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Workplace Democracy

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Management Summary

This thesis examines the theory and practice of workplace democracy and its relation to the current strategic management literature about organization and decision making in firms. Within this literature, a distinction is made between traditional top-down and hierarchical models and more recent bottom-up and emergent thought. The former holds that the decision making process is solely the domain of managers, the latter contends that all employees ought to play a role in providing the inputs for the managers to make their decisions. Workplace democracy goes a step further, and holds that all employees also ought to democratically make the decisions.

Workplace democracy is a possible solution to a number of important problems that arise as a result of excluding employees from decision making. These include alienation and infantilization which in turn have serious negative effects on employee health, loyalty, engagement and satisfaction. Workplace democracy can offer other benefits, for example it integrally features employee development, job enrichment, job rotation and job sharing and all the above can have a positive effect on a firm's bottom line. Furthermore, particularly the effects on employee health build a case that workplace democracy is an ethical necessity.

However, workplace democracy is not a panacea to all organizational problems, and carries with it risks of slower decision making, a knowledge deficit and more difficult succession planning. Most importantly, workplace democracy is radically different from other forms of management, and thus brings with it many problems of implementation, which can negate the potential benefits and exacerbate potential problems. When implementing workplace democracy, careful study of specific and unique circumstances and finding solutions on a case by case basis is necessary. Institutions of learning and knowledge can and should play an important role here.

Practical case studies suggest that, if implemented successfully, democratic workplaces can be very successful both economically and socially. Furthermore, the cases demonstrate a focus on maximizing employee wellbeing over profit and while examined firms are structured very differently from one another, they each share a focus on quality, profit sharing and job security. The cases suggest that democratic workplaces may be the organizational structure most in line with the generic differentiation strategy, while possibly incompatible with a cost leadership strategy.

Lastly, both the theory and the case studies provide good reasons that workplace democracy ought to feature more prominently in business and strategic management literature and education, where this organizational form is currently usually ignored.

Table of Contents

1. Introduction

"The field of Strategic Management deals with the major intended and emergent initiatives taken by general managers on behalf of owners, involving the utilization of resources, to enhance the performance of firms in their external environments" (Nag, Hambrick & Chen, 2007: 942).

This has traditionally been the definition of strategic management, and from that follows what has traditionally been the structure of the vast majority of firms: an economic enterprise that is privately owned and formed and operated to earn a profit and increase the wealth of the owners. In most cases, the owners and the employees of these firms are not the same people. The job of management then, is to direct the other employees on behalf of the owners in ways that increase the potential of the firm to earn a profit and increase the wealth of the owners. Management itself thus becomes a skill that is separate from the field that a firm operates in. This is the idea of managerialism (Burnham, 1941; Deetz, 1992).

Given this framework, it is not surprising that until relatively recently, virtually all firms maintained a hierarchical operational structure. The CEO at the top, and working down the hierarchy through broadening layers of upper and middle management to the workers at the bottom. Classical strategy literature is based on this managerialist foundation, where strategy formulation is the job of top management, and the job of the other employees is to implement and execute (Mantere & Vaara, 2008). The reactions to this view of planned strategies are the bottom-up (Burgelman, 1983) and emergent (Mintzberg & Waters, 1985) strategy approaches, illustrating that the formulation and implementation of strategy is not as rigid as presented by hierarchical theories. These new ideas extended the role of employees from solely implementation to participation in the decision making process and the formulation of strategy because lower level employees may have more practical knowledge about the feasibility of a particular strategic direction or decision than the upper management does. Additionally, broader participation in the decision process was found to positively affect implementation (Mantere & Vaara, 2008)

Alternative ways of organizing or structuring a firm have been established across the globe. In Argentina, Brazil, Norway, Spain, the UK and many other countries, there are numerous cooperative businesses all operating under very different conditions, yet they all share certain characteristics. They engage and include every employee in the strategy formulating and decision making processes. When owners and employees are the same people the role of management and in some cases the goal of the firm is redefined from maximizing profit to democratically maximizing employee wellbeing. This thesis is an exploratory study that aims to explain what workplace democracy is, how

it is implemented in practice and how it compares to traditional organizational structures and practices in terms of worker outcomes.

1.1 Problem Statement

What are the advantages and disadvantages of workplace democracy compared with the currently dominant organizational models and to what extent would implementation of workplace democracy improve worker outcomes?

1.2 Research Questions

1) What is the current paradigm on company organization?
2) What is workplace democracy?
3) What are the advantages of workplace democracy?
4) What are the disadvantages of workplace democracy?
5) When would implementing workplace democracy improve worker outcomes?

1.3 Methodology

The second chapter will set out the traditional ways of organizing and managing companies by way of examining the strategic management literature and history. The third chapter will present an alternative model of organizing and managing companies drawn from relevant literature, and compare its possible advantages and disadvantages to the models discussed in the second chapter. The fourth chapter will present a number of cases from all over the world as examples of a possible implementation of the alternative model discussed in the third chapter in practice, and contrast it with the theory discussed in the third chapter. The fifth chapter will present the conclusions of this thesis, and the sixth chapter will discuss directions for further study.

2. The Current Paradigm of Company Organization

Within the field of strategic management currently roughly two main approaches to formulation and implementation of strategy can be distinguished, each characterized by certain strategic management techniques. These approaches are sometimes opposed and contradictory, while at other times complementary.

The oldest, traditional and by far most common of these is the top-down approach. It ultimately has its roots in military hierarchy and structure, as the traditional way of organizing companies derives from the very first companies, which were the colonial and various national East Indies Trading Companies. These often had either very close ties to the military, or were allowed to raise and maintain their own private military (Mostert, 2007; Wolpert, 2009). This explains both the rigidly hierarchical structure of firms following this approach, as well as the idea that those at the top must make the plans and decisions, and everyone else must follow orders and implement and execute. The military roots of companies can also still be found in the modern business context by the emergence of the idea of marketing warfare in the 1980s (Kotler & Singh, 1981; Ries & Trout, 1986) and the interest within the field of Strategic Management in applying the ideas of military strategists such as Sun Tzu, von Clausewitz and Mao Zedong to the business world.

Even the word 'strategy' itself derives from a military origin, being the Greek word 'strategia', meaning 'office of general, command, generalship'. This in turn derives from 'strategos', meaning 'leader or commander of an army, general' which is a compound of 'stratos', meaning 'army, host' and 'agos', meaning 'leader, chief'. Today the word strategy is still in military usage, but has come to include any plan or action designed to achieve a particular goal, and has thus seen its usage extended from solely military to many other fields, including business.

The bottom-up approach has emerged more recently and places a heavy emphasis on the unpredictable nature of an ever changing environment. This means that including employees in the strategy formulation and implementation processes is not only desirable, but that it is inevitable. It also means these formulation and implementation processes are continuous and never-ending (Markides, 1999).

2.1 Traditional: Top-down

Strategic management is a relatively new academic discipline which originated in the 1950s and 60s. In this period, Chandler (1962: 14) argued that "structure follows strategy" thus placing the developing and implementing of a strategy at the core of management. Strategy, in his view, was to be all-encompassing and conceived and coordinated by a group of managers, thus emphasizing their importance. Selznick (1957) introduced the idea that the internal structure of an organization must match its external environment, while Ansoff (1965) developed and defined a host of strategies for managers to use, akin to adding tools to a toolbox. Taken together, the job of the managers was to identify the circumstances the firm was in and match them to the best fitting strategies, which in turn define the optimal structure of the firm.

Porter became very influential in this approach because he did three very important things. Firstly he developed a number of analysis tools in order to better identify and describe the external and internal environment of the firm, most notably the five-forces-framework (Porter, 1979) and the value chain (Porter, 1985). Secondly, he added another layer to Chandler's framework by adding a second level of structure; organizational structure still follows strategy, but strategy in turns follows industry structure. As a result of this extension, the three generic strategies of cost leadership, differentiation and segmentation were introduced (Porter, 1980: 41). The most important lesson for managers was that they should avoid being "stuck in the middle", and pick only one of these generic strategies. Thirdly, Porter defined what the goal of a firm ought to be, namely to achieve a sustainable competitive advantage.

Prahalad and Hamel (1990) introduced the idea of core competencies, which says that firms ought to identify the one or two things they do better than their competitors, and focus on those strengths. Identifying internal firm factors, which in turn help define strategy, is at the core of the resource based view and its VRIO framework, the foundation of which was laid by Selznick (1957) and Penrose (1959) but was popularized by Wernerfeldt (1984), Rumelt (1984) and Barney (1986a & 1986b). The VRIO framework seeks to identify sources of competitive advantage of a firm by examining the resources available to the firm and asking if they are valuable, rare and hard to imitate and if the organization of the firm is capable to exploit the resource. The idea of focusing on existing strengths ties in well with Porter's findings that firms should avoid being stuck in the middle but rather specialize. On the other hand, these strengths of the firms tend to be difficult to deliberately engineer, and thus ought to be merely identified, which ties in with emergent strategy discussed under 2.2.

Combining these ideas, the job of managers now is to identify both the internal and external (including industry) circumstances the firm is in and match them to the best fitting strategies, which in turn define the optimal structure of the firm. The key difference is the insight that the optimal strategy of a specific firm is unique to that firm, and thus that there are multiple unique ways of achieving the same generic strategy optimal for that industry, although a single firm should always focus on only one of these. It is also possible for a firm to no longer fit its industry, that is, its internal core competencies no longer fit with its external circumstances, thus no longer allowing it to achieve a sustainable competitive advantage within its industry. This can happen because the structure of the industry has changed, for example. In this case, the firm ought to exit the industry.

A defining aspect of this approach is the heavy focus on the managers, because it is their role to identify and map the internal and external circumstances of the firm, find the strategy that matches these circumstances and implement it. This is a very centralized way of looking at firm structure, strategy and organization. However, at the same time, it can be argued that it is not the managers who truly develop or pioneer a strategy, they merely discover it based on internal and external factors, a large majority of which are often if not always beyond their control. This approach then also has a certain air of inevitability about it.

2.2 More Recent Developments: Bottom-up and Emergent

Mintzberg found that, contrary to the above theories, in practice the strategic process is much more fluid and unpredictable than the theories would lead one to believe. Based on this he suggested five different manifestations of strategy (Mintzberg, 1987; Mintzberg & Quinn, 1988). These are strategy as plan, ploy, pattern, position and perspective. Strategy as plan means consciously intended to deal with a situation. A plan can also be a ploy, meaning a maneuver to outwit an opponent. These both apply to and describe top-down strategy. But Mintzberg then goes on and claims that "if strategies can be intended (…), surely they can also be realized. In other words, defining strategy as a plan is not sufficient; we also need a definition that encompasses the resulting behavior" (Mintzberg, 1987: 12). Thus strategy as pattern is intended and unintended consistency in behavior. It can be wholly independent from the strategy as plan. While some parts of the plan might go unrealized, other patterns may appear organically. Strategy as position echoes Porter's insight that strategy follows the environment of the firm. Lastly strategy as perspective is "to the organization what personality is to the individual" (Mintberg, 1987: 16). Specifically this acknowledges that strategy is a shared concept or perception of the world and place of the organization in it. It is the concept of organizational culture.

Mintzberg also developed ten schools of thought about strategy formulation (Mintzberg, Ahlstrand & Lampel, 1998), some again describing the top-down approach, others building on the new insights gained from thinking about strategy as a pattern or perspective. Markides (1999) built on this new way of looking at strategy and introduced the ideas that strategy formulation and implementation is a continuous, never-ending process which requires continuous reassessment. Mintzberg (1978) also introduced the theory that strategic outcomes are partially planned, or deliberate and intended and partially unplanned, or emergent. Emergent in this sense meaning deliberate responses to emerging issues within the competitive environment. Moncrieff (1999) added a third source for strategic outcome, strategy in action. It is the result of the actions of many people throughout the organization, working in ignorance of the strategy or of how they contribute to its implementation which modifies the outcomes of earlier strategic intent and rarely becomes formalized as strategy and rarely results in strategic learning.

While Mintzberg might have now become arguably the biggest name associated with this idea of bottom-up strategy, Drucker, like Chandler, Selznick and Ansoff a pioneer in the field of strategic management, already touched on some of these ideas in the 1950s and 60s. He developed the theory of management by objectives (Drucker, 1954). This theory is based on the participative setting of goals and making of decisions, as well as the monitoring of progress towards those objectives.

Furthermore, he predicted the importance of what is now intellectual capital and coined the term 'knowledge worker' (Drucker, 1959). He stated that knowledge work would be non-hierarchical, carried out in teams and with those most knowledgeable about the current task being the temporary leader. We can see an example of contemporary application of these ideas in the matrix management system.

This approach is less geared toward centralization, with not just managers but the entire organization involved in providing the inputs for the strategy formulation process, as well as collaboratively implementing the more dynamic, partially emergent and ever changing strategy. However, the responsibility and power to make the actual decisions concerning strategy and its implementations still lie firmly within the sphere of management.

The formulation and implementation of strategy as it exists in the literature can be divided into two approaches, top-down and bottom-up. A different, third approach will be examined in the next chapters. How these approaches relate to each other is illustrated in table 1.

Approach to formulating and implementing strategy	Who is responsible for…		
	… providing input for the decisions?	… making the decisions?	… implementing the decisions?
Top-down	Managers	Managers	All employees
Bottom-up and emergent	All employees	Managers	All employees
Democratically	All employees	All employees	All employees

Table 1: Comparison of different approaches to formulating and implementing strategy

3. Workplace Democracy

Workplace democracy describes "a variety of interpersonal and/or structural arrangements which link organizational decision-making to the interests and influence of employees at various levels" (Petersson & Spängs, 2005: 11) and "stretches from participative management and employee involvement, to industrial democracy and self-management" (Heller, 1983: xxxv).

3.1 History of Workplace Democracy

The idea of workplace democracy, also known as industrial democracy, has its philosophical roots in the democratic thoughts of philosophers Jean-Jacques Rousseau and John Stuart Mill (Skelley, 1989). Practical implementations of workplace democracy in the form of cooperatives also originated from Britain and France, starting in the 19th century, although The Shore Porters Society, founded in 1498, may well be the oldest cooperative ever.

The period roughly between the American Civil War and the First World War was the period of national democratic industrialization, which brought with it the syndicalist, socialist and radical trade unionist movements (Deutsch, 2005) as well as protests against anti-democratic practices. It was in this period that influential syndicalist César De Paepe posited that the spread of democracy to the economic sphere was inevitable. Influential economist and political scientist Joseph A. Schumpeter broadly agrees with this thesis in his seminal book, *Capitalism, Socialism and Democracy* (1942). It was also during this time that French politician and mutualist philosopher Pierre-Joseph Proudhon first theorized about self-management, most notably in *What Is Property?* (1840).

In the early 20th century, political theorist, writer, historian and economist George D.H. Cole provided more economic elaboration and specification to the notions of work and participation of Rousseau and Mill (Skelley, 1989 and Mason, 1982).

During both World Wars in the US, "thousands of joint labor-management committees were established to resolve workplace issues and enhance employee involvement in decision making and maintain full production. At the end of the two World Wars these immediately dissipated, along with onsite child care to support the large wartime female workforce" (Deutsch, 2005: 646).

The spread of workplace democracy was set back by the defeat of the Republicans, which included strong trade unionist and anarcho-syndicalist factions, by the fascist Nationalists during the Spanish Civil War in 1939. However, after the Second World War a number of cooperative movements and institutional systems of workplace decision making emerged. The latter chiefly in Scandinavia, Germany and Yugoslavia (Deutsch, 2005).

It is these institutions, and the Yugoslavs and Scandinavians in particular, who helped spread and develop the ideas of workplace democracy around the world during the late 1960s and 1970s. Parallel to this development was a movement towards organizational development, focused on job and workplace redesign which experimented with and advocated employee involvement, most importantly in the US, but also in Australia and France. Most of this institutional support for the development and implementation of employee involvement, participative management and workplace democracy lasted until the rise of Reaganism and Thatcherism in the 1980s and the break-up and descent into war of Yugoslavia in the early 1990s (Deutsch, 2005).

3.2 Current Theory

3.2.1 Definitions

Workplace democracy encompasses a number of concepts such as participative management, employee involvement, employee empowerment, industrial democracy and self-management. The literature appears to lack a clear consensus on the precise meaning of these terms, particularly in relation to each other, so an explanation of these terms is provided below.

Industrial democracy was the original name for workplace democracy, and the two terms can be used interchangeably. The term was most commonly used in continental Europe, and originally referred to workplaces run directly by the workers. Both due to its history and the word 'industry' in the term, it came to be heavily associated with traditional manufacturing industries. Because the ideas it attempts to convey are not limited to those sectors, the term workplace democracy was adopted instead.

Employee involvement means that "every employee is regarded as a unique human being, not just a cog in a machine, and each employee is involved in helping the organization meet its goals. Each employee's input is solicited and valued by his/her management. Employees and management recognize that each employee is involved in running the business" (Apostolou, 2000: 2).

Employee empowerment is a somewhat different concept. It means that "in addition to involving employees in running the business, employees and management recognize that many problems or obstacles to achieving organizational goals can be identified and solved by employees. Employee empowerment means that management recognizes this ability, and provides employees with the tools and authority required to continuously improve their performance. The management states its expectations about employees recognizing and solving problems, and empowers them to do so." (Apostolou, 2000: 2).

Participative management, also known as participative decision making, has a lot of overlap with employee involvement. Participative management "encourages the involvement of stakeholders at all levels of an organization in the analysis of problems, development of strategies, and implementation of solutions. Employees are invited to share in the decision making process of the firm by participating in activities such as setting goals, determining work schedules, and making suggestions. Other forms of participative management include increasing the responsibility of employees (job enrichment); forming self-managed teams, quality circles, or quality-of-work-life committees; and soliciting survey feedback. Participative management, however, involves more than

allowing employees to take part in making decisions. It also involves management treating the ideas and suggestions of employees with consideration and respect" (Helms & Cengage, 2006: 1).

Sashkin (1984) identifies four broad areas in which employees may participate under participative management: setting goals, making decisions, solving problems and making changes in the organization.

Participative management is based on four processes, each rooted in sharing: sharing information, sharing expertise, sharing discretion and sharing rewards (Helms & Cengage, 2006). Sharing of information is concerned with keeping the employees informed about the economic condition, the goals and the performance of the firm. This helps employees understand the big picture, the significance of their tasks and how they contribute to the larger goals. The sharing of expertise in the form of training firstly helps to ensure that employees know how to interpret, evaluate and understand this information, secondly is concerned with allowing employees to develop the skills necessary to use the information to make effective decisions regarding the firm and thirdly allows for developing skills to further the careers of the employees. Sharing discretion allows employees, once they understand what the big picture is and how they fit in it, to decide for themselves how to best exercise their tasks to reach goals. For example allowing employees to set their own working hours. Sharing rewards is the increased compensation tied to achieving goals and introducing beneficial suggestions or ideas. Examples include Employee Stock Option Plans (ESOPs), companywide profit sharing programs and employee ownership of the firm.

Self-management, also known by its French and Spanish names, autogestion and autogestión respectively, is a form of decision making in which decisions affecting a group or organization are made by all those who are a part of that group or organization. In the workplace, this means workers together decide what to do, how to do it and where to do it rather than being told by an owner or supervisor. Examples of autogestion in practice include the Paris Commune, the German, Russian and Spanish Revolutions and Titoist Yugoslavia, as well as the recovered factory movement in Argentina and the Mondragón Cooperative Corporation in Spain.

3.2.2 Workplace democracy and society

Pateman and Blumberg have been identified as "the best known contemporary articulators of the values and purposes of workplace democracy" (Skelley, 1989: 177). Pateman (1970) has interpreted the political philosophies of Rousseau, Mill and Cole to contribute to a theory of participatory democracy which is justified through "the human results that accrue from the participatory process" (Pateman, 1970: 43) and "built around the central assertion that individuals and their institutions

cannot be considered in isolation from one another" (Pateman, 1970: 42). Pateman asserts that a governmental democracy based on participation must be based on a "participatory society" in which all institutions utilize a participatory decision making process. Without this, citizens would not be educated in the ways of participation, resulting in them having no will to participate in government, failing to develop a sense of political efficacy, lacking a sense of dignity, worth and freedom and they will be less willing to accept societal decisions (Skelley, 1989, Pateman, 1970). Pateman argues that the workplace is "the most important area" in which such education can take place because "most individuals spend a great deal of their lifetime at work and the business of the workplace provides an education in the management of collective affairs that is difficult to parallel elsewhere" (Pateman, 1970: 43) and because participation in democracy in the workplace allows for "considerable control over their lives and environments" (Skelley, 1989: 178).

3.2.3 Alienation and infantilization

Blumberg (1968) identifies alienation at work as the common condition of modern man and contends that it can be substantially mitigated by worker's participation and that people want to participate in decision making that affects their work lives. Blumberg finds that autocratic organizations treat employees as immature, which contributes to this alienation. Argyris (1957) argues that the design of jobs and organizations directly frustrate the normal adult human need for autonomy and control over one's own behavior. Specifically, normal human development from infancy to adulthood involves a progressive increase in responsibility for one's own actions, whereas in organizations every effort seems to be directed toward treating employees as dependent and remove their control over their own behavior.

This infantilization of the worker is examined in some detail by Sievers: "It seems as if the only pattern most western workers can relate to is that of the child vis-a-vis its parents. Through the nature of the work provided for them the employing institutions infantilize the workers. They do not allow them to develop or mature, but limit them to regressive and familiar reactions" (Sievers, 1993: 64) and even goes so far as to argue that participation is not the answer but a further symptom of the problem, which can only be solved through democratization of work. Chomsky (1993: 4) argues that "Corporations are basically tyrannies, hierarchic, controlled from above. If you don't like what they are doing you get out", meaning all corporations contribute to alienation.

Blumberg (1968) further contends that participation in decision making increases the employee's power in the working environment, which in turn increases the status of the employee both in his own eyes and in the context of the organization which in turn leads to improvements in morale and productivity. Blumberg illustrates this with the model presented in figure 1.
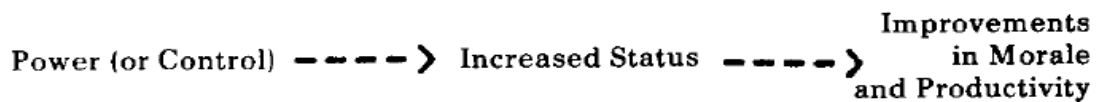
Power (or Control) - - - -) Increased Status - - - -) Improvements in Morale and Productivity

Figure 1: Blumberg's model of participation in decision making

3.2.4 Workplace Democracy and Organizational Development

Skelley (1989) summarizes Pateman and Blumberg's assumptions and values and compares them with the assumptions and values of the academic field of organizational development, as adapted from French and Bell (1979), finding many similarities and broadly concluding them to be compatible and complementary. The assumptions and values of workplace democracy as per Skelley's interpretation of Pateman and Blumberg are included in Appendix 1. The assumptions and values of organizational development as per Skelley's adaption of French and Bell are included in Appendix 2.

Skelley (1989) also notes a number of differences between the field of organizational development (OD) and workplace democracy as advocated by Pateman and Blumberg. Firstly, workplace democracy has broader goals of societal change, whereas OD is a tool for managing change based on the needs of organizations and the psychological well-being of individuals in those organizations. Note how this is not indicative of the views of all advocates for workplace democracy. While some, such as Pateman, Blumberg and Chomsky, advocate workplace democracy with these aims, it is not universal and not part of the definition of workplace democracy given at the start of this chapter nor a part or motivation of many of the cases presented in chapter 4. The discrepancy appears to be caused by whether the analysis performed focuses on business or society as a starting or focal point. However, these two types of advocates for workplace democracy are not mutually exclusive. Secondly, as discussed more thoroughly under 3.4.6, Pateman and Blumberg overly rely on the perceived benefits of participation to solve problems, while OD offers a number of more specific tools to solve potential organizational problems.

Skelley then draws from organizational development literature demonstrating that certain organizational and individual factors can affect positively or negatively the inclination towards participation (Golembiewski, 1982; Stewart & Garson, 1983). This is discussed in more detail under 3.4.3. This results in a draft for a revised model of the participative experience shown in figure 2.
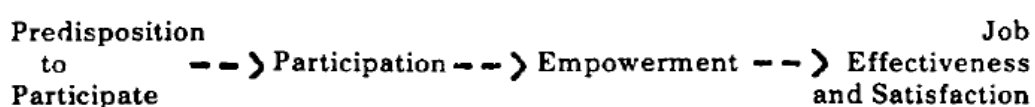
Predisposition to Participate - -) Participation - -) Empowerment - -) Job Effectiveness and Satisfaction

Figure 2: Skelley's revision of Blumberg's model of participation in decision making

3.2.5 Towards a model of participative management

Katz and Kahn (1966) identify three basic human work needs based on a review of organizational research: "autonomy or control over one's own behavior; completion or achievement of a whole, finished task; and interpersonal contact in the context of work active ties" (Sashkin, 1984: 10). Sashkin (1984), finds that these three basic human work needs are supported by a range of psychological and sociological research findings. Sashkin then goes on to develop the model shown in figure 3 to demonstrate that "participative management has positive effects on performance, productivity, and employee satisfaction because it fulfills the three basic human work needs: increased autonomy, increased meaningfulness, and decreased isolation" (Sashkin, 1984: 11).

A MODEL OF HOW PARTICIPATIVE MANAGEMENT WORKS
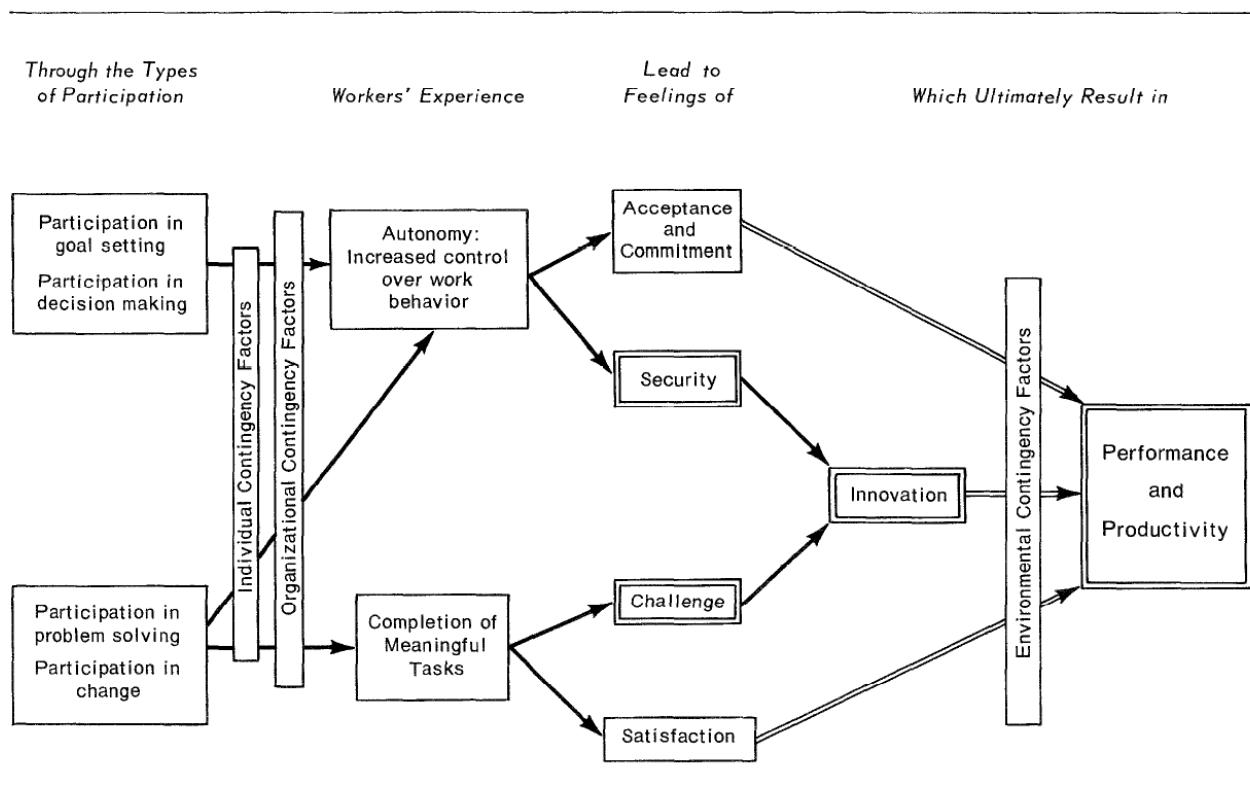
Figure 3: Sashkin's model of participative management

Skelley's and Sashkin's models are broadly compatible. Sashkin's model acknowledges Skelley's point about "Predisposition to Participate" with the "Individual/Organizational Contingency Factors", but does again starts from the point of participation, similar to Blumberg's original model. Both Sashkin's and Skelley's models recognize how participation leads to empowerment/autonomy which in turn leads to satisfaction or acceptance. Sashkin, based on the three basic human work needs, does not have satisfaction flow directly from autonomy but rather from the separate need of completing meaningful tasks which in turn is fulfilled through participation. Based on this same model of human work needs, this satisfaction and acceptance in turn leads to performance and productivity, whereas

Skelley sees both as stemming from empowerment. Sashkin's model could be improved by implementing Skelley's point that participation can be stimulated or hindered by other individual and organizational factors to such an extent that these factors, and not participation, should be the starting point of the model. Since participation in turn has an effect on these factors, this turns the first part of the model into a feedback loop, as shown in figure 4.
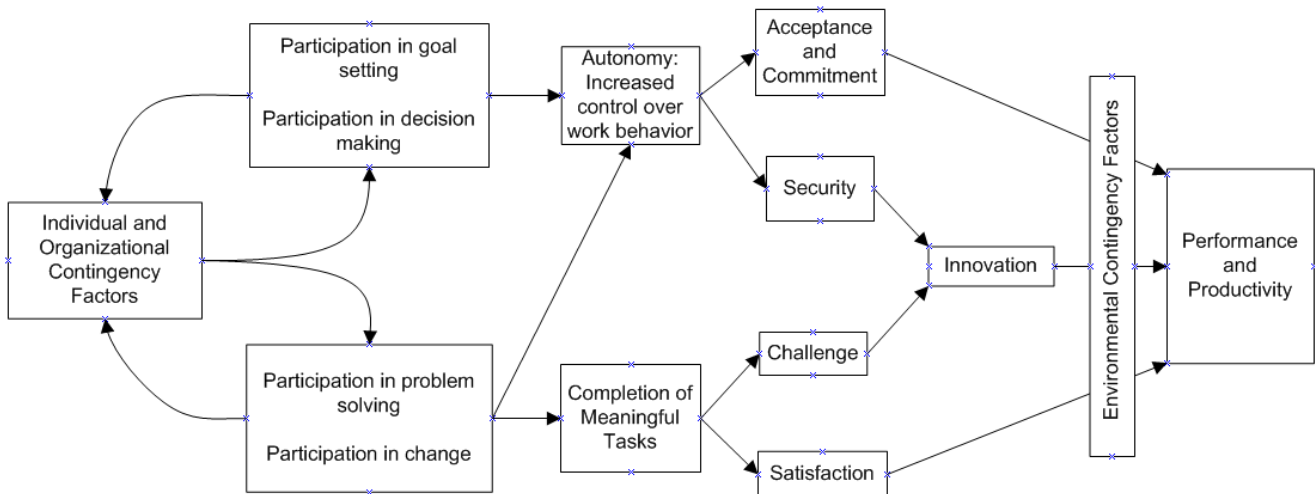
Figure 4: Revised model of participative management

3.2.6 Cooperatives

As briefly mentioned earlier, historically the most common application of workplace democracy in practice was in the form of cooperatives. A cooperative is a legal entity owned and democratically controlled by its members. In some countries, for example Sweden and Finland, there are specific forms of incorporation for cooperatives. In Germany, the Codetermination Act of 1976 (Mitbestimmungsgesetz) requires all companies of over 2000 employees to have half the supervisory board of directors as representatives of workers. This can be seen as an indirect and partial implementation of workplace democracy.

Worker cooperatives go one step further, being a cooperative that is owned and democratically managed by its worker-owners. The International Organisation of Industrial, Artisanal, and Service Producers' Co-operatives (CICOPA) has formulated a World Declaration on Worker Cooperatives, which was approved by the International Co-operative Alliance General Assembly in 2005. This document includes a thorough definition of worker cooperatives and outlines some assumptions and values of the worker cooperative movement. A number of regions in the world which contain clusters of worker cooperatives also have established ties with existing universities, or set up their

own, in order to study and spread the cooperative organizational form, for example in the autonomous Basque Country in Spain and the Emilia-Romagna region in Italy. Recently, a lot of worker cooperatives have been started in South-America, most notably in Argentina and Venezuela.

Adams and Hansen (1993) have outlined a comparison chart between corporations, state-owned enterprises and worker cooperatives. In this comparison the corporations are based on US rules and regulations. The chart is included in Appendix 3.

3.3 Advantages

The following will attempt to discuss a number of potential advantages and disadvantages of workplace democracy. Neither of these is an exhaustive listing, but rather a selection was made of what appear to be the most common or important aspects based on both academic and other literature, as well as discussions and documentaries about workplace democracy. Unfortunately, workplace democracy is not a subject that garners a lot of attention, and as such it is especially difficult to find well-informed critics. Likely at least partially as a result of this, particularly the commonly found criticisms of workplace democracy are based in large part on the hypothetical, with little or no connection presented to practical examples. As a result, some of the commonly found criticism treated under the disadvantages heading here is rather superficial or largely theoretical.

3.3.1 Lockouts and strikes

In a democratic workplace, work stoppages, either engaged by employees, strikes, or engaged by management, lockouts, can only happen with majority approval of the workers. Furthermore, strikes will not be motivated by lack of control over management. In general, due to increased involvement and a much heavier focus on arbitration, it is much less likely that either of these disruptions takes place at all.

3.3.2 Employee development, job enrichment, job rotation, job sharing

In order to meaningfully participate in the decision making process, workers must have the relevant information and the tools and skills to understand that information. The developing of these skills is itself already a form of employee development and job enrichment. In addition, in a democratic workplace it is even more desirable to have workers become familiar with all operations of the firm, encouraging job rotation. At the same time, workplace democracy also gives the authority and ability to the workers to arrange by themselves the implementation of development, enrichment, rotation and sharing on an ad hoc basis to match their own schedules. That is, the workers themselves have the capacity to work out when to do what and coordinate this amongst themselves, while being aware of the overarching goals and objectives of the organization. For example if it is important that there is always a receptionist at the front desk and the firm has two or three receptionists all qualified to do the job, they can decide amongst themselves who works when and it is not important for other workers to know in advance exactly which receptionist is going to be there at any given time.

3.3.3 Employee health

Foley and Polanyi (2006: 178) comprehensively present the argument that "democratic workplaces contribute to employee health, while unhealthy workplaces impose staggeringly high costs on

employees, employers and tax-payers". Mainly focusing on the US and Canada, they find a significant rise of poor employee health in recent decades related to stress (Gnam, 2000; Felix, 1998) and repeat trauma cases amongst telephone, hospital and supermarket staff leading to increased illness (Askenazy, 2001) amongst other causes. They find that employee stress and burnout cost US and Canadian employers huge sums of money annually, mainly in lost productivity. Foley and Polanyi (2006) further find that "evidence linking working conditions and health has been building since the 1960s" and falls under three categories: decision latitude, job security and work-life balance.

Decision latitude is a construct developed by Karasek and Theorell (1990) which measures the degree of control workers have over what happens on the job and how the work is done. Karasek et al. (1981) found that heart disease symptoms was highest among those who described their work as both psychologically demanding and low on decision latitude. Crucially and within limits, work demands themselves formed less of a risk than "lack of control over how one meets the job's demands and how one uses one's skills" (Karasek et al., 1981: 9). These findings amongst others led to the development of a job strain construct which measures the level of decision latitude a worker has to meet the psychological and social demands she faces. Job strain has a large effect on employee health, as it was found to affect mental health, cancer and coronary heart disease (Jones et al., 1998; Karasek and Theorell, 1990; Schnall et al., 1994).

Perceived job insecurity is well documented to have an adverse effect on employee health, including anxiety, apathy, depression, hopelessness, hypertension, paranoia, and other psychiatric and general health symptoms (Wichert, 2002; Ferrie et al., 1998; Ferrie, 1999; Ferrie, 2001; Lavis and Farrant, 1998; Kivimaki et al., 2000; Shore, 1996; Littler 2000). Job insecurity can also result from threats to remove or actual removal of valued job features or reducing employee control over work pace, work flow and working hours, which ties in with decision latitude (Marmot et al., 2001; Wichert, 2002). Foley and Polanyi (2006) further find that problems resulting from job insecurity appear to be long term and are more pronounced when workers do not have a say in decision making as well as among temporary and contract workers.

Work-life balance relates to the balancing of demands and obligations of work with family life and other responsibilities. This is becoming increasingly problematic (Duxbury et al., 2003; Ferber & O'Farrell, 1991; Franks, 1999) and increasingly valued by workers (Duxbury & Higgens, 1998; Duxbury et al., 2003). The two types of strain workers can experience related to work-life balance "are overload, having too much to do with too little time to do it; and interference, facing conflicting demands from different roles" (Foley & Polanyi, 2006: 181). A major and specific contributor to these kinds of conflict is work hours. Both long hours, uncertainty over hours and working on-call have

been found to contribute to have negative physiological and psychological health symptoms, including disturbed relaxation ability, elevated blood pressure and coronary heart disease (Sparks et al., 1997; Ertel et al. 2000).

Foley and Polanyi (2006) argue that in a democratic workplace employees have greater control, including over working hours and schedule, thereby lowering their job strain, job insecurity and benefitting their work-life balance, all of which in turn benefit their health. Additionally, information sharing, as well as the absence of such threats as offshoring would lower job insecurity and thus also improve employee health.

Additionally, Sashkin (1984) points to the infantilizing results of making employees dependent and removing their control over their own behavior and links the frustrating of Katz and Kahn's (1966) three basic human work needs to ill effects on psychological and physical health. Specifically, a study by Kornhauser (1965) showed impaired mental health among automobile assembly-line workers, Palmore and Jeffers (1971) found in a longitudinal study that workers who were more satisfied with their job lived longer. Jenkins (1971), Sales and House (1971), each found significant links between coronary heart disease and job (dis)satisfaction.

Sashkin (1984) notes that this does not explain what exactly causes the dissatisfaction in the first place, and so goes on to note that French and Caplan (1972) found a correlation between lack of participation and negative psychological and physical conditions. High participation was found to be related to low psychological strain, high use of skills, increased feelings of responsibility, better work relations, more positive attitudes toward work and higher output. Most notably French and Caplan (1972) point out that of all the stressors they have considered, low participation has the greatest harmful effect on job satisfaction.

Addressing the three work needs specifically, Sashkin (1984) points to studies showing that workers on machine-paced assembly operations, that is, work that focuses on repetitive short-cycle work that fails to allow control over one's actions or a sense of accomplishment or achievement, report more dissatisfaction than workers from 23 other occupations. In addition, these workers suffered from high levels of stress and anxiety, depression, irritation and health complaints and made many visits to dispensaries (Caplan, 1980). Cox (1980) reviews a number of other studies, one of which replicated these results in the USSR, as well as a series of studies in Sweden concerning workers whose work activity did not meet any of the three work needs. These studies found high levels of stress and unusually high levels of urinary catecholamines, which are implicated in cases of hypertension (high blood pressure) and blood triglyceride and cholesterol levels, which are factors associated with

coronary heart disease. These results were replicated in an experimental study, also reviewed by Cox (1980).

It is no surprise that Sashkin (1984: 4) concludes that "Participative Management is an Ethical Imperative", a sentiment echoed by Cheney (1995: 186) and Holtzhausen (2002: 46), who concludes that "a democratic workplace is an ethical and moral imperative", which will be discussed in more detail below.

3.3.4 Employee loyalty, engagement and satisfaction

Both Bennet (1990) and Moravec (1994) point out that loyalty used to be the cornerstone of the employee-employer relationship. In exchange for job security and a steady progression up the hierarchy, employees would remain loyal to the organization. Turnover was a sign of dysfunction. However this no longer appears to be the case. Indeed the last fifteen years have brought unprecedented reorganizations, outsourcings, lay-offs and mergers, and young people entering the job market are explicitly told not to expect to be with any one corporation for more than a few years, and to expect to work for many different organizations in their lifetime. Holtzhausen (2002) identifies this loss of loyalty as an impediment to an organization's ability to innovate and change and Moravec (1994) encourages managers to sit down with their employees and talk about what exactly the organization should be and what it should do.

Holtzhausen (2002: 44), in a study on the effects of workplace democracy on employee communication behavior, further finds that democratic workplace practices are impressive in terms of the ability "to improve trust levels, information flow, face-to-face communication, and, to a lesser degree, reduce fear to communicate and improve superior/subordinate communication". This in turn should lead to increased job satisfaction.

In a meta-analysis based on 7,939 business units in 36 companies, Harter, Schmidt and Hayes (2002: 273) found "both overall satisfaction and employee engagement show generalizability across companies in their correlation with customer satisfaction-loyalty, profitability, productivity, employee turnover, and safety outcomes". Additionally, the metric used to measure employee engagement included as positive elements employees knowing what is expected of them, their opinions being perceived as valuable and multiple elements concerning employee development and job enrichment.

There are strong signs that democratic workplaces experience less turnover and less perceived and actual job insecurity than traditional corporations. This leads to higher employee satisfaction not only

through the employee health link explored above, but also through increased employee loyalty and engagement. In turn, this is significantly correlated with better business outcomes in general.

3.3.5 Ethical

Dahl (1985) argues that "*If* democracy is justified in governing the state, then it must *also* be justified in governing economic enterprises; and to say that it is *not* justified in governing economic enterprises is to imply that it is not justified in governing the state." Braverman (1974) and Durkheim (1964) argue that workplace democracy follows from the moral right of every employee to a humane, non-alienating work environment. Sashkin (1984) takes the three basic human work needs discussed above, and notes how failing to satisfy them is both physically and psychologically harmful to employees, as discussed under 3.3.3. He combines this with the minimalist ethical position of "Do no active harm to other people" (Sashkin, 1984: 16) to conclude that not only is participative management an ethical imperative, but also that "it is ethically unjustifiable to manage nonparticipatively, unless one maintains the fundamentalist position and asserts that in a civilized society individuals do not have a basic right to remain unharmed by the actions of others" (Sashkin, 1984: 17).

Thus there are two ethical arguments for workplace democracy. The first argument holds that the same reasons in favor of democracy and against tyranny and dictatorship in the political sphere also apply to the economic sphere. In order to refute this argument, one would either have to argue against democracy altogether or demonstrate how the economic sphere is so markedly different from the political sphere that the democratic principles almost universally held in at least the western world do not apply. The second argument is even more basic, demonstrating that it is possible to run a company equally or more successfully in purely economic terms in a participatory fashion and that running a company in a non-participatory fashion is actively harmful to its employees and thus that firms ought to be run in a participatory fashion.

3.3.6 Bottom line

The argument that workplace democracy improves the performance of the firm date back to the famous Hawthorne studies. Proponents of workplace democracy argue that these did not in fact demonstrate that subjects improve or modify an aspect of their behavior being experimentally measured simply in response to the fact that they are being studied, the Hawthorne effect, but instead that the improvement was caused by the special treatment, including being involved in decision making, the test subjects received (Foley & Polanyi, 2006; Sashkin, 1984). This is in line with the original aim of the Hawthorne studies and the aims and interpretations of one of the involved researchers, Elton Mayo (Mayo, 1947). However, there is still much debate and disagreement about

all facets of the Hawthorne studies, not in the least caused by shoddy scholarship in examinations of the studies by secondary authors (Smith, 1987).

However, other studies also find that participative techniques have an impact on performance (Sagie & Koslowsky, 2000; Lutz, 1997; Jackon, 1983). A very large study by the US Government Accountability Office found no direct relationship between ESOPs and profits, but did find that employee ownership coupled with participative management is related positively to firm performance (US GAO, 1987). The GAO study also assumed that ESOPs did not increase employee compensation when set up, which has since been found to be false (Kardas, Scharf & Keogh, 1998; Han Kim & Ouimet, 2009) and thus the results are probably too conservative because of this assumption. Other studies into ESOPs also found that the combination of ownership and participation has positive effects on firm performance, with the combination of ownership and participation both outperforming and outlasting positive effects on firm performance as a result of either of those factors considered in isolation (Kruse & Blasi, 2000; Quarrey, Blasi & Rosen, 1986).

3.4 Disadvantages

3.4.1 Slower decision making

Probably the most common objection to workplace democracy is that if everyone is involved in making every decision, this will lead to a slower decision making process, and since time is money slower decision making is bad, so the argument runs (Poole, 1986). However, while it is very likely true in most cases that group decision making of any kind is a slower process than individual decision making, we have just seen how a democratic workplace may well be beneficial for the bottom line. So how can this apparent discrepancy be explained?

Rayasam (2008) points out one possible explanation by arguing that democratic companies might be slower in making decisions, but faster in carrying them out. The reason is that employees are dedicated to carrying out the decision because they took part in making it, while if it was made by a single person, they may drag their feet if they do not agree.

In a workplace democracy, decision making can be decentralized, such as the decisions the receptionists could make between themselves discussed under 3.3.2. This way not everyone would be involved in the making of every decision. Instead only those affected by a decision take part in making it. Thus, those decisions that affect the most people are likely to have the slowest decision making process due to those decisions being considered by more people. It is likely that it is also exactly those decisions that are the most important, and thus might benefit the most from careful consideration.

Furthermore, it is questionable if speedy decision making is really as desirable as this argument suggests. It undoubtedly is ceteris paribus, but it is likely that the quality of the decisions being made trumps the speed with which they are made in most cases. And lastly it must be pointed out that in the political sphere this line of argument is equally true as it is in the economic sphere. Yet it is afforded virtually no credibility in this context: it is quite likely that a dictator would make decisions faster than a democratic body, yet there are few people who would be swayed by this argument to support a dictatorship over democracy, at least in the political sphere.

3.4.2 Knowledge deficit

Another argument against workplace democracy is that the workers do not have the important skills, knowledge and techniques that managers possess, and thus giving them the power to make decisions will lead to bad decision making (Poole, 1986). It is true that workers are not managers, and as such the majority of them do not possess managerial skills, knowledge or techniques. It is important to note that the inverse is also true. The managers by and large do not have the important

skills, knowledge or techniques that the workers possess either. A decision making process which includes both the skills, knowledge and techniques of the managers and that of the workers would appear to be preferable.

This aptly demonstrates the importance of the employee empowerment and the participative management practices of sharing information and expertise. Indeed, there may well be an important role here for managers to become educators: spending their time sharing their skills and expertise with the workers to demonstrate to them why a decision should be made in a certain way. If it is indeed true that managers make decisions based on their skills, knowledge and techniques and that these are crucial to coming to the correct decision, as this argument suggests, surely they should be able to demonstrate the correctness of their decision to the workers to earn their votes?

Lastly, as with slower decision making, this argument can be applied to the political sphere as well; voters do not have the skills, knowledge and techniques that government officials and politicians do. And here too, we see that the argument is afforded very little credibility in this sphere. Even if it is true that the rulers know best, there are few who would prefer Plato-esque philosopher kings over democracy.

3.4.3 Implementation problems

The most substantial criticisms of workplace democracy are criticisms concerning implementation. Workplace democracy is radically different from other forms of management, decision making and organization and thus it should come as no surprise that successfully implementing it can be difficult and not without its pitfalls and problems. This is recognized in the literature. For example, Stewart and Garson (1983) posit that successful organizational participation depends on structural, orientation and process factors.

Structural factors "can prohibit ready interpersonal access and interaction, dictate a pace of work that does not allow time for participation or require centralized control" (Skelley, 1989: 190). Orientation factors pertain to the attitudes of participants, which may predispose employees and management to be open to the possibility of participation, openness, information sharing, and so on, or not. Lastly, process factors pertain to the decision making process itself, which must be structured in such a way as to be conducive to participation. Stewart and Garson (1983: 170) argue that "Participation is favored when the process is not reducible to rational problems best solved by experts, when task ambiguity is neither so great as to prevent consensus [nor] so low as to obviate the need for discussion, and when path-goal clarity is present." That is not to say that rational problems best solved by experts necessarily inhibit workplace democracy, but it does mean that such

problems ought to be delegated to those experts, whereas more ambiguous questions ought to be presented to the wider group. This ties in with the decentralization of decision making discussed under 3.4.1.

Sashkin (1984) identifies three types of contingencies which affect the success of participative management, as can be seen in his model in figure 3. The first are psychological contingencies, similar to Stewart and Garson's orientation factors. These include values, attitudes and expectations of organization members. Sashkin (1984: 8) notes that studies indicate (Vroom & Yetton, 1973) that some workers do not want to participate, and concludes that "efforts to generate participative involvement when such workers form a significant proportion of the employee population are almost certain to fail." The second are organizational contingencies, which include the degree to which the design of the work makes employees depend on each other. This is similar to Stewart and Garson's structural factors and some elements of their process factors. Organizational contingencies include worker interdepency inhibiting their ability to autonomously and individually participate in decision making, organizational culture and climate. Environmental contingencies include change in technology, in government regulations and in competition. Sashkin suggests that if such changes are rapid, group participation may be more appropriate than individual participation. In general Sashkin sees these contingencies more in terms of determining what type of participation is most appropriate, rather than whether participation is appropriate at all, like Stewart and Garson tend to do. In Sashkin's view, there is no one-size-fits-all type of participatory management, but many different ways to fit participatory management to the organizational environment. Instead, properly studying and analyzing the organization, its environment and the individuals that make up the organization and designing participatory processes to be uniquely suited to these unique organizational circumstances is crucial for the successful implementation of participatory decision making.

Golembiewski (1982) also notes that democracy in organizations needs conducive attitudinal and behavioral support, and that participation is unlikely to succeed if embedded in an organizational culture which is indifferent or hostile to democracy. Golembiewski (1985) further claims that action research in the field of Organizational Development is particularly appropriate for identifying the cultural and structural barriers to employee involvement. Furthermore, Golembiewski (1985) and Skelley (1989) argue that Organizational Development techniques, designs and principles are compatible with successfully implementing at least elements of workplace democracy.

Skelley (1989: 192) identifies five factors necessary for a successful implementation of workplace democracy. These are (1) the individual must be psychologically prepared with a belief that the

organization offers him an opportunity to realize his goals; (2) [s]he has the necessary interpersonal skills to communicate his[/her] concerns effectively and work toward consensus; (3) the organizational climate is open to expression of opinions involving dissent; (4) organizational members deal with each other on the basis of individual competencies and trust and (5) work processes and authority structures create opportunities for teamwork and group decision making.

3.4.4 Succession planning

In a democratic workplace succession planning, identifying and developing internal people with the potential to fill key positions in the future, becomes the responsibility and concern of every worker. This particularly refers to those positions where extensive knowledge of and experience with the firm is either required or greatly beneficial, thus lessening the desirability of outside hires. There exists a risk that effective but unpopular managers end up failing to be voted into the position they were groomed for, similar to how in a political party a long time number two can fail to win the general election or election for party leader. In a firm this can be even more serious because there is a smaller talent pool to internally draw from to find replacements. This line of criticism puts a large focus on the importance of managers, but it does underscore the need to broadly develop employee skills and take succession planning into account during the implementation and running of a workplace democracy.

3.4.5 Peter Principle

The Peter Principle (Peter & Hull, 1969) states that in a hierarchy, every employee tends to rise to his level of incompetence. That is, those most competent at their current jobs tend to be the ones who get promoted, even though jobs higher up the hierarchy might require very different competencies. This process repeats until the employee is not competent at their current job anymore, and is thus passed over for promotion. Thus the corollary to the Peter Principle is that eventually every job is occupied by an employee who is incompetent at that job.

In a system that does away with divisions between management and workers and that has every group of employees democratically choose their own manager, the Peter Principle very likely will work even faster. Those employees who impress their peers most are elected to manage others, which they possibly then fail to do effectively. However, at the same time, there exists also a mechanism to replace that manager and bring the worker back to the work that he or she originally impressed their peers with, precisely because the division between managers and workers is much smaller or even done away with. Thus in a workplace democracy there exists a way to prevent or repair the Peter Principle, and by doing so avoid the corollary altogether, even though the Peter Principle may work even faster than in traditional hierarchical systems.

3.4.6 Participation a panacea

Skelley (1989) points out that in at least some of the literature on workplace democracy, the assumption appears to be made that participation will resolve a number of issues that Organizational Development specifically addresses. Skelley acknowledges that worker participation in management is desirable, and brings with it many benefits. However, both organizations and interpersonal relationships are complex, and likely to lead to all kinds of friction and problems. Thus it is important for proponents of participative management and workplace democracy to keep in mind that it is very unlikely that all of these problems can be resolved solely through participation in decision making.

Fortunately, the practitioners of Organizational Development envision a role for the field of OD and its practitioners to help successfully implement at least elements of workplace democracy, such as effective work teams. Similarly, other fields and experts can be very useful to this end as well. For example, the field of conflict resolution can offer insights in how to resolve inter- and intra-group conflicts, certain subfields of sociology will likely have valuable insights into consensus decision making. Indeed, important lessons might be learned from seemingly unlikely places, such as the century old traditions of consensus decision making of the Quaker and Anabaptist denominations (Schutt, 2001). In addition, of course a workplace democracy is still a workplace. As a consequence, many insights from business and management literature remain relevant as well. So it is not the case that a workplace democracy does away with experts and expertise. On the contrary, through employee involvement, employee empowerment and participative management, a workplace democracy is likely to end up with, and perhaps even requires, much more expertise amongst its workers than a traditional hierarchical organization. Taking a step back away from individual fields or subfields then, we can see an important role for institutions of learning and knowledge in society to support workplace democracy. Their role might transform from one of educating a specific, limited class of experts, to educating a much broader population to at least the extent of them having a much broader, working knowledge, of many different fields. This is not intended, however, to replace experts, but to supplement them.

4. Workplace Democracy in Practice

The following cases are meant to illustrate various forms in which workplace democracy functions around the world today and what the results of this are. Specifically the history of and general information about the firm, the structure of the firm and if and how profits are shared with employees will be examined. The structure of the firm particularly concerns the structure of the decision making process, the presence and structure of democratic institutions within the firm and the structure of the ownership of the firm. The case of the Argentinean Recovered Factory movements differs somewhat from this structure because it concerns not one particular company but a recent societal movement towards workplace democracy in hundreds of companies. Wherever possible, links have been made to the theory on workplace democracy and its possible advantages and disadvantages discussed in the previous chapter. Furthermore, after discussing all the cases, a number of interesting similarities and dissimilarities will be highlighted.

4.1 Semco, Brazil

4.1.1 History and general information

Semco, founded in 1953, originally manufactured centrifuges to use in the vegetable oils industry before moving on to equip 70% of the shipping industry of Brazil. During this time it was a fairly typical South American company with an autocratic boss and pyramid hierarchy (Petersson & Spängs, 2005). When Ricardo Semler took over as CEO from his father in 1982, he did not take long to find that this method of management was unsatisfying and unproductive. Faced with serious difficulties in the early 1980s, Semler diversified the company into manufacturing mixers for chemical, pharmaceutical, food and mining industries, industrial refrigeration, air conditioning systems and food processors. At the same time managerial reform was enacted based on the three values of democracy, profit sharing and information (Semler, 1989). Following these changes Semco grew from annual revenues of 4 million USD in 1982, to 212 million in 2003, with up to 40% growth in some years, and from 90 employees in 1982, to 3,000 in 2003. During this period, Brazil suffered four currency devaluations, record unemployment, hyperinflation and a near closure of all industrial production. Annual employee turnover is only one percent, Semco has been repeatedly named best company in Brazil to work for by management associations, labor unions and the press.

4.1.2 Structure

When first implementing the changes to a democratic workplace, Semco found four big obstacles: size, hierarchy, lack of motivation and ignorance. Semco has found that the most effective production unit consists of about 150 people. For one facility that was bigger they tried "various worker participation programs, quality circles, kanban systems, and motivation schemes, all of which

got off to great start, but lost their momentum within months" (Semler, 1989: 3). Eventually they decided to break up the facility in three separate plants. At first the effect was a rise in cost due to duplication and loss of economies of scale. These types of cost are all easily measurable and thus can have concrete figures attached to them, while the benefits are the vague sounding "heightened involvement and a sense of belonging" (Semler, 1989: 4). However, the long term results exceeded expectations: within a year sales doubled, inventories fell by almost two thirds, eight new products that had previously stalled in R&D were rolled out and quality improved from a rejection rate of a third to less than 1%. All this allowed the unit to cut the workforce by 32% through attrition and retirement. What at first looked like the loss of economies of scale, actually appears to have been a loss of diseconomies of scale, caused by simply being too big. These units of 150 people are called manufacturing cells, and can be defined by product, market or machine, but will always include people responsible for sales, marketing, production, finance and human resources. On top of this structure is a federal structure in which each business unit has an elected factory committee comprised of every part of the organization except management but including a union representative. These committees meet regularly with the top managers to discuss all workplace related issues and policies.

Semco replaced the organizational pyramid with an organizational circle, itself made up of three concentric circles. The central circle consists of six counselors, who are comparable to vice presidents, the middle circle consists of partners and the third circle consists of coordinators and associates. The counselors determine general policy and strategy, the partners are division heads, and the coordinators and associates form triangles within the outermost circle, with the coordinators comparable to supervisors and foremen, and the associates all the other workers (Petersson & Spängs, 2005). While this might appear to be a smaller pyramid by another name, there are important differences with a hierarchical model. The business units are all self-governed; coordinators only have associates reporting to them, never other coordinators; all future subordinates can interview and must agree to a new promotion or hire; most workers, either individually or collectively, set their own hours, production quotas and help with design and marketing; and a 'higher' title does not automatically confer higher status or rewards. An example of the latter is the case of "an applications engineer who can look at the layout of a ship and then focus on one particular pump and say "that pump will fail if you take this thing north of the Arctic Circle". He makes a lot more money than the person who manages his unit. We can change the manager, but this guy knows what kind of pump will work in the Arctic, and that's worth more" (Semler, 1989: 4). Another example of the difference between the organizational circle and traditional hierarchy is how

some decisions, such as which acquisitions to make or which factory to move a division into, are made by companywide vote.

Semco explicitly treats its employees as responsible adults and identifies infantilization as a problem in the traditional workplace. For Semco, treating employees as adults means abolishing dress codes and many rules. Abolishing these rules "leads people to make decisions on their own, decisions that employees are more qualified to make than supervisors." (Petersson & Spängs, 2005: 37). It also means trusting employees, meaning doing away with extensive regulations on travel expenses, time clocks and "security searches, storeroom padlocks, and audits of petty-cash accounts of veteran employees" (Semler, 1989: 5). The logic is that if people cannot be trusted with expenses or money, they should not be trusted to go overseas and conduct business on the company's behalf either. Another aspect of treating employees as adults is encouraging job rotation every few years to prevent boredom, while also attempting to provide job security. Job enrichment happened organically, as in the case of a man who "wanted to start at 7 A.M., but because the forklift operator didn't come until 8, he couldn't get his parts. So a general discussion arose, and the upshot was that now everyone knows how to operate a forklift. In fact, most people now can do several jobs. The union never objected because the initiative came from the workers themselves. It was their idea" (Semler, 1989: 6).

Both the profit sharing programs and the democratic decision making rely heavily on information sharing. All Semco employees attend classes, taught by one of the unions, to learn how to read and understand the balance sheet, profit loss analysis and cash flow statements that they are provided monthly by Semco. The budget and information about salaries at all levels are also freely available. One important caveat here is that all the information presented must be relevant, so as to prevent the forest being lost for the trees. To ensure this, Semco pared down 400 cost centers to 50 and got rid of hundreds of classifications and dozens of accounting lines.

4.1.3 Profit sharing

At Semco, these types of democratic decision making and autonomic organizing are built on motivation and information. Semco believes that money is one of the main reasons people work and thus that profit sharing is a great motivational tool. At the same time, they recognize that many profit sharing programs are failures. They believe that "[p]rofit sharing won't motivate employees if they see it as just another management gimmick, if the company makes it difficult for them to see how their own work is related to profits and to understand how those profits are divided" (Semler, 1989: 7). Semco identifies the following factors as important for the success of profit sharing: low employee turnover, competitive pay, absence of paternalism, refusal to give consolation prizes when

profits are down, frequent profit distribution, plenty of opportunity for employees to question the management decisions that affect future profits and most importantly the sharing of the vital statistics and numbers on how the company is doing.

At Semco, each division has a separate profit sharing program through which, twice a year, 23% of the after-tax profit on each division income statement is given to three employees elected by the workers of that division. Those three can invest the money until the division can meet and decide by majority vote what to do with the money. Oftentimes this means simply dividing the money equally amongst all workers, but sometimes it can mean using it to set up a fund to lend out for housing construction, for example. Each Semco employee also has the option of taking a pay cut of up 25% of his or her salary. If the company then has a good year, that employee is commensurately to the cut taken up to 125% of the regular salary, or remains with the reduced salary if the company has a bad year.

The importance of sharing information, doing away with the hierarchical pyramid, treating employees as adults, job enrichment, job rotation and employee development all mirror the literature discussed in chapter 3. However, it is important to point out that Semco is not a worker cooperative, and as such strikes might still occur, for example. Similarly, Ricardo Semler is still the majority shareholder of Semco, and as such could technically veto or override any decision democratically made or abolish the entire workplace democracy altogether. While he himself does not appear in any way inclined to ever do any of these things, it also means that a successor would have these powers as well and they could cause the whole system to come crashing down. It appears to be an unnecessary weakness in the structure of the company.

4.2 John Lewis Partnership, UK

4.2.1 History and general information

After founding a draper's shop in London in 1864, John Lewis developed his shop into a department store over the next 40 years, and bought control of the Peter Jones store in 1905. In 1914 John Lewis handed over control of Peter Jones to his son, John Spedan Lewis, who set up staff committees and introduced the weekly publication The Gazette, the staff council and the donations committee over the next few years. He also preferred to call employees partners. Upon the death of John Lewis in 1928, John Spedan Lewis came to own both stores, converted the firm into a public company and published the firm's first, 268 page, constitution, so that everyone could see how the company was to be run. A year later he set up an irrevocable trust settlement with five trustees, himself, the deputy chairman and three elected trustees, all partners. This formed the legal basis of what had then become the John Lewis Partnership and also marks when profits started being available for distribution amongst all partners. Over the next decades the Partnership grew through capital investment and a series of takeovers, most notably the Waitrose chain of specialty food shops. In 1950, John Spedan Lewis transferred his remaining shares and ultimate control to the trustees.

The reason for setting up the Partnership was articulated by John Spedan Lewis in his books, Fairer Shares (1954) and Partnership for all (1948). The title of the first book is explained in three parts, sharing gains, sharing knowledge and sharing power. In it he writes, "The conception was not a result of theoretical study. It merely grew gradually out of the answers to questions that arose from time to time in the practical conduct of the business" (Lewis, 1954: 7). As noted by McAnally, "The first and most important of these questions seems to have occurred when, in 1908, Mr. Lewis considered the position of his father, his brother and himself in his father's business" (McAnally, 1963: 310), of which Lewis wrote "To them it was yielding altogether about twenty-six thousand pounds a year but to all the other people, who were likewise giving to it the whole of their working lives, it was yielding only about another sixteen thousand pounds." (Lewis, 1948: 7), which resulted in "hardly any of the staff had ever had more than a meagre [sic] living" (Lewis, 1948: 16).

Nowadays, the John Lewis Partnership operates 29 full-line department stores, 6 at home stores focusing on electrical, home and technology products, a web store as well as a catalogue business and a direct services company under the John Lewis brand. Additionally it operates 271 upmarket supermarkets and a farm under the Waitrose brand as well as the Herbert Parkinson fabrics, curtains and filled furnishing products manufacturing business. The Partnership employed 76,500 partners in 2010 with a £7.4 billion turnover resulting in £306.6 million net profit, both of which have been growing throughout the financial crisis. In 2011 the Partnership won, amongst others, the UK

Customer Satisfaction Awards, Retailer of the Year and Britain's Favourite Retailer for the 4th consecutive year. It also won the Marketing Society's Brand of the Year in 2010.

4.2.2 Structure

Unsurprisingly, the core of the John Lewis Partnership's organizational model is its constitution. It must be noted however, that the constitution is subordinate to the original trust settlement which created the Partnership. The latest version of the constitution, dating from December 2011, identifies the purpose of the Partnership as "the happiness of all its members, through their worthwhile and satisfying employment in a successful business." (John Lewis Partnership, 2011: 7). Achieving that goal is built on the sharing of power, profit, knowledge and responsibilities. It also entails treating members of the Partnership, customers, business relationships and the wide community with respect, courtesy, honesty and integrity. The power structure of the Partnership consists of the partnership council, the partnership board and the chairman, as well as a number of lower level councils and forums.

The chairman is the chairman of the partnership board and is the senior executive of the Partnership. In that capacity, the chairman is ultimately responsible for the Partnership's commercial performance. The chairman's duties include upholding the constitution, promoting the wellbeing of the Partnership in every possible way, to ensure the system for deciding pay and benefits of individual partners is fair and ensuring that the long-term security and democratic principles of the Partnership is not threatened by the decisions of others. In that capacity he has a veto power, as well as the power to propose a change or cancellation of most rules in the constitution, and suspend said rules for up to three months before the partnership council considers the proposed change or cancellation. The chairman also has the power to appoint members of the chairman's committee, which is tasked with executive responsibility, as well as nominating his or her successor.

The partnership board is the board of directors and as such has ultimate responsibility for major policy issues and allocating the financial and non-financial resources of the Partnership. It decides on financing policy, monitors implementation of said policy and prepares financial statements. It also decides what part of the profit is needed for developing the Partnership, and what part is to be shared with all the partners directly through the yearly partnership bonus. It must also be involved in any proposal that places 12 or more partners at potential risk of redundancy. It also sets the pay of the chairman and must approve of the chairman's nominee for his or her successor.

The partnership council represents all the partners. It may ask the partnership board and chairman anything it wishes, and they must answer unless doing so would damage the partnership in their

opinion. It can also discuss any subject and make recommendations. In principle, the chairman must accept these recommendations as fully as possible, and may only reject them after consulting the partnership board. The chairman must attend a meeting of the council at least twice a year to account for the progress of the Partnership. The council has the power to dismiss the chairman. Every member of the partnership board is also a member of the partnership council. The other members of the partnership council are elected democratically through a system similar to the House of Commons of the United Kingdom. Any partner may stand for election in his or her constituency. Each elected member represents his or her constituency. Constituencies are decided by the trustees of the constitution, which are in turn elected by the partnership council. Every partner has a single vote in elections to the council and elections are held by secret ballot every three years. The chairman furthermore may appoint to the council any partners whose advice will benefit the council. Only these appointed members and elected members may vote in the council, thus excluding the automatic members of the partnership board. The council elects three of the Partnerships' trustees as well as electing five members of the partnership board. The council meets whenever it wishes, and at least twice per year. Any partner is free to attend these meetings, unless it rules otherwise for a particular meeting.

Each division also has its own divisional council, the constituencies and number of representatives of which are set by the trustees of the constitution. The divisional councils also meet whenever they wish, but at least twice per year, and any partner is free to attend these meetings unless the council rules otherwise for the occasion. The partnership council delegates to the divisional councils the task of holding the divisional managing directors responsible for the delivery of the divisional business plans. Whenever it wishes, divisional councils may communicate with the chairman or the partnership board, usually through the partnership council.

Another level further down exist the local forums, which are established in individual or groups of branches or other units to carry out the functions the partnership council carries out for the partnership as a whole. The partnership council sets and reviews the guidelines for where forums will be established, how they operate, membership, frequency of elections, admissions of visitors, the method of election and the basis for deciding constituencies. The latter must meet a two thirds approval by the trustees of the constitution. Furthermore, local forums may differ from the generic model on the recommendation of the divisional council, if agreed upon by the trustees of the constitution.

The constitution also guarantees competitive pay rates in order to attract and retain high caliber people, while also limiting the pay of the highest paid partner to no more than 75 times the pay of

the lowest paid while generally holding that pay rates ought to be able to pass scrutiny if made public, although they are not public as a matter of policy. Furthermore the constitution aims to provide job security for all partners. Specifically, any partner with 5 years of experience or more is strongly encouraged to develop skills to ensure lifetime employment at the Partnership, and if any partner's position becomes redundant, efforts will be made to keep that partner employed in another capacity.

Lastly, the constitution places great value on information sharing: it sees information as the basis of democratic participation. To this end the Partnership also publishes in-house journals, such as The Gazette. These journals exist to facilitate communication and inform partners of important goings on at the Partnership. Additionally, each partner may write to the journals to express his or her views about anything related to the Partnership, anonymous if he or she so desires, and the journals generally have a duty to publish all of these letters. All journals are provided for free to partners, and at least some of them can be bought by non-partners in order to provide openness to the wider community.

4.2.3 Profit sharing

As mentioned above, the partnership board decided what percentage of profits is needed for reinvestment in the Partnership, and the is shared with all partners through the yearly bonus. This bonus consists of a percentage of the regular annual wages of each partner, with each partner getting the same percentage. The percentage for the year is kept secret and distributed in closed envelopes to the individual stores just prior to the end of the year. Here they are opened and read out by a partner chosen to do the honors based on their excellent performance that year.

4.3 Mondragón Cooperative Corporation, Spain

4.3.1 History and general information

In 1943, Catholic priest José María Arizmendiarrieta set up a polytechnic school in the Spanish town of Mondragón, in what is now the Autonomous Community of the Basque Country. The school was set up as a democratically administered educational centre, drawing from the cooperative spirit that had been gaining momentum in the region up until the Spanish Civil War. Over the next decades, students of this school set up a large number of cooperative businesses in the region, which in turn together founded a cooperative bank. In the 1980s, in response to the setting up of the European Economic Community and globalization, a large number of these cooperatives decided to consolidate into the Mondragon Co-operative Group, which has since reformed itself into the Mondragon Cooperative Corporation. Efforts by the Mondragon Co-operative Group in the 1990s led to the establishment of the University of Mondragón, a private university aimed at satisfying the needs of local companies, which was an extension of the old polytechnic school.

As of 2010, the Mondragon Cooperative Corporation is a federation of worker cooperatives operating in four business sectors, finance, industry, retail and knowledge, in 30 countries. It operates the 7th largest financial group in Spain, 75 production plants worldwide spread over 12 divisions, 117 hypermarkets, 1079 supermarkets, 224 travel agencies, 75 petrol stations, 40 sport stores, 293 perfume stores, 7 leisure and culture outlets, 40 goods depots, 14 technology centers and R&D units and a university. Mondragon employs 83,859 people, of which around 33% are currently cooperative members, and its university has around 4000 students enrolled. Mondragon posted revenues of €14.775 billion over 2010 and a net profit of €178 million.

4.3.2 Profit sharing

The management model used by Mondragon, pictured in figure 5, is a continuously rotating (not pictured) circular arrangement made up of the basic principles in the middle and three layers. The rotating signifies the interrelation between the concepts and the dynamism required for implementation and adaption.

There are 10 basic cooperative principles, which again form three circles. At the centre is education, which includes training, and sovereignty of labour. Mondragon sees labour as the main factor in the transforming of the state of nature, society and human beings, and as such it is granted full sovereignty. Due to this principle, wealth generated by the cooperative is distributed amongst its members. In practice, between 30% to 70% of net profits are distributed as dividends to the members each year, with the exact percentage depending on economic circumstances. Similarly, net

losses are distributed as well, and monthly payments to the members are seen as advance payments of the cooperative dividends, and depend partially on professional performance.

Figure 5: Mondragon Management Model

4.3.3 Structure

The second circle of the basic cooperative principles is made up of the principles of payment solidarity, open admission, the instrumental and subordinate nature of capital, democratic organization and participation in management. Payment solidarity for a long time meant the difference in pay for the highest paid executive could only be three times higher than that of the lowest member, but due to the increasing difficulty of management due to increasing complexity and size, payment for executive has risen to market levels, minus 30% as a commitment to solidarity. The instrumental and subordinate nature of capital is related to labour sovereignty in that the latter implies that other factors of production, such as capital, take a subordinate role to labour. Capital is seen as a tool, necessary for business development. As such, it is worthy of remuneration, such as for example in the form of interest, but it is not the most important factor of production, and thus does not and cannot entitle ownership or even a say in decision making. This is a stark contrast with the vast majority of corporations. Many of Mondragon's needs for capital are met by its own financial group, which includes a cooperative bank used by many of Mondragon's members. The democratic organization and participation in management will be discussed in more detail below.

The third circle of the basic cooperative principles consists of social transformation, universal nature and inter-cooperation. Social transformation refers to the place of the Mondragon Cooperative

Corporation in wider society, and its commitment to improve that society, both through direct efforts and its own Social Welfare Institution and through supporting community initiatives financially through its Social Projects Fund. Universality refers to Mondragon's commitment to express solidarity with everyone working for economic democracy and its efforts to spread cooperative culture worldwide. Closely related, inter-cooperation refers to the cooperation of individual cooperatives under the Mondragon banner with each other, as well with wider Basque, Spanish, European or global movements and institutions promoting cooperativism.

These basic cooperative principles provide the people in cooperation with guidelines on how to implement the values of the cooperative to build the joint projects through participative organization. As such the people are not passive elements, but dedicated co-owners, who exercise team spirit, cooperative conduct and leadership, and aspire to integral development. In doing so, these people build an excellent company and obtaining socio-entrepreneurial results. Mondragon identifies its processes, innovation, partnerships, social engagement and customer focus as its sources of excellence. Its socio-entrepreneurial express its six basic corporative objectives between which it attempts to strike a balance. These are the customer focus, development, innovation, profitability, involvement in the community and the people in the cooperation. Mondragon sets goals and targets in each of these six areas, and monitors and measures them.

The specific organizational structure of Mondragon is a federation of worker cooperatives. Each cooperative maintains its own organizational structure, individual legal personality and independence. Cooperatives can form divisions and subgroups to take advantage of common services or economies of scale. These each have their own individual strategic frameworks. Cooperatives are democratically run by their members through the general assembly, in which rests the full sovereignty of the cooperation. Amongst its many other powers, the general assembly elects a governing council, which in turn appoints the executive management, decides on admission of members, the distribution of profits and a number of other responsibilities. Half of the members of the governing council are elected every two years, similar to the Congress of the United States. Each cooperative also has a social council, which represents the members to the cooperatives internal institutions and acts as an advisory and consultative body. It draws up proposals and reports on decisions to be adopted by the governing bodies, communicates information received from those bodies to members and presents members' initiatives to the governing and management bodies. Its members are elected by area of activity within the cooperation.

Members of a cooperative must complete a, generally 6 to 12 months, trial period at their jobs after which they are cooperative members and free to accept or reject permanent membership. Not all of

Mondragon's employees are members. In the Basque Country, around 90% of the employees are members, for a total of 33,000. In the rest of Spain most employees are part of the retail group and not yet members. Outside of Spain are another 15,000 employees who are not members. Pilot projects to transform these subsidiaries into cooperatives and integrate these employees as members were started in 2006, but halted due to the economic pressures from the 2008 global crisis. Similarly, the project to transform the Spanish retail group and its circa 30,000 employees into cooperatives and members was halted in 2008. This project has resumed as of 2012, and is expected to be completed within the next 2 or 3 years. This will increase the total members worldwide from around 33% to 75% of the total workforce. Projects to integrate non-Spanish subsidiaries into the cooperative structure are planned to start back up again somewhere in the next 2 years. The intention is to eventually give every worker at Mondragon the option to become a member.

Mondragon's management bodies are the cooperative congress, the standing committee and the general council. The cooperative congress consists of 650 members delegated by the cooperatives. It establishes the strategic criteria by which the corporation is to be administered. The standing committee governs under the mandate of the cooperative congress, and promotes and oversees the implementation of the policies and agreements adopted by the congress. The general council is responsible for the development and application of corporate strategies and objectives.

4.4 Kantega, Norway

4.4.1 History and general information

Kantega was founded when part of Taskon, a Norwegian IT company, was bought out by its employees during a buyout by a Swedish IT group in 2003. The name of the Norwegian company was soon changed to Kantega and the company became employee owned. It is currently a software company focusing on developing custom software and security software, such as identity management and digital signature solutions, for governments, banks, pension funds and other companies. It also offers training courses for IT managers and developers in these fields. Kantega posted revenues of roughly €10 million over 2010. In 2011 it consisted of about 85 employees, up from 40 at the time of the buyout. Kantega was listed on the Financial Times' 2007 and 2008 "100 Best Workplaces in Europe" list and was also found to be the most family-friendly workplace in Norway in 2008.

4.4.2 Structure and profit sharing

Kantega's employee ownership is organized through a kind of internal employee share ownership plan. After a 6 month trial period, all employees earn the right to buy shares of the company each month, and most do. Kantega has set up an agreement with a bank so that employees are able to get a loan to finance the shares, if needed. However, Kantega is not a publically traded company, and its shares are only traded and owned internally. To further make buying shares accessible to new employees, Kantega keeps its share price at the smallest possible value allowed by Norwegian law through the issuing of dividends. This is also the mechanism by which profits are distributed to the employees, in addition to their regular wages. Each employee is allowed a max ownership of 50,000 shares, and for 2010, Kantega paid out a dividend of 3 Norwegian kroner per share, for a maximum of 150,000 kroner, or almost €20,000 in profits distributed per employee through dividends. The regular wage model at Kantega is linked to the Norlønn statistic, which is a country wide organization determining fair wages based on professional qualifications.

The board of directors of Kantega consists of two external representatives and three representatives elected by and from its employees. Every employee can participate and has 3 votes in this election, regardless of whether they have bought shares. Kantega holds an annual general assembly for all shareholders, but all employees without shares also have the right to participate through listening and speaking. Only employees with shares have the right to vote at the general assembly.

Organizationally Kantega utilizes a traditional pyramid model consisting of about 4 layers, but finds that a different approach to leadership is required due to its employees also being owners. While

Norwegian companies are generally already high on trust and employee empowerment, Kantega finds that it has to involve its employees even more. Specifically, employees expect to be informed about important decisions, such as finding new office space, moving into a new market, or who to give tenders to, right from the start, and then about informed and involved in every step of the process. Kantega does not elect its managers. However, managers are recruited only internally to ensure familiarity with Kantega's organizational culture. The requirements for these positions are decided by the managers above these positions, while the recruitment process involves not just these managers, but also input from other employees.

4.5 Recovered Companies, Argentina

4.5.1 History

Near the end of 2001, Argentina's long time fragile economic situation came to a collapse, bringing riots and other political unrest, a run on the banks a default on public debt and heavy inflation. During this collapse many business owners and foreign investors scrambled to get as much money out of the Argentine economy as possible. This in turn caused many Argentine companies to shut down due to lack of capital. The former employees found themselves suddenly without an income and with little to no chance of finding another job in the contemporary economic climate. In addition, in my cases their labour contracts had been breached even before the shutdowns took place, with workers still being owed salaries, benefits or pension contributions, with little hope of ever receiving them (Palomino et al., 2010).

It is with this background that many former workers at these companies decided to reopen the companies on their own, without the owners or their capital, as self-managed cooperatives. While some recovered companies had already started some years earlier, this was the real beginning of the so called recovered factories movement, with about 200 companies being recovered following the crisis. This in turn led to the establishment of the two major federations of recovered companies, the Movimiento Nacional de Empresas Recuperadas and the smaller Movimiento Nacional de Fabricas Recuperadas. These, amongst others, shared advice and other support with other workers considering recovering their (former) workplaces, a process which is still ongoing today. Recovered companies exist in a wide range of sectors, such as the textile factory Brukman, the ceramic tile factory FaSinPat, four star Hotel Bauen, the shipyard Tandanor and auto parts plant Forja San Martin, to name a few famous examples. A breakdown taken from Palomino et al. is presented in figure 6.

4.5.2 Methods of recovery

Workplaces have been recovered in ways that fit roughly two categories. On the one hand there are those acquired by the workers through transfer, purchase or rent, on the other there are those who were expropriated. The first way was used by about 40% of cases, the latter by about 60% (Palomino et al., 2010). The expropriation process operates on a case by case basis, and involves the regional legislature passing a law that expropriates the company from the original owners, to the workers, on behalf of the workers. There is no established national law to do this, thus necessitating he case by case basis. However, the precedent of this legal framework has created a quasi-institutional mechanism for recovering companies (Palomino et al, 2010).

4.5.3 Structure and environment

The workers at these newly recovered companies organized and managed themselves democratically out of necessity, in a manner closely associated with the definition of self-management, or autogestión, discussed previously. Not only are decisions made democratically, but there were, at least initially, no managers. As can be expected, a number of different democratic assemblies made up of different people in different circumstances lead to roughly the same number of different solutions to similar problems. This highlights another important role of the federations: a way to share ideas, solutions and results amongst recovered companies and the possibility to identify and spread best practices.

Activity	Number	Subtotal
Industry Subtotal		130
Food	38	
Metallurgy	26	
Textile	16	
Printing	7	
Ceramics	6	
Glass	6	
Electrical appliances	5	
Chemical	5	
Press	4	
Metal mechanical	3	
Plastic	3	
Shipyard	2	
Packaging	2	
Wood	2	
Automotive	1	
Building fixtures	1	
Others (rubber, tanning, paper)	3	
Services Subtotal		25
Health	8	
Education	4	
Tourism (hotel management)	3	
Mechanic (repairing services)	3	
Service station	1	
Gas (fractionation and distribution)	1	
Radio	1	
Others (wholesale, workshop, paint, etc.)	4	
Transport Subtotal		5
Commerce Subtotal		6
Restaurant	3	
Supermarket	2	
Armaments	1	
Mining Subtotal		2
Construction Subtotal		2
Grand Total	170	170

Figure 6: Recovered companies by economic activity (Palomino et al. 2010)

While these recovered companies have many differences, the majority of them also share some characteristics. For example, 70% of the recovered companies have less than 50 workers, 75% are

located in the Buenos Aires or Santa Fe provinces, with 50% either directly in the city of Buenos Aires or its immediate surroundings (Palomino et al., 2010). Palomino et al.'s extensive database of recovered factories also shows that only 16 recovered companies, or 7%, have dissolved since their original analysis of the phenomenon in 2003. This is especially salient because all of these firms had in fact failed or when on the brink of failing when they were employer-managed, yet the vast majority has managed to succeed or even grow as employee-managed firms. Additionally, many recovered companies find themselves in a "precarious legal framework that often prevents them from applying for loans" (Palomino et al., 2010: 266).

The recovered companies highlight some of the issues discussed in the literature in chapter 3. For example, recovered companies were likely to see their administrative, professional and technical staff leave when the decision to occupy the workplace was taken. Some of the problems encountered as a result of this were, for some workplaces, resolved through agreements with universities. In Klein and Lewis' 2004 documentary film The Take, which examines the case of the Forja San Martin auto parts plant, workers comment that "In the cooperative, we'll all be administrators. I'll check on what he does, and he'll check on me. Of course we're going to have to be more conscientious, and not be too bourgeois, like before under the boss. When you would duck into a corner for a break whenever you could. Now, no. If a light is on, turn it off if it's not necessary." and "What we've learned is that in a business, participatory democracy is more efficient. Because if you vote often, you get used to winning, but you also get used to losing. Also you learn to accept the decision of the majority." which tie in with the discussions on infantilization and participation in the literature.

Perhaps inspired by the movement in Argentina, the Jugoremedija pharmaceutical factory in Serbia was occupied and legally transferred to the workers in 2006, and as of this writing, the general hospital in Kilkis, Greece and Elliniki Halivourgiain, the largest steelworks in Greece are occupied and under workers control. The recovered factory movement highlights that democracy in the workplace may, at least in some cases, not just be desirable, but necessary.

4.6 Similarities and dissimilarities

The most striking dissimilarity is that not only are no two of the examined democratic workplaces the same, they generally do not even resemble each other structurally. Firm structures vary from direct democracy with no managers to a parliamentary model of indirect, representative democracy. This might be a reflection of the different industries and geographical locations the firms are active in. What is similar is that the larger democratic workplaces tend towards instituting a federal structure of some kind which suggests an optimum number of participants in each directly democratic cell or division somewhere below 200. This ties in with the discussion on democratic decision making and its potential pitfalls in the form of slower decision making and other implementation problems.

Another important dissimilarity already touched upon in the case is that of Semco. It is the only case here examined where the workers do not legally have a majority vote in the decision making process. The practical reality however, is very different. While Ricardo Semler owns over 50% of the shares of the firm, he has not made a decision in years. Conversely, the partners of the John Lewis Partnership do ultimately have a majority of the vote, however due to the structure of the firm a lot of power is centralized in the person of the chairman, and in practice it is difficult to override his decisions.

Then there are a number of important similarities. Democratic workplaces tend to use a different word for 'employees', such as 'members' or 'partners', and tend to replace the organizational pyramid with a different shape. Circles and very low amounts of management layers appear to be popular. All democratic workplaces share profit in some way, but as touched upon in the theory, sharing goes beyond just profit. The sharing of information, responsibility and power appears to be equally important and a number of workplaces explicitly place a high value on sharing.

As touched upon in the introduction, the primary focus of democratic workplaces has shifted away from maximizing profit towards maximizing employee wellbeing. Profit is still an important aspect of that, both through its sharing leading to the financial wellbeing of employees and through its reinvesting being an important part of perpetuating the existence of the firm, and thus a part of job security. However, profit is not the only important aspect, others include said job security, a commitment to the work-life balance and general wellbeing of employees, such as through regular assessments of those in a managerial type of role by all employees.

Another important similarity is that democratic workplaces appear to focus on producing high quality goods or services and demonstrate a preference for vertical and horizontal integration as well as internal promotion. The firms examined in the cases also tended towards explicitly making a commitment to improve not just the lives of their own employees, but also the society they exist in.

5. Conclusions

The business literature in general and the strategic management literature in particular have focused primarily on a method of management and organization that is top down and hierarchical and sees firms primarily in adversarial terms, perhaps because of the close relationship of modern companies' origins with multiple shareholders and the military. More recently, potential benefits in involving employees in the strategic planning and decision making process have been found, and the rigidity of the traditional models criticized. However, these newer bottom-up and emergent approaches to strategic management also place the final authority for decision making solely with management. Employees become an input to the decision making process, but not directly a part of it.

Workplace democracy is a different way of organizing and managing a firm that places the employees at the center of the decision making process. Workplace democracy appears to possess a number of important advantages, particularly pertaining to employee health, loyalty, satisfaction, engagement and development which can turn into a competitive advantage. There is also a strong ethical case for workplace democracy. Workplace democracy is not without its problems however. Chief among them are implementation problems. Both the theory and practical accounts suggest that workplace democracy is hard, and requires dedicated focus, mutual trust and careful planning to implement successfully. Both theory and practice suggest an important role for educational and professional institutions, to share the knowledge and experience required to make a democratic workplace a success. Even with these difficulties however, the cases examined in this thesis show very positive results in terms of success rates, business and worker outcomes.

Most or all of the cases examined in this thesis shared a number of important characteristics. Most importantly, a focus on sharing profit, information, responsibility and power and a focus on high quality goods or services for competitive or better pay, job security and a commitment to the work-life balance and the general wellbeing of employees. Firms examined in the cases also showed a preference for internal promotion as well as vertical and horizontal integration, had regular assessments of those with higher functions by all employees and emphasized the importance of their firms having a commitment to the wider society they exist and operate in.

Porter argues that firms ought to pick one generic strategy as a source for competitive advantage, and shape every aspect of their firm to be in line with that strategy. The shared characteristics of workplace democracies in practice suggests that a democratic workplace may be the organizational structure that is most in line with the generic differentiation strategy, or at least more in line with this generic strategy than a traditional, hierarchical organizational structure. Conversely, workplace democracy may be incompatible with a cost leadership strategy.

6. Discussion

Both the theory and practice of workplace democracy have a long history, yet as a concept, it is virtually absent from business and strategic management literature, as well as business education. There are some important exceptions, such as the field of organizational development and the universities of Mondragón and Bologna. However, their impact appears to be limited, which is not helped by these universities publishing on the topic in Spanish and Italian, respectively.

In light of the finding that there is possibly an important role to play for institutions such as universities in successfully implementing workplace democracy, as well as the complexities involved in either setting up a democratic workplace, or transitioning an existing workplace to a democratic organizational form, much more extensive and specific research into this organizational form and technique is necessary, even more so when taking into consideration the business results and ethical implications found in this thesis. Specifically, four types of further studies are required: studies that go much further in depth to explain how a specific democratic workplace operates and why it works, or fails, studies that seek to develop methods and other practical solutions to problems encountered when attempting to implement workplace democracy, studies that aggregate the information from these and other sources to further develop the theory on workplace democracy and its relation to society, and lastly, studies that integrate the theory on workplace democracy with existing theory on strategic management, organizational behavior, human resource management, and other relevant fields.

Business and strategic management education ought to include workplace democracy in its curriculum. Again due to the business results and ethical implications found in this thesis, but also because there are currently hundreds of thousands, if not millions, of people, primarily in Europe, North- and South-America, working in and managing democratic workplaces. An education focused on management ignoring this alternative organizational model seems incomplete.

Appendix 1: Assumptions and values of workplace democracy as per Skelley's interpretation of Pateman and Blumberg

1. Concerning people as individuals:

   A. Alienation is the common condition of man at work.

   B. Direct participation can mitigate alienation.

   C. Participation is learned by participating in social institutions

   D. People who are not socialized into participation lack dignity, self-worth, a sense of freedom, and an acceptance of societal conditions

   E. Participation increases worker power which increases worker status, and thereby improves worker morale and productivity.

   F. Participation leads to satisfaction by gratifying basic human needs.

   G. Most people want to participate in organizational decision making.

2. Concerning leaders and people in groups:

   A. The workplace provides the greatest opportunity for participation in collective action and gaining experience in participative decision making.

   B. Full participation requires ending the distinction between managers and employees.

3. Concerning people in organizations:

   A. Individuals and institutions cannot be considered separately.

   B. Democratic government requires a participative society.

   C. Sharing workplace control extends the workers' control over his life and environment while increasing involvement, commitment, and satisfaction.

   D. Autocratic organizations tend to undermine the employee's psychological maturity, whereas democratic ones strengthen maturity by stimulating its traits.

   E. Economic equality at work is necessary if full participation is to be achieved.

4. Concerning workplace democracy value and belief systems:

   A. The participatory process produces human results.

   B. Management of industries is a form of political system.

   C. The workplace can be democratized; if it cannot, then the theory of participative democracy must be revised.

   D. Economic equality is essential to complete attainment of workplace democracy.

Appendix 2: Assumptions and values of organizational development as per Skelley's adaption of French and Bell

1. Concerning people as individuals:

    A. Given support and challenge, most people will live up to their capabilities.

    B. Most people can and are willing to make greater contributions than their organizations permit.

2. Concerning leaders and people in groups:

    A. An individual's satisfaction and competence depend highly on the climate of his work group.

    B. Individuals seek acceptance and interaction in small reference groups.

    C. Group members must assist leaders with leadership and maintenance functions.

    D. Suppressing feelings adversely affects problem solving, personal growth, and job satisfaction.

    E. Trust, support, and cooperation among group members are usually lower than necessary.

    F. Transactional solutions can succeed with attitudinal and motivational problems.

3. Concerning people in organizations:

    A. The dynamics between linked work groups have a powerful effect on the attitudes and behavior of members in these groups.

    B. Usually win-lose conflict strategies are not conducive to solving problems in the long run.

    C. Resolving difficulties within organizations requires time and patience.

    D. Changes in human dynamics require changes in personnel appraisal, compensation, training, staffing, tasks, and communications.

4. Concerning clients:

    A. Organizational members usually share goal commitments, a desire to collaborate, and win-win approaches to conflict

    B. Organizational members, especially the powerful, usually value all members' welfare.

5. Concerning organizational development value and belief systems:

    A. Because organizations exist to meet members' needs, a primary concern in creating conditions in which needs can be satisfied.

    B. Life and work are more meaningful and satisfying when feelings and sentiments can be expressed.

    C. Change agents should be committed to broadly conceived action and research.

    D. Humanized work and democratic-participative management maximize human resources and empowers organizational members.

Appendix 3: Adams and Hansen's comparison chart between corporations, state-owned enterprises and worker cooperatives

Commercial Criteria	Corporations	State-Owned Enterprises	Worker Cooperatives
Purpose	a) To earn profit for owner, to increase value of shares.	a) To provide goods and services for citizens.	a) To maximize net and real worth of all owners.
Organization	a) Organized and controlled by investors	a) Organized and controlled by state	a) Organized and controlled by worker-members
	b) Incorporated under relevant incorporation laws - varies by country	b) Chartered by relevant level of government	b) Incorporated under relevant incorporation laws - varies by country
	c) Except for closely held companies anyone may buy stock	c) No stock	c) Only worker-members may own stock, one share per member
	d) Stock may be traded in the public market	d) n/a	d) No public sale of stock
Ownership	a) Stockholders	a) State	a) Worker members
Control	a) By Investors	a) By state	a) By worker members
	b) Policies set by stockholders or board of directors.	b) Policy set by government planners.	b) Policy set by directors elected by worker-members, or by assembly of worker-members
	c) Voting on basis of shares held	c) n/a	c) One person, one vote
	d) Proxy voting permitted	d) n/a	d) Proxy votes seldom allowed
Sources of Capital	a) Investors, banks, pension funds, the public	a) The state	a) By members or lenders who have no equity or vote
	b) From profitable subsidiaries or by retaining all or part of the profits		b) From net earnings, a portion of which are set aside for reinvestment
Distribution of Net Margin	a) To stockholders on the basis of number of shares owned	a) To the State	a) To members after funds are set aside for reserves and allocated to a collective account
Capital Dividends	a) No limit, amount set by owner or Board of Directors	a) n/a	a) Limited to an interest-like percentage set by policy
Operating Practices	a) Owners or managers order production schedules and set wages and hours, sometimes with union participation	a) Managers order production schedules and set wages and hours, sometimes with union participation	a) Workers set production schedules either through elected boards and appointed managers or directly through assemblies
	b) Working conditions determined by labour law and collective bargaining.	b) Working conditions determined by labour law and collective bargaining.	b) Working conditions determined by labour law and assembly of worker-members, or internal dialogue between members and managers.
Tax Treatment	a) Subject to normal corporate taxes	a) n/a	a) Special tax treatment in some jurisdictions

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