

## Working in employee-owned companies: The role of economic democracy skills

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Juliette Summers  and Shiona Chillas

University of St Andrews, UK

### Abstract

Employee-owned companies (EOCs) are a growing sector of the UK economy and yet research remains divided on their impact and effectiveness. While research has focused on the links between ownership form and organisational performance, this article investigates whether distinctive ‘economic democracy skills’ can be identified. The findings reveal that economic democracy skills in EOCs comprise formal business-owner skills – termed skills in *economic democracy* – and softer socioemotional skills necessary for effective democratic functioning, which are labelled *economic democracy* skills. These skills are developed through democracy work by EOCs. The implications of these findings for the sustainable performance of democratically owned firms are discussed.

### Keywords

Economic democracy, employee ownership, identity, skills

### Introduction

Research suggests that employee ownership in particular, and economic democracy more broadly (Cumbers et al., 2017), can have significant benefits for organisations and employees. Employee-owned companies (EOCs), as a growing sector of the UK economy (Employee Ownership Association, 2018; Nuttall, 2012; Pendleton and Robinson, 2017), are a topic of increasing policy interest especially as employee-owners are seen to be ‘more committed to delivering quality service and more flexible in responding to the needs of the business’ (Lampel et al., 2010: 4), with a positive impact on performance (Kaarsemaker et al., 2009; Kurtulus and Kruse, 2017).

It is argued that EOCs are attractive places to work because of their management practices, and EOCs are successful in attracting, recruiting and retaining highly skilled workers (Lampel et al., 2010). However, despite the potential benefits of the EOC form, research remains divided on EOCs’ impact and effectiveness (Caramelli, 2011; Kim and Patel, 2017; Perotin and Robinson, 2004). While some studies have found many positive

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### Corresponding author:

Juliette Summers, University of St Andrews, The Gateway, North Haugh, St Andrews, Scotland KY16 9AJ, UK.

Email: [jcs27@st-andrews.ac.uk](mailto:jcs27@st-andrews.ac.uk)

performance outcomes associated with employee ownership (O'Boyle et al., 2016), others have found no link (Sengupta et al., 2007), or a negative effect (Gamble et al., 2002). These diverse findings point to complexity in the employee ownership–performance link – often labelled an unexplored ‘black box’ (O'Boyle et al., 2016; Whitfield et al., 2017). This complexity encompasses various causal explanations of the link, including the effects of financial incentives, participation in decision-making, and managerial practices. As such there are repeated calls by researchers to deepen and extend our understanding of ‘the full range of causes, characteristics, and consequences of shared capitalism’ (Carberry, 2011: 2).

However, in a curious absence, the skills required (by both managers and non-managers) to work in EOCs have received little scholarly attention. If democratic participation and ownership are seen to create a performance difference, then it is important to consider the skills associated with being an employee-owner. This intriguing absence is reflected in a stream of literature that suggests that, since this organisational form is substantively different to other sectors of the economy, there is a need to advance understanding of management within EOCs. For instance, the UK government's Nuttall Review of Employee Ownership identified a gap in ‘guidance on management skills’ (2012: 46), a point supported by Stocki (2015: 4), who found that ‘being a manager in a classical firm and a co-op may involve two different domains of expertise’. We contend that, without knowledge of the economic democracy skills of all organisational members, managers or otherwise, the links between economic democracy and organisational performance will remain an unopened black box. This article contributes to the debate by investigating whether, and if, skills related to employee ownership can be identified.

The article will argue that ‘economic democracy skills’ are a key moderating factor in the employee ownership–performance relationship. We begin by exploring existing research on the employee ownership–performance black box, which exposes a gap in the consideration of skills. Building on concepts widely used in human resource management (HRM), namely that performance is influenced by opportunity, motivation and ability (knowledge and skills) (Appelbaum et al., 2000), we establish that employee ownership research has focused on the opportunity and motivation that this form provides for employee-owners, but has largely omitted employee ownership abilities. We then provide details of the research exercise, our data set and the process through which we developed our findings. Our findings indicate that economic democracy skills are manifest in all of the EOCs in the study, and comprise of formal business-owner skills (which we term skills in *economic* democracy) and softer socioemotional skills necessary for effective democratic functioning (which we term economic *democracy* skills). Our findings show that these economic democracy skills were developed through the ‘democracy work’ of the EOCs which focused on organisational identity and legacy work.

## **Employee ownership–performance black box**

Despite scholarly and policy interest in employee ownership and its organisational effects, there remains ‘a large unexplored black box’ (O'Boyle et al., 2016: 443) of the causal processes linking ownership to behavioural change. An extensive literature provides explanations in three principal areas: the effects on behaviours of material rewards;

of participation in decision-making; and the moderating influence of contextual factors. Yet, as the following sections will demonstrate, for all the merits of extensive research on the links between ownership form and organisational performance, this approach has neglected the exploration of economic democracy skills.

### *Principall/agent theory*

Using a principal/agent approach, the first causal explanation contends that by becoming stock owners, employees' financial interests are aligned with those of the firm thereby encouraging behaviours in support of organisational goals. Conversely, however, there are also claims that employee-owners will extract maximum individualised returns from the company, resulting in free riding (Alchian and Demsetz, 1972), in employee-owners' reluctance to invest in a firm (Boatright, 2004) and ultimately in a reduction in competitiveness (Jensen and Meckling, 1976). Given the mixed theoretical predictions of the economic theory approach, and in order to explain some of the positive effects of employee ownership on performance, a second conceptual approach is offered in the literature.

### *Participation in decision-making*

Increasingly, empirical evidence is 'emphasizing the role of participation in decision-making' (Pendleton and Robinson, 2011: 445) in effecting behavioural change. Here, Klein's (1987) suggestion that an increase in employee influence on decisions through 'instrumental satisfaction' is sufficient to create attitude and behaviour change, has explanatory power. Other concepts used to explain employee attitudinal changes in EOCs include Meyer and Allen's (1991) model of organisational commitment (affective, continuance and normative), Pierce et al.'s (2001) theory of 'psychological ownership', and concertive control through social pressure on co-owners to perform (Summers, 2004).

Yet for all these studies on the effects of employee ownership on commitment, some deny a link (e.g. Sengupta et al., 2007), or a sustainable effect on commitment (Long, 1982; McCarthy et al., 2010). While a number of studies indicate that a combination of financial incentive and participation in decision-making can achieve the greatest positive performance effects (e.g. Summers and Hyman, 2005), research continues to suggest that the effects of employee ownership are not predictable – being moderated by contextual factors, including management practices.

### *Moderating factors*

The third explanation considers that previous approaches hold overly decontextualised views of securing commitment and behaviour change. Developing this idea, Kruse et al. (2004) consider that performance enhancement is achieved in EOCs via 'three prongs' which incorporate the established motivational explanations of, first, financial incentives, second, participation in decision-making, adding a third, organisational environment.

Much research on this third prong has focused on management approaches (and in doing so, has largely ignored other employee-owners and their capabilities) and the

associated structures that provide the opportunity for financial participation and facilitate involvement in decision-making. The substantive difference of an organisational form based on democratic ownership implies that managing in an EOC is 'of a different order' (Storey et al., 2014: 636) where managers are likely to practise 'more democratic management styles' (Steara et al., 2015: 8) and so EOCs create 'personnel practices that work for them' (Lawless and Reynolds, 2004: 8), practices which are likely to be equivalent to a 'soft' HRM approach (Kruse et al., 2004). In fact, in EOCs there tends to be an 'emphasis on good HR practices' (Reeves Knyght et al., 2010: 1314), which includes a managerial focus on 'extended information flows' (Steara et al., 2015: 8), information sharing and informing personnel (Unterrainer et al., 2011). More broadly, Novkovic (2008) emphasises the role of networking and teamworking in cooperatives, while Cook (1994) cites the role of coalition building in EOCs, and Lawless and Reynolds (2004) find that management practices are designed to encourage debate in EOCs.

A consequence of this debate on management practices in EOCs is the emphasis placed on conflict management. This literature tends to be framed in unitarist language where 'encouragement for constructive dissent' (Steara et al., 2015: 8) and the existence of 'interpersonal friction' (Whittam and Talbot, 2014: 5) mean that the importance of 'managing tensions' (Storey et al., 2014: 634) is highlighted. Similarly, Lampel et al. (2014: 67) claim that 'relational reserves' are essential for 'dealing with such crises'. Such reserves might include a positive attitude towards co-workers (Agirre et al., 2014), and be part of the 'values system' in an EOC (McQuaid et al., 2012: 14). A similar point is made by Basterretxea and Storey (2017: 25), who highlight that management in John Lewis are 'extraordinarily active' in supporting economic democracy in the company.

While active managerial input adds a 'fourth prong' (Basterretxea and Storey, 2017) to Kruse et al.'s (2004) three-pronged model noted above, the skills element remains unexplored. As Storey and Salaman (2017: 339) conclude, for EOCs 'managing in this responsible way is a practical accomplishment that requires considerable conceptual and applied skills', however we still know little about what these skills entail. While Basterretxea and Albizu (2011: 209) refer to 'cooperative management tools' in EOCs, what these tools might comprise is unspecified. In fact, the three and four prongs approach highlights the importance of motivation and opportunities for participation, yet lacks consideration of skills for work in employee-owned companies. The question of skills is pertinent as research acknowledges gaps in our understanding of what 'other factors' (Kruse et al., 2004: 17) may moderate the relationship between employee ownership and organisational performance.

## **Skills**

Turning to skills in work, the literature has a long history and a variety of reference points within the labour market and labour process, covering territories such as where skills for work are acquired and general tendencies in the nature and utilisation of skills (Grugulis and Lloyd, 2010). While an agreed definition of skill remains elusive, a number of qualifiers are used to sub-divide and clarify skills in work, the most common being a distinction between 'hard' and 'soft' skills, along with a recognition of the distinction

between organisation-specific and transferable skills (e.g. Grugulis and Lloyd, 2010; Hurrell, 2016). Hurrell et al. (2013) define soft skills as ‘non-technical and not reliant on abstract reasoning, involving interpersonal and intrapersonal abilities to facilitate mastered performance in particular social contexts’ (Hurrell et al., 2013: 162). They are argued to be scarcer, more difficult to train and increasingly required by organisations and in occupations (Hurrell, 2016).

While these shifts in the nature of skills required for work, the impact of technology on skills and the effects of management control on autonomy have been thoroughly explored and debated in the literature (see Green et al., 2016), the issue of skills utilisation has been relatively overlooked (Keep, 2016). There is a clear difference between possessing skills and using them for the benefit of the organisation. Work organisation is decisive in skills utilisation and, as Keep reminds us, ‘[w]orkplaces that provide rich learning environments through the manner in which they structure tasks and processes, and manage staff, also tend to be better at bottom-up forms of process and employee-driven innovation’ (2016: 39). High performance workplaces (or HPWS) provide a typical example – where research emphasises the central role of training in ensuring that employees possess the ‘capability to contribute’ (Ramsay et al., 2000: 504) to organisational success. Drawing on the ability–motivation–opportunity model (Appelbaum et al., 2000), standard HPWS research considers three areas integral to performance, namely capability (knowledge and skill acquisition), commitment (motivation) and opportunity (Boxall and Winterton, 2015). However, HPWS also have a dark side (Boxall and Macky, 2014) associated with performance enhancement via work intensification – and not via enhanced skills and positive engagement. Certainly, early studies of coops, such as Fakenham Enterprises (Wajcman, 1983), suggested self-exploitation and not increased skill.

We might then expect that in the context of EOCs, where the division between management and workers is in theory less distinct (Summers, 2004), there is a strong, mutual incentive to create a learning environment both in terms of task-related skills, and in the acquisition of skills required to be a worker-owner. It is this latter skill-set that interests us here, and which we have labelled ‘economic democracy skills’ to distinguish them from the skills that are connected to occupation or organisation. However the acquisition of worker-owner skills, should they exist, introduces training as an important element of the EOC form, and it is to this aspect we now turn.

Research to date on training in EOCs is framed around opportunities for occupational or task-related training. This focus is reflected in research which considers business, organisational and job skills in EOCs from a mutual investment perspective (Guery and Pendleton, 2016; Pendleton and Robinson, 2011), where employee ownership can help to remove the ‘hold-up’ issue, namely the lack of trust between employee and employer where neither accesses or provides training. It is considered that employee ownership can ‘signal mutual commitment and therefore encourage employers to offer training to employees’ (Whitfield et al., 2017: 1281). This emphasis on business-focused training is replicated by training in the formal responsibilities of being a business owner, through the mention of training (or lack of training) in running a business. The focus is placed on commercial skills such as training for business literacy and mediation (Kaarsemaker and Poutsma, 2006) and ‘continuous education for members [to] be able to understand the

financial situation of the coop' (Lawless and Reynolds, 2004: 7), a point replicated by Timming and Brown (2015). While, conversely, Chevallier found a lack of 'financial competencies' (2011: 35) in cooperative members. This literature suggests that training in EOCs focuses on the economic aspects of economic democracy: in other words, the occupational and business skills needed by employee-owners in order to contribute to organisational performance.

Yet acquiring knowledge and being able to use this knowledge for the benefit of the organisation are not the same. For instance, while increasing amounts of skill is seen as empowering workers (if they are acknowledged and valued), others might see this development as decreasing workers' power by placing heightened expectations on workers (Grugulis and Lloyd, 2010). Therefore a consideration of skills and abilities in democratic participation and voice is important since, if employee-owners do not possess participation skills, their effective participation may be low or non-existent, thus potentially explaining the mixed effects of employee ownership on performance even where participation mechanisms are in place. While the HRM-focused employee ownership literature cites certain practices as moderating factors – for example, the importance to EOCs of involvement and listening (McQuaid et al., 2012) – the capability to democratically participate, in other words the economic democracy skills, are overlooked.

### **Capability to participate as a missing moderator**

It is interesting that, as yet, researchers have not looked at skills which underpin employee-owners' capability to participate. In particular, where sharing of control is expected or desired by employee-owners, the extent to which this desire can be met will depend, in part, on members' (managers or otherwise) democratic participation skills. While the influence of participation at work on the development of participative efficacy (Pateman, 1970) and attitudes (Timming and Summers, 2018) outside of the workplace is recognised, our analysis of the literature also suggests that participative capability is an important, but neglected, aspect of the employee ownership–performance link. The focus and assumptions of research to date have meant there remain questions about the 'knowledge, skills and experience' needed to manage under employee ownership (Basterretxea and Martínez, 2012: 359). In focusing our enquiry on the employee ownership–performance black box, it is clear that ownership skills have been largely overlooked. In particular, where employee ownership provides the opportunity and motivation to take part in decision-making, and managerial approaches ensure that participatory mechanisms are in place, the fact that we cannot with certainty predict whether this will have a positive effect on behaviour and performance may well be due to employee-owners' (workers and managers) capacity to democratically participate – in other words their economic democracy skills. The presence or absence of skills in effective democratic participation could thus provide an additional causal explanation for the varying effects of participation on performance in EOCs. Our research intends to address this gap. In this article, we explore the matter of economic democracy skills via the following research questions: *What forms of economic democracy skills (if any) are identifiable in employee-owned companies?* and *How are economic democracy skills manifest and managed?*



## Investigative approach and research procedure

In light of calls for research which ‘builds on the existing literature’ (Caramelli, 2011: 5) and for studies based on qualitative data to ‘add value by providing insights into the causal processes’ (Whitfield et al., 2017: 1292), this article uses a qualitative and exploratory approach to investigate how employee-owners navigate, prepare for and respond to the requirements of employee ownership. Our interest is in how employee-owners construct a meaningful picture of the ‘daily realities’ of economic democracy skills out of the many, and potentially conflicting, positions within for-profit, democratic organisations. Our sampling strategy was simple, a variety of Scottish EOCs were identified through personal networks, contacted by email, and interviews arranged. Scotland is an appropriate research location since all its EOCs are private sector, for-profit companies and none are public-service delivery mutuals (Nuttall, 2018), making it highly representative of typical growth areas in employee ownership. The EOCs were selected based on their financial health (all were successfully trading companies), and their operation of participative democratic practices. Beyond this, we selected employee-owned companies from across Scotland, both urban and remote rural areas, and from diverse sectors in order to explore whether any common ownership skills were identifiable. In-depth interviews took place in 2015/16 to explore respondents’ views on employee ownership and whether (or not) they felt economic democracy skills were required or manifest. To avoid biasing our data (and respondents) with assumptions about what might fill the ‘black box’ – and to be open to the idea that economic democracy skills may not be significant in our EOCs – we asked generally about requirements and expectations of work-related skills in the EOC. All interviews were face-to-face conversations, with at least one senior manager per EOC and most often with multiple other members of the EOCs. Time spent with each company varied from two hours to two days with most visits being for four to six hours. All interviews were digitally recorded and later transcribed.

Our data comprise 30 interviews with managers and employee-owners, covering 11 organisations in different industrial sectors (e.g. professional and care-related services, manufacturing, retail), and of different sizes with staff numbers ranging from 20 to 450 (see Table 1). Pseudonymising codes are used to protect participants’ anonymity.

All companies in the study were recognised by the Scottish Government agency Scottish Enterprise as having adopted an employee ownership model where employees own the majority of shares and where ownership provides employees with ‘a meaningful stake in their organisation together with a genuine say in how it is run’ (Scottish Enterprise, 2018), but without the requirement that these EOCs adhere to core cooperative principles.<sup>2</sup> This is significant since this form of employee ownership is the fastest growing in the UK – at a rate of 10% per annum (Employee Ownership Association, 2018). None of the EOCs in our study had any external equity share owners. All companies operated a hybrid model of employee ownership, mixing indirect ownership via an Employee Benefits Trust<sup>3</sup> with direct ownership via individual share ownership.

To ground emerging categories in the data we used a constant comparison approach over the period of data collection. An open stance was adopted (continuing beyond the data collection period) in terms of understanding and interpreting the employee owners’ experiences recorded. Themes were identified and analysed across the interviews (Miles

**Table 1.** The companies.

Code	Sector	Size	No. of interviews	Interviewee code <sup>1</sup>
EOC1	Management support	20	2	(EOC1/1–2)
EOC2	Media	20	7	(EOC2/1–7)
EOC3	Social care	150	5	(EOC3/1–5)
EOC4	Social care	150	2	(EOC4/1–2)
EOC5	Manufacturing	100	3	(EOC5/1–3)
EOC6	IT	20	1	(EOC6)
EOC7	IT	20	5	(EOC7/1–5)
EOC8	Management support	20	1	(EOC8)
EOC9	Design	50	2	(EOC9/1–2)
EOC10	Retail	300	1	(EOC10)
EOC11	Retail	50	6	(EOC11/1–6)

and Huberman, 1994). The analysis was thus cyclical in nature; that is, there was a search for meaningful themes and categories using immersion in the data, cutting and rearranging, which was repeatedly compared with the original contextual data. Careful descriptions of the data were made which enabled the development of categories in which to place behaviours and processes. After initial organisation of the data, the key themes that emerged were then interrogated for fit. By being alert to the possibility of contrasts and disconfirming data, interpretations were refined or completely reformulated where necessary. As themes arose in our conversations with employee-owners, or in our reading of the transcripts, these formed part of the ongoing data collection. This process took place until we felt that no new themes were emerging. In this way, saturation of categories was achieved in 30 interviews across 11 organisations. Themes were identified inductively (Gioia et al., 2013) and, given the exploratory nature of investigation, are presented first as categories of hard and soft skills. An emergent theme aggregated from these categories is presented as ‘democracy work’.

### ***Economic democracy skills: Capacity to contribute***

In addressing our research questions, and in line with previous research on EOCs, it became clear that the significance of becoming employee-owned (for all employee-owners, irrespective of job role) involved the acquisition of technical skills related to being a business owner and shareholder, as the following quote illustrates:

... there are skills you need to be the owners of a business. ... an employee owned business has to make its way in the world, like any other business. (EOC7/1)

For the companies in this study, employee ownership brought greater access to information, to the financial accounts of the business, and a collective responsibility for business strategy:



... we realised that actually we didn't know anything about business. ... We started these whole office group meetings really with a business coach who explained business to us and got us all to think about things like where do we want the business to go. A whole range of business things which we'd never thought of before. (EOC9/1)

To accommodate these ownership responsibilities, EOCs across sectors cited the need for employee-owners' capacity to contribute to organisational decision-making through skills in financial literacy and business planning. These hard skills include: understanding company accounts; share scheme operation; business development; and strategy setting. Training in these areas was sourced from a mix of traditional sources (e.g. Institute of Directors) and employee ownership consultants.

Yet, finding a way to deploy these business-owner skills was a challenge. In fact, 'just putting in place employee ownership and all the structures around that isn't enough' (EOC6) for successful, sustainable economic democracy. However the EOCs had no clear idea what they needed to do, where they needed to focus training efforts, or what might effect a difference. For EOCs, 'ownership' skills were 'the missing link' (EOC6) in realising the performance benefits of employee ownership. In particular, EOCs emphasised the importance, for the democratic functioning of the enterprises, of socioemotional skills. Though there was acknowledgement that building 'soft' economic democracy skills, to underpin democratic decision-making and participation, was not easy 'you'll find that a lot of businesses really struggling with how to do it' (EOC10). Unlike buying in training for the more formal, hard business skills, soft skills development was 'mainly time and it's energy' (EOC10) and yet 'it's a very important aspect of what these businesses are about' (EOC10). This was particularly so for EOCs which had become employee-owned via an employee buy-out, since this meant 'you go into business with people you would not always pick to go into business with' (EOC2/6). In line with previous research (e.g. Hurrell, 2016), the soft skills that employee-owners require are not easily trainable, and often apparent only when they were lacking.

### **Economic *democracy* skills: Capability to participate**

Being an employee-owned company involved a qualitatively different way of working. Emanating from the data is a strong sense that democratic participation meant leaving individual differences aside to work collaboratively and supportively with a responsibility to, and for, other organisational members. The ownership form translated into an emphasis on a 'collective approach', 'it's about collaboration' (EOC9/1), and 'a collective responsibility [where] we're all owners. We're co-equals' (EOC2/2). This goes beyond Steare et al.'s (2015) 'more democratic management styles' – in our EOCs, democratic ownership meant prioritising choices that advantaged the collective:

... we've always said, we'll share the good times but we've also got to share the bad times and what we want to do is keep the staff we've got ... if we all want to stick together. (EOC9/1)

The bonds formed between workers in EOCs thus indicated a reduction in internal competition, with a focus instead on the construction of collective ambition. The unifying

goal of ownership created a form of relations that were reciprocal in nature, for example:

... they'll [other employee owners] help me out when I'm on a sticky wicket. (EOC3/3)

... we would support somebody through thick and thin rather than getting rid of them. (EOC3/2)

Notably there is an impression of loyalty imparted by these quotes. Furthermore, trust, reciprocity and mutuality in employment relations were not only apparent in high-performing EOCs, it also appeared to be maintained in precarious circumstances. In this respect, our findings confirm the claims made by Agirre et al. (2014) and Unterrainer et al. (2011) that EOCs pay more attention to people. Our findings also corroborate research on the importance of communication in EOCs, and of their focus on involvement. Yet, this is not a traditional, unitarist form of management–worker communication or employee involvement since power had been democratised via employee ownership. Integral to the way employee-owned organisations operated democratically were genuinely lower levels of formal control, coupled with a high degree of openness about business practices – as EOC2/3 commented, ‘Nobody’s in the dark about anything ... people are in the picture all the time, and I think that’s definitely a good thing.’

For non-management employee owners, being able to voice concerns was important across all EOCs, and at all occupational levels:

... the ability to put your voice out there and to ask questions and to challenge. I'd say they are the most important [skills]. (EOC10)

These abilities required a commensurate fit from management in terms of ability to listen:

... what a huge voice they've [employee-owners] got and they have to be listened to. (EOC3/2)

The democratisation of power in EOCs meant that collaborative practices, rather than appearing to encourage homogenisation, on the contrary encouraged the voicing of different interests, which could be combative. While our findings support the existing literature, which cites ‘interpersonal friction’ (Whittam and Talbot, 2014) in EOCs, we did not find this articulated as ‘crises’ (Lampel et al., 2014). Quite the opposite, far from a problem this was seen as a strategic advantage for the firms – and a unique resource – with the recognition that this could ‘bring problems. It always can. But I think on the whole it gives us a lot of competitive advantage. It gives us a lot of strength and depth in our business’ (EOC10). Across EOCs, this strength and depth lay in the collaboration between employee-owners, allowing the organisations to forge high quality ties between members. Consequently, the democratic skills required of employee-owners were operationalised in relational conditions by the group (i.e. a collective attribute) with EOCs demonstrating practices of power ‘with and for others’ (Ricoeur, 1992).

The centrality of egalitarian relationships and responsibilities appears to be a key component of operating within an EOC – and also within the growing community of such firms. The qualitatively different relationships in EOCs, in terms of being ‘more

collegiate, more collaborative' (EOC7/1), in turn required a related skill-set. Here, socioemotional skills were the 'glue' that underpinned the activities of EOC members.

### *Socioemotional skills*

Our data indicate that democratic participation, whether at annual general meetings, monthly, weekly, or even in daily 'scrums' (EOC7/3) meant employee-owners had to develop and rely on socioemotional skills, to the extent that the most important skills in an EOC were the ability to 'be empathetic, to care, to respect and have humility' (EOC4/1). Rather than merely involvement related to work tasks or organisation, economic democracy skills included a focus on 'compassion as well' (EOC3/3) and the need to 'be sensitive and be understanding' (EOC3/2) in diverse democratic forums within the organisations.

Of note, collegiality and collective ambition were not focused on homogenisation within the membership, rather socioemotional skills were essential components in the ability to notice, understand and support difference. Members' emotional skills allowed EOCs to work with difference effectively in terms of openness and interaction with others, both in working together and in terms of strategically developing the business:

... open your mind more to other people's point of view. (EOC2/5)

... think about what and how you speak to other staff. (EOC2/6)

... it's really important that we're all understanding each other's ideologies or philosophies about how we may want to be as a business. (EOC10)

In order to operate collaboratively, a key aspect of socioemotional skills was anticipatory awareness of the emotional state of co-workers, where 'it's all of our jobs to look after each other ... we've all got to take five minutes out and say, are you OK? That's everybody's responsibility' (EOC5/3), and 'it's important for us to get a sense of what everybody's feeling' (EOC4/2). The importance of socioemotional skills was repeated across the cohort, with some using deliberate strategies to surface emotion:

... there's a board downstairs so that if you come in in a bad mood, you can tell everybody you're in a bad mood. You put your picture against that – an unhappy face – and if you're in a good mood, that's fine. And if somebody puts you in a bad mood you can move your card. (EOC11/1)

This foregrounds another important element of 'soft' skills that emerged from the data in the form of management authenticity and humility: 'I don't have a monopoly on being right all the time, which employee ownership has kind of taught me' (EOC2/1). Consequently, managing in an environment of empathy involved 'managing people maybe at a higher intensity' (EOC10) where that effort was characterised by an outwardly focused, humble socioemotional quality. EOCs' stock of economic *democracy* skills therefore focused not necessarily on an 'upbeat' or 'happy' tone, but one of awareness and acceptance of difference, with a responsibility for and with others a central component of this. Notably, employee-owners were all treated the same in this respect, irrespective of their position in the organisation.

The data show that the soft economic democracy skills that we have further identified as being socioemotional are deeply held. We argue that these are indeed skills, given that employee-owners can identify that they have acquired these skills as a result of changing to this organisational form. Irrespective of sector, employee-owners connected the organisational form to development of economic democracy skills. Consequently, becoming an employee-owner was a transformational event where ‘the concept of ourselves has changed’ from individual workers, to being ‘a shared realm’ (EOC9/1).

This newly found understanding was mentioned in some form by workers in all EOCs, and influenced attitudes to work and to the employing organisation:

... there’s a different mindset and people are more, I don’t know, they feel more connection, I think, with the place rather than it being a workplace. (EOC2/4)

to how individuals felt about their position in the organisation:

... it’s just a feeling of belonging ... it’s something that grows within individuals. (EOC4/2)

and to the level of importance attached to the employee ownership approach – underlined by its emphasis at the expense of financial performance:

... the financial part is almost slightly less important than the [employee ownership] ethos that we’re seeing. (EOC7/2)

The transformational influence of employee ownership, acquired by working in an inclusive environment, was felt both by established staff, ‘I think we’ve become nicer people’ (EOC9/1), and by new recruits. For instance, EOC10 described the transformation of a new manager into a supporter of employee ownership thus: ‘within a year he was a completely different person in his mind ... it was incredible the transformation’. Employee ownership was, however, not for everyone – many EOCs related a similar tale of employees who had disengaged from work both emotionally and physically. For example, EOC7/1 – after transition to employee ownership – found that ‘there’s a couple of people who didn’t want to be here so, you know, they’re not here any more. It didn’t fit everyone.’ The transformational effects of working in an EOC suggest that most, but not all, employees respond positively to this organisational form. The widespread use of stories citing the ‘other’ implies however that such a transformation was not unproblematic and required a ‘black sheep’ example (Marques and Paez, 1994) against which to reinforce and positively value the new situation. In emphasising that the position of the other is less acceptable, the employee-owners constructed a picture of ‘who we are’ through their narrative construction of ‘who we are not’ (Ybema et al., 2009), where ‘who we are not’ is the short-term financially driven individualist.

## Democracy work

We have suggested that *economic* democracy skills can be formally trained whereas *economic democracy* skills emerge as a result of working in an EOC, and are apparent in all employee-owners irrespective of their role in the organisation. In this section we

explore how economic *democracy* skills are mobilised and developed through practice, supported by organisational democracy work. What is clear from our data is economic *democracy* skills do not merely happen as a result of the transfer of ownership, they are a result of active cooperation between organisational members, which is, as EOC10 admits, ‘hard work’:

I try very hard to break those barriers down ... I’ll just mill around and chat to people, and it’s really important to know who they are, know what’s going on in their lives – you want to know who I am, and I want to know who you are because it just creates that glue that keeps the business together ... but it’s hard work. (EOC10)

Democracy work is apparent, first, in organisational identity work (Whetten, 2006) that mobilises identification with the ‘we’ of employee ownership through a shared community of democratic practice (Lave and Wenger, 1991), where identity is as much about the employee ownership form and skills as it is about organisational products or services. Second, it can be seen in legacy work, where economic democracy skills produce and protect a long-term perspective of the firm. In combination, these areas are operationalised in EOCs through human resource management practices. In this way our research both adds texture to the claims that EOCs develop their own HRM practices (Storey et al., 2014), and links these HRM practices to the moderating factor of skills development in EOCs. In the following sections we relate the part that specific organisational practices play in securing, promoting and maintaining democracy skills.

### *Organisational identity work*

The significance of organisational identity work in securing, promoting and maintaining democracy skills emanated from the data. For instance, the importance of an employee ownership identity resonated through practices such as recruitment, where economic democracy skills or capacity to acquire these skills became a key requirement:

... we’re trying to employ people who are not just coming to a job but, without sounding evangelical about it, are coming to a way of life. (EOC6)

... when we’re doing the interviewing, we’re looking for people who’re employee owners, or have potential to be an employee owner, rather than just somebody to do the job ... I think we’re all a bit more eagle eyed, looking for the right character. (EOC7/2)

And this was also emphasised in induction programmes:

... we go through the business model with them ... and they know all about that. It’s indoctrinated into them about our process ... all our values, what employee ownership means, the board of trustees, all the different things that go to being an employee owned business. That’s all explained. (EOC9/1)

Recruitment, selection and induction programmes drew on identity resources in the form of employee ownership symbols, operationalised in organisational publicity, publications

and branding. This formed the organisational ‘front’ (Goffman, 1959) for those gazing with interest at the EOC (including local community members, clients and prospective employees):

... all [company] literature mentions we’re employee owned. Our masthead has ‘employee owned’ on it. Everything from invoices to everything we do says we’re employee owned. (EOC2/7)

It was also apparent that these symbols – on stationery, premises and uniforms – became imbued with meaning for workers:

... people feel extremely proud to be working for [company name], and extremely proud because it’s employee owned, it’s their company, it’s on every branding, it’s on every uniform that they have, employee owned ... there’s a badge on the uniform, on the left chest, that says ‘[company name] employee owned’. (EOC4/1)

Consequently, these material devices served as ‘symbolic rallying points’ (Ybema et al., 2009: 304) around which identity was constructed:

There’s a badge on the uniform that says ‘[company name] employee owned’, and [name of employee owner] was pointing at her badge saying, ‘I’m an employee owner and I didn’t know about this [referring to some new policy], I’m not happy’. (EOC4/2)

In our data, the materiality of organisational identity work is related to, and stems from, employee ownership, where practices such as recruitment and selection are influenced by the ownership form and its need for economic democracy skills. It follows that the organisational democracy work involved in strategies to scope for, select and shape identity is driven by the organisational form and, thus, organisational form becomes as much a part of the employee-owners’ identity focus as job, role or occupation – as EOC10 indicated:

... it’s part of our DNA ... it’s just who I am.

And yet, the employee-owner is not a passive or empty-vessel recipient of an ownership identity – as the emphasis placed on democratic participation skills, and the capability to voice alternative interests, indicated.

The evidence shows that, across sectors, employee-owners identify with the ownership form as well as the particular organisation or occupation, and in doing so, democracy work and democracy skills become co-dependent. In this respect our findings on organisational identity work make a novel contribution to literatures on organisational commitment; identity work here being associated with the ownership form (and the consequent economic democracy skills), not the organisation itself or its products.

### *Organisational legacy work*

EOCs also viewed their democratic legitimacy as a benefit that they sought to sustain, even where there were short-term trade-offs associated with operating with and for



economic democracy. These focused on balancing the financial needs of the organisation with its democratic and social legitimacy:

... sometimes you need to make the people-friendly decisions, not particularly to a huge detriment to the business but there can be things that could be of detriment to the business because you've got this people element thing at the time. (EOC3/4)

The employee ownership form allowed the companies to hold a longer-term business perspective and, rather than a risk, they considered their democratic and social legitimacy as a unique resource:

When you speak to any one of us you are speaking directly to one of the business owners. As a result we are united in our desire to deliver exceptional service for all our customers. (EOC8)

Consequently economic democracy skills were a key requirement for internal promotion and succession planning – enabling the EOCs to identify members with strong socioemotional skills for role model positions. For instance, promotion from within was an important aspect of protection and enhancement of economic democracy skills in the organisations:

... we are like a football team that plays with all our own recruits. We've not got any foreign imports, we've not got any big celebrities coming in at middle management or higher ... the people we've got, we know what we've got, we've trained them and they're good people. (EOC11/1)

... what we don't want to do, ideally, is recruit externally and bring in, because I think that's, that's potentially quite a risky strategy. If we did that it would need to be somebody who had had a pretty proven background in employee ownership. (EOC6)

The finding that EOCs have a particular approach to (and focus on) internal promotion may support the contention that EOCs are less likely to admit new members (the horizon problem), yet in all other respects the focus on home-grown talent was driven by a long-term vision for the sustainability of the organisation. In this way, our data both support Nuttall's (2012) and Lampel et al.'s (2010) assertions that EOCs have a longer-term focus, and enable us to explain how economic democracy skills play a significant role in supporting these economic democracy effects. In this way we extend the understanding of the importance of HRM for EOCs and illuminate how democracy at work can be operationalised through what might, in other contexts, be viewed as conventional HR practices. While to some extent identification with the organisation in terms of commitment, job security and a long-term focus is already a key pillar of a best practice approach to HRM (Beer et al., 2015), participatory skills are a missing element in this established literature. And yet, legacy work, supported by HR practices was not without issues:

[Internal promotion] is good in a lot of ways, but it also means that our progress is slower because we're not bringing in talent that might accelerate our progress and growth. (EOC11/1)

At times this focus on retention had a financial penalty but was seen to reinforce the importance of legacy and sustainability of the organisational form:

... we could have kept him ... it cost us about a million pounds in sales, so it was a big blow, but again it was about being sustainable in the long term. (EOC11/2)

... ones who've left you would say they were good people for today, they were not good people for tomorrow. (EOC11/1)

Our data suggest that economic *democracy* skills can moderate the link between employee ownership and performance by deferring short-term performance benefits in favour of long-term democratic sustainability. This link between protecting democracy skills and legacy also adds explanatory depth to the findings of Nuttall (2012) and of Lampel et al. (2010) concerning EOCs' long-term business perspectives. We argue that, in EOCs, the ideology of democracy at work is at least as important as the financial stake, providing a counterbalance to the pervasive line of thought that dignity at work proves an elusive goal in traditional organisational forms (Sayer, 2007).

## Conclusions and implications

This research began by exploring 'economic democracy skills' and has revealed that there is something more to achieving economic democracy than simply effecting a change in ownership. Drawing on the ability–motivation–opportunity approach, our consideration of the literature suggested that ability and skill were missing elements in existing research into the 'black box' of the ownership–performance relationship. The key findings of this study centre on the identification of economic democracy skills and their role in the organisational processes that maintain economic democracy.

To start with, our research identified skills related to employee ownership in all the EOCs in our study, which we have been able to further classify as hard and soft skills. The identification of hard economic democracy skills in EOCs extends our understanding of the need for training in business literacy in EOCs by, first, identifying which economic democracy skills can be formally trained. Second, we extend this understanding by demonstrating that the presence of such *economic* democracy skills does not necessarily mean that they are used. We have been able to further highlight that the operationalisation of these *economic* democracy skills (which we termed 'capacity to contribute') requires capabilities to participate – in the form of socioemotional, *economic democracy* skills. This 'mastered performance' (Hurrell et al., 2013), seen in the socioemotional skills use in EOCs, is diffused across the organisations, irrespective of position or task – indeed these skills appear to be 'the glue' that unites EOCs.

Our research suggests that hard and soft economic democracy skills are important non-financial assets of the EOCs in our study, underpinning effective democratic decision-making, participatory practices and social support between individuals and between EOCs. It is the non-financial assets that the organisational identity and legacy work described by EOCs are designed to protect and enhance – even at the expense of the EOCs' financial assets. In this way, economic democracy skills are an ownership

dimension beyond a financial stake in the business or outcome-based approaches that preoccupy existing research. Economic democracy skills thus transcend the traditional way of thinking about skills provision in organisations. In making this claim, we suggest that our identification and analysis of economic democracy skills deepens our understanding of contextual approaches to research on EOCs. In particular it adds a further element to Kruse et al.'s (2004) 'three prongs' – of financial incentive, participatory opportunity and organisational environment – and Basterretxea and Storey's (2017) 'fourth prong' of managerial input. In revealing the socioemotional skills that underpin democracy work, we suggest adding a 'fifth prong' to this model, that of skills.

The fifth prong identified here is a focus on the *ability* of all to participate effectively in order to achieve the performance benefits of employee ownership. We consider that the three and four prong concepts highlight necessary conditions of opportunity and motivation to operate democratically, however we suggest that an additional element, ability to participate in the form of economic democracy skills, constitutes a fifth prong that goes beyond, first, the opportunity to participate, represented in Kruse et al.'s second prong and Basterretxea and Storey's fourth prong (their 'extraordinary active' management) and, secondly, beyond the motivation to participate, characterised by Kruse et al.'s financial incentive (first prong) and motivating organisational environment (third prong) (see Table 2).

By incorporating a 'fifth prong' for successful economic democracy into Kruse et al.'s (2004) three-pronged and Basterretxea and Storey's (2017) four-pronged hypotheses, the foregoing demonstrates the unavoidable presence of economic democracy skills, manifest in peer to peer and manager-worker interactions, for effective and sustainable employee ownership. Where performance is a function of capacity and capability to perform, in EOCs we therefore need to consider democratic performance as a mixture of motivation to participate (ownership expectations, ethos and culture), opportunity to participate (participatory procedures and practices), allied with both capacity and capability to participate (hard and soft economic democracy skills). This theoretical contribution to the literature on contextualised understandings of EOCs offers an additional analytical category relevant in distinguishing this organisational form and in explaining its performance effects. Going beyond the EOC field, in shedding light on the 'black box' of the links between organisational form and performance, our research emphasises that organisational form, often taken for granted, should actually be a key consideration for research on soft skills development.

Although identifying economic democracy skills may suggest an additional burden on employee-owners to possess, or acquire, these skills, they are valued by EOCs as a unique resource and benefit – and not as a burden – which is reflected in their approaches to HR practices. In accordance with Lawless and Reynolds (2004: 8), who argued that EOCs are 'creating personnel practices that work for them', we found specific HRM approaches in our EOCs. Our research pinpointed these as focused on human resource development, internal promotion, recruitment, induction and communication. However, in this EOC context, HR is not grounded in traditional, unitarist relations since power is democratised via employee ownership. In essence, economic democracy skills and democracy work allow EOCs to operate a unique 'power-in-common' (Ricoeur, 1992) form of HRM. Whereas HR practices in conventionally owned firms are understood to

**Table 2.** Five-pronged concept.

	Motivation	Opportunity	Ability
Three-pronged concept	Financial incentive (1st prong) Organisational environment (3rd prong)	To participate (2nd prong)	
Four-pronged concept		Extraordinary active management (4th prong)	
Five-pronged concept			Economic democracy skills (5th prong)

be grounded in power inequalities between managers and workers, albeit with the unifying goal of organisational performance, the investigation of economic democracy skills in EOCs indicates HR practices derived from power ‘with and for others’ (Ricoeur, 1992: 172). These findings on the importance of organisational form and practices of democracy work in the promotion of economic democracy skills suggest that although EOCs are distinctive in terms of ownership, research conducted in this sector is insightful for other forms of organisation.

## Implications for practice

While our research advances theory on the EOC form, it also has implications for practice both in EOCs and more broadly. In particular, developing an understanding of economic democracy skills is relevant to other economic sectors seeking to enhance soft skills development, and has implications for the operation and design of sustainable organisations.

Democracy skills identified in EOCs add nuance to the discussion of soft skills, identified as essential for the future of work (Grugulis and Vincent, 2009), and yet the literature acknowledges that soft skills are not readily trainable (Hurrell, 2016). Our research suggests that continuing to search for appropriate training methods to enhance soft skills may not be the most worthwhile route. Instead, a focus on organisational design, emphasising democratisation of work, could enable practices, power and social relationships to actively support and develop such skills – in essence enabling organisations to develop economic *democracy* skills through democracy work processes without explicit training interventions. This suggestion highlights the wider relevance of our research for soft skills development in non-EOCs and suggests that workplaces in the future will need to become more democratic if they are to secure, develop and maintain the skills of their workforce. The emphasis then is on the means to facilitate skills development through organisational adjustment rather than via a deficit model. Skills development through organisational adjustment then shifts responsibility for skills development from the individual to the organisation.

In conclusion, this research enhances understanding of the significance of skills as a key factor in the sustainable performance of democratically owned firms. As our study has demonstrated, our findings linking skills with democracy work allow us to offer

insights into areas that appear to effect this difference in EOCs. The theoretical and practical implications of this research offer a platform for further research on skills in EOCs and, we suggest, for the future of work and organisation more broadly.

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### Notes

1. Each interviewee coded '1' indicates a senior manager at the respective EOC.
2. International Cooperative Alliance's seven cooperative principles (ICA, 2018):
  1. voluntary and open membership
  2. democratic member control
  3. member economic participation
  4. autonomy and independence
  5. education, training and information
  6. cooperation among cooperatives
  7. concern for the community.
3. The establishment of these EOCs predated the UK's Finance Act of 2014 which introduced the Employee Ownership Trust option.

### ORCID iD

Juliette Summers  <https://orcid.org/0000-0002-3229-9743>

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### **Author biographies**

Juliette Summers is Lecturer in Management at the University of St Andrews. Her research centres on the intersection of work, identity and democracy, and in particular on employee ownership and participation – and the skills and strategies for sustainable democracy at work – identity transitions, and consultation and participation strategies.

Shiona Chillas is Senior Lecturer in Management, based in the Institute for Capitalising on Creativity in the School of Management, University of St Andrews. Her research interests lie broadly within the sociology of work and employment with a focus on skills in the creative industries.