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Analysis of Trust-Owned, Directly-Owned and  
Cooperatively-Owned Enterprises**

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# Ontologies of Employee Ownership: A Comparative Analysis of Trust-Owned, Directly- Owned and Cooperatively-Owned Enterprises

## ABSTRACT

Each academic discipline wrestles with framing objects of study within its field. This paper is a reflexive analysis of the ontology of employee ownership (EO) and employee-owned businesses (EOBs) based on ten cases from two PhDs and two post-doctoral studies. We found that normative definitions of EO not only fail to reflect complexities uncovered during fieldwork but also obscure how EOBs are created and developed. We set out five primary questions that researchers need to resolve before framing a study of EO, and then investigate how those questions are resolved under company, cooperative and trust law. Our findings reveal variations in EOB realities that problematise the assumption that “employment status” defines EOBs. We found EOBs that selectively include or exclude front line employees from EO based on employment contract differences, and others that include front line workers based on a “contract for services”, rather than a “contract of service”. As a result, a revised view of “the employed” is required, based on workers’ capacity (either through employment contracts or membership arrangements) to self-manage their labour in a shared enterprise. This broad view of “the employed” using Vanek’s concept of “labour-managed firms” (LMFs) is a more precise and inclusive framing concept that brings worker cooperatives fully within the scope of EO. We conclude that constructionist philosophies offer the best scope for knowledge creation for four of our five primary questions.

## KEY-WORDS

CONCEPTUAL PAPER, EMPLOYEE OWNERSHIP, EMPLOYEE-OWNED BUSINESS, LABOUR-MANAGED, ONTOLOGY, WORKER COOPERATIVES

## 1. Introduction

Any research into employee ownership (EO) requires engagement with philosophical concepts. To study EO, researchers need to understand its nature and existence (its ontology) before making a defensible selection of employee-owned businesses (EOBs) to study. If they fail to recognise the diversity of approaches to EO, or fail to contextualise their findings to reflect its diversity, this limits the value of research findings and theoretical contributions.

As authors, we have shifted from studying to supervising EO research. This motivates us to engage in epistemic reflexivity regarding the boundaries of the field (Johnson and Duberley, 2003) in order to guide future research students, particularly those embarking on a study of EOBs or EO for the first time. The case for studying EO has already been well made. Wilkinson and Pickett's (2010) book on the costs of inequality makes a strong case for a rapid transformation in business arrangements favouring EO. To date, theory has suggested that private companies promote inequality in the distribution of wealth, sustained by wage disparities and unequal access to trading surpluses. This prevents workforce members sharing equitably in the wealth they create (Gates, 1998; Pierce, Rubinfeld and Morgan, 1991). Based on these arguments, Erdal (2011: 243) echoes Wilkinson and Pickett that many social problems (suicide rates, drug abuse, prison populations) could be mitigated by "a better, fairer distribution of wealth" using dense networks of EOBs.

Despite Chartered Institute of Personnel and Development (CIPD) reports of a fall in wage inequality from 144:1 in 2017 to 119:1 in 2020 (CIPD, 2020), this sharply contrasts findings from EO research. EOBs not only reduce wage differentials but also use share issues to give workforce members greater voice rights and access to wealth (Vanek, 1970; Turnbull, 1995; McDonnell, MacKnight and Donnelly, 2012). The John Lewis Partnership (JLP)—with over 80,000 staff—not only maintained a ratio between the highest and lowest paid at 25:1 until recently (Cathcart, 2013), it distributes surpluses widely, including part-time and seasonal workers (Wren, 2016). The ratio is now capped by democratic vote at 75:1 (currently 63:1) (JLP, 2020). This still exceeds findings from worker cooperatives in the Mondragon region of Spain (Ridley-Duff and Bull, 2019a) where the average ratio between highest and lowest paid members has been sustained at 5:1 for over 60 years. In the Mondragon Cooperative Corporation (MCC), differentials have never exceeded 10 to 1 in any member business because the ratio is democratically controlled by a vote of all worker-members, not a remuneration committee. It is cases like these that fuel our interest in EOBs through their arrangements for enfranchising the "employed" so they can exercise control over strategic issues and share wealth more equitably. If EOBs create different realities through the deployment of specific organisational practices and concepts, it prompts the question "what ontological assumptions about EO are framing the constitution and experience of EO?"

The rest of the paper is structured as follows. In the second section, we briefly review the literature to identify ontological debates in framing EO. This is followed by a section on three legal frameworks

that account for some of the variations. In the fourth section, we set out our social constructionist research methodology and analysis process. The fifth section presents our findings through a comparative analysis of cases that adopted each legal framework. In the conclusions, we answer our research question and consider the implications for those undertaking programmes of EO research.

## 2. Ontological questions

In this section, we outline five ontological issues that arise out of engaging with EO literature. Table 1 highlights five ontological questions (OQs) that informed our analysis and reflective practice, based on background reading over the last 20 years. This provides a holistic framework within which individual researchers can focus their studies.

**Table 1. Ontological issues framing the constitution and development of EO**

Ontological questions	Theoretical relevance	Literature support
OQ1: What realities are creators of EOBs trying to bring to fruition?	<i>Motivation/Rationale</i>	Lewis (1954); Harrison and Owen (1969); Holmström (1993); Hyman and Mason (1995); Nuttall (2012; 2013); HM Treasury (2013); Fici (2015); Cornforth (2015).
OQ2: Who are the “employed” in EOBs?	<i>Recognition/Enfranchisement</i>	Vanek (1970); Ridley-Duff (2010); Birchall (2012); BIS (2013); HM Treasury (2013); Oxley (2013); Ridley-Duff and Bull (2019a).
OQ3: What do the employed own?	<i>Gains/Possession</i>	Gates (1998); Pierce, Kostova and Dirks (2001); Ireland (2003); Ridley-Duff (2015); Veldman and Willmott (2016); Boyd and Reardon (2020).
OQ4: What impact do ownership rights have on the employed?	<i>Knowledge/Information</i>	Lewis (1954); Vanek (1970); Kruse and Blasi (1997); Birchall (2012); Pendleton and Robinson (2015); Ridley-Duff (2015); Wren (2016); Basterretxea and Storey (2018).
OQ5: How is workplace culture changed by people exercising EO rights?	<i>Power/Control</i>	Pierce, Kostova and Dirks (2001); Perotin (2004); Park, Kruse and Secil (2004); Pendleton and Robinson (2015); Boyd and Reardon (2020).

We briefly look at how these studies inform each of the above questions, and the concepts they introduce to our analysis work.

### *2.1 OQ1-Motivation/Rationale*

Hyman and Mason (1995) suggest two potential motivations for EO. Firstly, they advance an instrumental pragmatic rationale in one of three contexts: (i) rebuilding a “distressed” firm; (ii) protecting existing jobs from predatory competitors, and; (iii) bringing about improved workforce performance by altering employee behaviour for competitive advantage (Lampel, Bhalla and Jha, 2012; EOA, 2014; Cornforth, 2015). Secondly, they identify a more idealistic rationale rooted in moral concerns for workers’ and wider society’s well-being (Lewis, 1954; Harrison and Owen, 1969; Erdal, 2011; Ridley-Duff, 2015). These rationales for choosing EO frame its nature (ontology) and set members’ expectations.

For idealists, EO advances social justice to curb excesses in shareholder capitalism rooted in wealth inequality (Wilkinson and Pickett, 2010). For example, JLP founder, John Spedan Lewis, was deeply upset in 1906 when his father distributed more in profits to three family owners than he had paid a workforce of 300 people (Cathcart, 2013; Wren, 2016). He transformed JLP into an EOB, handing over 50 million GBP at today’s prices to a trust (Erdal, 2011). In 1951 Ernest Bader, the founder of Scott Bader, was similarly disillusioned with capitalist values and gave ownership to employees via a trust (Scott Bader, 2020). These are ethical responses to perceived social injustices resolved by a shift to EO.

Similarly, principle 6 of the International Cooperative Alliance’s (ICA) cooperative principles (ICA, 2014)—“Cooperation amongst cooperatives”—seeks to mitigate the social injustice of market anarchy. Italian worker cooperatives have a durable culture of political/moral pressure that ensures cooperatives absorb workers laid off elsewhere within the movement (Holmström, 1985; Fici, 2015). Similarly, MCC cooperatives enter into a contractual obligation through their social security system (Lagun-Aro) which obliges them to accept new members if another cooperative has to reduce its workforce (Whyte and Whyte, 1988; Bretos, Errasti and Marcuello, 2018).

However, when viewing EO as a pragmatic choice, the offer of ownership might be used to exchange employment rights for possession. For example, the sell-off of Royal Mail in the UK granted 10% of ownership rights to employees in exchange for changed working conditions (Parker, 2014). The “business case” is often emphasised even when ideological commitments are drivers. Company Law may require transitions to be made as a “business case” to obtain the best price for the outgoing owner(s). As Erdal (2008) reports, a co-founder of Loch Fyne Oysters had to hide from his workforce a bid to convert the company to EO to avoid breaching competition laws.

Therefore, choosing to create or become an EOB could involve both ideological and pragmatic reasoning: social justice; personal moral conviction; a desire for a more democratic society; improved organisational performance; a reduction of wealth inequalities; community benefit; sustained

employment, increased personal gain; tax avoidance; a strategy for reducing workers' power. It yields our first ontological question:

*OQ1: What realities are creators of EOBs trying to bring to fruition?*

## *2.2 OQ2-Recognition/Enfranchisement*

Moving beyond founders' motivation to create EOBs comes the question of how their efforts are recognised by policy makers, directors and managers. In 2013, the UK government defined EO as a business context: "[...] 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: 2).

This is formally expressed today as a significant and meaningful financial stake alongside "a say in how it is run" (gov.uk/employee-ownership). In policy terms, this twin condition of voice and stake is the basis for recognition by tax authorities, but it does not clarify how EOB founders determine (legally) who the employee-owners are. Does it include everyone who has an employment contract or is it everyone productively employed? The issue is further complicated by the distinction between membership and employment, and the rights that derive from each legal status (Birchall, 2012). Statutory rights deriving from an employment contract are distinct from rights granted to *members* of a company, society or trust. They can, however, be deliberately aligned by embedding rights to membership in the terms and conditions of an employment contract (Contract of Service) and/or amending Articles of Association to extend membership to freelancers (in a Contract for Services) (Ridley-Duff, 2009; Ridley-Duff and Bull, 2019a).

Cooperative laws in the UK (as elsewhere) may not make a statutory distinction between "cooperative members" and "employees" in employment law (Ridley-Duff and Bull, 2019a). Elsewhere, such as the MCC in Spain, the law is clear that worker cooperatives are run by members who are self-employed, not employees. Given the way the MCC acts to inspire transitions to EO (Ridley-Duff, 2010), the "employed" in EOBs may (in law) be self-employed, workers (as defined in EU law) or employees (Ridley-Duff, 2015; Ridley-Duff and Bull, 2019a). This prompts a second OQ:

*OQ2: Who are the "employed" in EOBs?*

## *2.3 OQ3-Gains/Possession*

To establish this, researchers must inquire into the way recognition is granted through legal rights granted by incorporation documents, employment and service contracts. Only when the objective basis of membership is understood can a study then consider how the employed acquire and exercise powers granted to them. In short, what voice and stake rights are granted to the employed, and at what point do these satisfy regulatory authorities and trade bodies regarding EO? Recognising voice rights through participation in governance and an economic stake through financial equity may be a useful starting point, but Pierce, Rubinfeld and Morgan (1991) suggest that "ownership" in EOBs should include: (i) a right to possess a share of an EOB's physical being and/or financial value; (ii) a

right to exercise influence (control) over the EOB; (iii) a right to information about the status of the EOB. Possession can include both a portion of the capital as well as a share of trading surpluses (see Kaarsemaker and Poutsma, 2006). Drawing directly on Lewis's (1954) framing of JLP principles, the benefits of EO are (wealth) gains, knowledge and power. Gain equates to Pierce, Rubinfeld and Morgan's (1991) concept of possession; knowledge arises out of rights to information, and; power comes from exercising rights to participate in governing bodies.

Ireland (2003) problematises the issue of ownership by commenting on the inability (or unwillingness) of textbooks to define it clearly. Ownership (if it exists at all) does not confer an unfettered right to decide on the strategic direction of a company or allocate the wealth it generates. Most power rests with appointed/elected directors who act (and are constrained by) governing documents and financial instruments (Veldman and Willmott, 2016; Sikka and Stittle, 2017). To understand the nature of EOBs, therefore, is to understand how members objectify rights to participate in governance and share the gains that EO produces. Our third OQ is:

*OQ3: What do the employed own?*

#### *2.4 OQ4-Knowledge/Information*

The next two questions (OQ4 and OQ5) connect structural questions about EOBs to the subjective experience of employee-owners. OQ4 shifts our focus from the conditions under which EOBs are created and recognised by founders and regulators to the impacts that these structures have. Do they change the subjective realities of employee-owners? Pierce, Kostova and Dirks (2001) argue that the acquisition of legal rights can influence psychology, attitudes and behaviours. As the JLP Chairman once stated: "the culture of ownership [...] matters most when it comes to employee share ownership. Without that, employee ownership is simply an extension of the benefits package" (JLP, 2008).

Pendleton and Robinson (2015) outline how ownership affects voice and stake. Do shares (or membership rights) that grant employees minority or majority control affect their access and attitudes? Holding any number of shares entitles the holder to additional information, but this does not necessarily translate into individual or collective power. The 10% granted to 150,000 Royal Mail workers can influence, but not exercise power over, company policies. The Employee Ownership Association (EOA), in the UK, frames EO as ownership shared beyond founding partners and senior executives (Oxley, 2013). With 25% of equity, non-executive employees can not only access information but also block special resolutions to dissolve or merge a business, thereby giving them meaningful veto power (HM Treasury, 2013). The UK Finance Act 2014 defines EO in terms of majority control (50% + 1) and grants recognition only where control is yielded to an employee ownership trust. Tax benefits are offered to outgoing founders and incoming employee owners, but does this affect member attitudes towards EO?

Gates (1998) describes the range of ownership rights that can be framed in Articles of Association to influence attitudes and behaviour. They include: Liquidation rights (the right to sell an organisation and close it); Appreciation rights (to gain from increases in the value of an

organisation); Transfer rights (to reorganise some or all business activities and move them to another entity); Income rights (to acquire financial surpluses that are additional to a wage); Voting rights (to take part in decision-making), and; Information rights (to obtain access to information). Depending on the legal framework chosen, an EOB may offer some or all of these rights to those employed, affecting operational and cultural norms, leading to a fourth OQ:

*OQ4: What impact do ownership rights have on the employed?*

### *2.5 OQ5-Power/Control*

Building on both Kruse and Blasi (1997) and Gates (1998), Park, Kruse and Sesil (2004) found that 5% ownership changes workforce attitudes and reduces the likelihood of failure by up to 25%. Pérotin (2004) examined longevity and found that labour-managed firms (LMFs) have different survival rates compared to investor-led firms. Rates are higher in years 1 and 2, fall behind in years 3 to 5, but rise above non-EOBs thereafter with a difference that increases over time. Clearly, complex psychological changes can take place that affect cultural norms (Basterretxea and Storey, 2018; Boyd and Reardon, 2020). If EO changes individual realities, this will trigger changes in workers' collective experience of culture. So, our final OQ is:

*OQ5: How is workplace culture changed by people exercising EO rights?*

## **3. Three legal frameworks**

Bull's (2018) study of social enterprise legal frameworks is pertinent to the field of EO. Ridley-Duff and Bull (2019a: 37, Table 1.1) identify five legal arrangements for EO in the UK that have international equivalents: companies limited by shares (CLS), companies limited by guarantee (CLG), non-profit associations/trusts (NPO), cooperative societies (COOP) and limited liability partnerships (LLP). Any might also be used in a parent organisation to protect the social values and physical/financial assets of subsidiary businesses trading as EOBs. Legal arrangements influence the realities that can be created: who is recognised; what is owned; what cultures are possible. In the next section, we consider three dominant bodies of law identified by Bull (2018)—trust law, company law and society law, and their application to EO.

### *3.1 Trust-owned EOBs*

Trust-owned EOBs use Employee Benefit Trusts (EBTs), Employee Share Trusts (ESTs) and/or Employee Ownership Trusts (EOTs) to hold ownership on behalf of employees, typically controlled by a board with appointed or elected trustees (Nuttall, 2012). The purpose and governance of the trust are defined within Trust deeds. Trusts can have a defined duration (up to 125 years) or be in perpetuity. At the end of their life, trustees either choose to allocate shares to employees, create a



new trust, or give them away to charity. The trustees also determine how dividends earned by the trust are allocated to employees.

This builds on EO models from America, particularly Employee Stock Ownership Plans (ESOPs) that control trading companies. ESOPs primarily, but not exclusively, hold shares only in their associated organisation but can be combined with some external ownership (Erdal, 2011). Employees receive allocations of shares each year within the plan. One perceived advantage, like EOTs defined in the UK 2014 Finance Act, is their inclusive nature, which includes all eligible employees irrespective of grade or role (Blasi, Freeman and Kruse, 2014). They can be criticised, however, for denying direct ownership to employees (Wren, 2016).

### *3.2 Direct ownership*

Direct ownership uses company or cooperative law to secure personal membership and/or ownership of shares that provide dividends and voting rights, potentially accruing in value over time, and which can be recovered upon leaving or retirement (Pendleton and Robinson, 2015). Typically, employees acquire access to personal (Ordinary) shares when they secure employment by: (i) making a voluntary purchase; (ii) making a purchase mandated by terms and conditions of employment, or; (iii) acquiring shares as part of a reward package (Shields, 2007; Wren, 2016). Where the cost of shares become a barrier to ownership, some EOBs follow MCC's example of providing loans to cover the cost. There can be limits on the number (or value) of shares held to stop an individual obtaining a controlling stake (Gates, 1998).

Directly-owned EOBs under company law offer mechanisms to buy and sell shares, often time limited (one day or one month each year), including when an employee leaves or retires. On leaving, they may return the shares immediately or over time (Ellerman, 1997). Employees receive dividends and benefits from increasing share values. However, these can fall too, creating a potential liability or loss. Novkovic (2020) distinguishes rights based on shares from right that are personal, citing the former as the norm in directly-owned EOBs and the later as the norm in cooperatively-owned EOBs. Under company law, voting may be constitutionally defined as one share/one vote or one member/one vote, potentially leading to unequal stakes and voice rights. However, this can be mitigated by allocating voting rights based on membership and dividend rights based on shares (Boyd and Reardon, 2020).

### *3.3 Co-operative ownership*

Worker and producer cooperatives can pursue both ideological and pragmatic goals using society law (Birchall, 2012). In some cases, membership can require a significant capital investment (Whyte and Whyte, 1988). UK worker cooperatives tend to avoid this by issuing nominal 1 GBP shares or requiring a 1 GBP membership fee to join a Company Limited by Guarantee (Ridley-Duff, 2009). Shares are typically offered at a "par value" to prevent cooperatives "being run mainly for the

purpose of increasing the value of the shares (just like an investor-owned business)” (McDonnell, MacKnight and Donnelly, 2012: 32).

The best known (and most studied) example of cooperative ownership by workers is the MCC (Bradley and Gelb, 1982; Whyte and Whyte, 1988; Turnbull, 1995; Kasmir, 1996; Cheney, 1999; Erdal, 2011; Storey, Basterretxea and Salaman, 2014; Bretos, Errasti and Marcuello, 2018). In this case, members have to invest two months’ salary, funded by a credit union loan if necessary. Established in the 1950s, the MCC grew steadily until the 2008 global recession. In 2019, it had over 100 member-owned businesses in its network employing 73,000 worker owners (Ridley-Duff and Bull, 2019a).

Cooperative principles<sup>1</sup> have been adapted for worker cooperatives by the International Cooperative Alliance (ICA, 2005) with a focus on sustainable jobs and wealth creation to “improve the quality of life of the worker-members, dignify human work, allow workers’ democratic self-management and promote community and local development” (Statement 1). Alignment with EOBs takes place where a majority of workers are members (Statement 3) and where the relationship with their cooperative is recognised as “different to wage-based labour” (Statement 4). Members agree their own internal regulations and maintain independence from the state and third parties to promote self-management (Statements 5 and 6).

#### **4. Methodology**

We adopted a social constructionist research philosophy (Johnson et al., 2006) because this is consistent with the varying legal foundations for EO that construct the choices and shape the actions of EOB members. However, such choices are expressed through artifacts (such as legal models) and social norms (established by practices that promote democratic self-governance). Consequently, there is a recursive relationship between social innovations that members devise to remove social and legal constraints and legal frameworks designed to control their choices (Giddens, 1984; Ridley-Duff, 2018). From a constructionist perspective, if members cease to use (or observe) artefacts they have created to support their EOB and/or abandon social practices designed to reproduce EO, EO may cease to exist for them (Alvesson and Deetz, 2000). Given this premise, the realities of EOBs do not exist independently of their members; they are (re)produced through their choices and actions to develop social norms in the context of a legal framework (Cunliffe, 2003; 2011). As a result, any knowledge generated will be derived from an inter-subjective epistemology, expressed as narratives and norms that emerge from fieldwork.

To answer our research question, we re-evaluated ten cases (eight initiated during PhD studies between 2002 and 2016, and two initiated in post-doctoral projects between 2011 and 2019).

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<sup>1</sup> See: [www.ica.coop/en/cooperatives/cooperative-identity](http://www.ica.coop/en/cooperatives/cooperative-identity)

We used primary data and insights gained from subsequent working relationships articulated in teaching materials and journal papers published between 2009 and 2020. Table 2 shows legal, industry, geographical information and source materials used in each case.

**Table 2. Selected Cases**

<b>Case</b>	<b>Legal Form</b>	<b>Industry/Country</b>	<b>Source Materials</b>
<i>Cases originating in PhD studies</i>			
<b>T1</b>	Trust company (NPO-CLG) owing subsidiaries (CLS)	Retail, UK	Ethnographical diary (1 month, 2014), interviews, academic studies, annual reports, web sites, social media, working relationship (post PhD).
<b>T2</b>	Employee trust with trading company (CLS)	Textiles, UK	Ethnographic diary (18 months, 2003-2004), academic studies, company newsletters, email trails, working relationship (2005-2016).
<b>D1</b>	Trading company (CLS) (later part-owned by a NPO-CLG holding company)	Manufacturing, Multinational	Ethnographic diary (1 month, 2014), interviews, web sites, social media, working relationship (2015-2020).
<b>D2</b>	Trading company (CLS)	ICT, UK	Ethnographic diary (12 months, 2002), interviews, company documentation (HR records), working relationship (2002).
<b>C1</b>	Primary and secondary cooperative societies organised as a group	Multi-industry, Multinational	Field visits (3 days, 2003; 3 days 2017), academic studies, web sites, social media, educational materials, working relationship (2016-2020).
<b>C2</b>	Registered cooperative society	Retail, UK	Field visit (2 days, 2014), interviews, web sites and social media, working relationship (2015-2020).
<b>C3</b>	Registered cooperative society	Wholesale, UK	Field visit (1 day, 2003; 2 days, 2014), interviews, web sites, social media, working relationship (2015-2020).
<b>C4</b>	Registered cooperative society	ICT, UK	Ethnographic diary (12 months, 2002), academic studies, company documentation (HR records), working relationship (2002).
<i>Cases originating in post-PhD research</i>			
<b>T3</b>	Community Interest Company (NPO-CLG)	Professional Services, UK	Participatory action research (2010), board meeting minutes/notes (2011-2013), websites, social media, working relationship (2013-2015).
<b>D3</b>	Trading company (CLS)	Consultancy, Multinational	Participatory action research (2017-2018), interviews, social media, working relationship (2018-2020).

After studying the source materials, we divided cases into groups that reflected their preference for trust-ownership (Cases T1, T2 and T3), direct ownership (Cases D1, D2 and D3), and cooperative

ownership (Cases C1, C2, C3 and C4). For each case, we constructed answers to questions in Table 1. If clarifications were needed, we sent emails and/or conducted short interviews with established contacts (Cases D1, D3 and C1). There were four phases of analysis. In Phase 1, we created a table to answer each question for each case. In Phase 2, we did a cross-case comparison for each legal framework. In Phase 3, we developed an “integrated narrative” that summarised findings for each legal framework. For example, our comparative analysis of answers to OQ1 for cases T1, T2 and T3 informed the integrated narrative for trust-owned EOBs. This was repeated for each question for each ownership arrangement (15 narratives). Lastly, in Phase 4, we compared the integrated narratives to articulate findings for each OQ. The next section shows our Phase 4 analysis.

## 5. Comparative Analysis of Answers to Ontological Questions

### 5.1 OQ1: *What realities are creators of EOBs trying to bring to fruition?*

In trust-owned EOBs we identified three inter-linked rationales. Firstly, we found satisfaction at work (Case T1 “through worthwhile and satisfying employment”; T2 by “fulfil[ling] the needs of individuals to derive satisfaction and enjoyment from their careers”; T3 by “provid[ing] satisfying employment for people disadvantaged in the labour market”). Secondly, we found commitments to reduce inequality (Cases T1 and T3 had proactive policies). For example, T1 aimed to “bring everyone up to a middle-class standard of living”. Thirdly, T2 had a specific goal of preventing their business from being sold to private interests (implied also by T1’s legal choices). They expressed this as an “objective to put people and the community ahead of profit”. Overall, for trust-owned EOBs, two rationales were ideological (social improvement and reduced inequality) and one was pragmatic (promoting self-management by preventing a sale to private interests).

Some motives are similar to those in directly-owned EOBs. Cases D1 and D2 both focused on moral/social recognition of employees’ contribution to wealth creation, the promotion of a high engagement culture (like T2) whilst ensuring the company could not be sold. D2 described this as an effort to create “membership, not employment” (similar to T1’s focus on partnership). Also echoing T1, D1 wrote that “each member [needs to] fulfil their obligations in order to earn their rights regarding governance” (Business Plan V2.1, December 2001, Mission). This was similar to T2’s concern with “rights and responsibilities” and D3’s communitarian sentiment that “*what EOBs bring [...] is a recognition that you have both obligations and benefits that come together*” (Co-Founder, Interview).

However, directly-owned EOB cases showed stronger commitments to “fair reward” for direct labour and financial contributions as well as decentralised governance/management. While D1 and D2 had stronger ideological commitments to fair *financial* returns to workers, Case D3 extended the concept of multiple capital returns, with a particularly strong emphasis on stewardship of the natural environmental and creating “commons” for future generations. Case D3 embedded a commitment to sociocracy/

holacracy in its constitution using a multi-stakeholder “FairShares Commons Company”<sup>2</sup> structure (Co-Founder, Interview). This protected employee voice by requiring labour representation in General Meetings, but also enfranchised non-employee stakeholders by giving them a minority voice. Like trust-owned EOBs, they valued self-management and guarded against a sale to “outside” interests.

Cooperatively-owned EOBs formulated some policies aligned to trust-owned EOBs. For example, some or all of the financial surpluses were committed to reserves to create “cooperative capital” which could only be re-invested in development activities. They also had similarities to directly-owned EOBs through individualised rights to membership, participation in management and governance, as well as individual rights to share in the distribution of surplus profits. However, we noted ideological differences. Cooperatively-owned EOBs had the strongest focus on fostering personal freedom (Cases C3 and C4) and specific forms of social change (Cases C1, C2 and C3). For C1, this ideology was expressed as a commitment “to generate wealth in society through business development and cooperative employment based on solidarity, democracy and involvement in management, profits and ownership” (Management education slides, 2019). C2, inspired by the Rochdale Pioneers<sup>3</sup>, was modelled on two branches of the Daily Bread cooperative network which opposed mass-produced foods in supermarkets. Similarly, C3’s aim was “to supply everything vegetarian, naturally and responsibly sourced wholefoods to businesses and communities” (Website). Cases C2 and C3 actively fostered liberal attitudes (e.g. tolerance of same sex relationships) long before equality laws mandated this. To a greater extent than trust- and directly-owned EOBs (except Case T3), cooperatively-owned EOBs rejected line management hierarchies by choosing egalitarian ownership structures and remuneration packages that gave worker-owners greater (relative) control over their lives.

In conclusion, trust-owned EOBs primarily focused on the “satisfaction” of employees whereas cooperatively-owned EOBs balanced this with social/environmental goals. Both trust- and directly-owned EOBs, in our sample, came into existence when founders broke with the business model of absentee investors exploiting labour by crafting an alternative succession plan. One rationale united all legal types—a desire to maintain autonomy and promote self-management by preventing the future sale of the business to outside private investors.

## 5.2 OQ2: *Who are the “employed” in EOBs?*

In all trust-owned cases, “employment” was determined by an employment contract. T1 regarded all directly contracted employees as “Partners”, even temporary seasonal staff, although they are not technically members of the company. Benefits accrued from the start of employment, but excluded “workers” (people employed by other companies to work at T1’s premises). T2 (majority-owned by a

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<sup>2</sup> FairShares and FairShares Commons are described at <https://fairshares.coop> and <https://graham-boyd.biz/fairshare-commons>

<sup>3</sup> The Rochdale Society of Equitable Pioneers is officially regarded as the birthplace of modern cooperativism. In 1844, they opened a shop that later became the Co-operative Group plc.

trust) required a probationary year of permanent employment before admitting staff to membership of the company. This excluded from EO around 30 seasonal staff as well as other “temporary” staff. Unlike T1, permanent staff at T2 also had to buy personal shares (minimum 5% of salary).

What this revealed is that membership has a variable baseline even for those “employed” through an employment contract. In Cases T1 and T3, any employment contract was the qualifying criterion, whereas T2 only accepted employees contracted on a “permanent” basis. Part of the rationale at T2 was the willingness of staff to sign up to “six pillars” of culture, which included flexible evening and weekend working. Where staff had family responsibilities, they were sometimes not willing to sign up to the six pillars, resulting in their exclusion from EO.

For the directly-owned EOBs, both similar and different findings were established. In D1—like T2—all staff with *permanent* employment contracts were admitted to membership, but not temporary staff. To secure EO rights, contracted employees had to commit to co-ownership through a minimum 1,000 GBP shareholding and senior staff had to invest 50% of their first-year salary. D2 only employed permanent staff and membership began after 1 year of employment. Employment contracts stipulated the percentage of Year 1 salary that would be deducted to pay for shares, subject to a minimum of 5%. The most flexible arrangement was Case D3, which uniquely defined “employment” more broadly. Everyone “*significantly committed to the success of the company through a contract or freelance arrangement where over 1/3 of their time, or 50% of their future time, will be committed to the company*” could become a member (Co-Founder, Interview).

Cooperatively-owned EOBs operate as societies, not private companies. This could affect the application of employment law depending on where members worked. C1 is a much-visited exemplar of EO (which directly influenced thinking and practice in cases T2, D1, D2, C1, C2, C3 and C4). Where C1 members worked in Spain, they were treated as self-employed. Elsewhere, employment tribunals regarded members as “employees”, not self-employed. In the UK, employment tribunals involving cases C3 and C4 established cooperative members as “employees” as employment contracts took precedence over membership agreements.

In Cases C1 and C3, only “full members” (not temporary or probationary workers) held voting shares. Compared to Cases T1 and T2, this resulted in more collective control over the admission of new members. Hence, C1 and C3 could determine the member to worker ratio (which influenced each member’s personal share of surplus). In C3, this caused tensions amongst members as some advocated all workers should be members whilst others argued for retention of non-members to boost full members’ incomes.

To summarise findings for OQ2, “employment” across all EO sub-types may or may not be tied to an employment contract, and may or may not be tied to a membership agreement. In cooperatively-owned EOBs, membership, not an employment contract, was the primary instrument granting voice and stake, but this did not preclude regulatory authorities from regarding members as employees. In trust- and directly-owned EOBs, there is a clearer (but not exclusive) orientation towards employment contracts as instruments granting voice and stake rights. EOBs took different decisions on including/excluding temporary and seasonal staff.

### *5.3 OQ3: What do the employed own?*

Rights were assigned to people as members or as owners of shares. In trust- and cooperatively-owned EOBs, the dominant concept was partner or member. In T1, partners were beneficiaries of a trust and acquired constitutional rights. This gave them powers to elect company-wide partnership councils and local partner voice bodies, as well as social and economic rights. Their social rights included access to assets owned by the trust (such as holiday properties) whilst economic rights included year-end bonuses paid out of surplus. Spending powers were granted to elected representative to support employee well-being and development (also trialled at D1). In essence, all three trust-owned EOBs organised part of their financial capital as a commons for employee benefit. Technically, employees working for trust-owned EOBs did not own their trading company. Instead, it was owned by the trust that granted them rights as beneficiaries. In T1 and T2, it is the trust that owns the right to determine whether the company can or cannot be sold, and beneficiaries are granted the right to elect who controls the trust.

This is different to directly-owned EOBs where the concept of a shareholder is stronger. In cases D1, D2 and D3, members held personal shares. These shares could be issued for different relationships with the company (Cases D2 and D3). In D1, only one share type was issued, which varied in value with trading results. In D2, however, there were par value Founder and Labour shares, and Investor shares with a variable value. One Labour share was issued for each year of employment (up to five), whereas Investor shares were allocated for financial contributions. Labour shareholders voting rights were recognised in an employment tribunal at D2 after the government argued that the founder—who had the largest holding of “Investor” shares—had a controlling interest. The court disagreed, recognising that Labour shareholders could outvote the founder. This arrangement separated voting powers in General Meeting from economic rights to a share of surplus. The same applied in Case D3 where par value shares were issued to founder, labour and user members. A further Investor share type was issued for financial contributions and the “added value” from trading surpluses.

In directly-owned EOBs, workers acquired rights attached to their shares when accepted as members. They owned, and in most cases could trade, part of (or one class of) shares, even where they could not sell it to non-members. Unlike trust-owned and cooperatively-owned EOBs, directly-owned EOBs provided for unequal distributions of (variable yield) shares. A distinctive difference between directly-owned EOBs, and both trust-owned and cooperatively-owned EOBs, was the presence of tradable shares. However, this did not normally displace the one-person, one-vote norms established by other EOB ownership models. In D1, for example, whilst variable voting rights were practised in trading subsidiaries, all employees were members of the parent company (which reserved powers to appoint CEOs to the subsidiaries). In deciding on appointments, one-person, one-vote applied.

In cooperatively-owned EOBs (C2, C3 and C4) members bought 1 GBP shares: rights were attached to membership—shareholding acted as a mechanism for confirming membership. In one

case (C1), members had to make a financial capital contribution equivalent to two months salary. Eighty per cent of each C1 member contribution remained their personal property and 20 per cent was allocated to indivisible reserves. In two cases (C1 and C4), members had “capital accounts” for financial investments and their share of surplus profits. In cases C3 and C4, surpluses were either distributed as cash or added to the member’s capital account. Irrespective of capital account holdings, one-person, one-vote applied in governance bodies. Members social rights (to be elected to governing bodies and participate in management decisions) were tied to their membership status, not their capital accounts or employment contracts.

In terms of what EOB members owned collectively, Cases D2 and D3 had explicit (constitutional) commitments to create commons resources shared by members. Other trust- and directly-owned EOBs (Cases T1 and D1) created holding companies and foundations that held property as a commons for member and/or public benefit. As the co-owner of Case D3 stated “*the company aims to create a perpetual commons for current and future members, where members can include groups other than employees*” (Co-Owner, Interview). Whilst the commitment to creating commons was not exclusive to any particular EOB type, “indivisible” commons were a feature of cooperatively-owned EOBs. A proportion of surpluses went to financial reserves for cooperative development and/or investing in like-minded cooperatives.

#### 5.4 OQ4: *What impact do ownership rights have on the employed?*

The rights acquired by employee owners provide them with greater access to information and knowledge about their enterprise. In T1, members could stand for election to governing bodies. At a local level, this was organised as a “partner voice” body, and as “partnership councils” at company and group level. T1 also shared knowledge through a partnership board (2020 Annual Report), although employees only had a minority of places. Information rights, however, were extended to all partners (not just those elected to councils and boards) through a “free press” system (Rule 81). This required managers to answer questions from partners within 21 days, and responses were published to all partners.

Whilst Cases T2 and T3 had less developed systems for information sharing, both had elected governing bodies. Case T3 had works councils (one employee representative from each office) which negotiated working conditions, including pension/voice rights. Across the cases, commitments to knowledge sharing varied, but it is striking that T2 and D1 both treated trading and financial information as member (not management) information and posted it daily to all noticeboards. In D2, C1, C2, C3 and C4 accounting information was shared with all members monthly or quarterly. In C1, an elected audit committee checked information quality before releasing it to members.

We found secondary literature claiming that the democratic heritage at C1 has been eroded by a consumer orientation. This claim was challenged by C1 members during field visits in both 2003 and 2017, and again at conferences in York (2015) and Quebec (2016) where members presented evidence on “solidarity” after the 2008 financial crash and highlighted the success of social welfare



provisions. Solidarity action was also found in other cooperatively-owned EOBs. C4 documents described annual review weekends, shared lunch arrangements, member-only social evenings, open book management and accounting systems (which included personnel records). A similar culture was witnessed at C3, where members prepared food each day for the rest of the workforce, and practised open book management. The preference was for member, not management, information systems.

General Meetings operated one-person, one-vote systems (Cases C1 to C4) with consensus decision-making where possible (Cases C3 and C4). The biggest decisions were taken collectively in General Meeting, not by a management group, although the latter could be delegated tasks (e.g. budgeting, operational management). Authoritarian tendencies—which all admitted were possible—were mitigated by member surveys of managers' performance (C1 and C3) and giving social/partnership councils power to challenge authoritarian behaviour (C1).

Taking all OQ4 findings into account, EO impacts on the workplace by promoting openness, the sharing of trading and financial results, open book management and accessible accounting information. We found no obvious link between specific legal forms and openness as trust-owned, directly-owned and cooperatively-owned EOBs all created some open management systems (Cases T1, D3, C1) as well as less open practices (Cases T2, D1, D2). Whilst we found more consistent implementation of participatory democracy in cooperatively-owned EOBs, it could also occur in trust- and directly-owned EOBs. This suggests that EOBs normalise workplace democracy to a greater or lesser degree across all legal forms.

### *5.5 OQ5: How is workplace culture changed by people exercising EO rights?*

Trust-owned EOBs erred towards protection (both of the entity itself and the people employed by it). T1's culture evolved throughout its early history to become imbued with paternalistic concern for employees, utilising structured HR policies to link effort and reward. Values were formalised in successive publications and protocols to expect partners to "act with integrity" and "do the right thing", "put everything into everything we do" and "give more than you take" so that "everyone gets more". This collective, rather than individualist, philosophy was encouraged by the founder's insistence on information sharing systems that fostered knowledge essential to workplace democracy work (Rule 51).

Similar language was found in T2. On reaching 30 employees, a "development day" process established normative commitments to "fairness, consistency, respect and support, openness and honesty" which became embedded in employment contracts on conversion to EO. There was explicit recognition of culture as something members could influence. Evening "culture classes", open to all employees, became a pre-requisite for candidates seeking election to T2's Governing Council. Ethnographic findings, perhaps unsurprisingly, revealed that standards were difficult to maintain. Senior staff hid information to protect their social standing despite contractual commitments to

“honesty”, and permanent warehouse staff sought to remove part-time workers they did not like by making speculative accusations to HR staff. More positively, T3 experienced a rapid cultural change even after a proposed full transition to EO failed to gain majority support. Employee voice mechanisms were established through works councils for the first time. Loyalty grew, evidenced by staff voting to reject personal bonuses in favour of investing in a new office.

Cultural impacts in directly-owned EOBs were different. There was a greater orientation towards significant personal (financial) rewards and development support, operationalised through explicit or implicit management hierarchies. The rhetoric supported an egalitarian culture, but findings were ambiguous. At D1, executive control over production work continued alongside the introduction of elected representatives with powers to ratify senior appointments. Findings from D2 included positive statements regarding participation (given under oath) alongside interviews revealing hidden hierarchies.

One dramatic example of increasing openness was found in D3 where members recorded two-way online meetings and shared them with non-present members. The only exception was a statutory requirement for secrecy. As a co-founder explained: *“An example might be ‘sensitive negotiations to buy a company and transform it into a FairShares commons’—in this case some information may need to remain secret because of FCA regulations, and out of respect for the stakeholders in the other company to prepare for going public (Co-Founder, Interview).*

In D3, the philosophy of creating “commons” resources was spearheaded by “stewards” who had formal powers under the constitution. This committed them to sociocracy (highly participative, self-managing “circles” of staff). However, concurrently, eligibility for board appointments was restricted by a specific test for emotional resilience and maturity, providing scope for elitism and oligarchy (Ridley-Duff, 2018). This points to limitations and paradoxes with regard to openness, supported by D2 interview data that revealed behind the scenes moves by one director to remove another (without their knowledge) and T2 diaries showing that directors withheld information to protect their social standing.

The culture fostered in two directly-owned EOB was based on individualised financial rewards with an underpinning logic that engagement increases when employees can link efforts to financial rewards. This contrasted with an individualist focus in cooperatively-owned EOBs that fostered the benefits of self-determination (both at individual and group level) with less focus on financial reward. Cooperatively-owned EOBs (particularly C1 to C3) encouraged a whole life (not just work) perspective, emphasising self-ownership, self-control and secure employment. In C1, exceptional levels of commitment to cooperation were found when we witnessed all eight members of one group independently choose “collaboration” as a top-5 value from a list of 25 cooperative values. Levels of self-discipline could also be taken to extremes. In C4, we found evidence of one member who sacked themselves against the wishes of other members after their project was deemed a failure by a customer. Table 3 shows a summary of our findings.

**Table 3. Summary of findings**

<b>Ontological Question</b>	<b>Trust-owned</b>	<b>Directly-owned</b>	<b>Cooperatively-owned</b>
1. What realities are creators of EOBs trying to bring to fruition?	Satisfaction at work Reduced inequality Self-management	Wealth creation Rights and responsibilities Decentralised management Self-management	Personal freedom Social/environmental change/transformation Rejection of hierarchy Self-management
2. Who are the “employed” in EOBs?	Permanent and temporary employees, excluding workers (T1) Permanent employees only (T2, T3)	Permanent employees (shareholding) (D1, D2). Anyone contracted to supply “significant” labour, including freelancers (D3)	Self-employed members (C1) Employed members (C2, C3, C4)
3. What do the “employed” own?	Membership rights to control constitution and elect people to governing bodies (All) No rights to residual assets	Ordinary shares with voting/economic rights (tradable internally) (D1) Multiple shares types (D2, D3) separating voting rights and rights to surplus/assets Limited asset rights	Membership rights (C1, C3, C4) to control constitution and receive a share of surplus Personal capital stake (C1) No rights to residual assets
4. What impact do ownership rights have on the employed?	Share of surplus/bonuses (All) Greater access to all types of information/knowledge (All) Equal voting power to change governors (T1, T2)	Daily access to performance information (D1), and monthly/quarterly access to financial data (All) Open access to meeting recordings, subject to statutory controls (D2, D3) Creation of commons (D3) Variable voting powers progressing towards equality over time (D2, D3)	One-person, one-vote and/or consensus (All) Financial commons (All) Powers to challenge authoritarianism (C1, C2, C3) Participatory democracy (C2, C3, C4) Managers assessed by worker-members, not line managers (C1, C3)
5. How is workplace culture changed by people with EO rights?	Protective culture with tolerance/freedom of expression (T1, T3) Paternalistic/moral concerns (T1, T2) Information, knowledge/power sharing (All) Wealth/asset sharing (All)	Personal financial rewards/development (D1, D2) Open book culture (D2, D3) Mixed messages on democracy (D2, D3) Commitment to sociocracy (D3)	Culture of solidarity and collectivism (C1, C2, C3) Whole-life (immersive) culture with personal development (C2, C3, C4) Open book culture (C2, C3, C4) Wealth/asset sharing (All) Extreme self-discipline (C4)

The findings in Table 3 reveal the contested/socially constructed nature of EO and fluidity at the boundaries of the field. On OQ2 (Recognition/Enfranchisement), trust-owned EOBs consistently use formal employee status as a boundary condition for membership, but directly-owned and cooperatively-owned EOBs can recognise other contractual arrangements as a pre-condition of membership. Even employee status is variable in trust- and direct-ownership as membership can depend on specific terms in the employment contract in addition to completion of a probation period (compare T1 with T2). Boundary conditions also vary in relation to OQ3 (Gains/Possession) with some granting rights to collective assets on liquidation (D1, D2, D3 and C1) or withholding them (T1, T2, T3, C3, C4). Trust- and cooperatively-owned EOBs err towards withholding assets rights, while the directly-owned EOBs grant limited rights.

These findings demonstrate the need for researchers to wrestle with their ontological assumptions, particularly when ideological rationales for EO interact with pragmatic rationales over time. A narrow definition of EO potentially ignores the variety of starting points for EO as well as the praxis of members who evolve their approaches to meet specific challenges (Ridley-Duff and Bull, 2019a). Whilst EOBs can be entirely owned by employees (or Trusts established for their benefit), our case studies show that pragmatic rationales encroach on “ideal” EO arrangements as member roles are developed to accommodate outgoing founders (T2, D1), retiring employees (D2, C1) and support from institutional investors (D3).

The dynamics of this pragmatism is observable in the wider literature. Ridley-Duff and Bull (2019a) cite the case of Sunderland Home Care Associates, a worker cooperative that transformed itself into a company co-owned by an EBT, the founding worker cooperative (as a legal person) and new direct owners. Initially, most shares were held by the EBT, with pre-tax profits used to purchase and allocate them to the workforce based on length of service and organisation performance, to which they could add by buying a further personal shareholding. Such pragmatism affects realities on the ground. After a decade of limited (if any) growth, the change in 1994 (made a 20 member worker cooperative), stimulated growth and spin outs resulting in an EO network operating across multiple projects<sup>4</sup>. Membership grew to 360 by 2009, and to 750 by 2017<sup>5</sup>.

A more refined understanding of different EO models also affects support institutions. In early sponsored studies, the EOA specifically requested that data gathering should exclude worker cooperatives (Matrix Evidence, 2010). However, from 2011, the UK government stated that the “two main types of employee ownership” are direct and indirect (BIS, 2011: 3). The influential Nuttall (2012) review acknowledges direct, indirect and mixed (direct and trust) models which led the UK government to distinguish employee ownership from the wider cooperative sector, whilst acknowledging worker cooperatives as EOBs (BIS, 2012). The EOA has gradually accepted new forms of EO shaped by the pragmatism of their member-owners (EOA, 2012; 2018).

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<sup>4</sup> See: <https://www.kingsfund.org.uk/audio-video/margaret-elliott-sunderland-home-care-associates-case-study>

<sup>5</sup> See: <https://www.becaring.org.uk/>

Case D3 is an example of the way pragmatism encroaches on idealism over time. This model was adopted after D3 studied a legal framework published by the FairShares Association (noted by Boeger and Villiers, 2017; Levillain et al., 2018). This mixes par-value non-transferrable shares for founder, labour and user members (preferred by cooperatively owned EOBs) with variable-yield transferable shares (preferred by directly-owned EOBs). D3 founders also have stewardship obligations, akin to trusteeship, which charge them with creating “commons” resources and solidarity enterprises with a strong (but not dominant) EO component (Ridley-Duff and Bull, 2019b; Boyd and Reardon, 2020; Ridley-Duff and Bull, 2020).

The comparative analysis also produced a heightened awareness of patterns that transcend legal models. In all cases, there is a strategy of decommodification, both at the individual level of the worker as well as the corporate level of the business (Erdal, 2011). The satisfaction of workers was a consistent objective, strongest in trust- and cooperatively-owned EOBs, and all cases sought to remove their EOB from the market for management control (Martynova and Renneboog, 2008). Secondly, there is enfranchisement through advances in member-ownership. Whilst all sought to extend EO, each created their own entry conditions and incentive schemes to limit risks from free-riding (Melizzo, 2013). Thirdly, we found openness to sharing business-critical information (daily/weekly sales; monthly/quarterly accounts). Whilst openness did not always extend to planning and/or personal information, EOBs created relatively open cultures based on dialogue and information sharing. Such openness, however, could be undermined by statutory requirements that limit the sharing of personal and business information, which could be fatal if they facilitated executive capture of an EOB by managers seeking to demutualise for personal gain (see Erdal, 2008; Kaloudis, 2017). Lastly, we found progressive attitudes to workplace democracy, strongest in ideologically driven cooperatively-owned EOBs, and selectively implemented in pragmatically motivated trust- and directly-owned EOBs. Whilst this could be limited to electing governing body members (T1, T2, T3, D1), it could also be extended to business-critical decisions (D2, D3, C1, C3, C4).

## **6. Conclusions**

In answering “what ontological assumptions about EO are framing the constitution and development of EOBs?” we found more diversity than consistency. The limited number of consistencies can be noted as: (i) commitments to the decommodification of labour; (ii) increased commitments to enfranchising workers through membership principles; (iii) commitment to creating open information systems, and; (iv) active support for workplace democracy. These consistencies provide ontological foundations for researchers needing a normative definition of EO.

The cultural consistencies that emerge from EOBs can become the starting point for an ideological motivation to create more EOBs. This was evident in T2 (which studied T1, D2 and C1 before establishing its own model). It was also the case with D3 (which studied D2 and C1) as well as C3 and C4 who drew inspiration from early and existing examples of worker cooperatives. D2 studied

C1 whilst evolving from variable voting power to a one-person, one-vote ecosystem in secondary structures. This shows the pragmatism of members developing new cultures over time (OQ5) and feeding future ideals for EO (OQ1) through structuration (Giddens, 1984; Ridley-Duff, 2018).

However, we assert that the diversity of EOBs is a more significant finding. It calls into question the label “employee ownership” echoing struggles to distinguish producer and worker cooperatives (Birchall, 2012). Inconsistencies in the contracting terms for enfranchising workers as members combined with evidence that EOBs are inspired by cooperatives of *self-employed* worker-owners suggests the term EO fails to capture what it purports to describe. The concept of “labour-managed firms” coined by Vanek (1970) is a better fit with our findings because it fully recognises the contribution of worker cooperatives not only as an approach in its own right but also as an inspiration to other forms of EOB.

Changing to “-managed” overcomes limitations in “-ownership” arising out of situations where EOBs are not owned by their employees. Similarly, the term “labour-” instead of “employee-” accommodates the variations in boundary conditions for membership (e.g. D2 compared to D3). Our selected EOBs are all firms in which “labour” has acquired rights to “manage”, and which also protects their collective right to self-manage their enterprise by removing it from the market for management control. In short, they are LMFs.

It is incumbent on researchers to state whether they define EO as a *sub-set* of a field focussed on LMFs or whether they take a broad view of “employment” that accepts all parties contracted to provide labour as the basis of EO. The ontological position of a study can be plotted within a triangle of possibilities. The first corner advances membership rights based on a person holding *any employment contract*; the second corner is oriented toward enfranchising people with *permanent (open-ended) employment contracts*, and the third corner advances membership for anyone *productively employed* through a mutually agreed contract. The social realities built on these foundations vary in practice offering opportunities to research both convergences and divergences.

Based on this, we welcome further EO studies on: underlying motivations and rationales (OQ1); management processes for recognition and enfranchisement of members (OQ2); determining ownership rights that shape how gains are shared (OQ3); revealing impacts on members’ attitudes and behaviours from knowledge and information sharing (OQ4); and the cultural effects of changes to power and control systems (OQ5). There are also broader implications for researchers. By addressing the five ontological questions in this paper, researchers can establish which aspects of EO they wish to study and the philosophical lens that will advance their research. Our analysis highlights the value of constructivist and constructionist philosophies for establishing motivations, rationales, recognition and enfranchisement (OQ1, OQ2). In contrast, a more objectivist ontology can underpin determinations of ownership rights (OQ3). When it comes to impacts on members’ subjective experience, an inter-subjective ontology combined with structuration theory yields insights regarding the encroachment of pragmatism on previously held ideals. The evolution of EO cultures (OQ4, OQ5) embeds new “ideals” that inform rationales for developing new EOBs (OQ1).

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