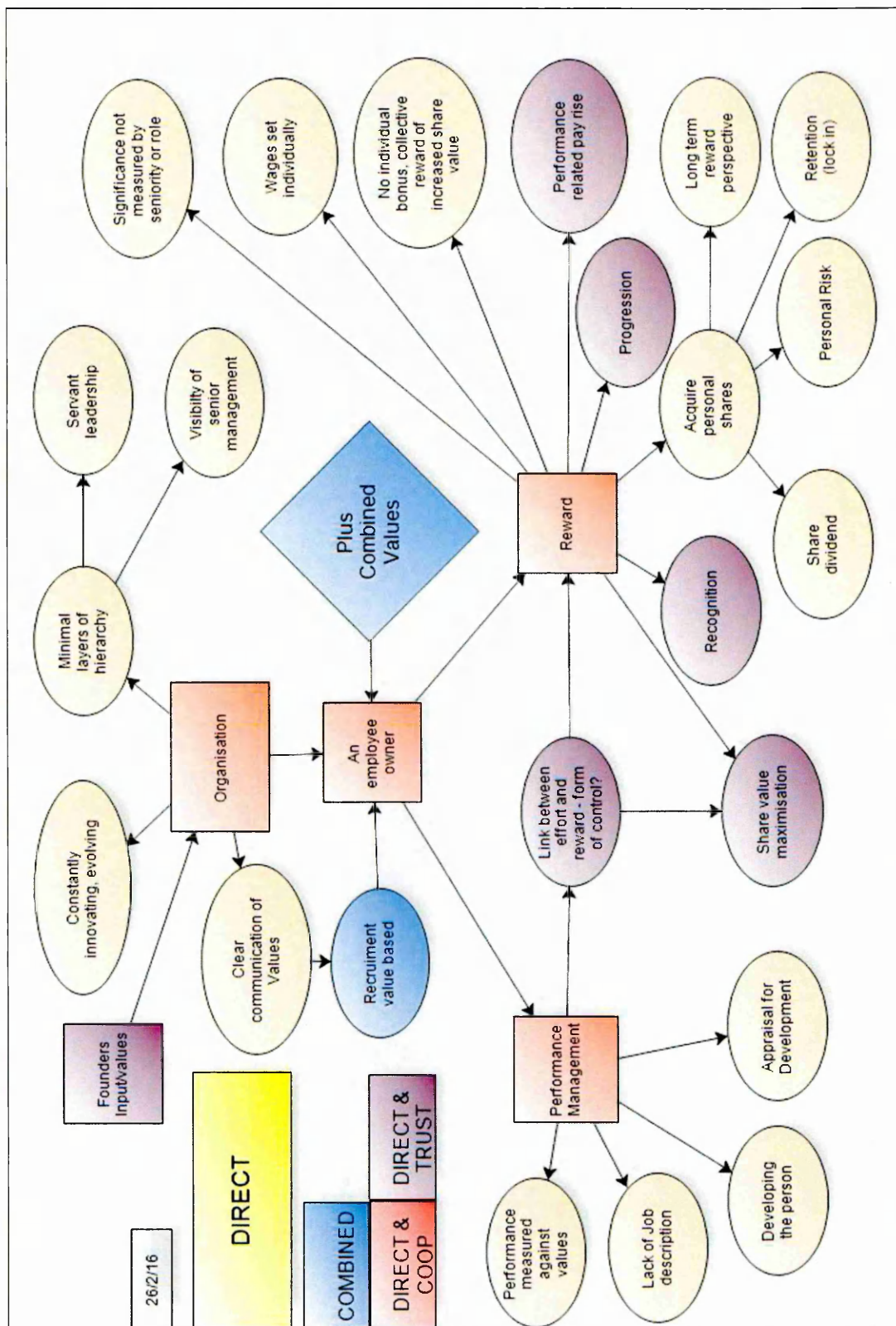


Figure 6.9 Performance and reward in direct EOBs.

Using the detailed nodes highlighted above and continuing with the thematic approach to analysing the data, four overarching themes emerged whilst studying the directly owned culture. These are:

1. **Personal reward**
2. **Personal development**
3. **Founder's input of values**
4. **Limited servant leadership**

These themes are shown in the diagram below (figure 6.10) and each one is then explained in detail.

The overall culture that is exclusive to the directly owned EOBs that were researched (or shared at most with only one other ownership type) is shown in the diagram below (figure 6.10). Elements of culture that were shared across all three ownership types are explained in chapter eight; hence this chapter does not provide a complete picture of direct ownership culture but highlights its unique features.

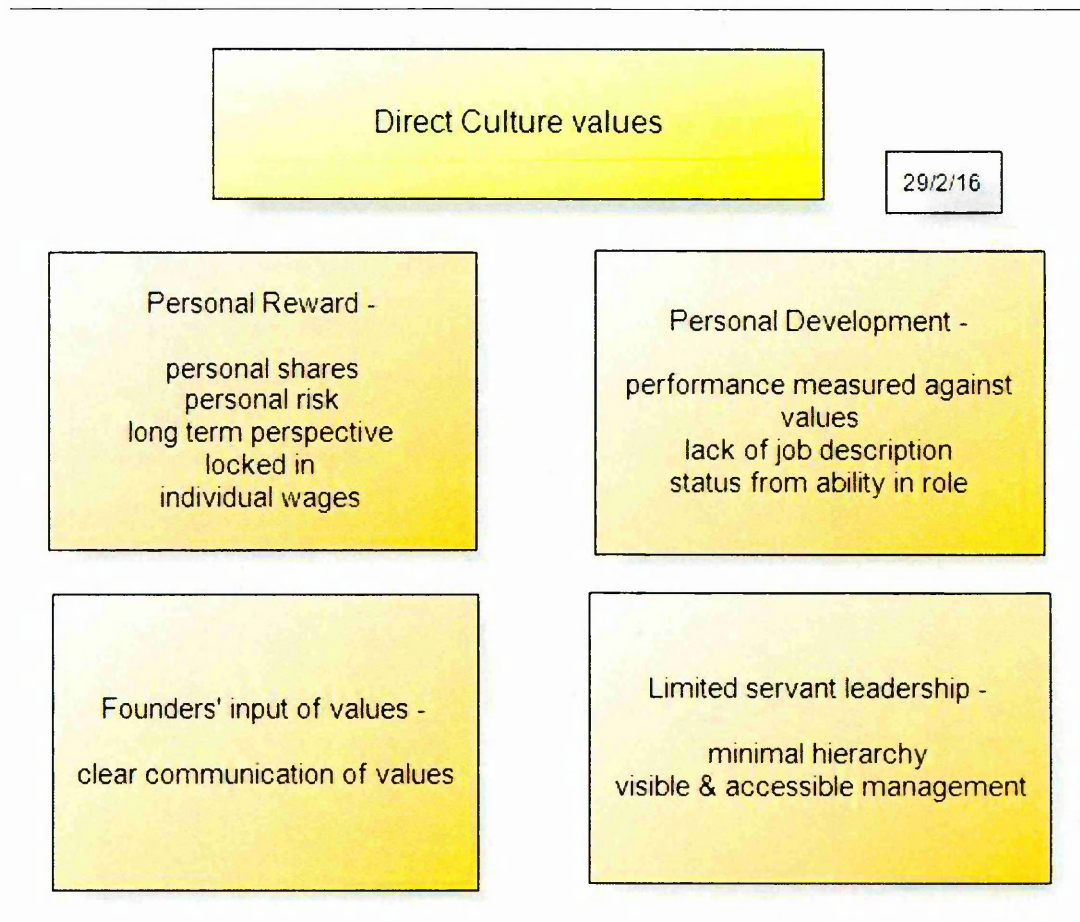


Figure 6.10 Direct culture values

Each of these four themes will now be expanded in turn.

6.3.1 Personal reward

The key differentiator for directly owned organisations is the variable accumulation of personal shares which may also involve risking their own wealth in the organisation. The value of this investment has the potential to increase or decrease, leading to financial gain or loss. The expectation of the benefit of both share dividend and increased share price can therefore lead to a greater sense of ownership (Pierce, Kostova and Dirks 2001) and hence motivate employee owners to perform and succeed (Armstrong 2015). Paton (1989, p102) refers to this form of ownership as “*Worker Capitalism*” (instead of “*Popular Capitalism*”) since it relies on capitalism’s foundations of profit and loss but allows the workers to gain from it, rather than a more restricted group of external shareholders.

Personalised share ownership also has a more direct effect on owners. A reduction in the share value leads to a tangible financial loss, that is, money is effectively taken away from an employee. Since shares are frequently held as part of a financial plan for retirement, it will have a notable effect on the expected standard of living available on retirement. This is different to the reduction of a bonus which has yet to materialise, for example, in the form of a trust bonus, where nothing further is paid upon leaving the organisation. It is in the owners’ interests to increase the share value which is often based on a rolling profit calculation agreed with Her Majesty’s Revenue and Customs (HMRC). Hence fear of actual loss can be a motivator in directly owned organisations, rather than just the pleasure of gain. Therefore individuals that stand to lose a lot might have a greater desire take it upon themselves to actively try and coerce the behaviour of poor performing colleagues. This could take the form of simple persuasion but could also include bullying, blaming and scapegoating, leading to increased conflict.

“[The share price], it’s going to go up eventually, so I am hoping! Plus I have got five years after I have retired, so if it hasn’t gone up by then it will be a worry! - DIR_Manuf.

A second silly story, the guy who ran the warehouse, four years ago maybe five. Before the AGM we all got the accounts and he said “Now then [name], I told my missus that I bought the shares to pay off our mortgage.” And I knew roughly how many shares he had got, about 12,000. So I asked him “how many shares have you got?”

“12860”.

And the share price was about £3.60 at that time, so I said "How much is that worth then?"

"£42,100".

And before that I had asked him how big his mortgage was, £45,000. It was a big mortgage he had taken out. So I said "You can't be far off paying it off then".

*"No its £42,100 - so can you get your fucking finger out!" - **Direct1** founder.*

The amount of reward each employee receives as an owner is unique to the individual depending on how many shares they have acquired either through purchasing them or being given them. This is what Pendleton and Robinson (2015) also found from their survey of UK EOBs. Hence it is a more personalised form of reward so motivation because of financial gain is not necessarily consistent across all employees and discretionary effort is individual, not collectively, determined (Ridley-Duff and Ponton 2013). Those that have a larger accumulation of shares stand to gain more than those with a smaller allocation. Shares were observed to be gained over time, with employees purchasing more once the previous loan for shares had been paid off. Therefore longer serving employees typically had more shares in the organisation (especially where they were gifted dependent upon length of service) than newer employees, so length of service also indirectly affected the reward. Staff turnover rates were very small in all the EO organisations observed (typically less than 5% where the information was available) so there were employees with a considerable service length.

Although there was a notional limit on the number of shares an employee could hold in each of the organisations, strictly to avoid the right of transfer or liquidation being exercised (Gates 1998), other than the founders, no employees were known to be anywhere close to this limit. Therefore the option whether to add to a share allocation was a choice, usually more often restricted by a lack of finances.

*"Nobody is allowed to hold more than about 1% of shares, but nobody is anywhere near this total." - **DIR_Service**.*

Although each employee has an equal status of being an employee owner and the allocation of reward derived specifically from shares is fair (since the process has to be documented for HMRC approval (procedural justice)), the

reward is not equal. Some owners will receive significantly more than others and can directly influence that outcome using existing wealth (distributive justice) (Shields 2007). Therefore this form of ownership can help to perpetuate existing inequalities in the society of owners, irrespective of actual work contribution but solely on existing wealth. However, compared to a traditional organisation, it does permit the opportunity to gain from the profit of the organisation which would not necessarily be available. Spedan Lewis' aim in transferring ownership of the John Lewis to the partners was not to completely remove inequality but to bring everyone up to at least a "*middle class*" standard of living thereby helping to reduce poverty (Lewis 1948, 1954).

Some employees see a mandatory requirement to invest as an intrusion in their personal choice of where to spend their own money. Could it bring greater benefit if invested elsewhere? Hence they react against the requirement and although maintaining their employment, do not agree with the enforcement of share purchasing. A few people were observed that held this position and one organisation (**DIR_Service**) suggested around 4% of employees objected on ideological grounds. This can therefore be a negative consequence of EO, where employees are working under duress at odds with the underlying philosophy of the organisation, creating a sub-culture within it (Martin 2002).

*Ownership - not convinced it makes a difference. - "Does a person with £75,000 of shares care more than someone who has none?" Implying that he cares whatever level of shares you have and maybe none! He does not agree with a compulsory purchase of shares he just sees it as a bond. - **Direct1** field notes following discussion with **Direct1** employee 11.*

Acquisition of personal shares can also enable a form of control by the management, specifically making it harder for employees to be able to leave the organisation voluntarily. Restrictions are placed upon selling shares for a profit during the initial years of employment, therefore if employees want to realise a profit, they must stay until the embargo is over. Hence employees who do not feel suited for the organisation might stay longer than necessary to maximise their personal gain but lack organisational commitment (Saks 2006).

Overall, the rewards available to an employee owner in a direct organisation can lead to greater engagement and commitment, driven by personal benefit from a direct alignment of both personal and organisational

profit (Matrix Evidence 2010). It does not automatically lead to an equal distribution of wealth amongst employees and a very small number of employees see direct ownership as an imposition, if the purchase of shares is a condition of employment.

6.3.2 Personal development

A lack of job titles allows employees to perform in a variety of roles and not be measured specifically against one. For example, performance appraisals were values based in **Direct1**, with both the employee and manager appraising against a list of five characteristics (Passionate, team player, personality, ambition and fun). The results and subsequent discussion remained between the two participants and it was not aggregated into departmental level assessments, but remained purely as a development tool. Objectives set as part of the appraisal did not immediately relate to the current role but were much wider, looking to develop the whole person. This comfortably fits Townley's (1997) definition of a developmental appraisal scheme rather than a judgemental one.

Appraisal after three months and very recently, objectives set are very different, not reduce failure rate by X percent but:

- 1) *Find some companies we can learn from and visit.*
- 2) *Find out what charities are relevant to you and the quality team.*

*Field notes from **Direct1**, from talking with Quality control manager.*

Individual status recognition within the organisations came from having done multiple roles rather than progressing up a career ladder. Thus a much broader repertoire of skills was encouraged to be developed and not limited by building a career in just one field. This has similarities to the flexibility within coops but within direct organisations the role would be for a longer period (years rather than a daily rotation). There were no visible trappings of grade/status, for example a private office, different uniform or being treated differently by "lower" staff (Pfeffer 2008).

*Sat in the waiting room for [Contact person] to appear. Entrance lobby is full of awards... [Contact person] took a while to come down, so the receptionist was confident enough to chase him up again. I was surprised by her boldness - Field notes from **Direct1**.*

Employees were therefore encouraged to keep developing new talents and discouraged from simply maintaining their position. This reduced "empire

building” as the method of progression was not to have a bigger department but to have a more diverse capability.

6.3.3 Founder's input of values

All the direct organisations researched had either been created from scratch as employee owned or transferred into employee ownership under the instructions of the initial founder(s). As such the founders' values have had a significant bearing on the culture of the organisations (Schein 1992). The founders were held in high regard and their influence was still very visible, from pictures on the wall, to stories told about them (Yiannis 2000) even when they no longer ran the companies.

*“we had a man came in from, a wealthy bloke, I don't know what business it was, but he came up and says 'I want to buy the company'. He went up to the MD, and said 'I want to buy it'. And he said 'Well it is just not for sale'. 'Maybe I should talk to your chairman then, I need to talk to the owner.' So he says 'Well if you just have a walk down onto the shop floor, there was about 317 of them, why don't you go and ask them! They all own the company'”. - **Direct1** employee 1.*

*He gave me his thoughts on “Chairman [Founder]”, a clear reference to Chairman Mao¹⁴. - Field notes from **Direct1**.*

This was also similarly observed in Trust owned organisations as well where the founders had made a significant impact on the culture and were still held in high regard, however it was not observed in cooperatives. This was thought to be for two reasons. Firstly, an overarching assent to cooperative principles as the underlying foundations which therefore defines the primary values of a cooperative. Secondly, the cooperatives were continuously reevaluating their identity, dependent upon the current membership group, who have an equal level of influence to the founders who were now no longer present.

6.3.4 Limited servant leadership

Daft (1999, p374) defines servant leadership as

“Servant-leadership is leadership upside down. Servant-leaders transcend self-interest to serve the needs of others, help others grow and develop, and provide opportunity for others to gain materially and emotionally. The fulfilment of others is the servant-leader's principal aim.”

¹⁴ On a subsequent visit after the research period, there were mocked up pictures of the Marxist revolutionary Che Guevara in his traditional beret, with the face replaced by the founder's.

The purpose of the leadership team was to bring about the best possible results for all the owners rather than profit maximisation for a limited number of external shareholders. Hence their purpose was to serve the employees rather than to bolster their own personal position. This leads to a form of servant leadership (Greenleaf 1998) where each layer is there to serve rather than dictate over and hence creates an inverted management pyramid organisational structure.

Hierarchical layers were kept to a minimum with front-line employees being given as much responsibility as possible. When problems emerged that could not be solved at that level, only then it was pushed further up the management chain. Planned weekly management walkabouts gave shop floor workers guaranteed access to the necessary managers.

*He has a weekly meeting "tattooed into my soul", that he should be there unless he is not. - **Direct1** Quality Control manager.*

*"So when you say autonomy, I think we have a philosophy that says 'better to have done something and ask for forgiveness, than never to have done it.' So they should get on with something". - **Direct1** employee 21.*

Management was deliberately very visible. From board meetings in the middle of the open plan office, to the MD's desk situated opposite the coffee area. Employees felt comfortable in approaching management, who encouraged dialogue as well.

*Sits opposite God (G.O.D - Global Operations Director), his boss. Talks to him any time. No separation, always visible. Observed this. No fear in that. Previous companies where God flies in by helicopter you are fearful, but not here. - Field notes from **Direct1** employee 11.*

*Well yeah. I'm friends on Facebook with a lot of them. I know what they are all doing and they know what I'm doing. Yeah, this is me personally; I like to think I have got a good relationship with the staff. If there is anything ever going on I'll join them and muck in. That's just me; it doesn't apply to all the managers. Yeah we do, I hold events. I have held barbecues at my house and invited everybody in the summer, when we weren't quite as big as this, about two years ago. Yeah, quite a lot of people came. - **DIR_Eng** Managing Director.*

This is an example of one of Pfeffer's (2008) suggestions for best practice, that of reduction of status differences, leading to a greater sense of equality amongst employees with their managers.

Involvement levels within the organisation would be at most to depth 4 (Ridley-Duff and Ponton 2103). Employees were encouraged to comment on management suggestions (for example the name of the new intranet at **Direct1**) and they were invited to make suggestions during the planned senior management tours. These were duly considered and enacted if appropriate (for example shipping a manufacturing robot to the USA instead of sending the output of the robot) but the decision ultimately remained with the management team.

6.4 Conclusion.

In comparison with the two other ownership types, it was found that the direct ownership culture has an emphasis on personal, rather than collective, reward compared to the other two types, which does encourage a high level of self-regulation. Although there appeared to be less democratic involvement in the running of the organisation, the management were held accountable through demonstrable information sharing and open access to senior leaders. In the companies researched all of them transferred into direct ownership at the desire of the founders and as such the founders' values still held significant sway on the way the organisations were run. Looking at Handy's (2009) culture typology, elements of Role and Task based culture were most apparent where the original owner had moved on, but previously they might have been a more Club orientated, with a powerful owner holding sway.

This chapter has specifically looked at the direct ownership model. It has reported the influence of the ownership type on how performance and reward management are handled as well as looking at culture within direct organisations. Finally, it has addressed the connection between performance and reward, and the culture of direct organisations, specifically under the themes of: personal reward, personal development, the founder's input and limited servant leadership. The next chapter repeats the same exercise, but instead focuses on trust owned organisations, the third and final type.

Chapter 7 - Trust ownership findings

7.1 Introduction.

This is the final chapter that focuses on the findings from a specific ownership type, which is regarding EOBs that are owned by a trust on behalf of the employees. It considers the research questions for this specific ownership type, firstly by focusing on what was observed in the field concerning performance and reward management (Q2) and then theorising about organisational culture in trust owned organisations (Q1). The findings are drawn from the research at three trust owned organisations, namely **Trust1**, **Trust2** and **Trust_Service**.

Three themes of trust owned culture are identified, these are:

1. Protective
2. Structured
3. Effort and reward linked

Elements that are common to all three ownership types (coop, direct and trust) are investigated and reported in chapter 8 however there are some elements that are common with another type, either direct or cooperative but not both.

7.2 Performance and reward management within trust owned EOBs.

This section highlights and provides illustrations of performance and reward that were observed in the field, as well as artefacts, values and norms (Schein 1992). From these, themes regarding culture are subsequently drawn out and explored.

7.2.1 Performance management within trust owned EOBs.

Expected levels of performance were prescribed in detailed appraisal documentation (copy provided by **Trust1**) and clear objectives set and monitored. This allowed for employees' performance to be continuously monitored and feedback applied. This was done, working in conjunction with their line manager. Appraisals were also used across the other two ownership types, but there was a greater degree to which conformity to the process and expected behaviours was applied in the trust owned EOBs.

*"I asked for a copy of some job descriptions and she gave me a copy of the manager and coach... She ... very briefly showed me a copy of her recent appraisal." - Field notes from **Trust1**, employee 40.*

Clear, work-related objectives enabled employees to demonstrate how they had achieved or surpassed the requirements, and therefore, were due some form of reward. This fits well with Townley's (1997, p267) definition of a judgemental appraisal system with *"links to an organizational system of punishment and reward"*.

*"We have a PDP, personal development plan, so I keep that updated every year so the manager has got visibility of that, so I just think the more I am logging on there, he has seen it. Like I say, he does delegate a lot to me, people would say or some people's mind-set might be "I'm getting all this extra work and I'm not getting paid for it" but then I've always seen it from the other side, the more he delegates to me, the more I do, the more chance I have got to move my pay." - **Trust1** employee 6.*

Effective appraisals were dependent upon the management skills of the line managers to manage, to whom significant training, resources, information and support were provided. In the vast majority of cases this was recognised and line managers were respected in their role to manage the performance of their staff. They, in turn, were assisted by their managers and so on through the hierarchy.

*"Her management style was very much about relationships with the team and having strong relationships. She expected them to work hard but also respected them and supported them. As part of her strong relationship with the team she has lunch with them several times a week which is what I have observed and been able to be part of. During those times she is blunt and speaks her own mind." - Field notes from **Trust1**, concerning a line manager.*

The organisational structures were hierarchical with clearly defined management layers that required linear progression to move through. Different behaviours were expected and prescribed by **Trust1** for management positions which then fed back into their appraisals. Hence there are defined career paths within the organisations, which are dependent on previous performance.

As well as managing performance, adherence to a uniform policy was also strictly enforced. Details were provided, as well as financial support to pay for the necessary clothing. I did not observe any deviation from the dress policy whilst on the sites.

*“Uniform - Ties for men. White clinic dresses for women on shop floor with corresponding white blouses for women in offices.” - Field notes from **Trust2**.*

*“I also asked for a copy of the uniform policy and she printed that as well (“business dress and appearance”).” - Field notes from **Trust1**, employee 40.*

Alongside the financial success, emphasis is placed upon excellent customer service and quality of product, which was underpinned by a proud feeling of ownership. There is a genuine desire to be the best at what they do.

*“the [competitors] sell them for £2.50 - £3. There is no way that we can compete on that, so what drives everything in this company is quality and service and that is drummed in all throughout.” - **Trust2**.*

This also drives a strong desire to understand what customers' perspective of the company is, including asking them directly what they thought, and significant efforts are made to satisfy the customer.

*“we have complaints meetings, internal and external, supplier complaints, everything where we address any complaints, anything like that.” - **Trust2**.*

*“I would rather know what it is really like. If we try and influence it, it is just meaningless. We really want to know what our customers think about us and we can deal with it.” - **Trust1**, senior manager talking about the weekly anonymous customer feedback system.*

The ownership of all three organisations researched were put into trusts at the instructions of the founders, after they had already successfully run the business for several decades. Although they are all now dead, they are still held in high esteem and their memory is kept very much alive through details on the company website, pictures on the walls and stories told by current employees. They each had an active role in creating the conditions of the trust (for example choosing to split the profits of **Trust2** equally between the employees and charitable concerns) which continues to influence the organisations now.

*“So the founder started the company with his brother in 1946 and it was a partnership so was owned by the founder and a number of partners and then at some point in the early in the mid-80s when the founder and fellow partners decided to retire it was the decision of the partners at the time to put the ownership of the firm in to trust for the benefit of future employees.” - **Trust_ Service**.*

The ongoing fulfilment of the trust is via the trust board, which is mindful of the history and has a strong desire to maintain the original ethos of the

founders. In effect, they enacted the principal-agency theory where the trust board are the principals and the employees are the agents. By providing a democratically elected voice within the board it helps to prevent the principals from creating abusive demands (Shields 2007).

*"First of all the founder set the culture, with his very strict disciplines, but if you work hard you get the rewards. The managing director who worked with the founder, he was managing director for 16 years, he is still a director of the group, like a non-exec type director, his role is what the founder wanted someone to do, to make sure the directors are doing what they should to be doing and not abusing their powers." - Field notes from **Trust2**.*

The next section looks specifically at rewards from working in a trust owned business.

7.2.2 Reward management within trust owned EOBs.

7.2.2.1 Financial reward within trust owned EOBs.

In a trust based EO organisation, the ownership of the company is held by a trust and the trustees ensure that the trust deeds are observed. Employees are then beneficiaries of the trust. A key reward is the bonus each employee receives from the profits generated by the organisation. The amount paid is partly determined by the articles of the trust, which vary from organisation to organisation and the actual amount of profit made each year. Of the three Trusts researched, two (**Trust1** & **Trust2**) paid a fixed dividend (dependent on profit) which was a defined percentage of an employee's wages (typically around 15% or 8 weeks wages, but had previously been as much as 24%). This allocation policy was considered fair but is not necessarily equal since employees on a higher wage receive a greater fiscal amount. This can lead to a tension between "all employees are equal owners" and not everyone receiving the same financial reward, typically between managers and non-managers.

*"So I'm not sure there is equality, if I'm honest. I think there is fairness, and we strive for fairness whenever we can and I think we achieve it in most counts but I certainly don't feel there is equality in place and actually think equality can be quite damaging to a business." - **Trust1** senior manager.*

Trust1 choose to pay the bonus annually and make a significant public relations exercise of it, ensuring that the amount is reported by national press outlets. **Trust2** estimate how much the bonus will be (based on previous years)

and pay the bonus in quarterly amounts with the final payment correcting the difference between the estimated and actual value.

Trust_Service's scheme for distributing the dividend was quite different; they allocated a share of the profits depending upon how many shares an employee had acquired (the company is 100% EO). On starting work at the company, a new employee is immediately given 100 shares and can only accumulate more shares through length of service (1.5 shares added per year) or increased grade and seniority. The shares are a theoretical notion and cannot be purchased, sold or kept after leaving the company. In reality, the majority of employees are on little more than the original allocation (so typically receive 4%-6% of their wages as dividend) and only senior employees (approximately 15% of the workforce, for example directors) will have more. This method rewards length of service over current ability and can lead to tension between high-performing new employees and low-performing long standing employees. Although this organisation is clearly trust owned, the distribution method has some overlap with the direct method, since employees own different share amounts but they cannot sell them and there is no monetary value to the shares themselves.

*"The negative aspects of employee ownership are: complacency, there is a 99.9% chance of getting the bonus but people still complain though but "15% is better than nowt!" - **Trust1** employee 6.*

*"this issue of poor performance is that you and I could be sat side-by-side doing the same job at the same grade at the same level of salary. I might have one or two years' experience, you might have 30, I might be an outstanding performer, you might be sitting with your feet on the desk twiddling your thumbs. But when it comes to profit share you walk away with more than me because you have been there 30 years." - **Trust_Service**.*

From this quote it can be seen that the uneven distribution within **Trust_Service** caused some resentment amongst employees; this was also seen in **Coop2** which had a very person specific method of calculating the bonus. However it wasn't seen in the direct models, which although also uneven, owners still had control of how much they invested.

The dividend is seen as important and looked forward to with excitement; although some employees being paid closer to the minimum wage, saw it as simply topping up their wages to an acceptable amount, and hence making

them comparable to other organisations who were not employee owned. This situation has improved with the recent UK government budget changes (2014) that allowed for the first £3200 to be paid tax-free (for those on minimum wage that would mean the entire bonus was tax free). The bonus is only payable whilst the employee remains in post and stops once they leave the organisation, either through retirement or voluntarily.

"Reward - the bonus is nice as well as all the excitement around it."

"It is a good day, a lot of buzz and excitement about it."

"Reward - the bonus is "brilliant", is a reward for the hard work and everyone gets excited." - Trust1 employees.

Individual employees were clearly seen to identify a link between their own personal behaviour and the financial reward received either as performance related pay or employee bonus, even though it also relied on hundreds or thousands of other staff as well. By maximising their revenue generating behaviour, it also increased their personal wealth. This was a key motivator for staff to maximise their opportunities but not at the moral expense of the customer.

"Employee ownership is important to her now "our own company", you're working for your bonus. Likes the atmosphere, it's a nice place to work. We work hard especially over Christmas it's nice to get the bonus." - Trust1 employee 21.

"That's the thing, the thread throughout the sessions we have run, is that it is not about the hard sell. So we have said that as a business we will never ever get to the hard sell." - Trust1 employee 41.

There was an emphasis on being commercially successfully for the ongoing longevity of the organisation. This can lead to wage levels being set in comparison to external organisations, down to minimum wage levels, rather than entirely for the employees' benefit. Hence some employees received less than the "living wage" and it created a moral dilemma as to the well-being of staff. From internal staff communications and conversations, it was clear that the issue had been raised and for the board it *"kept them up awake at night"* as a significant issue but it was unclear what was going to happen. In this case the majority of employees were unable to "force" their opinion through.

"What we want to do is provide a good level of employment and remuneration packages to 380 employees for the rest of their lives and if

we do that, that's good and become more efficient at what we do all the time." - Trust2.

"Strategic vision - Investing for long-term sustainable growth and a strong legacy" - taken from Trust1 company documentation.

"I asked if he was going on the [company sponsored large celebration] for employees to attend. Surprised when he vehemently said "No!" I asked why and he explained that "75% of employees here aren't on a living wage. Why are we wasting money on that?"

I said "that the employees could bring the living wage in."

"There is very slow progress here". - Field notes at Trust1 with employee 5.

The long-term perspective was helped by not having external shareholders who could demand short term profits. This allowed for the employee's preferences to be considered.

"in a lot of businesses, is that they trade very much short term. They have got shareholders to please, they have got a dividend to pay, they have got external market pressures. They manage month to month, six months to 6 months etc. We on the other hand don't have some of those, we have some but not all of those issues and challenges so we get to manage more for the long-term and part of the challenge is with leaving the [organisation] in a better place than when you took it over." - Trust1 senior manager.

Individualised performance related pay, dependent on the rating given in annual appraisals did give scope to reward staff with personalised increases (for example between 0% and 8%). This was seen by the management to effectively contribute to retaining high performers as well as encouraging low performers to improve or leave the organisation, since a nil increase is in effect a pay cut.

"dependent on where you are currently paid, dependent on where your performance is, I might be able to give you more than the average or you might justify less than the average and these are the reasons why" - Trust1 HR manager.

So it depends on what your drivers are. If your drivers are pay, you have got to do your development to push yourself forward because as a business we don't stand still so if you carry on doing the same at some point you're going to fall back so you need to be upping it all the time - Trust1 employee 41.

As well as financial rewards, non-financial rewards were highly relevant to employees as well, these are discussed below.

7.2.2.2 Non-financial reward within trust owned EOBs.

Individual praise and recognition (including financial rewards and time off) was encouraged, especially between colleagues rather than just from management. People were valued and felt supported in their career aspirations. **Trust1** displayed the "Employee of the month" in the staff entrance alongside an explanation as to why, as well as in the local staff newsletter. This could also include a token financial reward too.

*There is the "big thank you" which can be gold, silver, or bronze. Any employee can nominate any other employee, it just has to be signed off by their manager. A bronze award could be chocolate and wine, silver might be chocolate and wine and £10 voucher, gold could be a £25 voucher. - Field notes **Trust1**, employee 7.*

This could be seen as paternalistic; with the management either recognising those employees worthy of an award or utilising peers to do their work for them. This is different from the cooperatives where there was no management role to do this.

All three trusts researched were created by founders who elected to pass the company onto its employees. As such the requirements of the trust were written by the founders and are unique to each one. Each organisation has a desire for the long-term employment and benefit of its staff. Without the need to satisfy external shareholders, the companies can focus on the whole person, both financially (via the profit share and quality pension scheme) and physically/emotionally. This can include private health care (free or discounted and supporting employees in ill health) as well as social events (for example, holiday homes, art enrichment, celebrations) not only during employment but beyond into retirement (for example on-going health support). This support also extended to family members, so that employees were not seen in isolation but part of a family unit (where appropriate) and hence has influence on society by reducing the burden on the state. However from the quote below it could be argued that EO is also being used for the economic benefits that it brings to the organisation.

*"What we want to do is provide a good level of employment and remuneration packages to 380 employees for the rest of their lives and if we do that, that's good and become more efficient at what we do all the time." - **Trust2**.*

“The trust also, it is set up to look after beneficiaries in need that is what the founder did. Beneficiaries are defined by employees, past, present or their siblings” - Trust2.

The trust boards have a mandate to maintain the ethos of the original founder; typically this includes a clause that prevents the organisation from being sold, an action that would benefit current employees to the detriment of future employees. Hence there is recognition of wanting to provide employment opportunities. In maintaining the founders' wishes, it can lead to idiosyncratic values being passed from generation to generation.

*“First of all the founder set the culture, **with his very strict disciplines**, but if you work hard you get the rewards.” - Trust2 (emphasis added).*

There is a sense of ownership by the employees but also a lack of individual financial risk. There is a commercial requirement to succeed in order to continue existing; however each individual employee does not bear the weight of the organisation on their shoulders. A hierarchy of management runs the organisation on behalf of employees with varying levels of participation (voice). This includes access to information, whereby almost everything (except personal salary levels) is obtainable. The management is held accountable to the trustee board, which may include elected employees.

“Our [company] Board is different to most other Boards, bringing relevant skills and experience to the table through a mix of appointed and democratically elected employees.” - Trust1 annual report 2015.

As employee owners, considerable effort is put into giving employees a voice within the organisation. Their opinions are sought via employee surveys, elected representatives and open meetings. Due to the hierarchical management structure, it does not mean that they have full democracy but do get to vote on who represents their voice to more senior management. Ownership was equal amongst employees and governance was one person one vote but the management structure was hierarchical. One employee at Trust1 explained it as, *“Leaders are paid to lead, to make decisions. The purpose of democracy in the organisation is to hold the leaders to account for those decisions.”* Employees place their faith in democratically elected representatives, who are free to cast their vote in decisions as they please but must still face their colleagues the next day. Large scale, national democratic meetings were televised and shown live so that employees who were not

physically there could still see what was happening. This provides a level of accessibility and accountability to all the employees.

"If we didn't have a democracy, somebody probably at the top would just go "you are going to have a new pool table, you're going to have a TV". It would be decided for you, whereas the difference, I guess, for us here is actually we are going to ask every employee "you have got a voice, it's up to you if you use it but if you would, how would you want that money spent?" They gather those opinions, we then cost it out. We look for the majority vote of what people want." - Trust1, employee 37.

"meeting which happens four times a year I think is streamed into the [building] the employees can come up and actually see the meeting happening live. It's been mentioned in the morning and so long as employees cleared it with their manager they were free to come up and have a look. I went along and found an empty room and stayed for approximately 40 minutes and was the only person all the time." - Field notes from Trust1.

It was unclear why employees did not attend the televised briefings; whether it was a lack of interest, being disengaged, pressure from management not to attend or for some other reason.

As well as expressing voice through a hierarchy of meetings with elected representatives, individual employees are given the permission to question the senior management directly via an internal newsletter. This is an explicit clause contained within the details of the founding trust at Trust1, so therefore operates with greater authority than any individual manager within the organisation. This allowed for dissenting views to be expressed without any fear of punishment (they could be anonymous if so desired) however management still had to provide an accountable response. As Cox Edmonson and Munchus (2007) point out dissent can be seen negatively as an "*indication of disapproval of the message*" however it can also be with the aim of inducing "*decision-makers and superiors to do things differently or to reconsider and perhaps reverse earlier decisions*" in which case it is very positive.

"The [newsletter] has stinging letters about pay and a complaint from an unhappy employee, these are all answered. Any letters that aren't published are also acknowledged and what has happened to them." - Field notes from Trust1.

This section has highlighted and demonstrated different ways in which employees are rewarded for being part of a trust owned organisation, set up

specifically for the benefit of the employees. The following section seeks to theorise upon the culture that relates directly to being a trust owned EOB.

7.3 Organisational culture within the trust owned model

All the different issues in the previous section are represented in the diagram below (Figure 7.11) - which highlights the features of performance and reward observed in the trust organisations researched as well as organisational values.

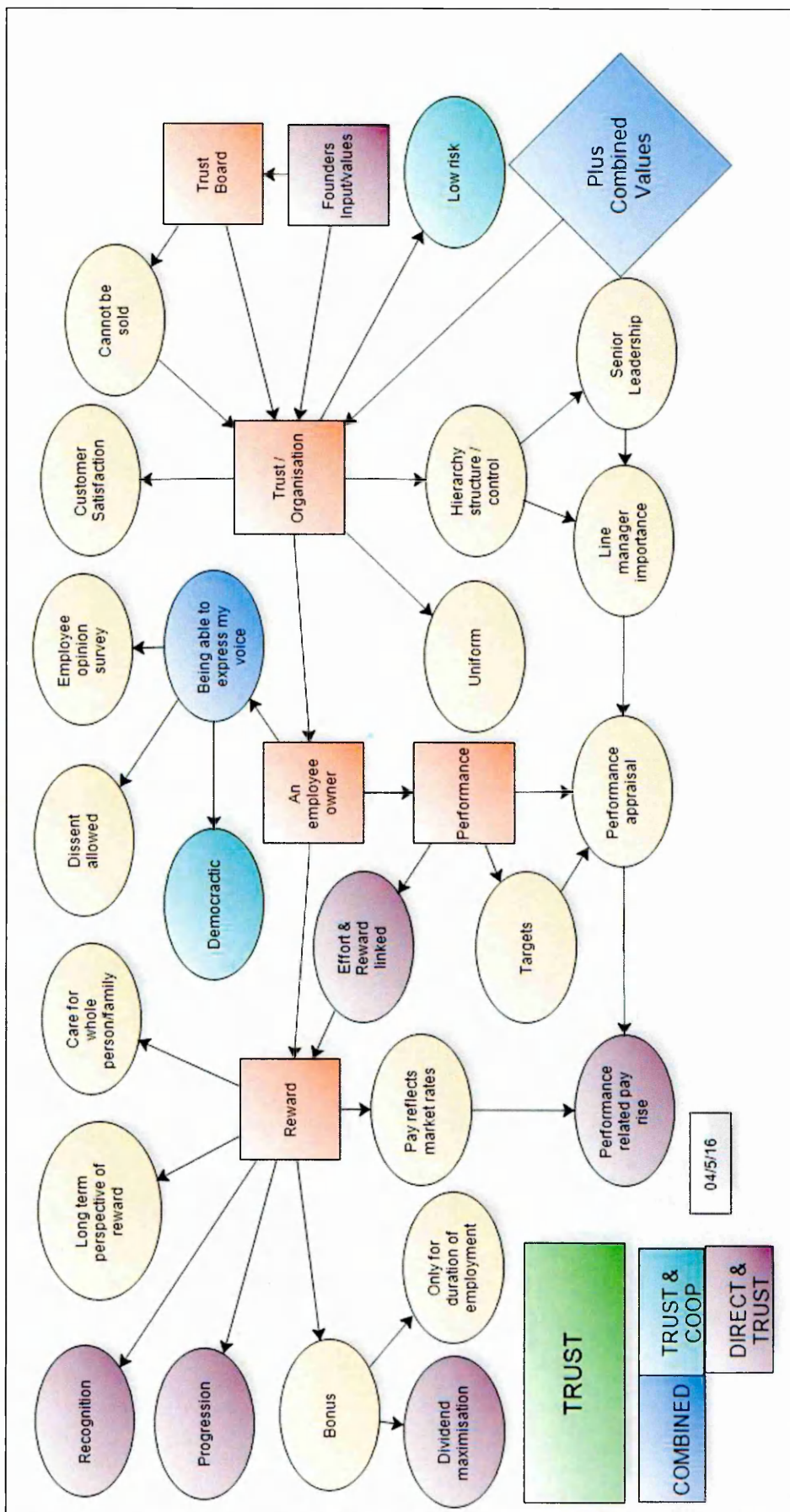


Figure 7.11 Performance and reward in trust EOBs.

Using the detailed nodes highlighted above and continuing with the thematic approach to analysing the data, three overarching themes emerged whilst studying the trust owned culture. These are:

1. **Protective**
2. **Structured**
3. **Effort & Reward linked**

These themes are shown in the diagram below (figure 7.12) and each one is then explained in detail.

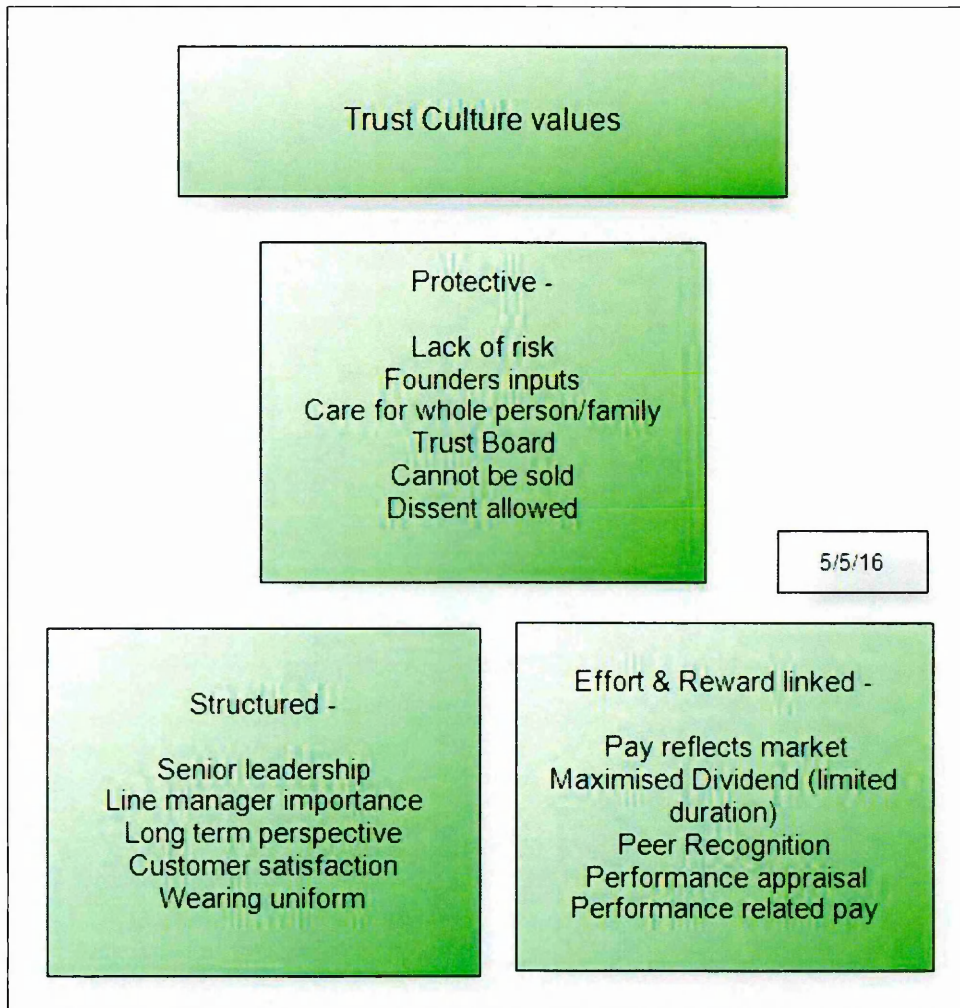


Figure 7.12 Trust culture values

7.3.1 Protective

The trust model provides the lowest level of risk (both financial and personal) of the three ownership models under consideration. On acceptance into the organisation, employees automatically become beneficiaries of the trust; this does not require anything of them other than their continued employment. The

hierarchical management system in place takes responsibility for the ongoing operation of the business rather than each employee's direct involvement in day to day running of the organisation, which was observed in the worker cooperatives. Hence the majority of employees (who are not managers¹⁵) benefit from the profit-sharing scheme without the weight of responsibility of running it. They do however contribute to it through their on-going effort within their role. This is therefore a low risk environment and along with the bonus, leads to a win-win scenario for staff. Only temporary/seasonal workers or consultants did not receive the bonus, otherwise the reward was universally applied.

All the founders of the organisations created their trust for the ongoing benefit of employees, not just financially but their all-round well-being. As such they are still held in high regard and referred to in conversations, recorded in company documents and have their photographs displayed prominently in the buildings.

*"Lots of history everywhere! - Founders pictures throughout - in boardroom, corridors, and reception." - Field notes from **Trust2**.*

According to Schein's (1992) definition of culture, the founders have a significant role in setting the organisational culture, which has been subsequently passed down through the generations of employees. Current business decisions are still weighed against the expressed wishes of the founders and rejected if not in line.

*Picture of founders looks down on the table to ensure that no-one forgets the original principles. - Field notes from **Trust2** in the boardroom.*

*Whilst discussing the principles of the original trust, "which is what the founder wrote back in the day, which is about, successful, rewarding employment etc. where he basically first talks about the importance of investing in the people and sharing the rewards to get a better outcome for everyone. Then we sort of look at more recently how our business has tried to bring that to life" - **Trust1** - senior manager.*

¹⁵ From conversations and official information provided by **Trust1**, I calculated that over 80% of the staff were on the lowest pay scale of non-manager.

The protective nature of the culture could, according to Legge (1999, p253), be seen as *“benevolent paternalism”*, whereby management exercise control which is *“for the ultimate good of all family members”*. (All the founders of the EOBs researched happened to be male apart from one female.) Non-management employees did not become “children” in the relationship though and do not lose all their rights. They maintain their right to speak and especially to speak against the organisation, if they so feel. Employees were formally and informally invited to express their opinion and senior management listened and considered what had been said. This is only depth 3 in Ridley-Duff and Ponton’s (2013) levels of participation, whereby employees are being invited to discuss management proposals but cannot suggest or enact them.

“This is my third attendance at leadership meeting, it started early at 9:30 AM so that they could specifically discuss the results of the recent employee opinion survey... The first hour and a half was reviewing the survey” - Field notes from Trust1.

“We have a number, as you properly expect, of employee councils, works councils, those kind of thing. Some are required by law others more on a voluntary basis” - Trust_service.

This implies a greater level of participation (perhaps level 4), but the participation can vary within each different grouping. This was most easily observed at **Trust1**, where there were layers of democratic functions (for example branch level, regional level and board level). At branch level, all employees of the branch voted on who represented their individual team and were also able to suggest items to be discussed within the representative meeting. Therefore it was democratic but the participation appeared to stop at level 4, whereby management did screen out weak proposals. Perhaps this was also reflected in the high number of employees on the minimum wage rather than the living wage?

The protection granted by the organisation extends to the well-being of the employee and in some cases, that of their family as well. This includes generous pensions, health care and life enrichment - for example providing opportunities to experience different art forms that would normally be inaccessible. This relates directly back to the conditions of the trust, and the founders’ initial desires for the employees as people rather than “commodities” (Legge 1999) and providing a common benefits package (available to all

employees) and standardised terms and conditions of employment across grades.

"We are all the same, I am a director but we are all employees. We all work the same hours, we work a 4 ½ day week, we get 10 weeks holiday a year. We get a pension scheme, we share in profits. Everybody gets private healthcare, for themselves their wife and their family." - Trust2.

"There is one guy on the shop floor, you have to be with us two years to get healthcare, it's a qualifying period. We have got one guy who joined this year, who is married with seven children, so that is nine lives, straight away. He is not in a high profile position." - Trust2.

A significant form of protection for employees is the explicit requirement that the organisation could not be sold into external ownership (Gates' (1998) transfer rights). This ensures that the trust board, who are selected for their adherence to the founders' initial desires and bound by the constitution of the trust, cannot force employees into employment of another organisation. This was the case in the trust EOBs researched however it may not be universal amongst all trusts (see Eaga in Ridley-Duff and Bull (2011)).

The trust does however retain the right (as was exercised by Trust1, for example, in 2006) to make employees redundant if a location becomes commercially unviable, thus protecting the organisation as a whole. Alternatively, functions (for example cleaning) can be outsourced, again providing a degree of vulnerability for employees. Acquiring external organisations and bringing them under the umbrella of their protective trust is acceptable, although the adaptation to a new culture is not always straightforward.

"Another company called [name] who we acquired 10 years ago and we TUPE transferred them. There were 60 employees who we transferred ..., it wasn't disciplined and was a bit relaxed, into this [highly disciplined environment] and probably 10% of them couldn't hack it." - Trust2.

In this case the culture was considered to be oppressive by a proportion of the transferred population. This is a different scenario though, to where new employees willingly move to the organisation so people did not have the option to self-select.

Employees felt safe in criticising the management decisions taken. Negative opinions were invited through the communication channels created

(either face to face, group meetings or written letters) and employees had high levels of trust that it would not or could not lead to dismal. Hence according to Cox Edmondson and Munchus (2007), this form of dissent was actually "*Organizational Communication*", an "*upward feedback from subordinates to leaders*".

The culture was observed to be protective within the constraints of the environment created by the trust deed. For some employees, the idiosyncrasies (for example strict discipline) created resentment; however the majority appeared to flourish underneath its care and were queuing up to join.

7.3.2 Structured

The trust based organisations demonstrated the most hierarchical structures of operational management of the three models, in-line with benefits being handed down from above by a benevolent benefactor. There were layers of management (potentially up to ten) with the vast majority of employees on the lowest level.

"What is the structure of the company then? You are not a flat structure company then are you?"

No, not really. We talk about being flat but we aren't in reality" - Trust_Service.

Access to the management structure was via an employee's line manager; hence this was a key relationship for the on-going performance and reward of the employee. Most employees appeared very satisfied with the service of their immediate manager however some implied that it could be better. This therefore creates a reliance on the ability of the line-manager, which is not apparent in cooperatives that avoid management layers preferring a flatter structure.

"Well I have got quite a good relationship with my line manager, I do speak to him a lot every day. He knows what work I'm doing. When we come to my performance review each year, I know it wouldn't take as long a discussion somebody else because I work quite closely with him."
- **Trust1**, employee 6.

"She spoke about the performance appraisal which happened every year but was also a meeting at three monthly intervals. It is useful but it depends on your manager, and you get feedback which is good and bad. I asked her if you could feedback on your manager as part of the appraisal. She implied that the [name] department was particularly bad -

“go and talk to [name]” - although I didn’t specifically look for this, I never found any anecdotal experience that backed this up, however she was obviously convinced it was the case from her experience.” - Trust1, field notes with employee 12.

Control was further demonstrated through defined policies on uniform, which helped to differentiate different levels within the hierarchy as well as define what employees could and could not wear. In this way, individualism was not welcomed and a common look required. Some of this was dictated by health and safety requirements (**Trust2**) but it was also a deliberate policy at **Trust1** and **Trust_service** to create an expectation of professionalism.

“the plant managers they wear white coats. It is strange, you walk around and they are referred to as “the white coats”. It is lots of people’s ambition is to be a white coat. It sounds a bit strange.” - Trust2.

The irrevocable trust created by the founder of **Trust1**¹⁶ and similarly for the other trusts, defining that the shares are held in trust for the benefit of employees, allows for a longer-term perspective to be taken regarding the running of the organisations. There is not an immediate need to satisfy external shareholders at the expense of the longevity of the organisation. Thus decisions can be taken that not only include the views of the employee/shareholders but also assume the shareholders are not going to suddenly change, as well as their demands. Hence the overall aim of the organisation is not simply short term profit but about building something for future generations.

“The founder would talk about, doing it just to make the world that little bit better place ... and he talked about it being a good use of one’s life, to get involved in a social experiment of this kind.” - Trust1, employee 25.

Greater emphasis within the trust organisations was placed upon customer satisfaction than the other types. This is not to say that it was not important to cooperative or directly owned but it was expressed much more vocally within the trusts and especially **Trust1** and **Trust2**. Systems were in place to find out what the customer thought of the service or to tell them what they required to know (for example an audit on the ethics’ of suppliers).

7.3.3 Effort and reward linked

The employees researched expressed a keen desire to work in such a way as to maximise the bonus they would receive directly for being an employee

¹⁶ It would require an act of parliament to revoke it.

owner. They perceived a strong correlation between effort and reward in the bonus as well as in their personal performance and reward, via performance related pay (Shields 2007). The bonus was a significant factor in affirming their ownership status and the vast majority of employees were proud of that status. Several employees commented on previous jobs within the same sector that were poor or non-existent in comparison, particularly regarding sharing the profits and having access to information (Kaplan 2005). Bonuses were limited to the duration of employment, once an employee left the organisation the bonus stopped, although healthcare potentially carried on into retirement. The bonus (in both frequency and quantity) was considered to be significant enough to impact on employee performance.

*Employee ownership is important to her now "our own company", you're working for your bonus. Likes the atmosphere, it's a nice place to work. "We work hard especially over Christmas it's nice to get the bonus." - Field notes from **Trust1** employee 21.*

*"Whereas in the other business where you didn't get any recognition, you didn't get any thank you, you didn't get any reward, and your pay was very static, whereas here your pay is measured by your performance. So if you come to work and do a really good job, then you get recognised for it. If you choose to come to work and think "I'll just come to work and do my job" your pay will reflect that as well. So you get out of it actually what you put into it." - **Trust1** employee 8.*

Therefore as an employee owner, the increased effort was seen to directly relate to increased personal wealth and hard work for personal gain was a characteristic observed. However, initial wage levels were set at market comparable rates, often at the minimum wage level for non-managerial roles¹⁷, which was not the case in the cooperative and direct organisations. This agreed with Bratton's (2015, p383) view that *"the logic of capital accumulation - profit maximization - necessitates that managers relentlessly minimize costs, including labour costs"*, however performance related pay provided a way out by offering good performing employees the opportunity to progress. Performance was managed via well documented and structured annual appraisals.

"... so we might have 40 ladies in the [department], there could be 40 different rates of pay in there. They start on the same money but they might go there [indicating more] because they give a bit more or they might just plod along. You do get people, what they want to do is come to

¹⁷ Taken from internally and externally advertised roles at **Trust1**.

work, earn the money and go home. But some will give a bit more, they have some ambition.” - Trust2.

Peer recognition was actively encouraged, with the recipient being rewarded financially, usually at a token level. The greatest recognition expressed though was simply being thanked for what they had done. This was role modelled by the senior management team at **Trust1**¹⁸ and affirmed by publicly displaying “employee of the month” prominently, showing the nominator as well as the nominated person. This was also observed at a departmental level as well.

“We do have a thank you where anybody can nominate somebody for a thank you. So you can have vouchers or an iTunes gift card but I think sometimes it is just a thank you. A “thank you” means a lot more to you sometimes than a voucher. A heartfelt thank you, not “thank you very much for today, thank you very much for today, thank you very much for today”. If you have done something well, then they will say “you have done a really good job, thank you very much” and that means more than the other bits I think sometimes.” - Trust1 employee 8.

The recognition provided here is a motivator under Herzberg’s (1968a) motivation-hygiene theory, leading to greater job satisfaction. Peer recognition is a form of motivation by joint owners of the organisation. Encouraging other employees to perform, which ultimately improves the organisational performance, is then reflected in their personal bonus. Hence it can be seen as giving recognition or encouraging performance for selfish gain. From the employees observed, it appeared to very much be the former.

7.4 Conclusion.

This chapter has specifically looked at the trust ownership model. It has reported the influence of the ownership type on how performance and reward management are handled as well as looking at culture within trust organisations. The trust environment appears to be the most structured, providing a level of protection to the individual employee. There is a clear line of sight between effort and the reward obtained. This is the clearest of all Handy’s

¹⁸ During a management team discussing successful previous results, a senior manager handed round a box of chocolate champagne truffles, whilst apologising that he had not had enough time to organise real champagne!

(2009) culture typologies, that of a Role based culture, with formal hierarchies as the operating structure.

This chapter has specifically looked at the trust form of EOBs, to determine the aspects of culture that are either unique or shared with only one other form of ownership and are therefore not common across all three forms of EO. The next chapter repeats the same exercise, but instead focuses on the elements of performance, reward and culture that were consistent across all three types of ownership - cooperative, direct and trust owned EOBs.

Chapter 8 - Employee ownership common findings

8.1 Introduction.

Having looked at each of the ownership types in isolation, this thesis now turns to observe what was common to all of them. What aspects of performance and reward did the ownership types share? Initially, the data is presented, complete with illustrations from the field and from this a set of common values are developed. This leads to an overarching interpretation of the culture within the EOBs researched. That is, one of a high commitment culture, based around trust, openness and fun.

A summary of the ownership types is re-presented. This was originally shown in chapter 2 but has now been revised (with highlights) following the experience from the fieldwork.

EO Type	Gain ownership	Reward	Hybrid (?)
Cooperative	Purchased (either nominal value £1 or % of actual value).	Share of surplus allocated using system determined by members. Can have similarities with direct model	Cooperative of cooperatives.
Direct	Purchased via shares in the organisation or given by the organisation.	Share dividend and increase in share value on sale.	Yes with trust type.
Trust	Ownership remains with the trust but the benefits are given to all qualifying employees.	Bonus determined by trust from the profit created.	Yes with Direct type.

Table 8.9 Summary of ownership types (revised)

8.2 Performance and reward management common within EOBs.

This section provides illustrations of performance and reward that were observed in the field as a vehicle for understanding the culture by looking at the artefacts, values and norms (Schein 1992). From these observations, themes

are drawn out to theorise about culture, which are then detailed in the subsequent section.

8.2.1 Performance management common within EOBs.

Low staff turnover rates were frequently observed at the EOBs. **Trust1** had a target (KPI) of staff turnover to be 10% or less and during the period of observation it was achieving 5%. This figure, along with all the other KPIs, was permanently displayed for all staff to see, although there was no distinction between voluntary and involuntary turnover. Low turnover has the benefit of reduced recruitment costs, increasing experience of employees and avoids losing employees/knowledge to competitors (Taylor 2008) thereby increasing overall profitability. Whereas high turnover rates lead to lower profitability and customer service and a loss of human and social capital (Shaw 2011).

*"So the perks actually make it a good place to work and our staff turnover is probably the lowest in the country. 1%? Somebody retired last year." - **Coop1** member 3.*

*"Our people tend to stay with the business for many, many years and swap over jobs many, many times. We want that agility that people can do that. We don't want to limit people. We are trying to liberate people fundamentally." - **Direct1** managing director.*

From Shaw's (2011) meta-research, he found that there was a linear negative relationship between turnover and organisational performance or in some cases an "inverted U" relationship. The potential downside of very low turnover is a lack of employees entering the organisation with fresh external ideas and outside experience. This was noted by some of the organisations.

*"We aim for about a 90% retention, which is deemed healthy. In 2010 someone clocked up 50 years' service, I've been here 18 years. I know a lot of people who have been here 5 years or more, so the workforce is not particularly transient, which can have a downside of not bringing new blood in." - **Dir_Service**.*

*"What I always say is they don't know what they don't know because if you have worked here for 30 years unless you go outside and look at the big wide world you don't know. But we have brought some newer people in and we are working in partnership with other companies now. We are having to change." - **Trust2**.*

The EOBs researched either aspired to be "employers of choice" or already were. This is appropriate since the employees had a voice to influence

how the organisation was run to make it employee friendly and a place that people wanted to work at.

"We are well-known in the area, for general jobs in the factory we don't need to advertise or anything because we have a pile of CV's in the HR office and we just flick through them." - Trust2.

"I think we are an employer of choice, we promote ourselves as an employer of choice. The industry is a hard industry to work for, but I hope people see us as that." - DIR_Professional.

"He had taken a £4000 pay cut from another Yorkshire company, one of the top 20 companies in Yorkshire because he realised the harder he worked it just increased the owners pockets - gave them "bigger pockets". - Field notes from Direct1, employee 10.

Flexibility within the job role not only benefitted the organisation but also the employee as well. Employees that were able to perform diverse functions helped with work management dealing with fluctuating demand (Watson 2006). For employees, it helped to reduce boredom, allowed them to utilise skills that may have remained dormant and hence developed themselves, which in turn might be financially rewarded (in trust or directly owned). Flexibility could take the form of significant job rotations, spending months or years in a position or simply being able to work on many different stations of a shop floor. A preference for promotion from within an organisation (where promotion existed) meant that skills that were developed early in a career could still be called upon during busy periods (for example senior managers operating cash tills at Christmas in Trust1.)

"I know a lot of people who work here because, I'm not an office job person but working on the shop floor all the time would be a bit boring, so it is nice to have this variety." - Coop2 member 11.

"People move around from different sides, they will go from office into Ops, other way round as well. It is not seen as necessarily a promotion to come into the office, it is just a different job, different skills". - DIR_Manuf.

"We just have informal chats anyway. So if people are "can't handle it, I'm really struggling", we will move them off, we will give them a change. We try to make sure nobody gets like that. I can't remember the last time I had anybody come to meet saying "I'm fed up" because we move them around so much. It is better for them." - Direct1 employee 1 a team leader, talking about machine operators on the shop floor.

How poor performance was handled was specifically looked for whilst carrying out the research. It was discussed in all the ownership types but implemented differently in each (see chapter nine).

A consistent theme amongst the types was that of the decision-making process and the employee involvement therein. The frequent remark was that the decisions made were accountable and better quality however they took longer to make, which could lead to frustration. As employee owners, it reduced the effects of power, since everyone had a voice, therefore increasing the opportunity for Habermas' notion of ideal speech (Johnson and Duberley 2010) leading to better quality decisions.

One of the biggest misconceptions of employee owners is this thing that says "every decision happens as a collective". The accountability is as a collective, but the decision-making is absolutely and more strongly, has to be strong leadership. More so than in other companies because the accountability is that much stronger. I wouldn't see that as a downside as a leader I see that as a positive thing. - Direct1 managing director.

"Are there any downsides to employee ownership, do you think?"

Decision-making I think. So I suppose sometimes when you want to change something there is a bit more of a consultation process there so it does take longer so that is probably the downside that you have to involve more people. You can't say as a manager "I've decided I want to do this and I'm going to do it whether you like it or not", you do have to talk to people and get people engaged in things. Obviously with that things are more drawn out than they would be by a business that just said "Right we are your managers and we are going to tell you what to do and that is it" [finger hitting the table for emphasis]. So that can be a bit of a [negative thing]." - Trust1 employee 41.

This section has illustrated common aspects of personal performance within EOBs which illustrate the values of the organisations. The next section looks specifically at rewards from working in an employee owned business, a significant aspect of EO.

8.2.2 Reward management common within EOBs.

8.2.2.1 Financial reward common within EOBs.

All the EOBs researched, which were deliberately selected because they were for-profit organisations, provided some form of financial rewards for being an owner on top of a standard wage. EOBs that are designated as not-for-profit cannot do this and must find other ways to motivate and reward their staff but that is outside the scope of this research. Although financial provision due to

ownership is therefore common to all ownership types, the way it is done is different in each, so it has been covered in detail in the relevant previous chapters (Chapter 6 - cooperative, Chapter 7 - direct and Chapter 8 - trust).

All the ownership types were seen to provide additional benefits to their staff, which although not directly financial, saved the employee from using their own money to purchase instead. This ranged from relatively small (bicycle servicing free of charge at **Coop2**) to significant (providing holiday accommodation at a reduced rate at **Trust1**) and were available to all staff irrespective of grade.

"We provide services like, we have an independent financial adviser who does a surgery here once a month and anyone can put their name down to see him." - Trust2.

"We have up to 50% [staff] discounted ..., so if you [purchase the service from the organisation] you will get up to 50% off the discounted rate. Which is significant, that is a £10,000 benefit." - DIR_Professional.

This is in stark contrast compared to the results of CIPD's (2015b, p7) Reward Management 2014-15 survey that suggests the 5th most common benefit offered to all staff is free tea and coffee.

Reward approaches	% of respondents
Paid leave for bereavement	80
Training and career development	73
Pension scheme	71
25 days and over paid leave	66
Tea/coffee/cold drinks – free	65

Table 8.10 Top 5 benefits offered to all staff CIPD (2015b, p7).

All the EOBs provided a pension (which is now mandatory by law); however, the terms were more favourable than the average values reported by the CIPD. For example, **Direct1**, have a 0% employee contribution and a 15% employer contribution for their pension, compared to average UK values of 5.8% and 4% respectively (CIPD 2015b). The pension is both a financial reward as well as an emotional one in that it gives employees more security and confidence in looking forward to life after work and not having to be solely reliant on a government pension.

"How many people pay 15% non-contributory pension, to everyone including the cleaner?" - Direct1 founder.

Benefits extended to family members as well, acknowledging that the employee was a person as well, with a life outside of work. This ranged from spouses' free participation at social events to providing private healthcare for all family members.

"The trust also, it is set up to look after beneficiaries in need, that is what the founder did. Beneficiaries are defined by employees, past, present or their siblings or anything like that so basically, for example there is a guy coming in now whose wife is in a wheelchair and is severely disabled, is a pensioner now but we have paid for a special lifting device to be fitted into his car" - Trust2.

Although providing benefits is common amongst UK employers in general (CIPD 2015b), the level of benefits amongst the EOBs researched appeared to be a significant factor, more than the norm. As well as financial rewards, non-financial rewards were very relevant to employees as well. These are discussed in the next section.

8.2.2.2 Non-financial reward common within EOBs.

A significant reward observed at all the organisations researched was that of employees being happy at work and having fun. Although there were people who were unhappy with their situation, the number of unhappy people observed was very small in comparison (in the region of 0%-5% of all contacts). Even employees who were merely satisfied to be at work were dwarfed by the clear majority of employees who appeared to be genuinely happy to be there (Bakke 2005).

"I'd love to leave. Sometimes I hate the place, but no I wouldn't leave this organisation. Jesus! It is the best company in the country even compared to some of the other worker Co-op's." - Coop1 member 3.

There was an understanding that employees should be happy at work, if they own the organisation and have a voice to influence it, then why not? Hence positive steps were taken to make it happen.

"One of the other strong values is to have fun. If you were belly laughing out loud in the office you wouldn't ever get into trouble. We do some really daft things, you know, at the other site we play cricket in the office in the afternoon and if the MD or someone walks in, they might join in!" - Direct1, employee 17.

"So at the moment it is very, very, extremely happy workforce." - DIR_Professional

*"So first and foremost I have to achieve a happy [location] to work in, which is measured by the [employee] survey, so we continually will work on culture, we continually will work on leadership development, employee development etc., we will enter into discussion through the [employee] voice mechanism to understand how employees' feel working in [this location] and we will spend a considerable amount of our time trying to make it as good an experience as we can to work here." - **Trust1**, senior manager.*

This agrees with Pfeffer (1998, p112) who suggests that

"People do work for money - but they work even more for meaning in their lives. In fact, they work to have fun. Companies that ignore this fact are essentially bribing their employees and will pay the price in a lack of loyalty and commitment".

Therefore by making the work place an enjoyable place to be, they were helping to retain employees as well as increasing their commitment to the organisation.

Significant pleasure was obtained by employees through the opportunity to take part in charitable giving of time and money to external organisations. This was encouraged and assisted by the organisations, which recognised the dual benefit of helping the community and gaining useful experience from it. **Direct1** explicitly used the experience as a development tool for their staff, even down to putting it as an objective as part of the appraisal (employee 11). A portion of the profits for **Trust1** are set aside to backfill for staff who want to work six month secondments in charities for the same reason. Colleagues are kept informed of their progress and the lessons learnt via the internal newsletter.

*We have got pictures from where we did Leonard Cheshire, it's an old people's home for people with mental illness and we totally revamped their lounge. If you see the before and after and how happy it made them, people were coming out crying. It was hard work but, God, what you give back to them, it's unbelievable. It is rewarding. - **Direct1** employee 1.*

*"I guess we are also looking to be a contributor to the local communities. We are looking to divert some of our profits to supporting the local communities. We are looking at this from a long-term perspective.... Last year's budget was £10,000, there is a nominating voting process and they identified four major charities which each received donations of £1500 and staff were able to self-nominate charities for donations of up to £200 on their behalf. It is really about putting something back into local communities but doing it in a way that allows staff to have a say. - **DIR_Consultancy***

Not all employees were fully supportive of the charitable work, but the overwhelming majority were very keen, especially regarding local charities or ones that had a direct impact on colleagues.

*“Charity week – got involved with taking blind people around Tesco, didn’t really enjoy it but did my bit.” - Field notes from **Direct1**, employee 5.*

This section has highlighted and demonstrated different ways in which employees are rewarded for being part of an employee owned business. The following section now looks specifically at values that appeared to be common across all the forms of employee ownership.

8.2.3 Values common within EOBs.

The ability to influence through the expression of an individual’s voice, both opinions and ideas, was demonstrated across all the ownership types, although the channel of expression was different. This is one of the three fundamental tenets of employee ownership defined by the UK government (BIS 2013) and suggested by Pierce, Rubinfeld and Morgan (1991). This research found empirical support for this assumption. All employees researched knew that there was a way of expressing their thoughts and the choice whether to do so or not was then a personal one. In worker cooperatives attendance at all member meetings was expected, and mandated if necessary, however there was no reprimand for not contributing, although it was encouraged.

*“If someone has something in their head they will go around and speak to a few people and if everyone agrees it they should put a proposal in.” - **Coop2** employee 1.*

*“So the manager will drop you a postcard with a little chomp bar in it and they will invite you for a chomp and chat. How you can exactly chomp and chat at the same time, we have a laugh but that is the idea of it. You come in and have a cup of tea and a chocolate bar and sit down and relax and say whatever you want to say.” - **DIR_Professional**.*

*“we get our groups together and say “is there anything you want me to take to the agenda setting meetings?”, discuss what is on the agenda so that when the meeting comes up it is all about escalating employee opinion really.” - **Trust1** employee 6.*

The value of employee voice is diminished if either side of the conversation is considered to be dishonest, hence honesty was frequently declared as a value as well as being enacted amongst the workforce. This extended to the relationship with customers as well.

"The values, trust, honesty, integrity, endeavour and respect. They are written down in our handbook and they are our values." - DIR_Eng.

"Values - respect, honesty, openness, commercial sense." - Field notes from Trust1 employee 18.

"He very much brought the ethos of the founder with him, which is about honesty, we are all the same, we work hard but we enjoy rewards." - Trust2.

"We would like to be accessible to all, a regular grocery shop selling good honest food, as transparent and traceable as we can." - Coop2 member 5.

Honesty is then a pre-requisite of having access to information, another pillar of EO (BIS 2013), since access to deliberately inaccurate information is of questionable value. The ICA (2014) lists "honesty" as one of the ethical values of cooperatives. Once again the organisations researched all actively encouraged the dissemination of organisational information (company performance, sales figures, intended growth), both formally and informally. This was often done via large display boards with up to date information or informally having conversations around the coffee machine with the managing director. Almost all information was available; only two examples were given where information was being deliberately withheld: 1) employee's personal salary level and 2) the acquisition of an external organisation including its current staff, which risked the staff leaving if they were to find out. This was in stark contrast to some employees' previous experience at non-EOBs where information was deliberately limited to senior management only (for example Trust1, employee 8). Therefore honesty had boundaries, within which it was applied, not that people were dishonest but they actively chose not to share sensitive information. As Rothschild and Whitt (1986) point out it is possible to democratically agree not to share all information.

Everyone knows everything! It's amazing! That's one of the reasons I actually really like working here. Everyone will know I met with you here today because I put it in our diary because I knew you would ask someone and they would say "who's he?" So email really helps, we have got good minutes from meetings, which people read. We have got our diary, so in the morning is the first thing, we read it out to everyone who is in. Some people at the forum will go and tell people in the teams and it gets discussed. So you might find a lot of people stay around and talking but this is because this is how information gets shared. And I really believe this is one reason why the coop works so well. Constant,

constant, constant talking, information sharing. Some of it is a bit overload but it is kind of nice. - Coop2 member 1.

“To what extent is information shared within the organisation?”

There is too much information! We have the intranet, dashboards, webinars! Everything is available somewhere.” - DIR_Service

At a business level, honesty appeared to be bi-directional, managers to staff and staff to managers. People’s personal opinions (for example on what they thought about a manager) however were more restricted, although there were formal channels that could still be used to communicate this (for example employee opinion surveys, anonymous letters). In these cases, respect and honesty were held in tension with each other; by not speaking up it could be considered respectful but is it fully honest? Or by being completely honest, if done for the wrong motives, it could easily be disrespectful. The key issue here is whether people are lying, *“there must be the intention to deceive the addressee”* (Eenkhorn and Graafland 2011) rather than the omission of information, hence the intent is to be honest.

Access to genuine, up to date information and being able to express an opinion upon it without fear of punishment or ridicule, fosters an environment of trust between members or employees and managers.

“there is a lot of trust in the culture. Disappointment occurs when people’s capabilities aren’t up to the job, so they fall short. That is different to not trusting somebody. Not trusting somebody is saying “I think this person has got some other agenda, I don’t think they are going to do a good job”. But you know what, if you think someone is going to do the best they can then you are trusting them. If the best that they can do, through no fault of their own, is not good enough, then that is a different issue then. - Direct1 employee 37, a director.

“For me the values are about being open and honest with each other, and you trust your colleagues and I think a lot of it, you need to have the skill in what you do, but also you need to have the right behaviours.” - Trust1 employee 8.

In **Trust1** the “right behaviours” are explicitly defined through the appraisal system and enforced by the line management on behalf of the senior management. The system was created with involvement of employees from all levels prior to rollout and again can be questioned through the official channels, hence all the owners are helping to define what constitutes “right”.

The Oxford Dictionaries (2015) defines respect as "*Due regard for the feelings, wishes, or rights of others*". This was apparent in the EOBs regarding their colleagues as co-owners as well as the wider population. Many of the organisations specifically included respect within their published set of values. It was acknowledged that people could have different opinions but that did not diminish the person, so robust debate was acceptable and expected in many cases.

"Although people made noises to show their agreement or disagreement with what was being said, nobody actually interrupted the speaker or stopped them from speaking. Throughout it was a civilised, organised debate where anybody who wanted to was able to make their point. At one point [name] stood up to speak and could not be heard due to the general background noise so people made a shushing noise in order to make people quiet so that they could then hear." - Field notes from Coop1 taken at a members meeting.

This shows a respect for each voice, that everyone's opinion was important. However it could be questioned whether paying the majority of staff, at **Trust1**, less than the living wage is respectful? Or does the total reward (environment, pension, benefits etc. Kaplan (2005)), make it acceptable?

"I think that is the key bit really, it is living up to your responsibilities if you want to get your rights. Some of it like, respecting other people, if you want to be treated with respect you expect the same to come back, don't you." - DIR_Manuf.

This suggests that rights, like respect, are conditional; that they are balanced against responsibilities and are not freely granted.

Equality (treating people the same) and fairness (treating people without bias or discrimination which Bakke (2005) argues that "*Fairness means treating everybody differently*") were both observed in the different ownership types but their application was different. **Coop1** and **Coop2** both chose to pay people equally (either in hourly rate or actual take home pay) and all members of the coops had an equal vote in decisions ("one person, one vote"). Bonuses were then dependent on the individual (length of service, hours worked), and were subject to constant revision and debate as some members perceived the allocation rules as unfair. From an external perspective, the equal pay seems unfair where employees have responsible positions (for example HR manager), however the daily job rotation then helps to equalise roles. **Coop_service** took

the opposite view. It had individual pay levels based on role and then a common shared bonus, regardless of other factors.

Trust1, in which all employees are equal owners of the organisation, chooses to be fair in its bonus allocation (a fixed percentage of wages for everyone) which does not lead to an equal pay out, since employees are on different pay levels.

*So the [organisation] has never put its self out there to say that it is equal. What it has said is, it's fair. So fairness is very different to equality. Fairness means that if somebody worked really hard and gets recognised for that, and somebody doesn't work as hard and doesn't get recognised for that, that's fair. The fact that one may take home something as recognition and the other doesn't means that it is not equal, in one way of looking at it. So I'm not sure there is equality in the [organisation], if I'm honest. I think there is fairness, and we strive for fairness whatever we can and I think we achieve it in most counts but I certainly don't feel there is equality in place and actually think equality can be quite damaging to a business. - **Trust1** senior manager.*

Trust1 sees fairness as recognising people's different contributions, whereas the coops see fairness as recognising everyone's right to work, irrespective of how they perform.

*A lot of companies say "our employees are our biggest asset", you see that strapline everywhere and we actually believe our employees are, because everything we do is for the benefit of us. We are all the same, I am a director but we are all employees. We all work the same hours, we work a 4 ½ day week, we get 10 weeks holiday a year. We get a pension scheme, we share in profits. Everybody gets private healthcare, for themselves their wife and their family. - **Trust2**.*

However this is a selective equality, since pay was personalised. Being equal owners in the (trust) organisation did not provide equal pay, as it did in some coops (but not all). External market forces, on-going business viability and personal performance levels were cited as reasons for accepting unequal pay amounts.

It is recognised that EO is not a utopian society though and not everything was fair and equal by all employees, which did cause a degree of irritation.

*"I think there is some noise from the lower levels of the firm that the profit distribution isn't really fair." - **TRUST_Service**.*

In recruiting employees, it was important to confirm that the values of the

potential new co-owners were compatible with those stated by the organisation. Hence in most cases considerable effort was applied to verify this. This ranged from prolonged probationary periods (up to nine months at **Coop1**), to group activity observation during the interview phase, specifically looking for demonstration of the values (at **Direct1**). The same value set was then often used as part of the appraisal process to reconfirm and reemphasise what was seen as important, helping to further maintain and even control appropriate behaviour, since poor adherence would lead to negative feedback and reduced opportunity for pay increases, encouraging employees to leave. Interestingly, only a few of the employees interviewed said that employee ownership was a factor in applying for the job. Most were initially unaware of it and its implications but subsequently embraced it.

"Do you make your values part of that recruitment process?"

*Absolutely yes. What we have started doing with factory staff is recruiting based on values, so we bring them in and do an assessment. Set them challenges and see how they interact with each other. So is not all about the loudest or the funniest, you can just get a really good feel for their demeanour and personality. And we have started doing on the business side of things, the last management accountant we have recruited on values, because you get somebody come and they've all got accountants qualifications, experience and all that, so then we look at the person: are they going to fit in? Will they fit into the culture? Have they got good values?" - **Direct1** employee 17.*

Again, "good values" are defined and used within the appraisal and recruitment process, so have been declared for all to see and are open to comment. Non-adherence leads to automatic personal de-selection from the organisation, creating the distinct possibility of a mono-culture. Any deviation from it would be seen as incompatible (Willmott 1993).

Building on the observations made, the following section seeks to theorise upon the culture that is therefore common across all the forms of employee ownership.

8.3 Organisational culture common within EOBs

All the topics in the previous section are represented in the diagram below (figure 8.13) which highlights the features of performance and reward observed, as well as values that were common in the EOBs researched.

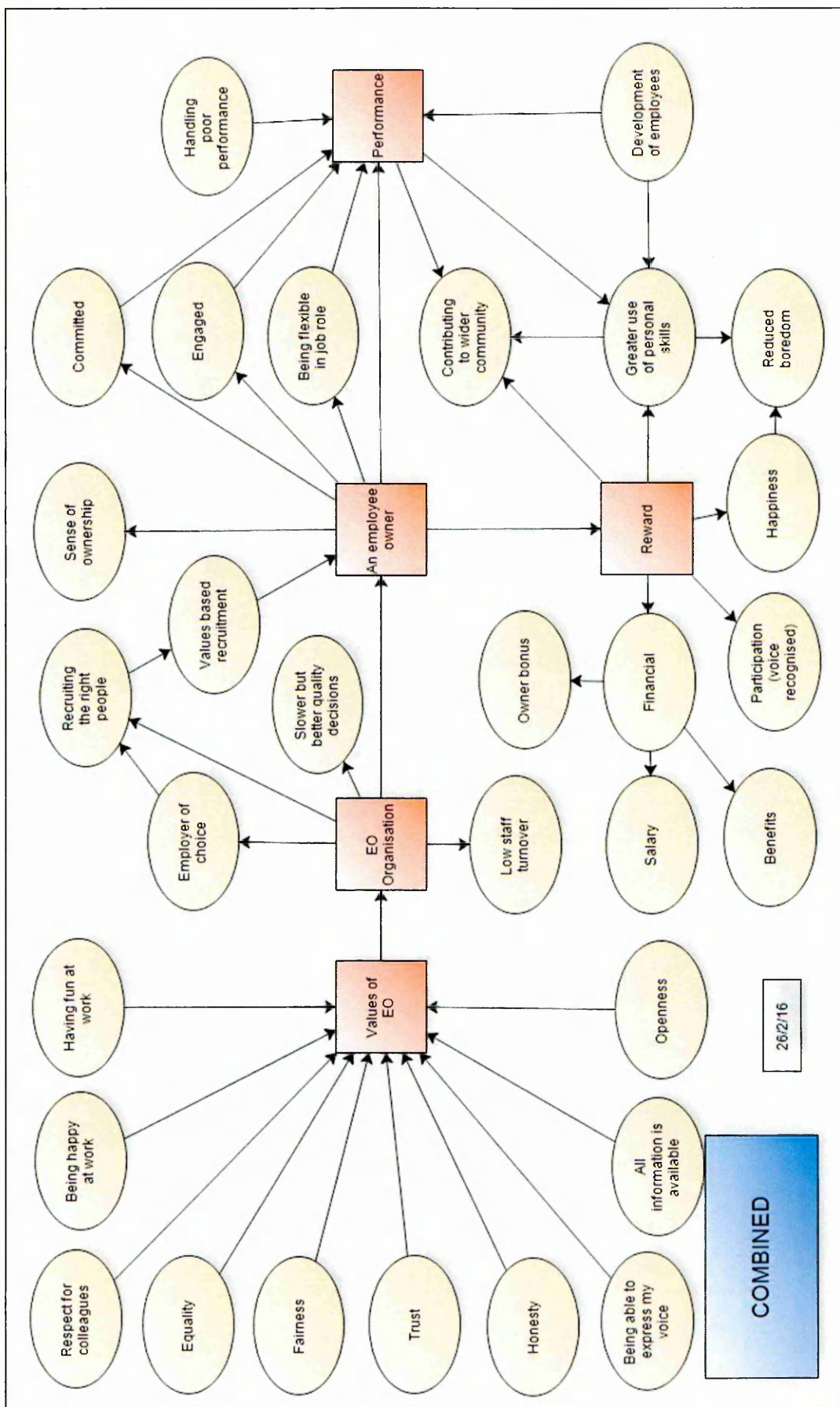


Figure 8.13 Performance and reward in the combined culture of EOBs.

Using the detailed nodes highlighted above and continuing with the thematic approach to analysing the data, four overarching themes emerged whilst studying the common EOB culture. These are:

1. **Trust**
2. **Openness**
3. **Fun!**
4. **High Commitment culture**

These themes are shown in the diagram below (figure 8.14) and each one is then explained in detail.

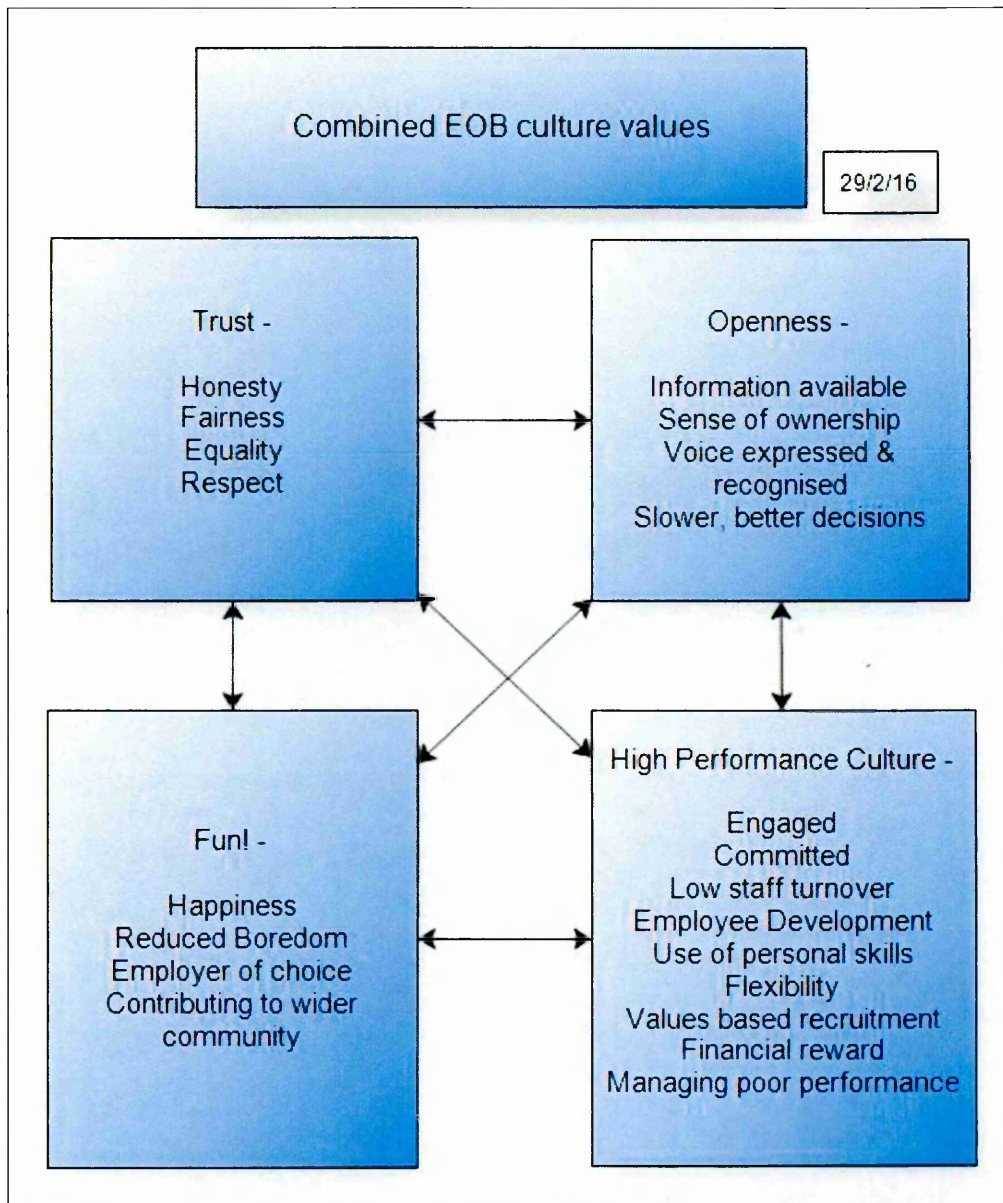


Figure 8.14 Combined EOB culture values

An alternative representation is below, with just the key words showing and representing the overlap between different values.

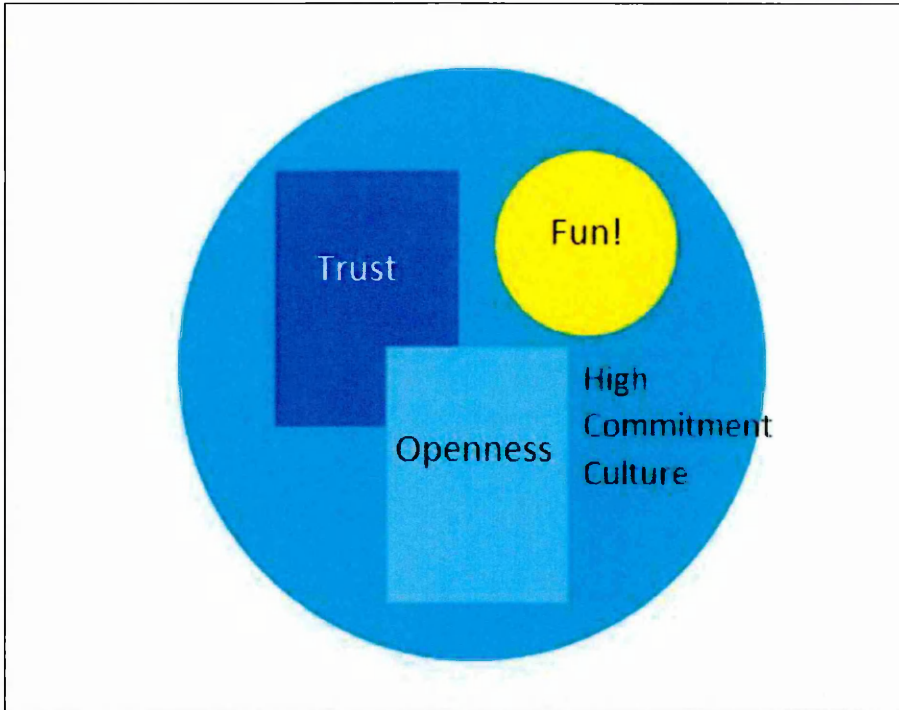


Figure 8.15 High commitment culture of EOBs

8.3.1 Trust

A core value that was observed in the field was that of trust. Rousseau et al. (1998, p395) define trust as *“a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviours of another”*. A similar definition of trust was given by one of the directors of **Direct1**, *“believing that the other person does not have a hidden agenda”* - that the perceived intentions of another person are sufficiently transparent and for my benefit, so that I can choose confidently whether to follow them. Trust was an often publicly stated value within company literature, highlighting its importance and Leary-Joyce (2004) links a high trust culture with reduced costs.

*“I think the employee ownership culture makes you realise that you have to trust people more than maybe a culture where everything is driven and instruction based and totally, a more subjective set of values than purely just objectives.” - **Direct1** employee 37, a director.*

“What are the values of the organisation?”

*The values, trust, honesty, integrity, endeavour and respect. They are written down in our handbook and they are our values.” - **DIR_Eng.***

Galford and Seibold Drapeau (2003, p90) define three kinds of trust: strategic (*"the trust employees have in the people running the show to make the right strategic decisions"*), personal (the trust an employee has in their direct manager) and organizational (trust in the company itself to make decisions and act in an appropriate manner). This is illustrated in the figure 8.16 below and shows that the different types are linked together, both negatively and positively. If an employee's trust grows in their personal manager, it can be reflected in increased strategic trust, similar if the company is found to be distrustful (going back on a promise) then this will potentially reduce the strategic trust. However this model does not cater for the trust that a manager puts in an employee, to work autonomously for example.

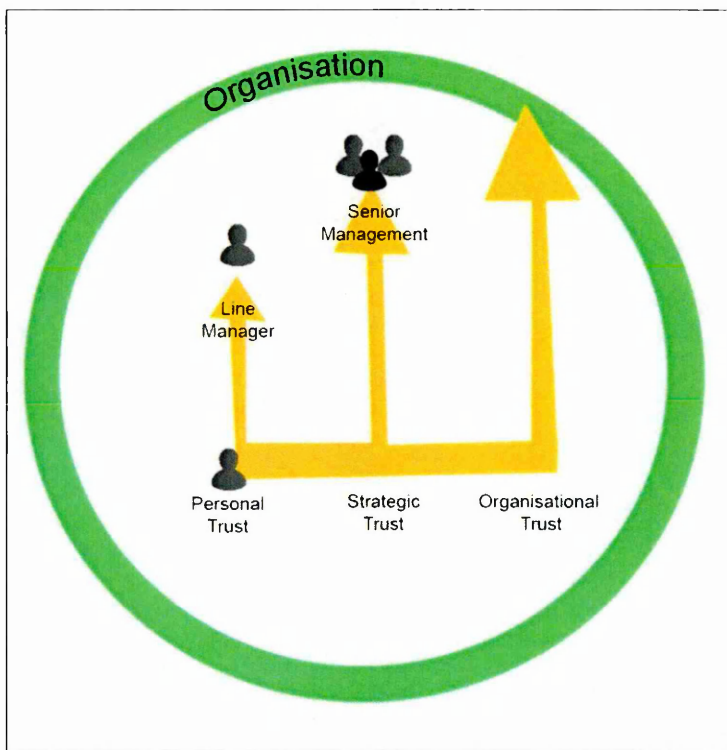


Figure 8.16 Types of trust (Galford and Seibold Drapeau 2003).

Strategic trust was observed in the EOBs. Having easily accessible information available to employees enabled them to ensure that the leaders were accountable for their actions. Employees were either directly involved in decisions or had access to the information in order to understand and challenge why they had been made.

"He has trust in the senior management. That is the chairman of the organisation and thinks that employee ownership enables them to take the long-term view rather than short-term profit for external

stakeholders.” - Field notes from Trust1, talking to employee 24, a line manager.

Where there were line managers, personal trust was also apparent. Dirks and Ferrin (2002) say that trust in immediate managers can be relational and, or character based. That is, it depends on the relationship between the leader and the follower or it can be based on the character of the leader or both. Relationships between managers and team members were fostered through easy access, open information and shared goals and values.

An employee's character (and therefore trustworthiness), regarding alignment with the organisation's values, was assessed during the values based recruitment process and subsequent performance was also measured against the stated values. This encouraged more of the desired behaviour and discouraged unwanted behaviour through the appraisal systems used, thereby creating a “stronger” culture through the elimination of behaviours, and even employees, through the management of shared values / culture (Davis 2004). The appraisal system processes were observed to be open to employee participation, inviting feedback on their effectiveness and implementation (Ridley-Duff and Ponton 2013). This meant that the power within the process to chastise an employee, and ultimately dismiss them if required, had input from all levels. This helped to reduce management power simply to impose its mould on the workforce and create an army of employees that were created only in the management's image, as was feared by Willmott (1993).

The character of a leader was a critical attribute, which influenced the ability of followers to have trust placed in them. Clark and Payne (2006) identified the factors of trustworthiness required by leaders for their subordinates to trust them as “*ability, integrity, fairness, and openness*”. Again within EO, line managers were guided to have integrity, because of the openness of information which then made them accountable for their decisions¹⁹.

“You feel that there is certain things that are confidential, might not be work related and you want to speak to your line manager about and you expect them to keep that in confidence, so you trust them with that. And I

¹⁹ One EOB founder told the story of an MD that had told different “truths” to two separate departments. When it was exposed that the accounts did not agree, the MD had no option but to resign.

have never had anything that has ever come out, if you know what I mean." - **Trust1**, employee 8.

This example also illustrates that at times trust was not aligned with being open. Certain personal information was not publicly available, for example personal salary levels in the non-cooperative EOBs, as well as some strategic decisions; details of relocating a whole branch in **Trust1** or a potential acquisition in **DIR_Manuf**. In both cases the management actively decided not to involve the entire workforce, as it was thought to hinder or jeopardise the process. This therefore requires strategic trust on behalf of the employees that the management are acting on their behalf.

"For the [acquisition] we bought the people as well. Partway through the process if they find that that company is being sold off they could all leave. So you can't tell everybody then, which really hurt people, it was like "we didn't get to hear about the acquisition until it was all signed, sealed and delivered" but you couldn't actually get to know about it. You have got to trust the board, are doing it for the right reasons." - **DIR_Manuf**.

Trust in line managers was dependent on the character of each individual manager though and it is acknowledged that consistency could not be guaranteed, regardless of how thorough the recruitment process was.

"Trust - could be more consistent trust. Someone says something to your face then does the opposite amongst the [senior] managers (no names were mentioned). She felt it was more of a personality thing than an actual trust level." - Field notes from **Trust1**, employee 35.

This dishonesty was observed to be the exception rather than the rule; the clear majority of employee spoke positively about trusting their manager and being trusted themselves. They were empowered and encouraged to carry out their duties without overt supervision.

"You know, they are flexible, there is a lot of trust there, there is nobody sat on my shoulder making sure I am doing XYZ. When I do something I am trusted to get on with it. I'm not pinned down to 8:30 to 5 o'clock. As long as we are getting the work done, they are pretty flexible in terms of working hours. There are often times when you might need to put a few extra hours in an evening but at the same time I know that if I need to go and pick the kids up from school early, I can do that and work from home." - **Direct1**, employee 38.

In this case, trust allows for autonomous working. Employees are trusted to perform their role without supervision and they are responsible for its outcome.

In some cases there were levels of trust to be earned; employees were not necessarily given a carte blanche. This was illustrated at **Trust1** where employees were not permitted to carry mobile phones on site (to prevent photographing account details) and were subjected to random searches on leaving the premises, due to the availability of cash and high value retail goods.

Organisational trust was aided by an alignment between the organisational values and the individual's values, which was confirmed via the recruitment process and appraisal system. Value statements including "integrity", "honesty", "ethical" and "trust" were common place however, espoused values were seen to match up with the enacted underlying assumptions (Schein 1992). Examples were given to back this up.

"You came because it was vegan, where does the Co-op fit in or was that an extra?"

*Yes, just from the ethics front, I had been for interviews, we hadn't decided to live in this city at this point, we were looking all over the place, my partner and I. Ethics wise I was going to interviews at big corporate companies, I guess with the vegan frame you realise you don't want to work for the corporate Dragon, while going to interviews, it was very much just, it wasn't a fit for me. You can tell that from the word go can't you? The structure and style of an interview tells you a lot about the company I think. It just wasn't me at all. I came here and instantly felt, much more at ease I guess. The cooperative working structure, I was amazed at the start how successful it is for us." - **Coop2**, employee 5.*

Hurley (2006, p56) suggests ten different factors of trust, three of which depend on the individual giving trust and seven on the situation they are in. They are listed here:

Personal factors:

1. Risk tolerance (natural inclination to take risks)
2. Level of adjustment (ability to build relationships to lessen risk)
3. Relative power (between the "truster" and trustee, the more power the truster has the easier it is to trust)

Situational factors:

4. Security (of employment).
5. Number of similarities. (Common values held, membership of the same group, personality traits - introversion/extroversion).

6. Alignment of interests. (Do both parties share the same goal?)
7. Benevolent concern. (Does the leader care for their followers and are they willing to fight on their behalf?)
8. Capability. (How capable is the leader? If they are ineffective at what they do, then they will not be able fulfil their promises.)
9. Predictability and integrity. (Is their behaviour reliably predictable and do they do what they say they will do?)
10. Level of communication. (To what degree is there open and honest communication?)

Regarding EOBs, how does a proposed high level of trust compare against these requirements?

Risk Factors	Application within EOBs
Risk tolerance	This is a personal factor so outside of the immediate control of the EOB, however the level of personal financial risk is different in each of the ownership types therefore employees can self-select the risk they want to take. In directly owned EOBs, the individual can set their level of risk (once the minimum share purchase has been met) even up in to the tens of thousands of pounds. In trust owned EOBs, the risk is held collectively by the trustee board and in coops, which require the most personal involvement, the prolonged probationary period, allows members (and co-members) to decide whether they fit before fully embracing the organisation. Hence the type of EOB might influence who works there.
Level of adjustment	This concerns the individual's unique personality and previous experience; as such this does not relate specifically to EO but is a wider societal issue for the employee.
Relative power	Readily available information in EOBs, which holds the leader accountable, reduces the power differential helping to build trust, since information is a form of power. The lack of demonstration of status differences due to a similar or non-existent dress code (particularly in Direct1 and the coops) also helped to reduce the power differential.
Security (employment)	The EOBs researched stated an ability to take a longer-term perspective, of which secure employment was a key part. The coops explicitly stated that employment (even for future generations) was an aim of the organisation hence this would help to build trust if one of the organisation's aims was to maintain the employment of its staff.
Number of similarities	Employees of an EOB all have ownership in common, and values are shared through being recruited into the organisation. Personality is less important, except perhaps in cooperatives, where being able to behave in an extroverted manner can be of benefit in large member

	meetings. There is an alignment of interests; at the core level of creating a profit that is then shared amongst co-owners but at a higher level too, of shared corporate values (for example integrity, ethical, customer focused) and personal values (environment, workers' rights and desire to travel).
Alignment of interests	Again, ownership brings a shared goal in the on-going success and profit of the organisation. This alignment can be reduced when the total reward for management is excessive, when compared with non-management positions although this can be magnified further in non-EOBs.
Benevolent concern	Benevolent concern was best demonstrated in the servant leadership (Greenleaf, 1998) approach in Direct1 but universally in the shared desire for organisational success, dependent upon fellow co-owners. Alternatively, this could be seen, as Grey (2013) suggests, that caring is just a form of cultural manipulation for the benefit of management although that was not specifically observed.
Capability	EOBs invest significant resources in recruiting the right people to become co-owners, thereafter performance is also appraised to see if people can deliver. Investing in employee's development also helped to increase their capability. With a low turnover culture, managers also had the potential to gain significant experience in an organisation rather than moving quickly from company to company.
Predictability and integrity	Honesty is a common value of the EOBs and employee voice and access to information makes leaders more accountable. Between them, it provides a control mechanism that fosters an environment of predictability and integrity.
Level of communication	Active dissemination and open access to organisational information, along with visible management within the EOBs facilitates high levels of communication. Training may be required to fully understand what is being communicated though, which was observed.

Table 8.11 Risk factors of trust applied in EOBs (Hurley 2006).

From this it can be seen that EO impacts directly on most of the factors that Hurley (2006) suggests which therefore makes trust more likely.

"What about performance? How do you make sure everybody works to their highest potential?"

Well I don't. One hopes that, their contemporaries, the people working with them, keep an eye on them. The thing is, we never have any trouble getting rid of people working in the factory. They don't stay here because the others will say "Oi! Get bloody working." It is trust." - Direct1, founder.

The table below summarises how Hurley's (2006) model of trust maps against those ideas of Galford and Seibold Drapeau (2003) and Dirks and Ferrin (2002) already presented.

Who is involved?	Galford and Seibold Drapeau (2003)	Dirks & Ferrin (2002)	Hurley (2006).
The "Truster"			Personal factors: 1. Risk tolerance. 2. Level of adjustment.
The "Truster" and line manager	Personal Trust (in an employee's direct manager)	Relationship (Between leader and follower) Character (of the one being trusted)	3. Relative power. Situational factors: 1. Number of similarities 2. Alignment of interests 3. Benevolent concern 4. Capability 5. Predictability and integrity
The "Truster" and senior leaders	Strategic Trust (in the senior leaders)		6. Level of communication
The "Truster" and the organisation	Organizational Trust (in the company itself)		7. Security

Table 8.12 Models of trust compared.

Another aspect of trust was respect for colleagues, as co-owners of the same organisation with a voice to be able to express their opinion and have it respected. Hence this was sideways trust, peer to peer. Relationships built upon respect, enabled personal trust to happen. Cockerell (2008) sees respect for all employees, regardless of role as one of the keys for a successful organisation in terms of financial return, customer satisfaction and low employee turnover. Job titles themselves were not worthy of respect but an employee's contribution (or demonstrated ability (Clark and Payne (2006)) to the team was.

"I think it is the work values, that is the most important thing and how we treat each other, how we should respect each other and help each other." - Direct1, employee 21.

“Her management style was very much about relationships with the team and having strong relationships. She expected them to work hard but also respected them and supported them.” - Trust1, employee 35.

“I think that the one thing that we all value and that makes it work is respect because we do have lots of different people with lots of different opinions and our decision-making sounds crazy to anyone unless you are there.” - Coop2, member 6.

Another contributor to trust regarding “positive expectations of the intentions” is that of being treated fairly (Clark and Payne 2006) and equally. Different forms of employee ownership apply these linked attributes according to their understanding. For cooperative members, the emphasis is upon equality, that all members are equal, for direct and trust the emphasis was more upon fairness (see chapter 9). They can both be “hygiene” factors (Herzberg 1968a) regarding trust, since inequality and deliberate unfairness will hinder the psychological contract employees have (Rousseau 1995).

8.3.2 Openness

Overlapping with trust, openness, *“the quality of being honest and not hiding information, ... being able to think about, accept or listen to different ideas or people”* (Oxford Dictionaries 2015) was clearly demonstrated across the EOBs. The willingness to spread information as well as hear people’s opinions is a tenet of employee ownership and was universally demonstrated (Pierce, Rubinfeld and Morgan 1991). As has already been shown, Hurley (2006) considers communication to be one of the factors of trust and similarly for Clark and Payne (2006) who specify openness, as well as the ICA (2014) for whom openness is one of their explicit values, along with honesty and caring for others.

Openness, in the form of access to organisational information (for example sales figures, management meeting minutes, reasons for management decisions) was universally acclaimed by all employees, whether this was displayed on notice boards, via online systems, provided in mass briefings or simply face to face in conversations. All employees knew that any information, except for directly personal data (for example salary level), was available somewhere although exactly where it could be found was not always so clear. If the information was not readily obtainable then there were channels through which questions could be asked to obtain it. Therefore employees felt satisfied

that they knew what was happening with their organisation, looking both forward and backwards in time. Some employees pointed out that this had not been the case in previous roles for other, similar sector employers who were not EOBs.

Managers knew that they were required to be conduits of information as well; in a reverse of the corporate "need to know" culture, withholding information unnecessarily was not the norm. Therefore being physically accessible in the organisation, either in an open plan office or by simply walking around the organisation or contactable electronically was important. As Tierney (1988, p15) suggests the accessibility of the managers "*fosters a widespread sharing of information and an awareness of decisions and current activities*".

"The managing director, he has an office, it sounds a bit strange but if he is in that office one hour a week I'd be surprised because he is constantly on the shop floor engaging with people, talking with people. If I walked round the shop floor I'll talk to people, people come and talk to me." - **Trust2**, finance director

"[Name] was in a meeting with the managing director and someone else but in full view in the open office on the middle table." - Field notes from **Direct1**.

Openness was also extended to me as a researcher and the extent of it, shocked me²⁰. I was given access to entire sites (**Direct1** and **Trust1**) and permission to speak to whoever I chose, whenever I wanted. I was asked to avoid inconvenient times when interviewing (for example employees on a break), otherwise I was left alone to manage my time. This demonstrates confidence that the organisations had nothing to hide and were open to me being there. A number of the EOBs hosted business and educational visits to further expose themselves to the public.

"Met by [name], but then given complete freedom of the factory and office area. I did not have any badges to wear, nor have to report to reception anymore. I could walk where ever I wanted to and talk to whoever I want to." - Field notes from **Direct1**.

"Took me on tour of whole site, starting from the basement up. All around the back stairs, basement. All the stock rooms, canteen, unused parts of the building, everywhere! Even told about the roof garden should I want to go there!!!!" - Field notes from **Trust1**.

²⁰ In one instance, I asked to join a small meeting at the open plan table thinking it was a job interview in **Direct1** only to be informed it was a return to work meeting so it was not appropriate.

However as Birchall (2011, p16) points out, making information available is not the same as making it accessible

“data can in theory be ‘transparent’ - can indeed be online - but, because of the sheer volume of data, the structure of databases, and the criteria of common search engines, much of it remains unseen and unprocessed. That much of the net is so-called ‘deep web’ means that information can be simultaneously transparent and opaque.”

Hence effort must be made to translate the information into an understandable and accessible media, for all employees who might not have the necessary technical or financial background.

*“Sat in the canteen. Somebody put financial information onto each of the three tables in the canteen showing that they had hit the target, sales were up X% on last year approximately £X00,000. It includes a breakdown of sales per country - see the picture I took of this piece of paper.” - Field notes from **Direct1**.*

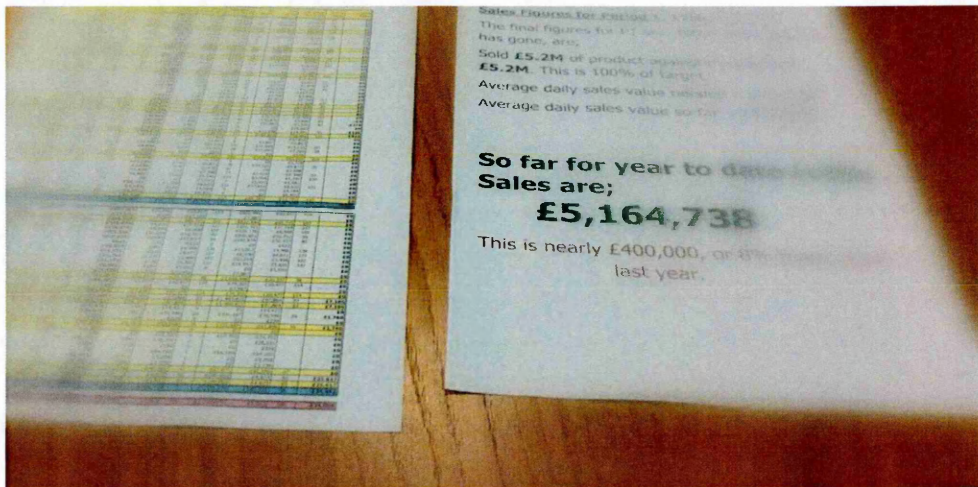


Figure 8.17 Sales figures freely available to employees on canteen table.

*“He cleared a desk for me and gave me a copy of the management committee minutes. This was a large ring binder, showing all the minutes over a long period (unknown) up until the most recent which was two days ago - 15 July 2014. The ring binder also existed in the canteen and I did observe people sitting reading it. It is clearly freely available to all members and anyone on site in fact.” - Field notes from **Coop1**.*

Running in parallel with access to information is the second tenet of EO, that of influence, by being able to express a voice (Pierce, Rubinfeld and Morgan 1991) and hence have a level of involvement or participation. In this case the management of the organisation is open to the employee's opinions and to their taking part in decision making. Again, all the organisations actively encouraged employees to express their opinions through multiple channels,

with an assurance that they would at the least be heard. Hyman and Mason (1995, p24) make a clear distinction between employee involvement (EI) and employee participation (EP). EI is controlled and inspired by management to satisfy their need for “*an adaptable workforce*”, whereas EP is inspired by the workforce itself or a higher power (for example governmental desires) whereby employees “*interests over company decisions can be addressed*”. Both upward and downward communication in EI was evident, through published organisational information (as already mentioned) and actively inviting employees to take part in direct communication with senior management.

*“The auto assembly team presented their report rather than the team leader. Before the presentation the team were practising and nervous but the team leader coached them how to present. Overall, banter, laughter, confidence with the managing director. Managing director was very attentive, leaning forward to hear in a noisy environment.” - Field notes from **Direct1**, whilst observing the end of financial period regular factory tour.*

EP was clearly evident in the radical structure of the worker coops but also in the other forms of EO as well. Most notably through employee participation within senior management boards in **Trust1** but also in the direct organisations as well. The different levels of EI and EP due to the ownership types are investigated further in Chapter 9

Openness is a vulnerability of the organisation towards its employee owners; as such it can potentially be exploited for personal gain in situations where the employee has no loyalty to the organisation or it can bring a significant personal advantage to the individual. This can be a risk if employees choose to abuse their privileged position and misuse the information for personal gain. Vadera and Pratt (2013, p175) see this as an example of “*nonaligned-organizational workplace crime*”. Access boundaries were placed around sensitive information to prevent it being disseminated unnecessarily. For owners the information was openly available but, outside of that group it was only released on a need to know basis. This protected the commercial interests of the organisations. Therefore openness was bounded and not universally open to anyone in the community.

*“This was then the end of the meeting and everybody got up and left the room, handing their information pack in at the door.” - Field notes from all member meeting at **Coop1**.*

*"She wouldn't let me take the pay rate levels away with me nor the percentage increase for each grade within the "My Performance" process - this must have been too commercially sensitive I presume and would be of value to competitors. She did give me a printed copy of the "My Performance" information pack for employees and for leaders." - Field notes from discussion with HR manager at **Trust1**.*

Employee owners expressed a sense of ownership of their organisation as explained by Pierce, Kostova and Dirks (2001). Although their individual share may be very small (for example 1/90000th in **Trust1**) for the vast majority of employees, they were proud of their status. In many cases choosing the organisation as an employer was not down to its ownership status and most people were ignorant of exactly what employee ownership was prior to working in an EOB. This concurs with Nuttall's (2012, p14) research in the state of EO in the UK, *"a lack of awareness of the concept of employee ownership."* However employees did develop a passion for ownership, as they spent time within it, conversing with colleagues and reaping the financial benefits.

*"And that is the environment that we create because we are so passionate about the company we work for, that we own, and that we are a member or partner of." - **DIR_Professional**.*

*"Everybody is more together. It's more like a family unit. You haven't got any negative people, which every company has them, without a doubt. They have gone, or they have eventually joined in. They have had to change, we have all had to change in a way because it is all about helping each other. So the difference from then [prior to EO] to now is massive and because you are employee owned it is on yourself to promote it. You are working for yourself, for someone to say to us "this is my company" and everybody out there [on the shop floor] can say that. It is quite a big thing for people, "yes this is my company." - **Direct1** employee 1 talking about Employee ownership.*

Pierce, Kostova and Dirks (2001) suggested that there are three roots to psychological ownership, where what is owned becomes part of the owner. These are:

1. Having the ability to bring about change - EI and specifically EP do enable employee owners to actively be involved in change within their organisation (Ridley-Duff and Ponton 2013).
2. Enhancing self-identity through possession - Employees were often found to speak very proudly of the organisation they worked for and owned. They received reflected glory for the positive accomplishments of

the organisation and its status in the community. This leads to organisational based self-esteem (Pierce and Rodgers 2004).

3. Having somewhere that can be called home – employee owners were able to relate ownership with the physical buildings that they worked in, since that was their normal place of work. They were often involved with the layout and decoration of the buildings. At **Trust2** the employees included full time decorators, working to maintain a high standard of decoration and at both **Trust1** and **Direct1** the employees were involved in planning the rest room, complete with pool table and computer gaming section.

“What are the benefits of employee ownership?”

*“Tremendous pride”, sense of responsibility so when making decisions you stop and think a bit more than you would do otherwise. You also have a voice; you are listened to but not necessarily implemented though. The decisions you do make have more significance though and she referred to pride again.” - Field notes from **Trust1** employee 40.*

The most consistent negative aspect of employee ownership expressed was that of decision making and specifically the extended time it took; as Rothschild and Whitt (1986, p64) put it, *“Democracy takes time.”* Providing employees with contextual information and allowing them to question it or express an opinion upon it, all took time to accomplish. Within the coops, some decisions could only be made by the entire membership which therefore might have to wait until the next membership meeting, possibly three months away. This was Holmström’s (1985, p12) experience - *“Managers like the freedom of a co-op but complain about their lower pay and sometimes about divided responsibilities and slow decision making.”* Time needed to be built into any sort of change plan to enable sufficient time for decisions to be made. However the resultant decisions were perceived to have a greater level of buy in by the employees, leading to fewer problems further along the implementation road.

*“Yesterday we had a massive discussion about, we employ some casuals, although no one agrees on anything it is still felt we can still talk to each other there is no shouting which is always a good indication for people. No one walked out of the room or anything like that; we are talking about over 30 people sitting in a room trying to reach a consensus. We didn’t reach a decision but at least, you know. I think that is a good indication that people want to work together, people seem very happy.” - **Coop2** employee 1.*

In conclusion openness and trust are mutually constrained by each other, without one the other falters. Trust in management works because there is a plethora of available information to validate what is being said but trust is limited by the extent of the information. When it ceases to flow, trust is harder to give.

8.3.3 Fun!

An overwhelming, frequently expressed value and experience, was that of fun. A key benefit of an ethnographic approach is being able to spend a pro-longed time on site allowed opportunities to observe people doing their everyday tasks, to confirm whether people's expressed opinions were congruent with their experience (Hammersley 1992). The most obvious expression of fun was simply people being happy to be at work and smiling as they did their tasks.

"Smile. Almost without fail, every person I spoke to smiled, especially when I interrupted them for a chat and therefore it was spontaneous. A simple gesture but it underlines the impression that people are genuinely happy to be at work. Neither was it forced, in the way that "Greeters" greet people entering a shop and this is backed up by people hoping to spend the remainder of their working career with [organisation]. Clearly this is aligned with the "Fun" element of the [organisation] Spirit, again people genuinely appeared to enjoy the banter, camaraderie and strange challenges (e.g. Dragon boat racing) that work brings as well as the opportunities to develop." - Reflection by researcher reported back to the leadership team at Direct1.

As Homes and Marra (2002, p1687) point out, *"Humour can function to construct and sustain relationships which contribute to workplace harmony by expressing solidarity"*. Hence the fun experienced through humour has a positive effect on building relationships and uniting people together. The fun observed and described by employees was thought to be genuine rather than *"surface acting"* (Hochschild 1983) where the employee is employed to express an emotion.

In line with Abramis's (1989) recommendation, a number of the organisations made "fun" an explicit value to be promoted and employees to be measured against in their annual appraisal; hence it was a serious subject. Abramis goes onto suggest that employees who do find fun in their work are

less anxious, more satisfied with their job, more motivated, more creative and less likely to be absent²¹. Hence it can be beneficial to the overall organisation.

"It is like something really difficult to describe but coming to work and actually looking forward to it, I think that is kind of fun. It is for me.

Massively. I went to another employee owned company and the word that kept coming up there was "fun". If you had a word to choose what would you choose?

You said fun, I can't really think of anything else! [Laughter]. It is really enjoyable, even the horrible bits you know, you are doing them because you like your colleagues and you are not doing it for yourself, you know it is the best for the Co-op." - Coop2 member 1.

"Watched the values video which the company use as part of its induction process, about 5 minutes long. It is more about the people laughing than anything else." - Field notes from Direct1.

One aspect of fun was the positive attitude to celebrating success within the organisations. **Direct1** had a deliberate policy of selecting employees from all parts of the organisation (shop floor to MD) to attend awards ceremonies in London or to opening ceremonies in Europe, with all expenses paid. Since everyone is an owner, they had a right to attend. **Trust1** have a large annual celebration when they announce their employee bonus figures, gathering all the employees from a branch together.

"The one that was a bit special for me was where we went to Venice for the day, when we had our first million profit. That was brilliant" - DIR_Manuf.

In addition, the organisation helped to bring about fun opportunities that were not usually available to the public. This brought pleasure and experience to the employee as well as developing them as individuals for the organisation. For example, under the constitution written by the founder, **Trust1** provide the opportunity for employees to apply to work for six months in a charity (on full pay), recognising that the workforce is in a privileged position and that they can utilise skills for the good of the community. This was very much in line with the founder's desires to have a positive impact on society not just for the employees. Similarly **DIR_Professional** have a mutual exchange which has no immediate financial benefit to the organisation, but is an exciting opportunity for

²¹ Employee 3 at **Direct1**, who was always very welcoming to me with a large grin on his face, was proud of his 10+ years employment without a single day off sick.

the employee. It helps to make the organisation a more attractive choice regarding recruitment and enriches the employee's lives.

"We've got an exchange going on with Australia, we are going to send two practitioners over to Australia to a [site] there and they are going to send two Australians over to work over here. We are going to do that three times throughout the year. So those are the kind of things that most companies don't do and so we call them once-in-a-lifetime opportunities. Because you are really only get that once in a lifetime." -
DIR_Professional.

Fluegge-Woolf's (2014) research suggests that fun at work does have a positive effect, specifically regarding work engagement and it is related to good Organisational Citizenship Behaviour however it did not directly relate to individual performance, therefore is of questionable value regarding individual output. Fluegge-Woolf (2014) also points out that, *"poorly managed and executed workplace fun can inhibit positive outcomes"* and as such fun is not always a positive attribute. This is "organised fun" and can easily be cynically controlling people into have fun (Bolton and Houlihan 2009). However this was not what was observed in the field. Employees genuinely seemed to be having fun, typically through interaction with colleagues. The only negative observation relating to organised fun, was a single comment on the cost of a large celebration involving thousands of employees at **Trust1**:

*"I asked [name] if he was going on the 150 years celebration which is being planned in Birmingham for 10,000 employees to attend. Surprised when he vehemently said "No!" I asked why and he explained that "75% of employees here aren't on a living wage. Why are we wasting money on that?" - Field notes from **Trust1**.*

It was unclear if this was an isolated opinion or simply that I did not come across anymore people who verbally expressed it to me. Subsequently, a letter was written to the event organisers in the internal newsletter (dated 11/07/2014), questioning the cost of the event and whether it was the right use of the money, so it potentially represented a larger population of dissatisfied co-owners who would prefer the money used in a different way.

Reducing the opportunity for negative experiences was also actively managed. Employees that worked on manual tasks or semi-automated manufacturing production lines were rotated around different roles to help prevent boredom (for example **Direct1**, **Coop1** and **Coop2**). Similarly, shop

floor employees in **Trust1** were encouraged to expand their product knowledge, for the benefit of customers and enrich the role that they were in (Hackman and Oldham, 1976).

*"There are lots of ways to develop staff, through products knowledge ("You know how to sell Parker pens but can you sell Schaffer pens?"), new skills (e.g. confidence, talking) as well as developing into management." - Field notes from **Trust1**, talking to employee 24.*

A different source of pleasure was derived from getting involved with charity or community projects. This was promoted by a number of the organisations, across all the ownership types. Often the causes were geographically close to the site or meaningful to the employees themselves. Giving something back to the community from which members of staff were drawn was a positive approach, or perhaps it was a way of placating guilty feelings of personal wealth whilst other members of society struggled? Typically, events were funded by the EOBs from a specifically designated pot of money either set up within the constitution or determined annually as a percentage of profits. This therefore had the consequence of reducing the amount of profit available to then share amongst the employees but this viewpoint was never expressed during the research.

*"We also have a charity committee that have a budget which allows staff to nominate four major charities. Last year's budget was £10,000, there is a nominating voting process and they identified four major charities which each received donations of £1500 and staff were able to self-nominate charities for donations of up to £200 on their behalf. It is really about putting something back into local communities but doing it in a way that allows staff to have a say." - **DIR_Consultancy**.*

*"I am very proud of what we achieve here because it is not the easiest way to run a business but it is definitely worth it. It enables us to run a kind of business we truly want and also give a lot back to both our community I hope, with things like the free apples for all the kids, supporting local charities, whether it be a hamper for a raffle prize and also offsetting unfair trade around the world. So we give thousands and thousands of pounds each year to a charity as well. I personally would never be able to do that, but I am doing that personally, it is just as a collective." - **Coop2** member 6.*

The actual amount donated varied from organisation to organisation. **Direct1** gave 1% of budgeted profit (~£50k), in 2015 **Trust1** gave at least 3.5% of pre-tax profit, **Coop2** donate 5% of wage costs to charities and the promotion of coop working and **Trust2** donate 50% of their profit to charitable causes

under the terms of the trust. Mondragon, according to Spanish law have to set aside 10% of profits (or surplus) for "educational, cultural or charitable purposes" (Whyte and Whyte 1988, p42). Therefore, except where specified under the terms of a trust, co-owners are making the choice to forgo some of their personal wealth for charitable causes. This compares favourably with the FTSE 100, as highlighted by the Charities Aid Foundation (2014, p14),

"The median proportion of pre-tax profits being donated to charitable causes by FTSE 100 companies was 0.7% in 2012, which is the highest level over the six years tracked. However, in a typical year only 22 companies met the previously proposed minimum of 1% or more of their pre-tax profits being allocated to corporate giving. 54 companies donated less than half a percent of their pre-tax profits to good causes in a given year, with 20 companies donating less than a tenth of a percent."

The combination of employee ownership (benefitting a section of the immediate society rather than external absent shareholders) and the expressed value to help other parts of society through charitable acts and giving, mean that EOBs fit within Ridley-Duff and Bull's (2015) definition of a social enterprise and are part of the social economy.

Helpful involvement with the community helps to create a positive reputation outside of the organisations, influencing the employer brand and aiding with the desire to become an "employer of choice" (Leary-Joyce 2004). Employees that enjoy their work and have fun are more likely to speak positively about the organisation outside of work, creating a desire for people to work there. This was certainly my experience as a researcher during the initial interviews as well as whilst on site.

"One final question, are you seen externally as an employer of choice?"

I would hope so, what do you think.

Yes, I want to work for you!

We try to promote that. So I have worked in a number of different companies but the difference is the person at the top really cares about people. And you see that through and through and through. So our staff love the company they work for... I think we are an employer of choice we promote ourselves as an employer of choice. The industry is a hard industry to work for, but I hope people see us as that."

DIR_Professional

In **DIR_Professional** it was the founder who chose to create an EO organisation as part of the expression of care for the employees rather than set it up with purely external stakeholders.

A fun environment makes for a desirable place to work. This was evident in the research undertaken and the low turnover of staff but what is the overall effect of trust, openness and fun? This leads to overall culture found within the EOBs, which is high commitment.

8.3.4 High commitment culture

Porter and Lawler (1968) defined commitment as

“the willingness of an employee to exert high levels of effort on behalf of the organization, a strong desire to stay with the organization and an acceptance of its major goals and values”.

All three aspects of this definition were evident in the employees of the EOBs. As will be shown below, they were particularly evident in:

- 1) Personal investment of effort in reward for profit share
- 2) Low staff turnover
- 3) Alignment of personal values with organisational values.

Employee owners can reap the benefit of their own work, through the sharing of financial reward, therefore the greater the performance, the greater the potential for profits. Overwhelmingly, employees could directly relate the performance of the organisation with a personal financial reward. This then followed through into relating personal performance with the organisational performance.

“Obviously we have an ethos that we all contribute and we all benefit. So you make a difference every day through your contribution.” -
DIR_Professional.

Although Ellerman (1997) queries whether profits should be shared out immediately after they have been announced and instead whether they should be paid into a capital account, as Mondragon do (Whyte and Whyte 1988), which is eventually paid out on retirement or leaving the organisation. He suggests that this provides for a longer-term perspective for the success of the organisation, rather than a “hand-to-mouth” mentality.

The Matrix Evidence (2010) review suggests that employee ownership can improve levels of employee engagement. Kahn (1990, p694) defines personal engagement as *"the harnessing of organization members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances."* During the research, through conversations with employees and observing them in the workplace, employees appeared to be genuinely engaged (Saks 2006).

Everybody, most people go above and beyond on a daily basis. - Direct1, employee 17.

And overall, our engagement scores are high when you compare to global norms. So we can always do more to engage with people. ...The engagement scores and the sheer amount of pride and a number of people recommending the organisation as a place to work, where we are scoring high 80s in all of those questions, I think for me tells us something about the benefits of being an employee owned company. - TRUST_Service.

Then of course, the things we are all trying to learn and be better at, is that when people have these ideas, and express them that we actually feedback to them so that it is not lost in space. Because if it gets lost in space then again it is another reason to say "well I tried, I'm fed up with that, I'm just not going to contribute" so engagement is all about the little things, funnily enough, not necessary the big things. - Direct1, employee 21.

Similarly, Kahn (1990) defines personal disengagement as *"the uncoupling of selves from work roles; in disengagement, people withdraw and defend themselves during role performance."* In rare circumstances, employees did express opinions that suggested they were disengaged with the overall aims of the organisation however this did not prevent them from actively contributing to the success of the organisation.

"Doesn't have targets. Used to have them. Previously when she worked [in a different department] "they were set a target but as a group decided not to achieve it as they knew the target would just get increased!" No targets in current role. Just do your job, most people, but not all work hard." - Field notes from Direct1, employee 14.

This example illustrates that employees did have power to subvert management objectives, if they so wished, working as a group with the trust placed in them.

"Is it fun? "It can be fun working here" - describing the organisation in one word he chose "dedication" and then "commitment". Three times he repeated "I'm being honest with you". The fact that he wanted to get off

the shop floor so that we could talk freely (he made sure he was aware of who was around us as we talked, another non-manager did walk past but he took no notice of him) was important. "Good job there are no managers around here!" Clearly he was frustrated with the organisation but nevertheless still committed to working hard as well." - Field notes from **Trust1**, employee 22.

In this case the relationship between the line manager and employee had broken down, through being set unachievable objectives, which then negatively reflected on his performance. Hence he felt frustration and anger towards his manager but maintained a level of commitment to the organisation, despite his experience. Clearly he did not want to be overheard by management telling me, what he thought therefore his openness was limited due to his personal experience and it did depend on personal relationships (Dirks and Ferrin 2002).

Sak (2006, p602) sees that organisational commitment "*differs from engagement in that it refers to a person's attitude and attachment towards their organization*" whereas engagement "*is not an attitude; it is the degree to which an individual is attentive and absorbed in the performance of their roles*". Pride in their respective organisation was often expressed by employees, demonstrating an affective attitude towards it.

"A great sense of pride in working for the organisation. A great sense of pride in the quality of the work we do" - TRUST_Service.

I am very proud of what we achieve here because it is not the easiest way to run a business but it is definitely worth it. It enables us to run a kind of business we truly want and also give a lot back to both our community I hope" - Coop2, member 6.

Once again, only very rarely were wholly critical views of an organisation expressed²².

"He questioned the whole employee ownership aspect. He said it was okay to say you get a share of the profits but not that you're a co-owner. You are paid the minimum wage or a bit more but that was all. He seemed pretty hacked off. Previously worked for [same sector non-EO organisations]. Employee ownership wasn't important." - Field notes from **Trust1**, employee 12.

This respondent is expressing Hyman and Mason (1995) viewpoint that EO is about "*the alteration of employee behaviour*". However the founder of **Trust1**,

²² In both cases the employees aspired to work in a different profession but were yet to realise it so had resorted to retail to simply get a job.

who wrote extensively about the process of moving the organisation into EO, saw it as a moral response to share the wealth that was created and improve the lives of all the employees.

Employees that are engaged with their job (Saks 2006) are less likely to have "intentions to quit". Low staff turnover rates were observed across all the ownership types. This helps to reduce the cost of recruiting and training new employees, as well as maintaining organisational memory, not losing staff to competitors and keeping a stable workforce (Taylor 2008). Recent figures for general labour turnover during the life of this thesis are provided by the CIPD (2015c) below:

Year	Labour turnover rate overall
2011	12.7%
2012	11.9%
2013	9.8%
2014	13.6% (The year of the research).

Table 8.13 Labour Turnover rates (CIPD 2015c).

Year	Labour turnover rate 2014 by sector	Participant EOBs
Manufacturing	14.7%	Direct1, DIR_Eng, DIR_Manuf, Trust2
Retail	24.5%	Coop1, Coop2, Trust1,
Services	22.9%	DIR_Professional, Dir_Consultancy, COOP_Service, TRUST_Service, DIR_Service

Table 8.14 Labour turnover rates by sector in 2014 (Murphy 2015).

Observations and discussions in the field (during 2014) suggested turnover rates of between 1% and 10%, lower than the rate CIPD provided above and lower than the sector turnover rates as well (Murphy 2015). It is also lower than the figures, 18% and 14% that Ridley-Duff (2005) found during his research into a hybrid EOB in 2002/3 (CIPD rates for those years were 26.2% and 18.2% respectively) and four times higher than would be expected for an organisation with CIPD qualified HR staff (Ridley-Duff 2010). 2014 was a period of economic stagnation in the UK economy; however the EOBs researched all appeared to be growing rather than declining, with plans to expand.

"So what is the general turnover of staff here?"

Very low. The highest areas have generally been sales. I think mainly because that is the sort of environment, that it is. Very low turnover, high

retention. Haven't got exact figures off the top of my head." **Direct1**, employee 22.

"Turnover is still low?

Yes.

Because you are getting bigger?

We have had one person leave. No two actually, someone has resigned just now." - **Coop2**, employee 1. Permanent staff level was 59, so turnover was around 3%.

Helping to keep turnover rates down, redundancy was typically avoided at all costs on both ideological and business grounds and even written into values statements ("*employment protection through no compulsory redundancy policy (after two years' service)*" - **DIR_Manuf.**) Options to keep people on were investigated and applied where possible. These included reducing shareholder dividends, reducing wages, reviewing sales rather than overheads, redeploying staff and increasing profits to pay for maintaining staff. This contrasts with conventional Anglo-American organisations that opt to make staff redundant to increase shareholder dividend in the short-term. Erdal (2011) illustrates this in his book, looking at how Debenhams plc was severely pruned causing the share price to rise, however **Trust1** has also had to make employees redundant, but for the different reason of maintaining the business rather than creating shareholder profit.

"It's interesting, the Barclays thing "we are going to chop jobs and we are going to pay bonuses". You think there is something wrong here. Now, in a business like ours, we should never be making that kind of decision. We should be saying if we want to keep the people, we will reduce the dividends, to make sure we keep the people because we have put a lot of effort into training the people and they have livelihoods and they have families, which are dependent upon it, so that is the most important thing." - **Direct1**, employee 21.

"we lost the [location] contract. We have had it for them for 30 years so we had to make redundancies which is unheard of in a co-op, so we have lost a couple of major contracts and had to make some big changes..."

How did you make the decision to make people redundant?

We had no choice because we couldn't [carry on]. In the past what we have done is kept people on, if we lose an area and the [employee] really didn't want to TUPE across to the other company we have managed to retain them... Obviously we had no redundancy matrix in place or

anything so we had to do a matrix to work out who we had to lose. So it was pretty bad." - COOP_Service.

White and Druker (2009) point out that low turnover can also be a result of de-motivated employees remaining whilst waiting for their share options to mature. This can lead to the organisation carrying inefficient, deadwood and reducing potential performance.

Significant effort was put into employee development. This helped to build an effective and flexible workforce that was more relevant to longer tenures of employment, so that employees could fulfil numerous roles. Specific skills that employees possessed were utilised for the benefit of the organisation as well as the pleasure of the employee.

"So I guess going back to that attracting people and a good place to work, graduates are coming and saying "I will work on a machine because I can get my foot in the door". So we are measuring talent. Other things, like they might be a karate coach, and we can have karate classes upstairs at lunchtimes. We do ballroom upstairs on Thursday lunchtime. Which is a really good laugh." - Direct1, employee 17.

To obtain appropriate new owner employees for the organisations, recruitment was taken seriously, with significant effort and cost involved. Recruitment appeared to firstly be values based rather than skills, to verify that the recruit shared the same ethos as the company. This has the potential downfall of creating a mono-culture, where staff can be blinkered from seeing alternative viewpoints, leading to a lack of diversity (Grey 2013).

Linked to the previous cultural value of trust, Dirks and Ferrin (2002) point out that a lack of trust leads to a diversion of effort in attempting to cover "the backs" of employees rather than being focused on the required task. Hence a high trust environment does not have this attribute, helping to create a more productive environment instead.

"we have a philosophy that says "better to have done something and ask for forgiveness, than never to have done it." So they should get on with something."- Direct1, employee 21.

Poor performance, by which is meant a lack of effort or care in carrying out a task, rather than an inability to perform a role due to lack of training or natural ability, was seen by other co-owners as having a negative financial impact on themselves personally. In some cases it led to direct intervention

where employees were challenged to improve or leave the organisation. In other cases, particularly coops, there was an enormous expectation of good performance, so any deliberate poor performance led to holding such members in low esteem and emotional pressure but not necessarily action (Rothschild and Whitt 1986).

*“you get one guy saying “I’m not bothered, I don’t want to do it” but then somebody, a peer in the same team, might come back with “well go and get a job somewhere else then, because we don’t want you here if you are not bothered”. It was fascinating to see that. And they have every right, because they are shareholders.” - **Direct1**, employee 17.*

*Most of the membership works damn hard and the ones who don’t, well “shame on you. If you can still hold your head, then that is fine, it’s entirely up to you.” You know, we employ a lot of people and we are doing the local community a valuable service. If people want to take the benefits, pay and the conditions and you know, take the piss; well be that on your own conscience.” - **Coop1**, member 3.*

*“It feels a bit like a family and a family run business and I think that is why difficult conversations are avoided. It is hard to have a difficult conversation with one of your mates, one of your brothers, one of your family members. People don’t like doing it.” - **TRUST_Service**.*

Therefore the overall effect of high trust, openness and fun within EO is suggestive of a high commitment culture, reflected in both directions of the manager-employee relationship. As Boxall and Purcell (2010, p32) point out

“HRM research is increasingly taking on board the question of mutuality, examining the extent to which employer and worker outcomes are mutually satisfying and, thus more sustainable in our society over the long run.”

This mutuality was observed in the field, most obviously within the worker coops where there was no distinction between member and manager but also within the direct type and perhaps to a slightly lesser extent the trust type, due to the hierarchical rather than servant leadership management approach. Mutuality took the form of respect and care for colleagues, joint rewards, combined investment of personal effort, shared goals and simply helping one another. This is in stark contrast to an adversarial approach where management and workers’ goals are at odds with each other.

Storey, Basterretxea and Salaman (2014, p630) point out a “degenerative” argument against mutuality though

“mutuality is always a transient phase on a deterministic trajectory either away from mutuality in order to prioritise commercial goals or towards further mutuality and accompanying commercial failure.”

This suggests that management will always be against workers or if working together, that it will lead to economic failure. However this was not the experience in the field with considerable growth and longevity reported by the EOBs. Management and workers were seen to be working for mutual goals and succeeding.

Watson (2006, p425) considers the differing aspects of both low commitment and high commitment HR strategy. The strategies used in the EOBs observed fall very much in line with that of high commitment. This is illustrated in the table below (8.15).

	Direct Control / Low Commitment HRM	Indirect Control / High Commitment HRM	Evidence of high commitment strategy in all EOBs
Performance expectations	Objectives met to minimum level, external controls, external inspection, pass quality acceptable	Objectives ‘stretch’ & develop people, self-controls, self/peer inspection, continuous improvement in quality sought	Appraisals used to develop performance. Continuously looking for better performance to increase profit and therefore personal gain.
Coop	Self-control particularly evident, as well as peer evaluation.		
Direct	Appraisals developmental rather than judgemental		
Trust	Highly structure appraisals, used to rate employees.		

Communication	Management seek & give information, info given on need to know basis & used for sectional advantage	Two-way communication initiated by any party, information shared for general advantage, business information widely shared	Open access to information, both published and via accessible management. Enshrined employee voice with involvement and participation able to influence the organisation.
Coop	Whole member meetings able to communicate with all other members face to face. Freely accessible management minutes. Level 5 employee participation, communication expected to be two way.		
Direct	Frequently published information with direct access to all levels of management, not requiring any intermediary.		
Trust	Frequently published information with access to information usually via the hierarchical structure or directly if required.		
Employee development	Training for specific purposes, emphasis on courses, appraisal emphasises managerial setting and monitoring of objectives, focus on job	Training to develop skills & competencies, emphasis on continual learning, appraisal emphasises negotiated setting and monitoring of objectives	Development seen more than just current task, but whole person development and for future opportunities.
Coop	Multiple concurrent job roles requiring training in each one. Development of skills more important than personal progression.		
Direct	Progression through developing multiple role skills. Sideways moves encouraged to facilitate this.		
Trust	Development within current role to enable progression to next role in structure.		

Strategy-making	Performed by top management, with the aid of strategy experts	Top management provide 'vision' or strategic intent, strategy developed through interaction with other levels	Employees encouraged to be involved and participate in strategy development. Employee voice enabled at the highest levels of the organisations able to influence the strategy.
Coop	Strategy created and endorsed by whole body of members, a fundamental aspect of cooperatives.		
Direct	Created by senior management in conjunction with employees. Can be questioned directly with management.		
Trust	Created by senior management, who are then held accountable for it. Can be questioned through the communication channels.		
Culture	Rule based, emphasis on authority, task focus, mistakes punished	Shared values, emphasis on problem-solving, customer focus, learning from mistakes	Encouraged to try things out and failure is allowed. Significant emphasis on customer. Values widely shared. Employees empowered to take responsibility for situations.
Coop, Direct, Trust	Covered in chapters 5, 6 and 7.		
Structure	Layered hierarchy, top down influence, centralization, mechanistically bureaucratic (rigid)	Flat hierarchy, organic & mutual (top-down/bottom-up) influence, devolution, organically bureaucratic (flexible)	Cross communication widely encouraged irrespective of grade structure.
Coop	Flat structure in coops.		

Direct	Servant leadership observed.		
Trust	More hierarchical, however communication and involvement available at all levels.		
Work/job design	Deskilled, fragmented jobs, doing/thinking split, individual has single skill, direct control of individual by supervisor	Whole, enriched jobs, doing/thinking combined, individual multi-skilled, indirect control with semi-autonomous teams	Team working encouraged. Enriched jobs through role sharing and multi-skilling.
Coop	Enrichment through multiple roles/skills. Team working.		
Direct	Personal innovation encouraged, team working.		
Trust	Less personal freedom but team working encouraged.		
Employment relations	Adversarial, collective, win/lose, trade unions tolerated as inconvenient or used as intermediaries between managers and employees	Mutual, individual, win/win, unions avoided or involved with partnership relations	Trust, respect and honesty. Where unions were present they were often seen as secondary to the participation that employees already had. Mutuality apparent in ownership rewards.
Coop	Direct participation, expected to be involved in all important decisions.		
Direct	Easy personal access to management and mutual goals negated need for union involvement.		
Trust	Devolved involvement with management and mutual goals negated need for union involvement.		

Table 8.15 High/Low Commitment HRM applicable to EOBs (Watson 2006, p425)

Different aspects of high performance working can also be seen in Pfeffer's (2008) list of seven aspects of best practice regarding HR strategy. These can be directly applied to employee ownership (see table 8.16 below).

Best Practice	Application in EOB	Evidence in EOBs
1. Employment Security	Redundancy avoided, wherever possible. Emphasis on hiring permanent employee than temporary workers.	Primary goal within coops was to provide employment now and for future generations. People retrained and redeployed.
2. Selective hiring	Selecting people on cultural fit as well as technical ability.	9-month probation periods and acceptance by entire membership in coops. Assessment centre techniques used even for shop floor machine operators.
3. Self-managed teams or team working	Empowered team working, trusted to perform or resolve issues on their own.	Used throughout EOBs where the collective was seen as stronger than the individual.
4. High Pay contingent on company performance	All employee owners received a bonus directly relating to the profitability of the organisation, from being a shareholder in the company.	All EOBs shared the profit gained, albeit in different ways.
5. Extensive training	Job rotation and direct training in current role, to provide stimulation and better customer experience.	Weekly experience in coops of both office and shop floor working. Providing development opportunities to experience new roles, including overseas.
6. Reduction of status difference	Capping pay differentials and setting equal pay levels. Open plan offices with easy access to management.	Limiting pay differentials in Trust1 and equal pay in coops. Uniforms that were consistent across all levels.
7. Sharing information	Access to organisational information, freely provided.	All organisations provided information or enabled access to the information.

Table 8.16 HR Best practice (Pfeffer 2008)

Through the tenets of employee ownership (possession, influence and information, (Pierce, Rubinfeld and Morgan 1991) a high commitment culture is fostered and this was observed in the field.

8.4 HR role in an EOB

The HR function varied across the spectrum of ownership, from a more traditional role (for example within **Trust1**) to a highly-marginalised role with significant levels of devolution (see **Direct1**). Davis (2004, p3) provides various aspects of an HRM approach and these are reviewed below, specifically relating to EO.

HRM Approach (Davis (2004))	Implementation within EOBs
Devolving the responsibility for the implementation of employment policies and strategies to line management, thus enabling the HRM function to be slim.	Within the trust based ownership, devolution to line managers was the norm, however cooperatives did not necessarily have line managers so the devolution was to all members instead and with Direct1 , the devolvement was so extreme that it removed the HR department entirely. Specialist skills (e.g. employment law was outsourced when required).
HRM is responsible in consultation with the CEO for facilitating senior management succession planning and recruitment.	Within cooperatives, senior management may well be appointed by election from within the membership body. Elsewhere employee owners can have a significant voice with regard to senior appointments. This was the case in Direct1 where twenty owners from the organisation made the final choice of MD and the owners also can remove senior management (an elected body from Trust1 vote on the competence of the MD twice a year).
HRM remains the focus for ensuring regulatory	EOBs frequently saw legal requirements as being the minimum level required and

compliance with all employment legislation such as minimum wages, equal opportunities, termination of employment, health and safety.	deliberately chose to exceed that, so that the legal levels became irrelevant. This was observed in setting wage levels, gender equality and health and safety.
HRM is responsible for drawing up employment budgets, head counts and remuneration strategy. HRM emphasizes remuneration strategies based on individual performance rather than collective bargaining.	By definition, EO provides a level of collective remuneration, although the direct ownership type is more individual and some organisations choose to use performance related pay in addition. EO allows for greater transparency of pay systems and employee owners therefore have involvement in the remuneration strategy.
HRM emphasizes a unitary model of the organization, which implies no (or very limited) roles for trade unions or for employment standards derived from external labour market regulation.	The influence ordinary employee owners have within their organisation typically removed the need for active union involvement. Trust1 did not prevent their employees from being union members (in sector that is frequently low paid and benefits from union protection) but they perceived that the overall voice available was greater than could be obtained by an external union. It was the same at Coop1 as well.
HRM emphasizes the management of culture and communications as important levers for performance management.	Pierce and Rodgers (2004) agree that a "psychology of ownership" needs to be developed (see also John Lewis Partnership (2008)). The communication of information and influence are key aspects of EO (Pierce, Rubenfeld and Morgan 1991). Specifically within the for-profit sector performance is emphasised for the collective benefit of financial reward and employment security.

	Being joint owners typically fosters the collective desire to achieve.
HRM sees motivation arising primarily as a result of intrinsic elements in the tasks being undertaken and emphasizes strategies such as job enrichment through multi-skilling and multi-tasking.	Job enrichment was evidenced in numerous cases across all ownership types. Particularly regarding what can be described as highly monotonous roles (e.g. component manufacturing or sales assistant). The employee was valued (as a person and co-owner) rather than just a resource so there was an emphasis on job rotation and continual on the job learning. This made work flow planning a highly complex task, requiring considerable effort.
HRM emphasizes greater flexibility in, and dilution of, the employment contract. It makes greater use of part-time workers, annual hours contracts, flexible working, shift working, job sharing, temporary and fixed term contracts and outsourcing.	EO provides a different perspective to that advocated by Davis. As employee owners, maintaining a role within the organisation that they own is given a higher priority, so the right to employment is strengthened. This was observed across all the types but most obviously in the cooperatives where significant effort was exerted in keeping members rather than making them redundant. The utopian desire was to provide long term employment for employees rather than use temporary or fixed term contracts, recognising the dignity of work and the benefits it brought to the employee. Flexible working based around the employees needs rather than the "employers" was also common place.
HRM attempts to ensure a high degree of functional integration around the realization of the overall	EO sees the corporate mission to be both providing personal gain (through possession of a profitable business) and ongoing long-term employment (through avoiding

corporate mission in the development of its strategies and policies.	redundancy and respecting the owners). Hence EO sits at the heart of the organisation and should influence strategies and policies.
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Table 8.17 HRM implementation within EOBs (Davies 2004, p3)

Therefore EO can be seen to touch on the entire range of HR tasks (recruitment, learning and development, performance, reward, employment law, organisational development and engagement (CIPD 2016a)) and should be considered in all aspects of HRM. A significant emphasis was placed on recruiting people with the right values and subsequently investing in training (seen across all types) rather than simply filling resource “holes” with bodies. Hence this is more akin to “soft” HRM rather than “hard” HRM (Ridley-Duff and Bull 2015).

For employees carrying out an HR role in an EOB or those considering transferring into EO, the findings regarding culture have relevance in how the HR function is carried out, these are now discussed.

For those considering a move into EO, the issues of trust, openness and fun leading to high commitment should be considered. Openness provides relevant, timely information (Pierce, Rubenfeld and Morgan 1991) in a manner that is easily accessible, as well as understandable. This will require investigating numerous channels of communication, for example verbal, online, notice boards, group meetings, awaydays and physical newsletters/noticeboards. This may in turn require training in how to best format the message and in how to deliver it as well. (Some managers may feel uncomfortable in presenting to large audiences (observed at **Trust1**) so will benefit from being mentored in how to do it). Communication needs to be an ongoing process and will therefore require staff to ensure that it can happen and that the information is up to date. The content and depth of the communication should also be considered and this can be done through the involvement and influence of the employee-owners by asking them what they would like to know (Ridley-Duff and Ponton 2013).

However, the information is of little value if it cannot be trusted. To what extent is there trust in the organisation? If there are low levels of trust, then

which aspects, personal, strategic and/or organisational (Galford and Seibold Drapeau 2003) are missing and what can be done? This again may involve training line and senior managers to understand what brings about trust (Hurley 2006) as well as influencing the recruitment and performance processes to encourage recruiting high trust employees and improving the way in which trust is encouraged.

Do employees enjoy work? Is it fun (Bakke 2005)? If not, why not and what can be done about it? Fun can be at the individual, team, corporate and societal level. Although the actual work might be quite mundane, policies that allow for job enrichment (Herzberg's 1968a, Hackman and Oldham, 1976) and variety through job rotation can help alleviate boredom and provide motivation. Teamworking can provide scope for fun through shared tasks and social interaction, similarly at the corporate level, celebratory events can be organised, which do not have to be expensive (for example **Coop2**) but bring people together in a positive way. Fun can also be had through interaction with the wider society, for instance being involved with charities practically (redecorating an old people's home) or raising charitable funds in imaginative ways.

Removing any aspect of trust, openness or fun is likely to be detrimental to the overall high commitment culture. An employee survey could be undertaken to understand whether employees, at all levels, feel that trust, openness and fun are part of their employment. In all three aspects care would be required to clarify exactly what is meant by each one, as well as sensitivity to the how the results are collected. This would be particularly important where employees were responding on how trustworthy their line manager is for example.

8.5 Conclusion.

This chapter has specifically looked at what is common, regarding performance and reward, to all the employee ownership models researched. This is then reflected in a model of the components of culture that are common across all the EOBs, leading to a high commitment culture based around core values of trust, openness and fun.

The following chapter investigates the “dimensions of cultural difference” across the ownership types. That is, aspects of employee ownership that are seen repeated across the types, however their implementation is different across the different ownership types. This then leads onto suggestions regarding HR practise within the different types and EO in general.

Chapter 9 - Dimensions of cultural difference

9.1 Introduction.

The previous four chapters have focused on what cultures were observed in the different ownership types using performance and reward management to illuminate them. It has looked to answer the first two research questions (Q1 & Q2). This chapter now focuses on the third research question which is:

Q3) What guidance can be given concerning HR practices with regard to cultures of performance and reward in EOBs in general and individual ownership types?

Looking at EO organisations how does EO affect the HR focus for each individual type (cooperative, direct and trust)?

The previous chapter reported on themes that were observed to be common amongst all the ownership types. However, the application of the themes was not necessarily consistent across the three types. This chapter now looks at how the ownership type (cooperative, direct and trust) appears to influence the themes identified. The observations made are based upon the organisations researched, which clearly cannot represent the entire spectrum of EOBs in total, however the inferences were observed in the data collected.

It is recognised that some EOBs will be very uncomfortable with the notation “Human Resources”, preferring “Human Relations” instead and some EOBs will not have an HR department at all (for example **Direct1**). However, the traditional functions of an HR department (recruitment, development, administration etc.) will still be performed somewhere (CIPD 2016a); either centrally, devolved or out-sourced if necessary, so they are still relevant to all the EOBs investigated (Davis 2004).

All the different dimensions are shown in the following table (9.17) below and then grouped items are discussed in the following sections. Areas that were consistently applied across all the types are not included in the table. For some topics the expression of the types is more clustered and in other cases, the expression is divergent. The table is designed to illustrate the **relative** differences between the types rather than be a quantitative replication of

empirical data. From this the different practices due to the ownership type are drawn out.

Area	"Lower" boundary		"Upper" boundary
9.2 - Salary			
Salary - wage differential	Low differential	Coop Coop Direct Direct Trust	High differential
Process for increasing pay	Individually	Trust Direct Coop	Collectively
9.3 - Financial reward from possession			
Dividend / bonus distribution	Dependent on the individual	Direct Coop Trust	Dependent on the collective
Dividend / bonus importance	Low	Coop Direct Direct Direct Trust	High
Share value importance	Irrelevant	Coop Trust Direct	Relevant
Bonus due to Length of service	Not recognised	Coop Coop Coop Direct Direct Trust	Recognised
Reward horizon	Zero horizon	Coop Direct Trust	Long horizon
9.4 - Organisation			
Organisational structure	Hierarchical	Trust Direct Direct Coop	Flat
Stress from being an owner	Low	Trust Direct Direct Coop	High
Size	Small	Coop Coop Direct Direct Trust Trust	Large
Growth of organisation	Replication	Coop Coop Trust Trust Direct Direct	Expansion
9.5 - Employee lifecycle			
Selection / Probation approval	Manager determined	Trust Direct Coop	Collectively determined

Performance Appraisal	Manager determined	Trust	Direct	Coop	Peer discussion
Flexible working	Inflexible	Trust	Direct	Coop	Flexible
Use of personal skills	Unused	Trust	Direct	Coop	Used
Ability to influence staff retention	No influence	Coop	Direct	Trust	Influential
9.6 - Influence					
Voice	Low involvement	Trust	Direct	Coop	Full participation
Decision making	Exclusive	Trust	Direct	Coop	Inclusive
9.7 - Conformity					
Uniformity	Corporate	Trust	Direct	Coop	Extreme individuality
Gender, sexual equality	Recognised	Trust	Direct	Coop	Promoted
9.8 - Trust					
Equality	Unequal	Trust	Direct	Coop	Equal
Fairness	Unfair	Trust	Direct	Coop	Fair
Trust (Honesty)	Organisational	Trust	Direct	Coop	Personal

Table 9.18 Different implementation of common themes across ownership types.

For ease of reading each of the sub-tables are repeated below along with their subject area.

9.2 Salary

Salary - wage differential	Low differential	Coop	Coop	Trust	High differential
		Direct	Direct		
Process for increasing pay	Individually	Trust	Direct	Coop	Collectively

All the EOBs fulfilled their legal obligation of paying a salary to the employees (Shields 2007). The difference observed amongst the ownership types was the way in which the base salary levels were determined. Both direct and coop were seen to set the base salary to the highest level they could afford (what the CIPD (2015b) refers to as the 'ability to pay') whilst maintaining a viable organisation. This either meant that they paid above (e.g. **Direct1**, **Coop1** and **Coop2**) or below the market rate (e.g. **COOP_Service**). Specifically, for direct organisations the emphasis appeared to be on personal profit maximisation, which then funds a "desirable" life outside of work (e.g. holidays, hobbies, pension, family etc.) but for coops the emphasis was to do with the whole of life, so that being in work was a part of the larger jigsaw of life. Therefore, employment security, cooperative values and contributing to the community (physically through volunteering and financially through gifts and taxes paid) were part of the total reward package (Kaplan 2005). Potentially Coop members (**Coop1** and **Coop2**) also have to accept that members doing vastly different work will still receive the same levels of reward leading to possible feelings of 'reward inequity' (Shields 2007). This was what Rothschild and Whitt (1986) found to be the case in their research. Salaries could be maximised to provide the greatest return to all members, with no, or limited, external shareholders negating the need to maximise shareholder value (MSV). The desire was to maximise pay, with a smaller bonus rather than the other way around. This helped maintain a more predictable income, which was useful in obtaining mortgages and loans for members.

Trust based organisations used the prevailing market or union rate for the role as the determinant and chose not to set the base pay at the maximum possible level leaving a significant number of employees earning less than the "living wage" (Living Wage Foundation 2016) (e.g. approximately 66% of employees in **Trust1** were paid below the living wage). This created a greater wage differential amongst employees of the same organisation however the deeds of **Trust1** specify a maximum amount that the ratio can reach before it has to be reapproved by the elected representative body. This level however, is considerably less than is common place in traditional firms (Armstrong 2012). CEO's of trust organisations can take a longer-term view of the organisation so are not desperately trying to maximise shareholder value at the expense of the

employees, since all the employees are the shareholders as well. The alternative, as Willmott and Veldman (2014), point out is

“The focus on MSV has led to a rapid divergence between the rewards received by those at the top and those at the middle and the bottom of firms. As a result, the rewards from productivity gains during the past two decades have gone to top management and shareholders rather than to employees in the form of wages and benefits.”

Increases to salary were determined on an individual basis for trust and direct EOBs using performance related pay schemes which are dependent upon the relationship with the line manager. For coop members, without line managers, wage increases were approved centrally by the body. This can lead to tension for cooperative members who want, or need, their pay to increase but have less personal control over it, causing them to leave if necessary, as was seen by Rothschild and Whitt (1986) where cooperatives were stepping stones to other organisations.

9.2.1 HR involvement in salary

Determining salary levels, even if not quantified by HR personnel has a significant impact on the HR function, as it aims to recruit, motivate and retain key staff. The HR function within cooperatives may have very little control of starting salary, if it is set uniformly across all employees (**Coop1** and **Coop2**). **COOP_Service** had different salary levels within the coop, to be able to attract the engineering staff that the whole service was built around, without whom there was no service. To be a viable cooperative, this salary was set at a lower rate than the going market rate, therefore there had to be additional benefits to attract appropriate staff so it was the total reward that mattered, not just the financial (Kaplan 2005). These additional rewards needed to be communicated effectively, which was usually by word of mouth rather than advertisements. Therefore, the existing members who could extol the benefits of a cooperative organisation became the greatest asset in recruitment (Davis 2004). Increments to the salary were collectively defined, rather than by any specific individual, so again HR involvement was limited. Progression up through the structure of an organisation often facilitates an increase in pay but where the cooperative have a flat structure, this is not applicable either.

Direct and trust HR personnel appeared to have greater flexibility to specify the starting salary, although the emphases were different. Trust

appeared to want to minimise the starting salary, whereas directly owned wanted to pay the maximum that the organisation could afford. This meant that potential new recruits could be attracted for different reasons and so needed to be selected appropriately. Were applicants for directly owned applying simply because the wage was higher than competitors and if so, is this a sufficient reason to want to employ them? For trusts, was the potential of increased future earnings sufficient to keep someone in post? Progression within direct and trust was more appropriate, with trust organisations utilising a rigid procedure and direct organisations being more flexible around experience and ability.

In all the ownership types the rewards from possession (Pierce, Rubenfeld and Morgan 1991) can be used to offset a negative mind-set towards the actual salary. Although it was frequently commented by newer employees that when they applied they were unaware that the organisation was EO and did not understand what implications it had. Therefore better communication around being employee owned could aid recruitment. This lack of information is one of the barriers that Nuttall (2012) highlights. Davis (2004, p50) similarly agrees

“Being a cooperative is one of the advantages you have of attracting people who are committed to sustainable development and justice.”

and this needs to be explained to potential members.

9.3 Financial reward from possession

Dividend / bonus distribution	Dependent on the individual	Direct			Coop		Dependent on the collective
					Trust		
Dividend / bonus importance	Low			Coop	Direct	Direct	High
						Trust	
Share value importance	Irrelevant	Coop				Direct	Relevant
		Trust					
Bonus due to Length of service	Not recognised			Coop	Coop	Coop	Recognised
		Trust		Direct	Direct		
Reward horizon	Zero horizon	Coop				Direct	Long horizon
			Trust				

All the EOBs paid a financial reward to the employees that owned the business but the way in which it was determined varied (EOA 2012b). Trust and cooperative employees received a bonus dependent on the overall profit of the organisation. For the trust organisations (**Trust1** and **Trust2**) this was paid as a

percentage of the employees' wages, therefore those on higher wages received a larger amount even though the percentage was the same for everyone. Cooperative members either received a portion of the profit dependent upon specific personal variables (for example length of service, hours worked) or a flat amount was given to everyone irrespective of any individual variation. However the most significant factor was that of being a member of the cooperative, which all members were, so the bonus was primarily a collective bonus (Co-operatives UK 2015b).

Direct employee owners received a share dividend, which was dependent on the rolling profit levels and directly related to the number of shares each employee held. Thus the amount each employee received was not necessarily related to any other employee and could be influenced by the employees themselves.

Trust employees saw the bonus scheme as a very important part of their reward, and were highly motivated to maximise it. Clearly this was a significant form of motivation and an example of expectancy theory (Porter and Lawler 1968). For **Trust1** the bonus had been as high as 24% but more recently it had dropped to 15% and subsequently lower. If it continues to fall then the valence of the reward will cause the motivation to reduce as well, unless it is managed appropriately (Shields 2007).

For Coop members the emphasis was placed on higher wages rather than increased bonus, so the bonus was seen more as a "nice to have" rather than an essential part of the job. Along with the emphasis on secure employment (part of the 3rd principle of the worker co-operative code (CO-OPERATIVES UK 2012)), this allows for longer term planning for individual members and access to better mortgages (typically based on a multiple of annual pay), thereby improving the quality of life.

Trusts either allocated the bonus on a simple one employee - one share system (**Trust1 & Trust2**), in which case length of service was irrelevant once they had passed the qualifying period, or employees could increase their notional shareholding through seniority or length of service (**TRUST_Service**), thereby increasing their bonus. Cooperatives also devised their own bonus allocation algorithms, which could be a flat rate for all members (irrespective of

service or hours worked - **COOP_Service**) or taking into account service duration and hours worked (**Coop1** and **Coop2**). Length of service was also indirectly relevant to direct employees as typically the longer an employee had worked for the organisation, the greater the number of shares purchased. The opportunity to purchase was an annual event and employees built up their portfolio, little by little as money was available. Often interest free loans were used to purchase a tranche of shares and once that was paid off, another loan was taken out to purchase more. In this way, the salary deduction was barely noticeable allowing a larger portfolio to be acquired but at a greater personal financial risk.

Direct employees received a dividend entirely dependent upon the number of shares held. The more shares acquired, the greater the dividend and the quantity of shares varied from employee to employee. This meant that the importance of the dividend also varied, from irrelevant to significant depending on the shareholding. Within **Direct1**, examples were given where the annual dividend ranged from a take-away pizza and bottle of wine up to three foreign holidays a year and more.

The value of the shares is irrelevant to trust members and coops (that used a notional £1 or “par value” share) as there is no option to sell the company and reap the benefit although this is what happened during the de-mutualisation of building societies in the 1980s (Ridley-Duff and Bull 2015). The value of the shares for direct employees is of paramount importance though, as this is regarded as a personal investment or a provision for retirement.

For trust and cooperative employees, the bonus stopped on cessation of employment. Similarly for direct employees that resigned they had to sell back their shares immediately however some direct organisations allowed retired employees to keep their shares for a defined period (for example, up to five years for **DIR_Manuf**). This then has a bearing upon the decisions that employees made that had a long term impact. For example, **DIR_Manuf** chose to purchase the building that they had previously rented, this had a significant impact on the profit level whilst the mortgage was being paid off over a five year period, however on completion of the mortgage, the profits were restored and therefore the share value increased. Employees who knew that they were about

to voluntarily leave the organisation, forcing them to sell their shares, could have therefore voted against the purchase knowing that their final share value was going to be affected. For retiring employees who could wait up to five years for the lull to pass, their decision might have been different (for an illustration of this see McCarthy and Palcic (2012)). Therefore the reward horizon can have an impact on decisions that are made. McDonnell, MacKnight and Donnelly (2012) refer to this as the “horizon problem” but feel that it is diluted by the significant commitment that is required by employees in choosing whether to leave or retire in the first place.

Direct shares were also seen as a long-term option (Pendleton and Robinson 2011). The selling of shares was actively discouraged, except in the case of hardship or to fund significant purchases (for example house extensions or new cars). The underlying assumption was that shares were an additional form of pension provision and therefore that the reward was deferred until retirement.

9.3.1 HR involvement in rewards due to possession

Determining the profit share within coops was a contentious issue, with members having different opinions on exactly how it should be calculated. Therefore HR personnel could cost and propose a new system (see (Cohen 2006) for illustrative advice from the CIPD), but it would always be down to the members to approve any such changes. Details of the profit share within trusts were recorded in the deeds of the trust, it was simply the amount that changed each year, and therefore involvement was bureaucratic rather than meaningful. Similarly for employees in directly owned, the reward from share dividends was a calculation and not a variable, although all the schemes carry an administrative cost (Pérotin and Robinson 2002, Greene 2014).

The way the profit share was communicated was important and could easily be overlooked by HR personnel. (Cohen (2006) sees communication as “*key to the success*” of a share ownership scheme). This varied from stopping the whole organisation to announce it and inviting the local/national press in (**Trust1**) or simply adding the money to the payslip and not telling anyone why it was there - leading to phone calls asking why someone had been “overpaid”? This was usually a highpoint of EO, if the profit levels created a meaningful bonus and could be used to reinforce that employees were owners too (Pierce

and Rodgers 2004). This helps employees to talk positively about “their” company and is beneficial towards an organisation becoming an employer of choice (Leary-Joyce 2004).

After the initial probationary period, service duration had little impact on trust bonuses but more so in direct and cooperative EOBs. Therefore HR personnel in direct and cooperatives had greater leverage in encouraging employees to remain with the organisation, aiding with staff retention levels and reducing turnover (Wright 2009) leading to greater organisational performance (Shaw 2011). As Storey (2007, p12) concurs

“the ability to attract and hold on to talented employees is the single most reliable predictor of overall excellence.”

Conversely in directly owned EOBs, employees might end up “locked in” to employment because of their personal share acquisitions but not wanting to be there, leading to a de-motivated employee who does not want to leave (Sengupta, Whitfield and McNabb 2007). Using the appraisal system could be a method of managing them out or alternatively paying them to leave (see for example Ridley-Duff (2010)). These options would require specialist HR knowledge to not fall foul of the law and enable a case of “unfair dismissal” to be raised against the organisation (CIPD 2016b).

Benefits from coop employment ceased when the membership stopped. For trust employees, the trust may have specific provision for retired employees, for example on-going health care (**Trust2**). For direct employees that could keep their shares (albeit only for a limited period), there was still an annual dividend and the option to sell them back to the organisation. Hence a longer-term relationship needs to be maintained with ex-employees of trust and directly owned organisations, involving appropriate communication and distribution of share dividend.

9.4 Organisation

Organisational structure	Hierarchical			Direct	Direct	Coop	Flat
		Trust					
Stress from being an owner	Low			Direct	Direct	Coop	High
		Trust					
Size	Small	Coop	Coop		Direct	Direct	Large
						Trust	Trust
Growth of organisation	Replication	Coop	Coop		Direct	Direct	Expansion
				Trust	Trust		

Trust based organisations demonstrated the greatest adherence to a hierarchical structure, with multiple levels of increasing power but with an emphasis on the immediate line manager (Bratton 2015). Directly owned, were also hierarchical but with fewer levels and a greater emphasis on servant leadership (Greenleaf 1998), hence an upside-down pyramid. These structures are in line with the findings of Lampel, Bhalla and Jha (2012, p11) that

“EOBs delegate more initiative to first-line and middle management, and are less preoccupied with maintaining standard operating procedures.”

Cooperative structures were flat, although members had different and multiple roles within the organisation, authority was shared equally amongst the membership. This also led to greater levels of personal stress (Rothschild and Whitt 1986), as members were directly responsible for running the organisation, whereas in trust organisations the stress increased as employees progressed up the pyramid. Uniquely, in direct organisations, employees could be anxious about their personal share ownership and trying to avoid the share price falling, particularly as they approached retirement and were looking to sell their shares to provide for their future.

Although the average size of a coop was very small (seven people according to Cornforth et al. (1988)), success for coops did create issues around the size of the organisation. To maintain a truly democratic process, with face to face contact in all member meetings and personal involvement in decisions, there is a physical limit on how many people can be involved (Gross (1998) suggests a limit of 100 people for an EOB). This was an issue for **Coop1** with around 150 members, who had already moved to off-site meetings to get the entire membership into one room. Clearly, technology provides alternative ways of communicating (for example Webinars or Skype) and online decision

making (e.g. Loomio) but there was a desire to maintain the personal interaction. **Coop2**'s espoused growth strategy was to replicate itself in new locations but as distinct, wholly separate, new coops, thereby allowing the local population to form its own cooperative, rather than being an off-shoot from a different location. The trust organisations looked to grow bigger by replicating themselves in different locations but all under the same umbrella of the trust, hence a more corporate approach with a consistent look and feel. The direct organisations looked to grow through innovation, (a feature of EOBs recognised by Matrix Evidence (2010) and Lampel, Bhalla and Jha (2012)) and diversification. This could lead to a larger organisation or wholly new EOBs, set up under the same ethos but still completely distinct organisations.

9.4.1 HR involvement in the organisation

The flat structure associated with a cooperative, and to a lesser extent with the directly owned organisations, means that influence should be devolved to all employees. Part of this is enabling all employees to have access to a wider variety of information than is usually available in traditional organisations (Pierce, Rubenfeld and Morgan 1991). Therefore a more comprehensive communication strategy is required (Cohen 2006), along with providing necessary training to be able to understand the information provided (Birchall 2011). Simply delivering it is not enough. Owners need to be able to understand it and apply it, which may be challenging for some employees.

Organisations have legal duties *"to reduce and where possible prevent work-related stress impacting on the health of their employees"* (CIPD 2010). Work related stress was most obvious within the cooperative structure as also found by Rothschild and Whitt (1986). Recognising stress throughout the organisation and knowing how to advise on handling it, would therefore be an important role within cooperatives for HR.

Although there are examples of very large coops in the UK, they typically have multiple membership types (for example workers and consumers). Pure worker cooperatives are generally smaller in nature. Therefore an HR person wanting to grow their career through exposure to larger organisations or international businesses might be forced to move away from the cooperative sector in order to gain the relevant experience.

Growth of an EOB is also handled differently within the types. Coops expressed a preference for replicating the model in a different location but the coop itself being a wholly new organisation. In this case HR personnel would help the new coop to establish itself, perhaps providing technical assistance, under the cooperative principle - “Cooperation amongst cooperatives” (ICA 2014). Trust owned would either grow organically or also replicate itself but staying within the same organisation. Hence here there is more potential for HR personnel to be involved in an expanding organisation as well as at a directly owned organisation.

9.5 Employee lifecycle

Selection / Probation approval	Manager determined	Trust	Direct	Coop	Collectively determined
Performance Appraisal	Manager determined	Trust	Direct	Coop	Peer discussion
Flexible working	Inflexible	Trust	Direct	Coop	Flexible
Use of personal skills	Unused	Trust	Direct	Coop	Used
Ability to influence staff retention	No influence	Coop	Direct	Trust	Influential

Recruitment by values was common across all of the EOBs (CIPD 2015c); however transferring from probation status to accepted was different across the types. In **Trust1**, there was no probationary period. Once the manager had selected, interviewed and recruited the new employee, they became a full employee and there was no explicit probationary period. Authority was delegated to the manager through the hierarchy. New employees were subjected to the standard appraisal system, which judged their performance and could potentially lead to disciplinary procedures, but this was the same for existing employees too. Hence the hiring manager had sole discretion on the status of an employee, whether to hire or not.

The direct organisations had a probationary period, after which the line manager, in conjunction with the employee’s peers conferred on the continuing employment of the recruit, considering their congruence with the espoused values Griseri (1998). Cooperatives took a collective decision on the continued employment of a recruit, typically at an all-member meeting. Demonstrating the

cooperative principles (ICA 2014) was a key requisite and everyone voted as to whether the person should become a full member. Up to this point, they were not considered a member of the coop, simply an employee. If membership was not approved, then the employment was terminated, to avoid having long term non-member employees.

Poor performance within trust organisations was handled formally; firstly, through the appraisal route and then via the disciplinary procedure, in line with the corporate policy (Armstrong 2015). Poor performance within **Direct1** was dependent upon what was meant by “poor”. There was recognition that if the organisation was to be innovative, not everything that was tried would work (which could therefore be deemed as “poor”) however, it was almost celebrated and encouraged, to attempt to push the boundaries of knowledge back. Poor performance, in terms of lateness or lacking effort (in effect free-riding (Kurtulus, Kruse and Blasi 2011)), would typically be picked up by colleagues who could apply social pressure to correct the behaviour. This also happened within cooperatives as well, but was also tempered by the mantra of not being able to tell someone else what to do, in which case emotional pressure was brought to bear (for example shame, guilt).

Performance appraisals followed a similar pattern, with a more collective voice for cooperative members and a singular managerial voice within the trusts. Direct could include both perspectives. Cooperative appraisals were perhaps less valued than in other ownership types, as the underlying belief was that individual members were responsible for their own performance and there was resistance in being told what to do.

As equal owners of the business, cooperatives members had the greatest emphasis on flexible working, sometimes having multiple roles (for example customer facing, shop floor, administrative) that were performed on a frequent basis, perhaps weekly. This helped to equalise levels of responsibility whilst paying people an equal salary Rothschild and Whitt (1986). Direct organisations also saw flexibility as important, but over the longer term and that employees could move sideways across the organisation, since there are minimal layers, with no loss of status. Pendleton and Robinson (2011) observed the link between share ownership and enhanced investment in development,

because of the increased inclination to stay with the organisation. Trust organisations promoted people up through the hierarchy so there was less emphasis on flexibility and more on the requirements of the current role. Similarly cooperative and direct organisations allowed greater self-expression (as opposed to corporate standards) and welcomed the use of personal skills to aid the organisation (for example teaching ballroom dancing during lunch breaks to colleagues at **Direct1**).

Even with very low staff turnover rates, cooperatives that paid equal pay to all members could not alter it to keep staff. Instead job flexibility (hours worked, shift patterns, term time working etc.) were more likely to be used to aid retention. Direct and trust organisations had greater flexibility with wages to be able to try and retain key staff. Bizarrely according to CIPD (2015c) research, “increased pay” was seen as both the most and least effective retention method. Presumably in cases where employees were leaving purely to increase their pay, then a greater offer would encourage them to stay, whereas for employees that were fed up with the organisation the offer of increased pay made no difference whatsoever.

9.5.1 HR involvement in the employee lifecycle

Selection and probationary approval within trust and direct organisation is more manager led, therefore the responsibility falls on fewer shoulders. Ensuring that these employees are trained in relevant aspects of employment and discrimination law would be a necessary objective of HR personnel (CIPD 2015c). Within the coop structure and its collective approach to appointing and approving staff, there will still need to be HR involvement in the process to ensure that current legislation is followed and discrimination is not practiced however all members will need to be conversant with the principles.

The collective nature of the performance appraisal system demonstrated in the coops is very different to the more individualistic approach taken elsewhere. HR personnel had a responsibility to collate all the feedback on a member, anything from fifteen people to the whole organisation, and present the consolidated information back to the recipient. Therefore HR personnel were involved in every performance appraisal, sometimes carrying out more than one a week, so this was a significant part of the role (Armstrong 2015). In direct and trust, once the procedure for doing appraisals had been defined, it

was line manager led. In the trust organisation, HR took an overseeing role to ensure that the correct process was being followed, but within **Direct1**, there was no further involvement. The appraisal was between the employee and their manager and the only feedback was on the process and not the individual.

An important aspect of cooperative working for the members was the flexible working pattern. Coop members had more support, and were encouraged, in requesting flexible working patterns to suit their individual life style as well as applying for extended periods of unpaid leave (Kaplan 2005). Therefore there was a role to ensure that there were sufficient employees available at the right time, able to carry out the necessary tasks. The scheduling required was not a trivial task (see figure 9.18 below which shows the timetable for employees at **Coop1** for the upcoming two weeks). Ensuring that there were sufficient employees overall, allowing for growth and absence was therefore more complex due to the non-standard working patterns, making forecasting harder. This was seen as an HR function.



Figure 9.18 Employee work allocation rota for Coop1.

Within trust and direct organisations, there was still a degree of flexibility to work however the overall work patterns were much more structured and predictable, requiring less effort in planning.

Alongside the varied roles, more prevalent in coop and directly owned, there was a need to maintain a register of peoples' skills and experience, so that they could quickly be redeployed if an opportunity arose. Again with the more structured approach exhibited in the trust organisations, the stiffness of the organisation did not easily facilitate such a fast response.

HR personnel had greater opportunity to input into staff retention at trust and directly owned rather than in the coops. The former had more flexible pay arrangements (for example performance related pay) and could discuss individuals pay levels which was not available in the coops that had consistent pay schemes across the board for all members. The opportunity for promotion within a cooperative may not simply exist so members wanting to specialise in HR may not be able to progress and therefore choose to leave to gain greater experience.

9.6 Influence

Voice	Low involvement		Direct	Coop	Full participation
				Trust	
Decision making	Exclusive		Direct	Coop	Inclusive
				Trust	

Employee voice and decision making are related, without being able to express a voice, decisions cannot be influenced (Ridley-Duff and Ponton 2013).

Cooperatives demonstrated commitment to complete democratic decision making, with members being required to take part in all-member meetings (Ellerman 1997). The ultimate sanction was to have membership status removed if necessary, although this would then create a situation where an employee was not a member, which was an undesirable state. Training was invested in enabling new recruits to learn how to express their opinion in robust debates and emails/text messages were frequently used in discussions.

Trust EOBs used more formal processes to progress opinions upwards through the organisation and decisions were made by committees representing a group of employees. Informal contact with managers was also encouraged. Direct organisations were less formal with staff being encouraged to talk to their line manager or directly to the managing director. However employees had less direct involvement in the managerial decisions made but with access to

information (Pierce, Rubenfeld and Morgan 1991) both trust and direct employees were able to understand why decisions had been made and hold the management accountable for them because of their openness (Clark & Payne 2006).

9.6.1 HR involvement in employee influence

With all the organisations being EO, employee influence through voice and decision making was a key aspect that was clearly demonstrated throughout (Pierce, Rubenfeld and Morgan 1991). HR involvement as such was to do with encouraging participation and facilitating the channels through which this could happen. There was also a policing role to ensure that it did happen and that people were not excluded from the process.

9.7 Conformity

Uniformity	Corporate			Direct	Coop	Extreme individuality
		Trust				
Gender, sexual equality	Recognised			Direct	Coop	Promoted
				Trust		

Trust organisations applied the greatest level of control with regard to conformity to a standard of dress and appearance; making people appear the same was important (Griseri 1998). Whereas, coops allowed the free expression of someone's personality through what they wore whilst staying within the limits of Health and Safety requirements (Rothschild and Whitt 1986). Direct organisations appeared to mix both, allowing formal and informal wear. Direct and trust were neutral regarding diversity however diversity along with gender and sexual equality were actively celebrated and promoted within the coops. In **Coop1** the elected management executive had to be an equal male to female ratio. Also, the exclusion, or simply omission, of a group of people reduced the quality of the democratic organisation, since a section of society was missing and therefore unrepresented whereas cooperatives explicitly have an open and voluntary membership (Cooperatives 2012).

9.7.1 HR involvement in conformity

Within the trust organisations, HR personnel had a role in creating a uniform policy or ensuring adherence to it. This was not applicable to the cooperatives where people expressed themselves through what they wore each day at work. In this sense the cooperatives were a much more relaxed, less bureaucratic

place to work. The emphasis was on values rather than laws, character over legalism (McLeod 2009). Written HR procedures may not exist until they are first required, as demonstrated by **COOP_service** therefore for HR personnel being able to work in a less structured environment will be an asset.

Cooperatives actively promote gender equality (Cooperatives 2012), creating processes that enforce equal representation on boards, whereas the trust and directly owned gave opportunity for both sexes to thrive and let the best person succeed, which does not necessarily lead to gender equality. This example illustrates the difference between equality and fairness, observed in the different ownership types.

9.8 Trust

Equality	Unequal			Direct		Coop	Equal
		Trust					
Fairness	Unfair			Direct		Coop	Fair
						Trust	
Trust (Honesty)	Organisational			Direct		Coop	Personal
		Trust					

In some cases, coops ensured equal pay, regardless of role and everyone had an equal vote. In addition, everyone had an equal right to express themselves in their own particular dress. Uniform policy within the trust organisations gave the appearance of equality but there was not equality within the governance.

Elected employees voiced their personal opinion, on behalf of a group of people that they represented, even those that voted against them. In direct EOBs the dividend amount was an equal amount per share but the share distribution was unequal, so some people received more than others. This could be seen as unfair where two co-workers work side by side with equal effort but one receives more depending on the initial number of shares purchased. Performance related pay can be a fair process, rewarding high performing employees but it does not lead to equal pay for a role (Kauhanen and Piekkola 2006). Hence each ownership type had a different approach to equality and fairness, which influenced the various aspects of employment. However treating people with respect was common across all the EO types, which is an attribute of fairness.

Trust within the coops had to be personal without the layers of management in place (Hurley 2006). Ensuring adherence to the cooperative principles (ICA 2014) prior to taking someone on as a full member, helped to ensure that the common cooperative values were agreed to. For direct and trust owned, trust with line managers and further up the organisational structure was a key aspect of working, as managers had power over their team members (Galford and Seibold Drapeau 2003).

9.8.1 HR involvement in trust

Determining the bonus allocation in a fair way, with both procedural and distributive justice (Shields 2007), is a critical role to be done without reproach. HR can have a significant role in helping to build trust, primarily through the communications that they provide (Cohen 2006). Ensuring that they are seen to be open and not deliberately withholding information (Pierce, Rubenfeld and Morgan 1991); answering employee questions in a timely and complete manner. They can champion trust within the organisation and provide relevant training to managers so that they understand their role in being trustworthy and how to build trust with their teams. As Hurley (2006, p56) points out,

“Companies that foster a trusting culture will have an advantage in the war for talent: Who would choose to stay in a stressful, divisive atmosphere if offered a productive, supportive one?”

9.9 Implications for HR practitioners' summary

From the above it can be seen that the HR function in the different ownership types have different areas of control and emphasises. For clarity, these are now reproduced and summarised in the table below (table 9.18). For an employee looking to work in this function, perhaps moving from a traditional organisation, it helps to highlight the different aspects that they will or, perhaps more importantly, will not be able to be involved with.

Area of HR	Involvement by Coop	Involvement by Direct	Involvement by Trust
Starting salary and increases.	Limited input, collectively determined instead. Not	Involved, flexible pay increases and non-linear progression.	Involved, more rigid structure to determine pay

	involved with progression.		increases and progression.
Profit/bonus share allocation.	Involved with negotiating calculation but cannot specify.	Bureaucratic, determined by share price.	Bureaucratic, determined by trust deeds.
Profit/bonus share communication. (Cohen 2006).	Key role.	Key role.	Key role.
Bonus due to length of service.	Could be used to aid retention.	Could be used to aid retention.	n/a
Removing de-motivated staff locked into share dividend.	n/a	Via appraisal system or paying people to leave.	n/a
Reward horizon.	Communication stopped on leaving the organisation.	Continued communication concerning share price and dividend.	Continued communication in line with trust benefits.
Organisational structure.	Ability to work in a flat organisation.	Able to work in a service role to front line staff.	Ability to work in a structured, hierarchical organisation.
Stress from being an owner.	Significant role in recognising and advising on handling it	Less applicable.	Less applicable.
Size.	Typically expected to work within a small to	Potential to work in a wider variety of different sized organisations.	Potential to work within larger organisations.

	medium sized organisation.		
Growth.	Collaboration with new cooperatives using the same model.	Potential for existing organisation to grow unbounded or replicate.	Collaborate with replicas of existing model still within the same organisation
Selection / Probation approval.	All staff to be trained in current legislation.	Key staff to be trained in current legislation.	Key staff to be trained in current legislation.
Performance Appraisal.	Significant involvement in collating large amount of feedback and then delivering it to the recipient.	Very little involvement. Left to line manager.	Policy definition and then policing role to ensure procedures followed.
Flexible working.	Significant effort required to ensure sufficient employees available to carry out wide variety of work.	Managed by line manager for their team, low effort required.	Managed by line manager for their team, low effort required.
(Employee's) use of personal skills.	Maintaining skills record to allow staff to be quickly redeployed.	Maintaining skills record to allow staff to be quickly redeployed.	Less relevant in comparison.
Ability to influence staff retention.	Little influence regarding pay, greater influence due to flexible working patterns.	Influence through performance related pay and setting individual pay levels.	Influence through performance related pay.

Influence through voice and decision making.	Facilitating the expression of voice and ensuring involvement in the agreed decision making process.	Facilitating the expression of voice and involvement in the agreed decision making process.	Facilitating the expression of voice and ensuring involvement in the agreed decision making process.
Uniformity.	Champions of diversity and free expression celebrated.	Flexible approach.	Policing role ensuring consistent application of rules.
Gender, sexual equality.	Enforced through processes and actively encouraged.	Equal opportunity given.	Equal opportunity given.
Equality, trust, fairness	Treating everybody the same.	Treating everybody differently.	Treating everybody differently.

Table 9.19 Summary of HR involvement in EO by type.

This table demonstrates a “Best Fit” approach to HRM (Purcell 1999), where the HRM practice is contingent upon the EO type. Application of HRM is not consistent across the three types so it could not be called “Best Practice”.

Employees wanting to fulfil the HR role will require different strengths and abilities depending on which ownership type they work within. HR practitioners within coops specifically may find that they also have another role as well so will not be working full time in just HR. It may also be necessary to accept that the CIPD qualifications and experience do not provide additional salary benefits from other members who have widely disparate roles.

To answer the third research question, regarding advice for HR personnel considering EO, the case for whether EO is appropriate was discussed in chapter two. This research looks more specifically at what advice can be given regarding the type of ownership and these are now taken in turn.

9.9.1 HR advice for cooperatives

Worker cooperatives have the highest levels of participation (Ridley-Duff and Ponton 2013) with whole membership voting being a regular occurrence. This requires organised communication so that all members are effectively briefed and can make an informed decision. Where members are reluctant to take part, some form of enforcement may be required. Therefore organisations considering transitioning into a worker cooperative should consider how involved the employees are prepared to be and how they would find robust decision making since, as Ridley-Duff and Ponton (2013) found, not everyone wants full participation. Members need to be able to confidently make a point in a debate. If these aspects are not welcomed, then this might not be the best ownership type or at least, allowances need to be made for them.

The need to manage stress also appeared to be a greater concern within worker cooperatives than the other forms of ownership. Although coops had the greatest desire to make the divide between work and life seamless, there was significant risk of stress due to burnout (excessive involvement in the organisation) or conflict over having to make decisions with colleagues/friends. Monitoring staff (which could be an anathema within coops anyway) for stress and dealing with the consequences would be beneficial (CIPD 2010).

An emphasis on shared values has the potential downfall of creating a mono-culture leading to a lack of diversity as seen by Rothschild and Whitt (1986). This should be monitored by HR personnel, however it was not observed within the research coops and instead there was significant diversity of nationalities, races and gender in line with cooperative principles of equal access (CO-OPERATIVES UK 2012).

The cooperative profit share scheme caters for short term workers, enabling them to receive a reward as an owner (Pierce, Rubenfeld and Morgan 1991), however the emphasis is on secure employment. Therefore short term workers were taken on as temporary employees (with no bonus expectation) rather than members. Hence HR personnel need to be able to accommodate both types of employees, members and non-members.

9.9.2 HR advice for directly owned

The potential increase in share value that is only possible with direct ownership was primarily seen as a long-term provision (measured in years, if not decades), typically for retirement. This can also help to “lock in” employees aiding with retention issues (Sengupta, Whitfield and McNabb 2007). As such it is helpful to be able to give financial planning and advice to employees, although this may need to be contracted out to an independent financial advisor for legal reasons. For organisations that expect to have a transitory workforce, this form of ownership might not be as appropriate since employees would not reap the benefit. Instead direct ownership fosters a long-term relationship with the organisation, so seasonal or temporary workers would not benefit.

Creating a flexible workforce, by actively developing employees is important. This can be done via the performance appraisal system, work allocation and job rotation. Maintaining a list of employee’s skills allows for fast redeployment when new tasks emerge within the organisation. This assumes that employees will want to be flexible and enjoy different challenges; again if this is not correct then direct ownership might not be the best option. Direct ownership is capable of scaling with the organisation and therefore does not set an upper limit upon the size of the organisation, although the administrative costs will increase (Pérotin and Robinson 2002, Cohen 2006).

Performance related pay (Armstrong 2015) was seen to reward and encourage individual performance, although other bonuses (for example sales commissions) were avoided as simply being part of the job and dependent upon the whole organisation to fulfil, not just the individual. This can make attracting, motivating and retaining sales staff, in particular, very difficult.

9.9.3 HR advice for trust owned

The more structured and protective culture found in trust owned EOBs require explicit policies and procedures to be created and maintained. Therefore an enforcing and legalistic approach is more appropriate for trust based HR personnel rather than a laissez-faire one. The structure means that employees do not need to have extroverted personalities (as preferential within cooperatives), instead it provides a more formal route to express employees' voices. This therefore has a bearing on the requirements of potential recruits that prefer an elected body to represent them. A clear working knowledge of the

trust deeds and their implications are required in order to implement and enforce them.

Short term workers can benefit from the rewards in a trust where the bonus is calculated as a percentage of overall wages, so this allows for temporary workers. Longer term rewards can be achieved through pay increases due to performance related pay, so this can be used to help retention and to build a long-term relationship with employees. Trust organisations can grow to be very large (for example John Lewis Partnership (2014)) so this give scope to develop a career within HR but still within the same organisation.

9.9.4 HR advice for EO in general

Ensuring that EOBs utilise the potential benefits that an EO culture can bring is a key aspect of the HR role. To obtain the high commitment culture, trust and openness are required. Trust at all three levels (line manager, senior managers and organisation - (Galford and Seibold Drapeau 2003)) needs to be encouraged. Understanding the factors behind trust (Hurley 2006) should enable relevant training to be provided to managers at all levels. This has to be backed up with managers and information being open and available, which requires recognition that it takes time to have informal, spontaneous conversations so it should be allowed for in work allocation. Consideration should also be given to whether trust and openness should be included within any form of performance appraisal although this may be hard to assess where there are low levels of trust and, therefore, the need is actually the greatest.

Creating a fun workplace where employees want to come and work requires consideration at many levels. Attention needs to be paid to the physical work environment (decoration, furnishings, cleanliness etc. although these are more likely to be Herzberg's (1968b) hygiene factors) however the primary focus need to be on the employees, enabling them to use all their personal skills and creativity. Alongside encouragement for innovation, there needs to be a tolerance for mistakes. A blame culture will inhibit employees trying new ideas, but this must be balanced with taking reasonable risks, as Terri Kelly (2012) CEO of Gore & Associates (an EOB) said

"if you want to punch holes in the ship do it above the waterline!"

Celebrations of achievement reinforce the positive message of EO to the employees. This need not be expensive but should be inclusive rather than exclusive as ownership is shared across the workforce. Arranging appropriate events could be an HR role, which needs to be done with sincerity (Bolton and Houlihan 2009).

Effectively communicating what EO is to potential employees as well as current employees is a frequently overlooked role of HR (Cohen 2006). This could involve networking with the local community and press, as well as with the candidate pool for future employees (Leary-Joyce 2004) to become an employer of choice. Lack of information regarding EO was recognised as a significant barrier to the expansion of EO in the UK (Nuttall 2012) so actively promoting it is required.

9.10 Conclusions

This chapter has illustrated how features that are common in all the ownership types have different HR implications in the three types. This leads to unique HR strategies for each ownership type and suggests a best fit approach to HRM, rather than a best practice one (Purcell 1999). HR within worker cooperatives is primarily supportive with actual policy implementation decisions being taken by the collective membership, therefore the role is very advisory. At the other end of the spectrum, in trust based organisations HR personnel dictate the policies and then police their application. Direct organisations were somewhere between the two extremes. Employees that fulfil the HRM role will have different career expectations and limitations imposed upon them by the type. Progression may not be possible in cooperatives which remain, on average, quite small.

The final chapter of this thesis brings together all the contributions to knowledge that this research has made to the area of cultures of performance and reward within EOBs. It briefly reviews the whole process and looks to the future with suggestions for further research.

Chapter 10 - Contributions to knowledge

10.1 Introduction.

This research set out to discover how employee ownership impacts on the organisational culture of employee owned businesses. To expose the underlying beliefs and assumptions of the cultures (Schein 1992) performance and reward management (Armstrong 2012, 2015) were appropriate conduits through which the culture would be revealed. The specific research questions to be answered were:

Q1) What can we understand about culture in EOBs with regard to the different ownership types?

Q2) What cultures of performance and reward are observed in EOBs within the different ownership types?

Q3) What guidance can be given concerning HR practices with regard to cultures of performance and reward in EOBs in general and individual ownership types?

The remainder of this chapter summarises the contributions to knowledge and practice that arose, fulfilling the initial objectives of the research which were:

1. To promote deeper awareness and provide guidance to HR professionals and managers with regard to performance and reward management practice within EOBs.
2. To inform academic and practitioner debates, within the context of the proposed expansion of the EOB sector, with regard to organisational culture.
3. To promote academic awareness of the dialectical relationship between performance and reward management practice and organisational culture in the different ownership types of EOBs.

With hindsight, consideration is then given to limitations of the research and what future research could be done to follow on and further develop this theme.

The standout contribution to knowledge that this thesis brings is a unique ground-breaking study of organisational culture across different forms of employee ownership, that has not been done before (Caramellie and Briole 2007). It treats the three ownership types (cooperative, direct and trust) with equal respect; in the past worker cooperatives have been ignored or marginalised (BIS 2011, EOA 2015a). Culture within a type (for example Rothschild and Whitt's (1986) research into worker cooperatives) has been done but not a comparative study across types. Hence this research offers a new perspective of organisational culture within employee ownership as well as building incrementally upon existing research (Pendleton and Robinson 2015).

The contributions to knowledge arising from this research are fourfold:

Firstly, in the area of employee ownership, how the ownership type influences the culture (Rothschild and Whitt 1986) and highlights a common culture across employee ownership in general (Section 10.2). EOBs in general were found to have a high commitment culture, based on the foundations of trust, openness and fun. For each ownership type, additional facets of culture through emphasised values were identified. In worker cooperatives the values were: a whole life perspective, shared values, self-owner, self-control and secure employment. In direct culture the values were: personal reward, personal development, founder's input of values and limited servant leadership. In trust culture the values were: protective, structured and effort and reward linked. This is summarised in Figure 10.19 below.

Secondly, in the area of performance (Armstrong 2015), how the ownership type influences the execution of performance management (Section 10.3). Literature on performance management (Legge 2001, Watson 2006) does not necessarily include the effect of employee ownership and its relevance to high commitment performance, including low staff turnover, motivation, role flexibility and managing poor performance. All these aspects are influenced by the employees being owners.

Thirdly, in the area of reward (Greene 2014, CIPD 2015a), how the priority and type of reward are influenced by the ownership type (Section 10.4). For-profit EOBs share their surplus with their employees but the ownership types perform this in different ways, leading to different emphasises. Worker

cooperatives emphasised higher wage levels but with a long-term view on providing secure employment for generations yet to come. Direct EOBs also have a longer-term perspective with the emphasis on building up a personal share allocation to be sold on retirement. Trusts emphasise financial reward with a faster payback in the effort-reward bargain (Kessler 2005).

Fourthly, in the area of methodology, this research provides a method for comparing cultures (Section 10.5). It illustrates an analysis technique for ethnographic data in order to provide a comparison between cases building on work by Thomas (2006) and Braun and Clarke (2008).

The research also provides contributions to practice for HR personnel that work or are considering working in an EOB (Section 10.6). Each of the contributions is now explained in turn.

10.2 Culture within EO contribution

This is the first study to pinpoint nuanced differences in culture, performance and reward in different ownership types of EOBs. It provides insight to the background culture that was observed across all the forms of EO as well as highlighting the subtle differences that the ownership types bring (cooperative, direct and trust). It therefore adds to the employee ownership literature in a unique way as Caramellie and Briole (2007) point out that it this gap needs filling. It also adds to the ethnographic literature by providing rich descriptions of time spent within a number of EOBs settings (Frost et al. 1991, Monaghan 2002, Kunda 2006).

10.2.1 Cooperative culture

This research adds to the body of knowledge regarding worker cooperatives, specifically by illustrating the underlying culture found within (Kalmi 2007). It therefore builds on the work of Rothschild and Whitt (1986) and Whyte and Whyte (1988) providing a more up to date account, as well as one based in the UK. In addition, the size of the worker cooperatives researched are all significantly bigger (from 32 to 150 members) than the average size (just seven members) suggested by Cornforth et al. (1988).

Five key themes of cooperative culture were identified that were not shared with both direct and trust owned EOBs. They are:

1. A whole life perspective.
2. Shared values
3. Self-owner
4. Self-control
5. Secure employment.

As such it is probably the most complete expression of employee ownership as defined by Pierce, Rubinfeld and Morgan (1991), with the highest levels of possession, influence and information but it also comes at a personal cost of involvement and potential stress (CIPD 2010).

For the significant majority, being a member of a cooperative was much more than just being an employee, instead it was part of a way of life. The cooperative model provided for the greatest opportunity to personally manage the work/life balance, primarily because there was no actual division between the two; work fundamentally is simply a subset of life rather than a discrete “add on” to be held in check. The values and identity of a person transferred effortlessly over into being a member. People were able to express their whole selves through active democratic participation at work, taking a step towards fulfilling Ellerman’s (1997) desire for economic democracy. Flexibility around work scheduling was seen as a significant benefit (Kaplan 2005) and strongly supported in order to enable employment and life to co-exist. This could be via term-time only working, shift work or extended holiday periods. As such, being a cooperative member has a whole of life perspective when it comes to work rather than a compartmentalised view. Therefore of the three types, the cooperative culture had, by far, the greatest emphasis on work-life balance, or perhaps more appropriately, work-life integration.

Members exhibiting shared values were common place. Specifically, regarding the cooperative principles specified by the ICA (2005, 2014); it was required to pass probation and obtain membership. However shared values were also extended to similar attitudes to other aspects of life, for example the environment, the local community, workers’ rights and gender equality. This has the potential to create a homogenous workforce, potentially leading to a mono-culture (Rothschild and Whitt 1986); however diversity within the workforce (for example nationality, ethnicity and gender) was celebrated and actively

championed. This aligns with Sobering, Thomas and Williams' (2014) research that found that cooperatives promoted gender equality but did not necessarily achieve it but for historical reasons rather than for ownership reasons.

Being the actual owner was most strongly demonstrated by cooperative members. The highest form of participation, level five according to Ridley-Duff and Ponton (2013), was the normal practice. Hence every member had direct involvement and a personal responsibility for the running of the organisation as well as being able to voice what they thought. This could lead to elevated levels of personal stress, leading to burnout or breakdown as was also found by Rothschild and Whitt (1986). Role rotation and permitted absence from work (paid and unpaid) helped to alleviate stress.

Alongside the participation in decision making, members were expected to be responsible for their own contribution, since they self-managed themselves. This therefore required considerable self-control, to consistently work at a high level. Being told directly what to do at a micro-management level was not expected to happen and could be taken quite offensively.

Overriding even profit, maintaining secure employment was a key theme, not just for the current workforce but future employees yet to come. At times this required sacrificing personal reward (for example taking pay cuts) for the long-term future survival of the coop. Hence there was an obvious communitarian perspective to the cooperatives. Securing long-term employment is different to Vanek's (1975) proposal that wage maximisation of the members is the primary goal.

Looking at the list of strong characteristics of a worker cooperative, it is unclear why the UK government (BIS 2011) and the EOA (2015a) choose to hold them with lower regard than trust, direct or hybrid forms. It may be due to the average size being quite small but this is still larger than the average SME in the UK which is only 3 people (BEIS 2016). The political ideology of the current government may not favour cooperatives and therefore choose not to sponsor or promote them. This research adds to the debate by treating cooperatives equally to the other two specified forms of ownership and not neglecting it.

10.2.2 Directly owned culture

This research adds to the employee ownership literature by uniquely providing an ethnographic account whilst seeking to understand the culture of direct ownership. Four key themes of directly owned culture were identified that were not shared with both cooperative and trust owned EOBs. These are:

1. Personal reward
2. Personal development
3. Founder's input of values
4. Limited servant leadership.

Employees in directly owned organisations hold variable amounts of personal shares that provide a dividend and can fluctuate in value. As such this makes the actual financial reward very individualistic. For those with a large shareholding, compared to those with a small amount, the implications will be significant and hence the motivation across the workforce will also be different since the valence of the reward is different (Shields 2007). This form of EO does not necessarily reduce wealth inequalities within the organisation (McDonnell, Macknight and Donnelly 2012), since wealthier employees can obtain a greater reward, irrespective of ability or effort; however within society as a whole, it can raise the average wage levels as the profits are shared with the workforce.

Employees were encouraged to develop themselves personally. Effective demonstration of a diverse skill set was seen as the reason for promotion rather than duration of employment or size of department managed. Sideways moves were encouraged and viewed positively for gaining more experience. The aim was to construct an agile workforce that could be deployed as required, rather than as dictated by job title.

Each of the direct organisations researched had been placed into direct ownership by their founder(s). This created a significant legacy of values that became part of the initial EOB culture passed onto subsequent generations (Schein 1992). These could be idiosyncratic and highly individual. This research provides ethnographic examples of this.

The management structure observed was not flat like a cooperative or heavily hierarchical but had limited layers, with an emphasis on servant

leadership (Greenleaf 1998) as well. The management's role was to serve the front lines, who were the ultimate producers for the organisation rather than building an empire. In this way employees were freed up to perform to their utmost for the own benefit as well as the organisations.

10.2.3 Trust owned culture

Again, this research provides an ethnographic account of trust based EO culture that is compared to cooperative and direct, that has not been done before. Three key themes of trust owned culture were identified that were not shared with both cooperative and directly owned EOBs. These are:

1. Protective
2. Structured
3. Effort and reward linked.

Trust based EOBs provide a level of protection to all staff through the deeds of the trust. Ownership is shared across all employees but the responsibility is held at trust level. This is the lowest form of personal risk (financially and emotionally) compared to the other types and therefore provides a more protective environment for ownership. (Direct ownership has a risk of personal financial investment and cooperative has a greater emotional investment). Significant benefits were included within the deeds for the well-being of staff and their families, even beyond employment into retirement. Trust deeds could also explicitly state that the organisation could not be sold, ensuring that the trust held the transfer rights (Gates 1998), protecting the employees from a management group seeking its own personal gain or a hostile bidder. With no change of ownership possible, it allows for a long-term view to be taken and for the primary reason for the business not to be profit but the continued employment and benefit of its employees.

Along with protection, there is a greater emphasis on structure within trust owned organisations. Significant dependence is put upon the hierarchical structure and the importance of the line manager to manage their subordinates. This is further controlled through the use of uniform policies and highly defined procedural working.

The bonus share mechanism was defined within the trust deeds and applied consistently across all employees regardless of role. This enabled a

clear line of sight between effort and reward and employees were motivated by the profit share to work harder. The organisations also used appraisals to increase pay depending on the performance, as measured against the specified criteria. This required year on year improvements in order to receive a pay increase, with no increase given to poor or insufficient progress. Hence employees were again able to see the link between their individual effort and the reward given.

10.2.4 Combined EOB culture

The underlying culture within EO that was observed in all ownership types was one of high commitment based on the foundations of trust, openness and fun. Employee-owners demonstrated trust with colleagues, line managers, senior managers and the EOB itself (Galford and Seibold Drapeau 2003). This was facilitated by openness, with regard to access to information, availability of management and involvement or full participation in the decision-making process (Ridley-Duff and Ponton 2013). Where it was not full involvement, managers were able to be held accountable for the decisions that were made because of the trustworthy information available to all employees (Pierce, Rubinfeld and Morgan 1991).

Employee owners enjoyed the financial benefits of possession whereby a portion of the surplus was retained by them. In addition, being able to get involved with decision making meant that employees could enjoy their work too. Maximisation of external shareholder values was not the exclusive priority (Willmott and Veldman 2014). Employees were able to express their opinion on how they wanted to work and the organisations celebrated their co-ownership. These factors are all illustrative of a high commitment culture, as described by Watson's (2006) model which has been enhanced to show how the different ownership types impact upon it (see table 8.15). This is also in line with Pfeffer's (2008) model of best practice however within each type, the implementation is different, which actually suggests a best fit approach is more appropriate (Purcell 1999).

All the different EOB types provide a significant level of mutuality (Boxall and Purcell 2010). From the most obvious example of the cooperative where full employee participation (level 5 of Ridley-Duff and Ponton's (2013) involvement/participation scale) is expected through direct ownership's servant

leadership and onto the protective nature of the trust ownership. Mutuality was demonstrated through shared rewards, values, openness, trust, enjoyment, respect, care and personal effort.

The figure below (figure 10.19) summarises all the different aspects of culture relating to the individual ownership types as well as the underpinning EOB culture observed.

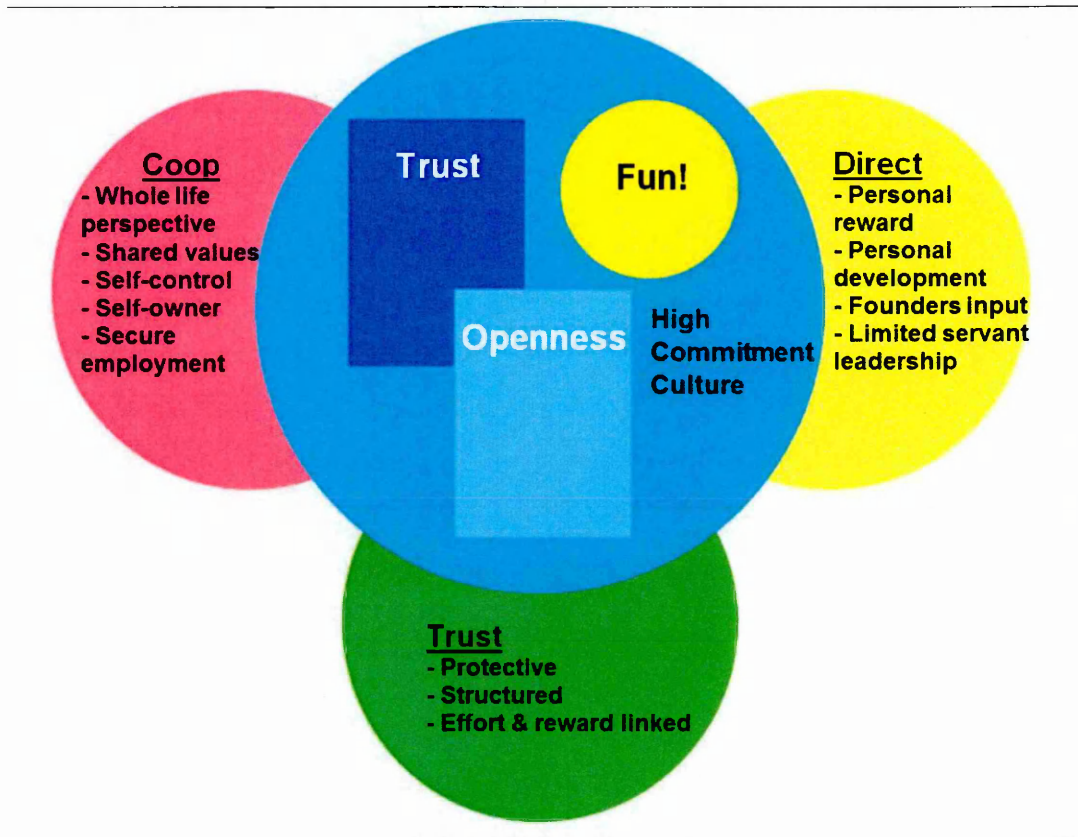


Figure 10.19 Combined EO culture with different types illustrated.

10.3 Performance within EO contribution

A significant contribution that this research makes to the literature, is that it considers the influence of employee ownership upon the performance of an individual (Armstrong 2015). Frequently this aspect of an employee's circumstance is not directly addressed. For example, Watson's (2006) models of high and low commitment does not refer to ownership. Legge's (2001) search for the silver bullet of HRM that will create a high-performance work system, does not pause to consider who owns the organisation and what that entails. In

reviewing motivation, Mullins and Christy (2016) do not include the impact of being an owner. Hence this thesis provides an unfamiliar perspective.

EO can be mapped directly onto Watson's (2006) commitment models, to demonstrate a high commitment environment is congruent with EO (see table 8.15). Similarly, Porter and Lawler's (1968) definition of commitment is also compatible with EO and was observed in the field. Both models can therefore be expanded to include the influence of EO on commitment and hence performance. Low levels of turnover within the EOB was also observed so that employees stayed working for the same organisation longer, enabling them to gain an enhanced experience and reducing the loss of human and social capital (Taylor 2008).

Ownership was clearly seen to motivate employee owners to perform to receive the benefits that ownership brings. This was exhibited through expended effort as well as care taken in performing a role. Employees could understand the link between possession and a reward, so this motivation is best described by expectancy theory (Shields 2007). Flexibility of role was accepted; there was an emphasis on being one team (one EOB), trying to achieve a common goal so it was less important who did the work rather than that the work was getting done. This multiplicity of roles was most apparent within the worker cooperatives where members often had numerous roles that they fulfilled (Rothschild and Whitt 1986).

The handling of poor performance or free riding (Bohr 2014) was directly affected by EO. Employees expressed a frustration that "their" company (or even just "their" bonus) was being harmed when colleagues did not perform at an appropriate level although the ownership types expressed it differently. Trust's used the hierarchical power, within the organisational structure, whereas direct employees felt free to point out unacceptable behaviour in their colleagues. This could also happen in cooperatives too, but social pressure (for example exclusion) could be used as well (Armstrong 2015). In extreme cases this could be construed as workplace bullying (Lee 2002), although this was not actually observed.

10.4 Reward within EO contribution

This research contributes to the reward literature by highlighting the impact ownership and specifically, how the different types of ownership influence reward strategies.

All the employees of the EOBs, gained a reward directly because of their possession, although the method of distribution and emphasis was different within each type. Cooperatives maximised their wages, with less regard for a bonus but with concern for long term employment of the cooperative in the years to come. Direct EOBs paid a share dividend which made for a long-term reward, that might not be realised until retirement or leaving the organisation hence the line of sight to the reward was not immediately clear. Trusts placed greater emphasis on the annual bonus (profit share) enabling a faster payback (Pendleton and Robinson 2015).

In worker cooperatives, being employed was a reward itself. Work was an important aspect of life, enabling a member to express their democratic rights (Ellerman 1997) and help to build a democratic economy, since the desire was for society and not just the actual organisation. Hence employment was protected, through avoiding redundancy and by actively planning for future members to gain similarly from employment. Benefiting the community was an intrinsic reward, with a specific desire to build a better world, by reducing poverty and increasing equality in line with cooperative principles (ICA 2014).

Although this research did not set out to compare EOB with non-EOBs, the scale of rewards identified during the research is potentially significant (CIPD 2015b). As well as the ownership bonus/dividend, examples of care for an employee's well-being and family were notable, such as generous pensions (15% non-contributory), healthcare for the whole family, holiday homes, celebrations and generous leave allowances. These all helped to establish the EOBs as employers-of-choice (Leary-Joyce 2004) and contrasts with traditional organisations that fail to pay even the minimum wage (BBC 2016). The workplace was also considered a fun environment to be in, an intrinsic reward itself, even when carrying out repetitive manufacturing tasks. This agrees with Bakke's (2005) view that work should be fun and numerous examples of it are provided.

10.5 Methodological contribution

This research provides a contribution to methodology by illustrating a systematic method of comparing cultures across organisations. An ethnographic (Hammersley 1992) approach was taken. This provided a richer picture than semi-structured interviews could do alone, from which the resulting data corpus was analysed using a thematic approach (Thomas 2006, Braun and Clark 2008). All the ownership types were coded together so that nodes could actively be looked for in all the types ensuring that nodes were not prejudged as being irrelevant for a particular type. This requires the coding exercise to be carried out at least twice. From this master model, individual models relating to each of the ownership types (based on the data sources) were created, this finally allowed the different models to be compared for differences and commonality allowing the themes to be created.

10.6 HR practice contribution

This research contributes to the HR literature (Taylor 2008) by providing an EO account of how HR is carried out and specifically what differences the ownership types make. EO touches on all aspects of HRM (see section 8.4) and needs to be considered when creating an HR strategy (Kaarsemaker and Poutsma 2006) but can be overlooked (for example Legge (2001)). The summary of HR involvement is shown in section 9.9. It illustrates that HR personnel in each of the three ownership types will have different emphasises and remits, therefore the recommendation is for a best fit approach (Purcell 1999). However it also shows that EO is compatible with all Pfeffer's (2008) seven aspects of best practice. This research also builds on Watson's (2006) model for low and high commitment HR strategy to show that EO fits appropriately with the high commitment strategy.

This research shows that the role played by HR personnel in each of the EO types will be different in the following key areas: Salary (starting salary and how increases can be applied); Reward from possession as an owner (allocation and use as a retention tool); Organisational structure (size and shape); Employee lifecycle (recruitment/probation, performance appraisal and flexible working/role); Influence (through voice and decision making); Conformity of people (diversity and equality) and Trust.

HR personnel can play a key part in helping to build the high commitment culture observed, by fostering trust, openness and fun. This starts with recruiting employees, then developing and rewarding them. This should be done sympathetically to the ownership type. In fact, their role may be much wider than HR management and include some other non-related functions, particularly if they work in a cooperative.

10.7 Reflection on limitations

This research project has taken nearly four years to complete and has been self-funded. During that time, the EO landscape has progressed and the economy has moved out of recession (and back in again). This section looks with hindsight as to some of the difference and what could have been improved with the research.

- Within the time constraints and the access given by the EOBs taking part, the research is meaningful, however more time could have been spent during the ethnographic phase, in particular within worker cooperatives. By its nature, the contacts made were a semi-random sample of the organisation. There could also be some benefit in carrying out a quantitative electronic survey amongst all employees, based on the findings, within the selected organisations to gain a greater breadth of response.
- The organisations were selected for their specific ownership type (coop, direct and trust). Should a greater emphasis have been placed on the hybrid model, which became more apparent following phase one?
- At the time of the research, all the organisations investigated were positive about the future, looking to expand and grow rather than losing staff or making a loss. Would the findings be the same in a negative economic situation? Would there be the same levels of trust and fun?
- All of the EOBs within phase 2 were selected from the north of England. Is there a difference due to the geographic location of the EOB? For example in Scotland or London. Would a larger number of EOBs give a different perspective? Having EOBs from more diverse sectors of commerce could have been beneficial. Other factors to consider could include the size of the EOBs; the age of the organisation; the average

age of the employees; transition method into EO and the justification for transition into EO.

10.8 Future research

Once already embroiled in the research it became clear that the simplistic view of distinct ownership types was too naïve and that a finer level of granularity of hybrid types is possible. This research places an important stake in the ground on culture within ownership types but the model could be refined further, taking into account hybrid models more. Do hybrids of direct and trust provide the greatest opportunity for employee owners to receive both a protected bonus as well as gamble their own personal wealth for even greater gain?

As for almost any qualitative research, more and longer data collection is always possible. More EOBs could have been researched and longer spent in the field at each and every one, so there would always be merit in extending the process having learnt from this experience. Also could the findings from this inductive research now be tested deductively, perhaps using a large scale quantitative electronic survey across multiple EOBs?

Recruiting primarily on values, agreed with the employees, has the potential of creating a mono-culture, albeit for the good of the employees. However it can still be exclusive and by definition omit a group of people, who therefore cannot benefit from the advantages of EO and it also remove the potential skills, experience, diversity that they have. It excludes people from the economic democracy, which in its self is not democratic (Ellerman1997). Is there a risk of becoming so entrenched in one particular cultural view that it then becomes harmful or toxic? Further research into diversity within EOBs and promoting inclusion would be helpful.

The stress of being a co-owner, most apparent within the worker cooperatives, is also worthy of further research (Rothschild and Whitt 1986). Does co-ownership necessitate particular personality traits in order for it to be a healthy place to work or do the work-life balance advantages negate the stress?

10.9 Personal reflection

Looking back over the production of this thesis it is worth reflecting on how it has changed me as a person. Throughout the process I have become more aware of the master/servant relationship (Erdal 2011) within the standard employment contract but also encouraged that it does not have to be that way. I have spoken to employees who are passionate about their work and their future. I have seen the potential that a more democratic economy (Ellerman 1997) could bring to our society with an emphasis on the reduction of the current wage inequality. This has been an inspiration to me and motivated me to act for change.

My research skills have also improved. I am more aware of how important it is to ask the right questions and the fragile beauty of the ethnographic experience. My knowledge has also grown through the literature and the whole experience. I intend to use this to enable me to teach about EO at undergraduate and postgraduate level as well as having an active role within the EO community. I would consider undertaking ethnography research again and would like to continue researching into culture. The secondary knowledge gained through this research has already been used in creating a conference paper and further journal papers are expected.

Finally, returning to Cathcart's (2009, p3) quote from chapter one,

"For many people work is boring, oppressive, unjust, inequitable, alienating, divisive and poorly recompensed"

and in a week when a national retail chain has been accused of *"not treating its workers like humans"* (BBC 2016), employee ownership can be fun, open, have reduced inequality, be respectful and be better recompensed. Therefore, I still think there is much to celebrate but more research regarding EOBs to be done (Nuttall 2012).

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Appendix 1 - Systematic literature review

The following appendix illustrates the systematic literature reviews that were carried out as part of the overall literature review process. It evidences the lack of literature that is to be found with regard to the intersection of employee ownership and “performance management” or “reward”²³.

A1.1 EO and performance management

The figure (A.20) below shows the number of articles returned from the Sheffield Hallam Library gateway when searching for “Employee Ownership” and “Performance management”, which is 20 and of these only 14 are peer-reviewed journals.

The screenshot shows the Sheffield Hallam University Library Gateway search results page. At the top, the university logo and 'Library Gateway' text are visible. The search criteria are displayed as follows:

- Any [dropdown] contains "Performance management" AND [dropdown]
- Any [dropdown] contains "Employee Ownership" AND [dropdown]
- Any [dropdown] contains [text box] AND [dropdown]
- Any [dropdown] contains [text box]

On the right side, there are filters for:

- Publication Date: Any year [dropdown]
- Material Type: All items [dropdown]
- Language: Any language [dropdown]
- Start Date: Day [dropdown] Month [dropdown] Year [dropdown]
- End Date: Day [dropdown] Month [dropdown] Year [dropdown]

Below the search criteria, there is a 'Simple Search' button. At the bottom, the results are summarized as '20 Results for Everything' and 'Sorted by: Relevance'. There is also a link to 'Personalize your results' and a checkbox to 'Show only Peer-reviewed Journals (14)'.

Figure A.20 Library search for EO and performance management

On closer inspection, two are duplicate entries; fourteen are USA based, the rest being Canadian, Danish and one joint UK - Dutch collaboration. Only three journals cover both EO and performance management (Henry (1989), Kaarsemaker and Poutsma (2006) and Pierce and Rodgers (2004)) the rest only dealing with one or other of the terms.

Google Scholar was also used to search for articles. Although it implies that many articles are to be found (1040 when using the above search criteria), their relevance was of questionable value. It typically found articles that included the search criteria as text and not as the subject of the article. For example “All organizations seek **employee ownership of performance management procedures**” (as displayed on Google from Moravec (1996)),

²³ The screen prints included were taken in July 2016.

however on closer inspection the text did not exist in the article. Hence greater confidence was placed in library searches.

A1.2 EO and reward management

A similar search was done from the Sheffield Hallam Library gateway looking for “Employee Ownership” and “Reward”. Of the initial 211 entries returned only, 17 actually related to EO or ESOP, again a very small number. This is shown below in figure A.21. These were all investigated in turn for their actual relevance to the study and included if appropriate.

The screenshot shows the Sheffield Hallam University Library Gateway search interface. The search bar contains the query "Employee ownership" and "Reward". Below the search bar, it displays "14 Results for Everything". There are filters for "Personalize your results" (Business & Economics), "Show only" (Peer-reviewed Journals (2), Available in the Library (1)), and "Refined by" (subject terms: Employee Stock Ownership Plans, Employee Ownership). The interface also includes links for "Advanced Search" and "Browse Search".

Figure A.21 Library search for EO and reward

A1.3 EO, performance, reward and culture

Mathematically speaking, the intersection of two areas cannot be larger, than the largest area, therefore by adding an additional requirement the number of elements cannot increase. See figure A.22, which shows a nil return from the library search looking for ownership, performance, reward and culture.

The screenshot shows the Sheffield Hallam University Library Gateway search interface with a complex search query. The query is built using four criteria: "Employee ownership" or "cooperative", "performance", "reward", and "culture", all connected by "AND" operators. The search results show "0 Results for Everything". The interface also includes filters for "Publication Date" (Any year), "Material Type" (All items), "Language" (Any language), "Start Date" (Day, Month, Year), and "End Date" (Day, Month, Year). There are buttons for "Search", "Clear", and "Simple Search".

Figure A.22 Library search for EO, performance, reward and culture

Appendix 2 - Phase 1 interview questions

The list of interview questions used during phase 1 is shown below. Note that this is the final version (dated 7th January 2014) and includes incremental changes from the previous two versions (4th and 5th December). Not all questions were asked and the order not enforced. As they were semi-structured interview there was freedom to adapt as I saw fit.

What form is the employee ownership?

- Is the ownership direct, indirect or a coop?
- What is the total number of employees in the organisation?
- How many employees own a share of the organisation? How much share does each owning employee have?
- How many employees do not own shares?
- Does anyone else own shares? If so, who?
- Can you accumulate more shares?
- Does an employee pay for the shares? If so market value or nominal value?

What is the history of employee ownership?

- What is the history of the organisation with regard to EO?
- How long has the organisation been an EOB?
- What form of ownership were you in before (if applicable)?
- What level of risk does an employee have?

Organisational Culture

- To what extent do employees have a sense of ownership?
- Does employee ownership benefit the organisation? If so, how?
- Does employee ownership impact negatively on the organisation? If so, how?
- How can employees express their voice (opinion, thoughts, and suggestions)?

- Do employees participate in taking major decisions (acquisitions, major investments, closures etc.)?
- Can you describe the organisational structure?
- To what extent is information shared within the organisation?
- Are there sub-cultures within the organisation related to ownership? (E.g. owners and non-owners)
- What are the values of the organisation?
- Does your culture or values impact on your recruitment process? If so, how?

Performance Management

- How do you do formal performance management? (E.g. annual appraisals, disciplinary methods)
- Is there informal performance management between colleagues? If so how?
- Do you manage performance at individual, team and organisational levels? If so how?
- How do you develop people?

Reward Management

- Do you have a reward strategy? If so what?
- What extrinsic forms of reward do you use (pay, pensions)?
- To what extent is reward shared amongst employees (e.g. ratio of highest to lowest paid)?
- Specifically, do employees receive a dividend or bonus as a result of ownership? How is it calculated?
- What forms of intrinsic reward do you use? (E.g. recognition, increased responsibility, training)?
- How does your reward management help with work/life balance (eg health care, flexible working)?
- Are you seen externally as an employer of choice (i.e. are people queuing up to work for you because of who you are rather than it just being a job)?

Appendix 3 - Phase 2 interview questions

The list of interview questions used during phase 2 is shown below. This version was used in **Direct1**, the first EOB within phase 2. It was revised whilst on site (this is version 3 - 17/2/14) and then revised again to be used at the other ownership types. Irrelevant questions relating specifically to the type were replaced with appropriate ones. This question sheet was used during spontaneous ethnographic interviews, so not all questions were asked and the order not enforced. Detailed question (based on the ones below) were created for planned interviews, for example with managing directors and with HR personnel. As they were all semi-structured interview there was freedom to adapt as I saw fit.

Below is a list of general questions to be used in phase 2 - the ethnographic stage.

Personal choice?

- How did the organisation being EO effect your choice of it as being an employer?
- How does it compare to previous employers?
- How much did you know about the culture before you joined?

Organisational Culture

- What are the values of the organisation?
- How would you describe the culture here?
- Do you have access to all the information you want about the organisation? (E.g. financial performance, new plans etc.)
- Could you get it, if you wanted to?
- How do you express your opinion, thoughts, and suggestions?
- Are there sub-cultures within the organisation related to ownership? (E.g. owners and non-owners, different sites?)
- What are the benefits of EO?
- What are the downsides of EO?

Share ownership

- Have you bought more than the minimum? Why?
- Is it part of a retirement plan or some other plan?
- To what extent is the dividend an incentive for you?
- Do you think the investment is a risk?

Performance Management

- Have you had any formal performance management? (E.g. annual appraisals, disciplinary methods).
- What do you think about the new performance appraisal system?
- Is there informal performance management between colleagues? If so how? (E.g. switch the lights off!)
- Is it low control?

Reward Management

- What forms of reward do you get? Praised, thanked, recognised?
- How does working here help with work/life balance (e.g. health care, flexible working)?
- Do you get involved with any charitable or community work directly related to the company?