Democracy in the workplace: leadership in cooperative business

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Democracy in the Workplace: Leadership in Cooperative Businesses

Jordan Wade

Jepson School of Leadership
Honors Thesis
April, 2008
Acknowledgements

This Jepson Honors Thesis would not have been possible without the support and encouragement of a variety of people. To the Jepson School as a whole, I thank you for the education you have given me. I thank you for believing in the liberal arts and for teaching students not how to do one job, but rather how to think and how to live.

I am grateful to my family who has been a constant rock of support through these four years and who has listened to me as I prattle on passionately about one social issue after the other. Thank you Mom for being my emotional haven and for letting me still act like a child even when what I am upset about are theoretical abstractions. Dad, thank you for arguing with me and supporting me especially when you disagree. I appreciate the games of devil’s advocate and for making me want to work harder even if it is just to prove you wrong. Hamlin, thank you for giving me hope about what other people can do, what they can fight for and how deeply they can love.

I want to thank all of my friends who have provided a forum for me to debate issues through long nights in the library or complain about data tables that I just don’t understand. Thank you all for encouraging me and for being there when I need you. You have become my family here at Richmond and for that I will always be grateful.

Finally, I would like to thank Dr. Thad Williamson for inspiring this project and for pushing me every step of the way. Without his confidence in me, the constant line-edits and his dedication to my academic growth, this would not have been possible. Throughout my time in Jepson it has been his constant presence and passion for social justice that has guided my collegiate studies. His work and beliefs have truly strengthened my convictions that if we care enough we really can change the world.
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**Introduction**

The hierarchical structure of corporate governance denies workers basic democratic rights that are guaranteed in the political sector. These rights, which include freedom, equality and governmental participation are often absent in the workplace. Workers cannot speak freely, feel equal or actively participate in governance in a workplace where people are seen as anonymous parts of a corporate machine rather than as individuals.

The inconsistency between democracy and workplace rights is harmful to both the laborer and to society. Can a person feel autonomous if he or she is denied rights in one sphere and provided with them in another? In order for people to feel truly valued, the democratic ideals of freedom and equality and the right to vote should be present in both the civic and work domains. In this thesis I argue that democratic ideals can apply to multiple social spheres. Based on this argument, I explore the role of democratic ideals in the workplace and how the position of the worker can be improved through expanded democratic participation. When worker participation in a business is combined with alternative leadership models many problems in the workplace can be solved.

At first glance, democratic rights appear to exist in the workplace because of laws that protect the worker. There are restrictions on workplace discrimination by gender, race, ethnicity, age and in some states, sexual orientation. People are free to leave a job if they are unhappy with it and mental or physical abuse of any kind is illegal. However, systems of laws and regulations create an impression of democratic freedom and equality without actually offering the worker democratic control in the workplace.
Protective rights, such as those mentioned above, are often found in the workplace while rights to autonomy are absent. In the political arena where individuals are valued as rational beings, the right to autonomy is guaranteed. For example, in a democratic society, the citizen has the right to elect someone to represent their interests. This right recognizes the citizen as a rational and self-sufficient being who can and should contribute to the larger community. In the workplace, managers and bosses are often hired by the company and though they are meant to help and represent the worker, they are not truly accountable to them in any way. Democratic societies also guarantee freedom of speech and equal representation under the law. In a corporate firm, there are often restrictions on what a person can say, who they can talk to and the influence they can have on the workplace. Workers are regularly denied rights that the government guarantees in other sectors.

This thesis explores workplace rights with the intent of increasing democratic participation and in turn, equality and voice for the worker. Equality for the worker does not merely mean a right to protection, nor does it mean removal of a power structure. In the case of worker participation, equality indicates that a person is free to say what he or she thinks about the organization. Equality also suggests that each worker will be valued as a rational human being with a right to participate. Such equality cannot exist only in the structure of the firm but must also be reinforced by the culture of the organization in order to promote open discussion and collective decision-making.

The right to voice is also inherent in democratic principles, but as this thesis suggests, voice alone is not enough to guarantee equality within the workplace. Even when employees in a traditional firm are given more freedom to voice opinions and make
suggestions to the company, they are not given active rights or power. Though their voice may be heard, they have no direct power or control over their workplace. Voice without power does not promote equality. In order to create a culture of equality, all workers must not only have equal voice, but also equal choice within the firm. Worker-ownership guarantees that workers will be able to act on their opinions and make choices for the organization. Unlike a traditional firm, worker-owned businesses offer freedom of choice combined with control, which creates an environment where a worker can feel autonomous and secure.

It is the intent of this thesis to explore alternatives to the current methods of corporate governance and to examine business models that apply democratic ideals in the economic sector. Specifically I address one normative and three empirical questions. First, why should democratic principles and ideals be a part of the economic sector? After addressing this normative question by presenting several theoretical responses, I address three practical questions related to worker-participation: Is it possible for democratic and alternative businesses to function successfully in the capitalist market? What would a democratically organized firm look like to the common laborer? What type of leadership structure would exist in a democratically driven firm?

I approach these questions from several perspectives throughout the thesis. The foundation of this thesis is structured upon the first question: why should democratic ideals be brought to the economic sector? I consider this question in the first chapter in which I outline several current problems in the workplace. These recurring social problems can be broken down into three categories: contract issues, psychological devaluation and coercive leadership. Additionally, each issue has social implications
such as distrust of governing bodies, loss of human dignity and one way dependency on providers.

Several economic and social theories suggest that worker participation in corporate governance provides a solution to these problems. The theorists, Robert Dahl, Gregory Dow and John Stuart Mill, endorse the use of democratic processes in the economic sector because they believe it will improve both the personal position of the laborer and the community as a whole. Based on these theories I argue that it is right to apply democratic ideals in the economic sector. It is this possibility that leads to the second question: what does a democratic firm look like from the perspective of the worker?

I explore the position of the laborer in democratically driven firms in the second chapter. This chapter provides a literature review of historical and modern alternative business models both in the United States and internationally. This chapter presents examples of alternative businesses that are both socially and economically possible despite their lack of a traditional corporate structure. Businesses examined include the Mondragon Cooperative in Spain and the Plywood Cooperatives of the United States. The research explores the daily role of the laborer within the company, the general structure of the organization and the economic viability of the company within a capitalist market.

In addition I conduct a case study on an American alternative business. The company, Weaver Street Market (WSM), is located in Carrboro, North Carolina and follows a cooperative ownership plan in which members have an equal vote in the decision-making processes of the company. I chose this business because of its location
and the business sector that it represents. The cooperative is also part of a mainstream market, the grocery industry, which is accessed by people in every community. WSM has also been active for almost twenty years and is therefore stable and established within its market.

The case study, discussed in chapters three and four, explores the extent to which this company provides the laborer with democratic rights in the workplace. The study evaluates working conditions, employee input into business decisions, managerial structure, profit-sharing and various other elements. I also examine whether WSM displays the typical strengths and weaknesses found in alternative business models and how they address those issues. The information in the case study is both qualitative and quantitative. It is based on visits to the company's headquarters as well as in depth analysis of worker feedback data collected by the National Center for Employee Ownership in Oakland, CA. Other supplemental data and corporate statistics are included.

In the third chapter I combine leadership theory with the practices at WSM to answer the question: What does leadership in a non-traditional firm look like? Most traditional companies function within a hierarchical leadership structure that is non-negotiable. Concepts of success in the workplace are often based on promotions, status and achieving a higher rank in the pecking order.

Such hierarchical leadership structures are detrimental to expressing the intrinsic worth of each laborer in the firm. The pecking order of a firm not only gives more responsibility to certain individuals, but also suggests that those individuals are more important, or more valuable to the firm than others. Because this structure is not
congruent with the basic democratic ideals of equality and liberty, another system should be devised.

Removing leadership completely and reducing the firm to total anarchy is out of the question because the company will not be able to function without some defined structure. The third chapter offers alternatives to this hierarchical system that are cohesive with democratic business models. For example, some firms allow the laborers to elect their managers while others offer managerial positions on a rotational basis. In this chapter I will explore a variety of options for leadership in these firms and will also offer my judgment on which structure is the most viable.

Because leadership structures are a prominent part of this thesis I discuss the past and current leadership structures that the organization has used. Is leadership in the firm hierarchical? Are managers held responsible by employees? Why were these methods chosen and are they successful? These questions will give me practical insight into the success of a variety of leadership models.

Beyond discussions of company philosophy and management, I discuss the economics of the organization and particularly what affect, if any, worker ownership has on the monetary success of the business. Because the goal of most corporations is to make money, worker participation must at least offer the same level of production as a hierarchical company to be considered viable.

After meeting with management-level employees, I gathered information about the organization from local news sources, cooperative publications and the WSM monthly newspaper. I used this information to garner an understanding of the image that Weaver Street is trying to present to the community and to its owners.
Because I could not get access or permission to interview individual employees, I used survey data collected by the national Center for Employee Ownership to understand the worker’s perspective at Weaver Street. The survey was composed of 75 scale-based items in which employees ranked their feelings about different aspects of the organization. Questions covered topics such as feelings about ownership, satisfaction in the workplace, feelings about leadership and management and willingness to contribute to the long-term goals of the organization. I use this data to analyze the success of the cooperative model at Weaver Street and to draw comparisons to the larger world of worker-ownership.

As I approach the issues of worker-participation from several different perspectives, I hope to gain insight into the possibility of worker participation in corporate firms. I want to not only explore the day to day functions of these companies but also to explore how their practices may become more widespread in the American business sector. A key element in the functionality of these alternative businesses is the role of leadership within the corporation.

In the past ten years, research and exploration of alternative business models has increased significantly in the areas of Employee Stock Ownership Plans and Cooperatives. It is my hope that this thesis will present new insights to this ongoing research specifically in the field of leadership. Because the success or failure of a company can depend on how it is run and who is in charge, finding a viable yet democratic leadership method will be essential to furthering worker ownership in America.
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Chapter 1
Why combine democracy and economics?

Democratic principles must be brought to the workplace in order to improve the position of the laborer within the economic sector. These rights should take the form of worker management, ownership and cooperation in the decision making processes of the firm. But why ought this change occur? Why bring these rights or this kind of responsibility to the ordinary worker? Should work be structured democratically?

Work

Work within a hierarchical system is problematic because it creates a dependency on other people, a community of distrust and a loss of human dignity (Karasek and Theorell, 1990). Each of these problems affects the laborer not only in the workplace, but also at home and in the community. In this section I will outline the failings of the corporate hierarchical system with regard to contractual agreements, coercive leadership and psychological devaluation.

One of the earliest and arguably most unjust forms of labor was the practice of slavery. In her book “The Working Life: The Promise and Betrayal of Modern Work,” Joanne Ciulla quotes Aristotle as saying, “Slaves...have no share in happiness because they have no control over their lives, which consist mostly of work, punishment, and food” (2000, p.75) The injustice of this system was later realized on several levels, all of which pertain to the contemporary work environment. Slavery was unethical because people were not treated as equals, they were not valued as free-thinking individuals and they were forced to labor without consent.
With the hope of avoiding similar injustices in the modern world, labor contracts were created. These contracts give people the right to sell their ability to work to an employer. The contracts are also meant to guarantee the laborer basic democratic rights in the workplace. The worker can now choose his place of work and by signing a contract, he consents to the conditions of that workplace. However, what if the conditions of the workplace are abominable and democratic rights are denied? Can the employer defend himself by arguing that the worker consented to the conditions?

By agreeing to work at a specific company, the laborer acknowledges that he or she will be giving up some personal freedoms while at work (Ciulla, 2000). Businesses would not run efficiently if all employees pursued their own self-interest with complete disregard for the organization. Ciulla argues that “in theory it is not wrong to take away a person’s freedom as long as he or she consents to the arrangement” (2000, p.83). But that is in theory; in practice a hardworking individual may suffer because he was forced to consent to an employer’s damaging contract.

In most situations the worker is not physically forced by another person or by a specific company to consent to a contract, rather he is forced by his social status and need to survive. Democratically, the laborer is allowed to make choices for himself but “when the only options are accepting or quitting, consent doesn’t really exist” (Muirhead, 2004, p.74). The argument is often made that if people are unhappy with the conditions of the workplace, they can just leave. Changing jobs can’t be that difficult. However, if the laborer is a life-long miner living in a small town with only one mine, he has no exit; thus, the argument fails.
When a laborer cannot willingly leave his workplace and survive, the environment becomes similar to that of slave and master. The laborer is completely dependent on his employer. From this, the employer gains unwarranted authoritative power over his laborers, because they must obey, or be out of a job and income (Muirhead, 2004). Therefore, desperate to live, the worker places himself in a rigid work environment where he has no control over his life. Workers in this situation have been returned to the exact working conditions that contracts were meant to avoid.

It is this master-slave mentality that often leads to abuses of power by leaders and the subsequent psychological devaluation of the laborer. These two negative aspects of work are cyclical; the leader puts down the worker which makes him feel devalued and this in turn gives the leader even more power. In the following argument I do not mean to suggest that every laborer in the country is unhappy or feels devalued. On the contrary, many workers are content with their jobs and find pleasure in their day to day activities. However, many laborers are psychologically affected by their work. These people often divide their lives into two separate and unrelated sectors; a process which allows them to remain content and make sense of their contradictory roles (Sennett & Cobb, 1972).

Personal devaluation and questions of worth arise from two specific issues in the workplace: hierarchy and a lack of trust. Feelings of worthlessness are reinforced by the authoritative power given to managers or foremen in corporate systems. This master-like figure makes the laborer question his own ability to speak up or fight back. Self-doubt is ingrained in him because he does not know whether acting outside of his specific role will cost him his job (Sennett & Cobb, 1972). The self-doubt and questioning that occurs
at work is what leads to a psychological division of personality and a loss of dignity in the civil sector.

Corporate hierarchies are damaging because of the class structure that they create within communities. Though hierarchies can be seen as a way to add organization, control and structure to a firm traditional hierarchies often become a negative power structure for decision making within the firm. This power structure is what can greatly limit freedom and equality for the worker because it limits who has a voice. Inherently a hierarchical structure suggests that some people are more valuable than others. The managers and bosses of an organization are in charge of the laborers and therefore wield more power and view themselves as the more valuable human being. A stonemason interviewed by Studs Terkel is aware of his social class merely by the label people give him; “I think a laborer feels that he’s the low man. Not so much that he works with his hands, it’s that he’s at the bottom of the scale... The main thing is the common laborer – even the word *common* laborer – just sounds so common, he’s at the bottom” (Terkel, 1972, p. 18).

Workers begin to see themselves as two different people, the “common” laborer with little to no self-expression, and the father/husband/friend who instills discipline, leads his family and supports people who need him. In order to keep some sense of autonomy the laborer must separate who the job makes him and who he really is (Sennett & Cobb, 1972). One man who felt powerless at work expressed his true identity by buying a large car that he couldn’t really afford. He defended his purchase by saying that he bought it “because you can really move in it, you got plenty of power. In that little car
of yours [the interviewer’s Volkswagen station wagon], you got no control, you gonna get pushed around on the road” (Terkel, 1972, p.164).

Laborers do not like feeling completely dependent on others; the need for personal power and a sense of control is what makes self-employment the common goal of many factory workers (Terkel, 1972). A steelworker stated “I would rather work my ass off for eight hours a day with nobody watching me than five minutes with a guy watching me” (p.2). Many laborers say that they continue working in these hierarchical companies to provide a better life for their children who they hope will become doctors and lawyers (Sennett & Cobb, 1972). The other aspect of self-employment that is alluring is a sense of safety and trust, elements that are missing from the large corporate system.

A lack of loyalty and trust in an organization adds to feelings of worthlessness and leaves a worker constantly uncertain about the future. “When employees sense or know that the company will drop them in a heartbeat just to stay competitive, loyalty is absurd. Loyalty is a reciprocal concept” (Ciulla, 2000, p.153). The laborer who harbors distrust has no desire to work harder or commit to the common goals of a company. This lack of loyalty is also harmful to the corporation because it means that the employees may not be engaged or working to their maximum ability.

Working in constant fear of job loss can have negative psychological and physical ramifications for the laborer. Often, laborers who distrust the company will work longer hours because they expect to be fired at any moment. Workers at a Pittsburgh car manufacturing plant started working twelve hour days, seven days a week, when other local plants laid people off (Yates, 2003). It is this collective fear on the part of the
worker that once again empowers the employer. Many employers find that is cheaper to have current employees work overtime than it is to hire new laborers. Not only does the employer have to pay the current laborer half as much, but he also avoids training new people for the job. The leaders in these corporations are taking advantage of the workers’ fear in order to save money.

When a laborer signs a contract to work for a specific company, he is consenting to the rules and regulations of that organization. Sometimes, the system works well and the laborer is content in doing his job. All too often, however, one or more of the above problems arises in the workplace. The laborer may find himself in an unsatisfactory company with no exit strategy, he may be coerced by his employer into working long hours or completing questionable tasks and he may suffer psychologically from the lack of control he has over his working life. These work related issues habituate the laborer to distrust corporations, to accept a loss of dignity and to depend on others for survival.

Trends of distrust, loss of dignity and dependency are cited by social theorists who argue that the workplace can and must be changed. Robert A. Dahl, Gregory Dow and John Stuart Mill each argue that the position of the laborer is a problem and that worker-participation in firm governance is the solution. Each theorist refers to at least one of the work related problems I have just mentioned. Dahl discusses “binding” corporate contracts as they relate to democratic governmental contracts, while Dow uses the worker’s loss of human dignity to argue for an improved corporate structure. Finally, Mill refers to human dignity as well as dependency to explain how the advancement of society relies on greater worker participation.
Arguments for Worker Participation

Dahl, Dow and Mill each offers a distinct perspective on why political democracy regulates democracy at work. Dahl offers a case for autonomy which states that if a society guarantees certain freedoms and rights in the governmental sector, it must also guarantee these rights in the economic sector. He argues that autonomy must be found between the two systems; otherwise, neither system is valid. Dow bases his argument on the prospect of improving human dignity. He claims that the current corporate structure reduces the value of human beings and can damage an individual’s self-esteem. Dow believes that a new corporate structure needs to be developed on the basis of treating each individual in the company with equality and respect. The final theorist, Mill, argues that the current corporate structure creates a protectorate in which a dual-caste system separates people and does not give them equal social rights. In order for people to be treated as equals, there has to be a system where they can be independent of other classes. Mill wants to dissolve this structure so that more people can contribute to the advancement of society.

The first argument, as presented by Dahl in his book “A Preface to Economic Democracy,” is that there must be a sense of autonomy between the democratic rule of the state and rule within the economic sector. “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” (Dahl, 1985, p.111). Accepting this first conditional statement as true, Dahl continues to explain certain “assumptions” about democracies which translate into the economic realm.
Democracy, by definition, provides the inalienable right for people to govern themselves and to make decisions about matters that affect them directly. Within the governing body some decisions must be made collectively that will be binding on all members of the group. These decisions, however, should be made only by people who will be subject to that rule. The democratic system is also thought to be consistent with equality and liberty. Equality, in general terms, refers to the moral worth of each adult member of the collective and acknowledges that persons’ right to have a share in decision making. The second factor, liberty, is the ability for each person in the system to be the judge of his or her own interests. It is also the right of these people to expect certain amounts of liberty without having to defend or explain it. The final assumption made about a democratic system is that there should be some practice of fairness which recognizes the needs of each individual in the group (Dahl, 1985).

Having presented this argument Dahl clarifies that it does not apply to every association everywhere. For instance, in specific secret societies such as the Freemasons or Knights Templar, members do not expect unlimited freedom and liberty because they have taken an oath which prevents them from having full use of these rights. Therefore, the assumptions about democracy do not apply to these organizations because the aforementioned rights are not expected by the members.

Dahl demonstrates the similarities between work and the government by applying the idea of “binding” decision-making, or contractual agreements, to the corporate system. “Like the government of the state, the government of the firm makes decisions that apply uniformly to all workers or a category of workers...” (Dahl, 1985, p.113). The
decisions of the firm, like those of the government, are binding and can be enforced with punishment or firing.

The government enforces binding decisions on its citizenry by placing people in jail, requiring community service or levying fines. In the business world a person is punished by demotion, extra working hours or firing; these corporate decisions are also binding on the laborer because of contracts. To support his belief, Dahl addresses the same issues of exit from a corporation that were discussed previously. If people are unhappy with a local government or even a national government they can move or establish citizenship elsewhere. However, “is not ‘exit’ (or exile) often so costly, in every sense, that membership is for all practical purposes compulsory...” (Dahl, 1985, p.114). People could choose to leave their jobs or work elsewhere, but what if there are no jobs to be had? There is no requirement as in the governmental sector that they become citizens of another place. If a job is lost or left, there is no guaranteed other option.

The first assumption about democracy has thus been met in the economic sector: decisions made by the governing body are binding on the governed. Therefore, by democratic principle, the governed should have some input into the policies of the governing body. But what should that input be, and who should get to have a say?

Dahl argues that the democratic principle of equality means that all employees should have a say and should get to decide what issues they vote upon and what is left to management. “Except in exceedingly small firms, employees would surely choose to delegate some decisions to managers. In larger firms they would no doubt elect a governing board or council...” (Dahl, 1985, p.118). In sum, employees are qualified to
make decisions about how the firm is run because all individuals are inherently equal and have the ability to reason and make decisions.

Gregory Dow disagrees with Dahl’s argument that the right of employees to govern a firm is inalienable, because not all people may want to work in a democratic firm. Instead he argues for worker control on the basis of human dignity and freedom of choice. Dow (2003) believes that workers should be free to choose employee governance if no other important social need would be sacrificed. For example, freedom of choice should not be given to the laborer if it will remove his ability to work in a physically safe environment or if it will decrease his apparent value as human being.

Dow believes that the employee collective should be given several choices of how to run the company at its outset. The laborers should be offered two or more choices, otherwise the process itself is undemocratic. Because the decisions of a firm will affect local goods, employee wages, working conditions, rules and social atmosphere, the employees deserve to have some say in the decisions of the firm.

Dow argues that as it stands now, the capacity of labor is bought and sold similar to any other commodity on the market. Though contracts and consensual agreements attempt to avoid an unjust system, he believes that the slave mentality still exists. Dow argues that the idea that labor is a commodity that has been in existence since Biblical times, but was truly advanced during British colonial rule. People were bought and sold as assets to be used in labor markets. Since the Enlightenment, this concept has been considered inhumane, particularly by democratic countries. Democracy resolves that people should be treated equally and that they have some intrinsic worth. Therefore labor is not like other commodities because it takes the human form; the form of an inherently
reasonable being who can make decisions. The fact that humans are indirectly bought and sold like other commodities is an affront to their dignity. In worker-managed firms, the individuals would have some control over labor processes and would establish an intrinsic value higher than that of other commodities (Dow, 2003).

Human dignity in the current corporate system is also compromised by the "unidirectional" relationships between the superior and the worker. This relationship is a product of the corporate hierarchies that exist in many factories and other top-down businesses. Dow refers to this relationship as potentially damaging to the laborer especially when the system is abused. Because the superior is not accountable to his employees he can talk down to them, control their daily lives and give the impression that he is of a higher social status. Dow agrees with two theorists, Samuel Bowles and Herbert Gintis, who state that people should be treated equally in the workplace and should not be separated by a caste-like system. The current hierarchy of many businesses places people into the status based categories (Dow, 2003). A worker-managed firm would require that superiors be accountable to laborers and would also create a system where management was viewed as a necessity for success instead of a dominating chain of command.

Dow (2003) contends that the social separation of this system also affects community relationships and self-respect among laborers. As shown in the discussion of work, people are psychologically affected by the environment in which they labor. Often the effect takes the form of personal devaluation. Maslow’s Hierarchy of Needs places Esteem in the top five things that humans need to be fulfilled (Maslow, 1943). The Esteem need is not often met in a system where the laborer does not feel he meets the
standards of the community, whether it be at work or at home. In a worker-managed firm the laborers create the community and can therefore meet the standards that have been set by themselves and their peers. This allows the individual to meet his or her esteem needs as well as meeting several higher level self-actualization needs.

Dow's central argument is that corporate structures are an affront to human dignity. People, human beings, are at the center of this debate, and it is their welfare and equality that is at stake. The hierarchical and caste-like labor construction teaches people that it is acceptable to value some people more than others. If we believe in advancing the democratic ideal of inherent human equality, the current corporate structure is slowing our progress.

John Stuart Mill argues that a separation between governmental rights and economic rights can lead to bad citizens. He believes that autonomy in one sector must link to autonomy in other sectors in order for citizens to feel secure and prosper. As argued in the previous section, workers do not always feel secure in their places of employment and this has a variety of side-effects. "Person and property cannot be considered secure where the administration of justice is imperfect..." (Mill, 1965, p.533). Mill claims that the current systems do not align because of the historically dual division of the employer and employee relationship which leads to unnecessary dependence and social stratification. Because the laborer may have no exit strategy and because he often lacks the esteem to speak up and challenge the decision making process, he is completely at the will of his employer; his daily life depends on that person's decisions.

Historically, the justification for elite rule has been the idea of a "protectorate" where those with power and money support and provide for the laboring classes. The
system worked when there were actually things from which people needed protection. For example, in the period of the Roman Empire, laborers had no way to protect themselves from invading war lords such as Genghis Kahn. In response to this, property owning nobles raised an army to fight off invaders. In still earlier eras, wild animals and weather were a threat and so the employer provided laborers with shelter and safety. The upper class protected their workers from the enemy and therefore insured the dependence of the laborer on his employer.

Mill argues, however, that technological advances and the growth of modern society have lessoned the amount of protection people truly need. Because of governmental support, individual rights, and beliefs in equality and hard work, people can now function individually in society. Every man, including the laborer, has the capacity to take care of himself, but more importantly, he has the capacity to reason (Mill, 1965). According to Mill, the dual caste system is not only outdated, but it also not cohesive with popular democratic ideals.

The influx of information that was present during the industrial revolution, Mill's era, has increased immensely today. Mill believed that the ability for the layman to access information is what would make him an independent and educated contributor to society. By providing education and information to the laboring classes, these people will become independent of the "employer" class. "The aim of improvement should be not solely to place human beings in a condition in which they will be able to do without one another, but to enable them to work with or for one another in relations not involving dependence" (Mill, 1965, p.763). Mill argues that this independence should take the form of equality in business; specifically joint ownership and valued input by the laborer.
Using several examples of then current partnerships and cooperatives Mill explains why the involvement of the laborer is the best thing for society. New experiences and responsibilities “raise the character” of the laborer “making him a more valuable citizen” (Mill, 1965, p.765). Not only is the laborer now more valuable to society, but he is also more valuable to the company because he has some ownership in it and has a reason to work hard and strive to profit. In sum, Mill believes that the greater good would benefit from the “conversion of each human being’s daily occupation into a school of the social sympathies and the practical intelligence” (p.790).

Mill’s argument, though an advance in the value and position of the laborer, is more of an attempt to overhaul and improve the entire social structure. Mill’s main reason for making the worker less dependent on his employer is to improve the quality of how he lives. Less dependence on others means that the laboring classes will have to become more educated and will contribute more to the governing of society.

Each of the above theorists offers a valid and defensible argument for the implementation of democratic ideals in the economic sector. I do not wish to choose one theory as the “right” reason for creating alternative businesses. However, based on the problems with work and the proposed solution of worker participation, there are portions of each argument that I find more relevant than others.

The arguments for human dignity and the dissolution of a protectorate system are the most valuable to establishing a just system of leadership in the business sector. Not only do these theories embrace the democratic ideals presented by Dahl’s argument, but they also establish a precedent for valuing each individual involved in the firm. The laborers discussed in the first section have high esteem needs and if a corporation could
show that they did indeed value their laborers, the individual person would benefit greatly. If alternative businesses focused their day to day practices on a philosophy of value and inclusion, they would build the foundation for a democratically inclined organization.

From this foundation, the leadership style most applicable to the company would emerge. The laborers would most likely have a say in the leadership style of the company which automatically provides the leader with the necessary legitimacy to acquire follower support. Because of this legitimacy, followers would be less self-interested and are more likely to work for the company as a whole. The lack of a rigid and untouchable hierarchical system could also decrease feelings of inferiority among workers and would better satisfy individual esteem needs. Each of these improvements stems from the company’s general acceptance of the intrinsic worth of the laborer and his or her ability to participate in the company.

Bringing democratic ideals such as equality and liberty to the economic sector is possible. As argued by Dahl, Dow and Mill, it is also ethically and socially justifiable. However, can a company be economically successful without the traditional hierarchical leadership structure? Theorists such as Armen Alchian and Harold Demsetz (1972) argue that a hierarchical structure is necessary within a firm to prevent “shirking” by employees. They argue that team-based structures cannot efficiently measure the input of each employee and therefore production may fall. A “monitor” is needed to observe and measure the individual inputs of each employee in order to guarantee economic success for the company.
Gary Yukl (2006) identifies other potential weaknesses of a participatory system in his book *Leadership in Organizations*. He argues that worker participation is not practical in some organizations because the decisions of a company are not made in one moment. Rather, decisions occur over a period of time with a variety of meetings and discussions. He states that because of this structure there is no way for every employee to complete his daily work and to be involved in this process.

Due to objections like these, worker-participation will not be considered a viable business model unless it is shown to function as successfully as hierarchical corporations. Despite the aforementioned doubts, the information presented in the following chapters will show that non-traditional firms can indeed be successful in the capitalist market. In the upcoming chapters I explore three organizations with regard to the previously posed research questions: Can participatory businesses function in the capitalist market? If they are successful, how can you measure that success both economically and democratically? What is the leadership structure of each organization and how does it contribute to the success of the firm?

The first two organizations I address are the Mondragon Cooperative in Spain and Plywood Cooperatives of the Western United States. The study of these two organizations demonstrates the possible economic success and growth of cooperative organizations in two markets. In the third and fourth chapters I explore the aforementioned research questions in more depth with regards to the Weaver Street Market Cooperative.
Chapter 2
The Functionality of Worker Ownership

Theoretically, worker participation is a solution to multiple problems in the workplace. However, relatively few worker-owned firms exist within the capitalist market. If worker participation would in fact substantially improve the role of the worker then why are so few companies turning over power to the employee? Several answers can be found in general criticisms of worker-ownership which contends that cooperative businesses cannot be successful in the capitalist market due to “shirking” by employees, a lack of capital, struggles with growth and the overall risk involved.

Armen Alchian and Harold Demsetz criticize cooperative and team environments because they encourage shirking. According to the authors, shirking, or not doing your job well, often occurs in teams because they fail to motivate the individual. In a cooperative organization people are continually working together and are not being rewarded for going above and beyond as individuals. The authors suggest that because the individual is not monitored separately from the group, he will shirk his duties and will not contribute as much to the overall work of the organization. “But since costs must be incurred to monitor each other, each input owner will have more incentive to shirk when he works as part of a team, than if his performance could be monitored easily or if he did not work as a team” (Alchian & Demsetz, 1972, p.780).

In addition to the problems of shirking in cooperative or team oriented environments, there is also no way to fire or release the inadequate employees. In a traditional firm the management has control over the shirking employees and can release them if they are not aiding the success of the organization as a whole. In cooperative
firms, release occurs only in extreme circumstances; thus the company can be hindered by shirking employees. Therefore, cooperative businesses cannot be as successful because they will produce less and the employees will not work as hard as employees in a conventionally monitored setting (Alchian & Demsetz, 1972).

Failure to gain capital is also cited as a reason that worker coops cannot succeed for long periods of time. The cooperative is limited in how much capital it can obtain because all capital comes from the employees. Unlike a traditional corporation that sells stock to anyone on the public market, cooperatives can only sell as many stocks as they have jobs available. There is no option to auction off shares to the highest bidder or to rely on share values to increase corporate profits. The goal of selling employee shares in a cooperative is about garnering a commitment from the worker, not about raising revenue.

Cooperative shares can also be cheaper than those of a conventional firm because the cooperative wants to make ownership available to potential employees. If an employee cannot buy into the system, there is no reason for the cooperative to exist. On occasion cooperatives will seek bank loans or government assistance in order to finance specific projects. This becomes difficult though when the cooperative has to provide collateral to their financers. Because there is no direct share to offer donors, finding tangible collateral is a problem. However, because accepting outside capital is counter-intuitive to the mission of the organization, many cooperatives struggle with debt as they attempt to gain enough money to successfully function (Pencavel, 2001).

Financial growth of the firm in the capitalist market is one of the main goals of most businesses. In “10 percent of the Fortune 500 corporations, growth was a
prevailing value in every document and far exceeded all other values in both mention and emphasis" (Cheney & Frenette, 1993). Growth suggests competition and success as well as a desire to change and adapt to the pressures of the current times. Growth within many traditional firms means an increase in the profits of owners. In a cooperative, this increase cannot be measured because income is divided throughout the organization. Because of this distinction, there is less chance of growth in a cooperative firm. This limitation exists in a cooperative because extreme growth is counter-intuitive to the workplace democracy. Worker participation is more direct and more successful in small, tight-knit firms.

Despite these challenges and criticisms of cooperative development, two organizations in particular have succeeded in the capitalist market while following a cooperative business plan. The Mondragon Cooperative in Spain and the Plywood Cooperatives of the Pacific Northwest have survived and prospered in the capitalist market for more than fifty years. These organizations have shown that despite differences in industry, organizational structure and location, cooperative businesses can be successful in the current economic system.

Mondragon

The Mondragon Cooperative Corporation (Mondragon, MCC) is one of the oldest and largest cooperative business organizations in the world. Mondragon is made up of over 150 individual businesses in the Basque region of Spain. The organization began in the 1950s when a Catholic priest, Jose Maria Arizmendiarrieta, attempted to revive the local economy by starting new businesses in the town of Mondragon (Clark, 2004).
The priest and several technically educated craftsmen started a business producing petrol heaters and developed a management model based on Catholic social values (Martinez, 2000). They called this model the “third way” because it was an alternative to extreme capitalism and something similar to communism (Cheney, 1999). The first cooperative touted “Open Admission; Democratic Organization; Sovereignty of Labor; Subordinate Nature of Capital; Participatory Management; Payment Solidarity; Inter-cooperation; Social Transformation; Universality; and Education” (Clark, 2004). Sixty years later, these values are still the root of everything that Mondragon works for as an organization.

Mondragon is based on a cooperative ownership structure which means that every employee of the company has a stake in the business. The company touts the motto, “there are no cooperatives, only cooperators” (Martinez, 2000). One employee, one vote is the general practice of cooperative organizations. This practice removes hierarchical benefits and allows each worker to participate in the corporate decision-making of the organization. Cooperative businesses often begin as small corporations where each member has a direct, hands-on role in the company. For larger cooperative organizations such as Mondragon, the employee still has a direct role but it is similar to the role of a citizen voting for officials or the practices of a local government.

The specific structure of Mondragon is extremely complex and involves many layers of government. The 150 businesses that make up the MCC are individual cooperative organizations that have banded together for competitive and social purposes under a parent organization. Mondragon however, is not a federation, but rather one company that expanded by opening new cooperatives every few years. The power
structure of Mondragon resides in the base of the organization; the employees. The bottom-up structure holds managers and governing officials accountable through the use of an elected hierarchy. “In this way, the hierarchy exercises power by delegation, implying a nonhierarchical organizational structure” (Martinez, 2000, p.62). Because the organization is structured in this way, I will explain its organization beginning with the role of the employee. Below is a structural map of the organization as displayed on the company’s website (Mondragon Corporacion Cooperativa, 2007).

Each individual cooperative has a governing body that reports to the larger MCC governing bodies. The highest body of each cooperative is called the general assembly and it is required to meet at least once a year. The general assembly is made up of every employee within that cooperative and each employee has one vote to cast during decision-making. Surveys show that about 70 percent of employees typically attend the general assembly meeting. Employees who do not attend are “advised” to do so and if
they miss two meetings they lose their vote at the assembly that year. The loss of a vote may become permanent if the employee does not start participating in the meetings (Cheney, 1999). Any member of the cooperative can call a meeting of the general assembly if they have the support of 20% of the employees. The role of this general assembly is to nominate members to their Board of Directors, the Social Council, and the Audit Committee (Forcadell, 2005).

These three committees are composed of elected officials from the cooperative who monitor the day to day activity and planning of the organization. The Board of Directors presents a yearly plan to the general assembly for approval and the Audit Committee keeps track of accounts and financial documents. The Social Council takes care of member issues and complaints within the firm. Members of this council also observe working conditions, fairness in the workplace and communication between management and workers (Forcadell, 2005). Juan M. Sinde, Chief Executive Deputy of MCC, also notes that the Social Councils take care of all discipline problems within the cooperative. “They decide on punishments according to the gravity of disciplinary faults. The ‘moral’ pressure between workers to be responsible and honest with the common company should not be undervalued” (Clark, 2004, p. 5). The Management Council is another group that is made up of all the elected managers within the company. Typically a Manager is elected by members of the general assembly to a four year term (Forcadell, 2005).

The individual cooperative is then linked to the MCC government by sectorial clusters. These groupings are made up of cooperatives with a similar regional location or business drive (Martinez, 2000). For example, if there is a cooperative that makes
refrigerators and one that makes freezers, they would be grouped together in a sectorial cluster. “There are 23 sector groupings in the MCC” (Martinez, 2000). The goal of sectorial clusters is to work with similar businesses to increase competition and gain for the entire company. Each cluster also has a general assembly comprised of delegates elected by the individual cooperatives. There is also a Sectorial Board of Directors comprised of one member from each cooperative (Forcadell, 2005).

The sectorial clusters are all part of a higher division within MCC. The divisions are the highest level of organization for the parent company. “There are nine divisions: one financial, one distribution, and seven industrial. The head of each division is an MCC vice president” (Martinez, 2000, p.62). The role of the division is to guide the planning of each cluster and to determine whether all the clusters are working in harmony (Forcadell, 2005).

The final structural level of Mondragon is the headquarters where divisional vice presidents and other leaders meet to create business plans and strategies for the company as a whole. The Cooperative Congress is the “supreme body of sovereignty and representation” at Mondragon. It is made up of 650 members from all different cooperatives who have been elected to the position. It is the job of the Congress to vote on the General Policies and Corporate Strategic Plan of the organization. The Permanent Commission carries out much of the work of the Congress and it is made up of 18 elected members who represent the nine different divisions. The General Council is the executive body of the organization and it is run by the president of the organization and the nine divisional vice presidents. This council makes plans and recommendations to the
rest of the governing bodies of Mondragon and also deals with major planning or strategic issue the businesses faces (Forcadell, 2005).

The complex structure described above is what has made Mondragon a successful cooperative business over the past sixty years. The organization, though successful, has faced many of the crucial issues discussed by critics. To employees at Mondragon, the capitalist market suggests that “we must grow or die” (Cheney, 1999). This fighting mentality has helped the company maintain its cooperative structure despite the challenges of the market.

A lack of capital was never a major problem for Mondragon because of the Spanish banking laws of the 1950’s. First, Mondragon created its own bank, the Caja Labor Popular (CLP), which controlled and financed all cooperative enterprise. The bank also had an advantage because at this time cooperative banks were allowed to pay a higher interest rate to depositors. This loophole made the CLP a popular place to invest and helped the capital base at Mondragon to grow (Dow, 2003).

The role of the CLP also aided in managing capital at Mondragon by investing only in affiliated businesses. Until the 1980’s all of the CLP’s money went into Mondragon cooperatives. Because of the affiliation, it was also easier for struggling cooperatives to get loans or other short-term assistance from the bank (Dow, 2003). In the case of Mondragon, capital is more easily obtained because the organization is so large and has so many participating cooperatives. However, the establishment of the private bank has also allowed the firm to monitor and allocate capital more efficiently than many other cooperatives.
Mondragon, unlike some firms, has not limited its growth because of the cooperative structure. Though Mondragon started with one small industrial company, it grew and expanded by joining many cooperatives together. The structure and governing bodies of MCC have changed five times since its inception, mostly to keep employees involved in the governance of the larger firm (Cheney, 1999). Though the firm has grown successfully for competition in the market, it has had some negative impact on the cooperative structure.

Growth at Mondragon has created distance between employees and managers and has had a “cupola” effect. The “cupola” is a colloquial title for the board of directors at Mondragon who make most major decisions for the corporation. In his research, George Cheney found that many employees now feel removed and separated from the “cupola” and feel that they have lost some control over the organization (Cheney, 1999). This far away feel is dangerous to the ideals of a cooperative because it signals the creation of a new hierarchy.

In addition to creating distance internally, Mondragon has expanded across Europe and into Asia in the last ten years. Several of the companies that MCC acquired were not cooperatives and were turned into cooperative organizations. However, because the employees at these companies do not understand or relate to cooperative business practices, many of the firms are actually being run like capitalist companies. Currently, one-fifth of MCC’s production is taking place in their expansion companies outside of Spain. The growth of MCC has made worker-owners less important in the governing of the firm. Only 40 percent of employees at MCC were worker-owners in 2007, a major decrease since the reorganization in 1991 (Schneider, 2008). Mondragon is not afraid to
grow, unlike many cooperatives, but it may be sacrificing cooperative ideals in order to compete in the capitalist market.

Though Mondragon overcame the risks and the challenges that arose in its development, the challenges are still real and have an effect on the day to day business of the company. There are also aspects of MCC's cooperative structure that do not meet the idealistic hopes of alternative businesses. Sharryn Kashmir's 1990 case study on the Mondragon Cooperative revealed that many industrial workers still felt a class-level divide between their peers and their supervisors. The supervisors however, often commented that all workers were equal and that there was no class-level division (Kashmir, 1990). Often, managers and members of the social council feel a stronger connection to the ideals of the cooperative than the technical workers, a pattern which has appeared in cooperatives around the world.

Despite the challenges and imperfections of this cooperative, the aspects of the organization that make it worthwhile are the levels of democracy and choice that are present. MCC employs more women than comparable privatized organizations, more managers have worked their way up from the shop floor and employees feel a sense of community with their peers (Kashmir, 1990). These benefits alone demonstrate that the cooperative model is having a positive impact on not only the business structure but also the well-being and satisfaction of the worker. Though every employee may not feel connected to the cooperative model, or wish to fully participate in it, the option is always available.
The Plywood Cooperatives

The Plywood Cooperatives of the Pacific Northwest are not organized like the Mondragon Cooperative. Instead, these cooperatives are independently functioning entities without a parent organization. Each worker-owned firm competes directly with the other cooperatives as well as with conventional plywood companies. However, because many of the firms share a similar business model they are considered a successful and competitive clustering of cooperative businesses in America.

The first Plywood cooperatives were established in the 1920’s and reached their peak levels of production in the 1970’s. The majority of plywood cooperatives were formed after World War II when conventional firms were selling out due to bankruptcy. The original cooperatives were limited in size by the number of jobs they could offer and the capital that they needed to get started (Dow, 2003). In the last thirty years the plywood industry has moved away from the Pacific Northwest and the natural decline of the industry has affected both cooperative and capitalist firms. However, the few cooperatives, three, that are still in operation in the region have been functional for over seventy years (Pencavel, 2001).

In each of these cooperative companies, the employee buys his way into the organization on a one share per employee basis. This share entitles the employee to one vote in all company decisions (Pencavel, 2001). Because membership in a cooperative provides guaranteed job security, many employees join for financial reasons. It is only after several years of working at the firm that the members ranked democratic participation as one of the main reasons to work for a cooperative (Greenberg, 1986).
Employee participation in the plywood cooperatives is all encompassing but it is most apparent at the general membership meetings that occur twice a year. These meetings are attended by a majority of employees and attendance is strongly encouraged by the company. Topics of discussion at the general meetings range from industry issues to alterations in wage rates to electing the board of directors. Sometimes the meetings are formal and follow a strictly set agenda while other times the meetings take on a town hall feel and any issue can be discussed on the floor (Greenberg, 1986).

The board of directors is elected at the general membership meeting to act as a governing body for the cooperative. Board members can be any employee from any position in the firm. The board positions rotate regularly and are not seen as a valued or more powerful position in any way. While an employee is serving on the board, he must also maintain his regular duties to the company. Therefore, the board members often have double the work of a standard employee. Due to openness and transparency expectations in the cooperatives, board members must also be available at all times to answer any employee questions about policy or decision making within the firm (Greenberg, 1986).

The other role of the board members is to hire an outside employee to act as manager to the cooperative. The manager is hired from the outside on the basis of business expertise and experience in the field. It is not the job of the manager to act as supervisor or foreman to the day to day activities of the factory (Greenberg, 1986). Unlike many conventional firms, the cooperative members take responsibility for their work and tend to keep each other on task and assist in duties beyond their job description.
This allows the manager to focus on business matters and requires the hiring of fewer supervisors for the factory (Pencavel, 2001).

The manager, though hired from the outside and often paid a higher wage, does not establish the same role as a manager in conventional firms. There is no hierarchical divide between the employees and the manager because the manager is always responsible to the employees. Because they own the company, they can decide to fire the manager if they disprove of the work he is doing. As one employee commented, "We hire the manager. Running the mill is up to him. If we don't like the way he's running it, we can fire his butt" (Greenberg, 1986, p.56).

The organizational structure of plywood cooperatives is relatively simple compared to some companies. In a 1980's study of the remaining plywood cooperatives, Pencavel studied the structure and effects of the cooperative system on the plywood market. However, the simplicity of the organizational structure is not a reflection of the work it takes to make the business successful in the capitalist system. The plywood industry in particular is extremely volatile and the value of wood rises and falls based on the housing market. In such a system it is necessary to have excess capital in case of a low profit year. The plywood cooperatives have historically shied away from taking bank loans and instead ask employees to contribute more to the capital fund. In extreme occasions, cooperative members took major pay cuts in order to fund the business. Though this seems like extreme commitment to a corporation, all of the employees retained a job during periods when members of conventional firms were unemployed (Pencavel, 2001).
The Plywood cooperatives have consistently struggled with gaining capital and have had to take many more risks than corporations such as Mondragon. Many of the Plywood cooperatives were formed by restructuring conventional firms. This process limited the amount of capital a company could obtain by how many workers the plant could employ. Gaining excess capital in the plywood market became a constant struggle (Dow, 2003).

The Plywood coops resorted to leasing land, borrowing from family and friends, using installment plans to pay for machinery and borrowing small sums from the Small Business Administration. The capital for these cooperatives came together in piece-meal form, but the determination of the employees led to fully funded organizations (Dow, 2003). Many of the capital problems that the Plywood cooperatives faced came when dealing with banks that did not trust the idea of lending money to hundreds of worker-owners. Eventually the plywood cooperatives went elsewhere to gather money since the banks were so unpredictable (Pencavel, 2001).

After the initial capital base was collected, the cooperatives began to compete with conventional firms in the Northwest region. For these organizations the motto was not "grow or die" but rather produce more than your competitor. The cooperatives in the Pacific Northwest were shown to have a much lower individual worker output than the classical mills. Nevertheless, the overall production of the company was 36 percent higher than in conventional firms. This difference occurs because often the workers of a cooperative firm are working in teams and cannot easily report individual output. The production difference suggests that cooperative workers could go on vacation for an extra seven weeks a year and still produce as much as a conventional firm (Pencavel, 2001).
This increased production also comes with a lower management cost because despite criticisms about shirking, cooperatives function more successfully with fewer managers. Contrary to the views of Alchian and Demsetz, shirking is avoided in cooperatives because every employee is watching out for each other (Pencavel, 2001). The worker-owners manage themselves because they have a stake in the organization as a whole. One employee describes his adjustment to the team-oriented feeling of a cooperative: "It took me a little while to get used to this because where I worked before there was a union and you did your job and you didn’t go out and do something else. Here you get in and do anything to help... I see somebody needs help, well you just go help them" (Greenberg, 1986, p. 42). Often, if someone is shirking responsibility, another worker-owner will make him responsible for his actions. In opposition to the criticism, production actually increases when workers supervise themselves (Greenberg, 1986).

Though the overall risk in working for a plywood cooperative is high, employees often find that the work environment and the democratic processes make the risk worthwhile. Overall worker satisfaction was also higher in worker-cooperatives than in traditional firms (Greenberg, 1986). In the cooperative firm there is more freedom of choice for the workers. They are often not confined to one specific task and instead help each other on a variety of tasks. The workers also set their own production goals and are therefore not just working toward some unknown goal but rather one that they hope to meet as individuals (Pencavel, 2001).
Conclusion

The Mondragon Cooperative Corporation and the Plywood Cooperatives of the Northwest, though vastly different in size, organization and production have managed to succeed as worker-owned firms in the capitalist market. These firms have disproved the criticisms which may have prevented others from forming cooperative businesses. The obstacles that each of these firms has faced are indeed obstacles and cannot be discounted. But as the two organizations have shown, obstacles can be overcome and the cooperative system can succeed. If the conventional criticisms can be overcome, then what else is needed to create a successful cooperative?

Both Mondragon and the Plywood cooperatives approached their problems in different ways and came up with viable solutions to remain competitive in the capitalist market. However, the differences in these two organizations illustrate that there is no "right" way to create a cooperative. If the structure, process and ideals of an organization can be so different, then what is the model for a worker owned firm? What allows these firms to take risks and make changes that will allow them to succeed?

I argue that one of the main elements in the success or failure of a cooperative is the leadership structure and mentality of the organization. The leadership structure of a firm includes not only the organization of different jobs and positions, but also what the people in those positions actually do. Specifically important is how the leader reacts to employees, how he handles challenges and how he views his role in the organization. Leadership expectations need to be established at the founding of the organization so that during periods of change there is at least one constant and reliable factor that workers can relate to. A cooperative with a non-hierarchical structure could fail to be democratic if an
autocratic leader were elected to management. Similarly, a complete lack of leadership skills could leave the cooperative unorganized and in turn unproductive. Finding the right leadership style for a cooperative is essential to its success.

Though the organizational structures of Mondragon and the Plywood cooperatives are very different, the original leadership styles and expectations of the organizations are similar. Based on the organizational reports and interviews by Cheney and Kashmir, I think that Mondragon is a good example of a leadership structure that was built on a vision. Yet, over the years as that vision faded, there was not a solid cooperative-driven leadership structure to guarantee democratic processes within the firm. The lack of this structure led MCC to grow and expand in ways that are not in the best interest of the cooperative or the worker.

The original leadership expectations at Mondragon were inspired by the founder, Jose Maria Arizmendi-arrieta. Arizmendi, as he was and is called, used his charm to gather supporters and enact his cooperative vision. At the time of Mondragon’s founding, there were no other cooperatives for Arizmendi to model his organization after. He was a self-starter, who with a few friends, decided to take a risk and create a new form of business. Arizmendi’s business model was extremely idealistic and used the rhetoric of charisma to inspire his followers. He wrote that “Cooperavistas ought to work together toward the development of [a new order], alongside all who hunger and thirst for justice around the world” (Cheney, 1999).

As a leader, Arizmendi was inspiring and he gave the people a reason to work for the cooperatives. He championed open lines of communication and democratic participations while creating a vision that drove the organization to succeed and to
compete within their local economy and later the larger market (Cheney, 1999). When Arizmendi died and Mondragon began to expand, much of his leadership vision and charisma was lost in the organizational shuffle. Leadership at the company became task-oriented and many workers felt that the company was no longer following Arizmendi’s vision of cooperative activity. Cheney quotes a friend of Arizmendi as saying, “If the cooperatives do not return to some of the very values that gave them life in the first place, they may become victims of their own success” (Cheney, 1999, p.122).

Though the passion of Arizmendi’s leadership is still discussed at Mondragon, the day to day leadership styles of its elected officials has become organizational. Many managers are not worker-owners and are hired from outside of the cooperatives. According to factory workers, the elected officials and managers are blind to the hierarchical divide they create within the plants. The leaders still want to believe in the idealism of a perfect social network but in reality their focus on production and capital gain has dramatically reduced the amount of democratic participation and communication that occurs within the firm (Kashmir, 1996).

The leaders of Mondragon, both founding and current, have struggled to balance the leadership of an idealistic vision, with the organizational skills required to run a business in the capitalist market. By first relying on one method and then the other, the company has changed its direction and has isolated many current employees. The functionality of MCC in 2008 is vastly different from the structure that Arizmendi put into place. The whole structure of the organization and the psychological response of the employees is based on these changes made by a few people in power. The leadership
style and structure of an organization is vital to creating and sustaining the democratic atmosphere desired by most cooperatives.

The leadership style established within the Plywood Cooperatives is less obvious and seems to have less of a direct impact than that of Mondragon. Because the organizational structure of these organizations is less complex, so is the amount of direct leadership that can be observed. However, the leadership style that has been established for hired managers and for the elected members of the board is one of servant-leadership. Unlike at Mondragon where leaders saw themselves in a position of power, the leaders at the Plywood Coops viewed themselves in a position of servitude.

The general manager at the Plywood cooperatives may remain constant, but the elected members of the board can rotate as often as every year. Because the people in leadership positions rotate on a regular basis, the leader remains “one of us,” and there is less chance that workers will become overtly attached to the ideas or style of one leader. The leaders can also be “fired” from their leadership role if the workers are unhappy with the results. This stipulation enables the servitude role of leaders in the Plywood cooperative, and ensures that the elected leaders are always responsible to the workers (Greenberg, 1986).

Though this system guards against organizational upheaval after leadership turnover, it often leaves the firm without one person to turn to. In traditional business as well as many other sectors of society, leaders provide strength and courage in times of trial. In the case of the Plywood cooperatives, there is not one face to turn to, or one person to count on when challenges arise. The lack of one figurehead worker however, is a key element in the development of worker-participation in the firm. Instead of looking
to one person for guidance, the workers themselves must sole their problems and contribute to the leadership process.

In the following chapter I attempt to more deeply examine issues of cooperative functionality, democratic participation and leadership structures through a case study of the Weaver Street Cooperative Market. The organization is not in the industrial field and has its own distinct cooperative and leadership structures. The case study explores the organizational, personal and leadership aspects of Weaver Street through qualitative and quantitative research.
Chapter 3
Creating a Successful Cooperative

The cooperative business model is a successful alternative to the typically hierarchical structures found in traditional businesses. Many cooperatives, however, differ in structure and philosophy; there is not a single “right” way to run a worker-owned firm. Because there is no blueprint for cooperatives, I am interested in exploring what makes a cooperative successful and specifically what type of leadership is needed to effectively run a cooperative firm. Once a successful style is found the next question is, what is going to make it accessible to the worker? Based on leadership theory and the need for a democratic cooperative environment, I argue that there are three leadership-related factors that promote cooperative success and stability within the organization.

Within the cooperative business a transformational leadership style must be espoused not only by the general manager, but also the board of directors and all members of the formal governing body. Transformational leadership is a style in which the leader inspires the followers to work for a vision and for intrinsic rewards rather than material benefits. The leaders of the organization must also either possess or adopt the psychological trait of Openness to Experience, one of the “Big Five” personality traits described by Lew Goldberg in his 1990 paper on personality descriptors. Finally, the organization must learn to balance the need for stability within a democratic organization with the need to compete in a risk-filled market.

A transformational leadership style is necessary in all levels of cooperative management, specifically in the role of the General Manager. A transformational leader “is charismatic such that the follower seeks to identify with the leader and to emulate
them” (Bass, 1998, p.5). In an organization where ideals tend to precede the business model, it is important to have a leader who is confident in these ideals and who the worker-owners trust and will work hard for.

A transformational leader also challenges and creates meaning for his followers. He or she pushes them to work hard and they respond because of their willingness to work for this person. This leadership style is intellectually stimulating and challenges each person at his own level. The leader becomes a mentor to followers and gives employees personal attention, making each follower feel respected. In practice, the transformational leader uses language that will arouse team spirit, is enthusiastic and reframes problems instead of accepting the normal path of action. Most importantly, the transformational leadership style is not reward-based. This element is crucial in the cooperative firm where all worker-owners are supposed to be working toward the same goals without thought for advancement in a hierarchy. Transformational leaders help to create the impression of intrinsic worth from a task rather than monetary or material gain (Bass, 1998).

The significant transformational leader in the firm is the General Manager, or Chief Officer of the organization. As in a traditional firm, people often need one person to look to in times of crisis or challenge. Though all workers have a say in the decisions made in a cooperative firm, it is still useful to have one strong leader at the helm. Transformational leadership is especially helpful in times of crisis because the leader can create a sense of calm. The trust-based relationship that is built between a transformational leader and his followers creates a sense of consistency and stability within the organization (Bass, 1998).
Transformational leadership will be beneficial to cooperatives because it reinforces the ideals of such organizations while giving them stability. As noted in the studies of Mondragon and the Plywood cooperatives, the founding stages of a cooperative are crucial to its eventual success. A transformational leader would be beneficial in the start-up stages of a cooperative because he or she would be able to give some direction to the vision of the group. The leader or leaders would also be able to create a group identity for all workers and would motivate the followers to complete difficult tasks.

Transformational leaders are also necessary in cooperatives because they are accessible to their followers. If the goal of a cooperative organization is to increase worker-participation and involvement in the organization, then the worker needs to feel like he or she can access the system. The relationship between a transformational leader and the follower should be one of give and take. In the case of a cooperative, the leader should be able to offer direction to the follower and the follower should be able to freely offer advice or ask questions of the leader. This relationship not only provides autonomy for the individual worker but it benefits the cooperative governing system by encouraging participation and input by each employee.

The previously discussed leadership of Mondragon’s founder, Jose Arizmendi, is an example of a transformational leadership style. Arizmendi convinced a whole town to follow his cooperative vision and did so while creating stability for the organization. He was able to communicate clearly and effectively with his peers and he had the necessary organizational skills to bring his vision to life.
The language of a transformational leader is specifically helpful in a cooperative because it is often the language of equality. A transformational leader will not place himself or herself above other people and will use language that is accessible to anyone who wishes to participate in a movement. Arizmendi was able to move people with his language because it was the language of social change. People responded to his words and looked to him for a way to act upon the vision. Arizmendi then encouraged them to work together, as a unit to make a new system, a cooperative system. His encouragement and guidance combined with the efforts of like-minded people made Mondragon into a successful cooperative (Cheney, 1999).

The founders of Equal Exchange, a coffee distribution cooperative in the Northeast United States, also reflect the transformational leadership style that aids in the success of a cooperative. A case study of this cooperative by Thad Williamson reports that the three founders held planning meetings for three years before even collecting capital for their organization (Williamson, 2007). Once the blueprints for the company had been laid and a non-negotiable vision had been decided upon, the three men quit their jobs and began to raise money. These men continued to make high-risk decisions and to sacrifice personal gain for the company while it floundered for several years before making a profit. The men were adamant about their vision and accepted the personal sacrifice in order to meet the needs of the cooperative. The sacrifice by these men allowed the cooperative to reach a developmental stage in which worker participation mattered and could function effectively.

Though other leadership styles could motivate followers and create a consistency within the organization, transformational leadership is more fitting for cooperatives
because of what it does and does not give to its followers. Unlike transactional leadership, a style based on completing tasks and working for rewards, transformational leadership does not offer a specific reward or result for committing to a cause.

Transactional leadership focuses on creating a chain of command where the leader instructs a follower and if the follower completes the task, he is rewarded. This style is converse to the ideals of a cooperative because within such organizations employees are not rewarded as individuals but rather for what they do as a collective. Transactional leadership also suggests a sense of unilateral authority over which the employee has no control. In a cooperative, where employees have a voice in the governance of the organization, this style does not make sense.

Beyond the obvious transformational leadership style of the General Manager, transformational practices should be taught to all management-level employees of a cooperative. This leadership style fosters a social support network and creates a sense of belonging among workers (Bass, 1998). Cascading levels of transformational leadership allow for more individualized attention on the workers as well as a direct path for workers to express their opinions about the organization. If transformational leadership were the norm in cooperative environments, then workers would feel comfortable participating in the governing practices of the organization.

Transformational leadership is positively correlated with the personality trait Openness to Experience; a trait I argue is necessary for successful leadership within a cooperative (Judge & Bono, 2000). Openness to Experience will benefit the leaders of a cooperative organization because it is a personality trait that accommodates divergent thinking, creativity and a sense of understanding (McCrae, 1987). The Big Five
personality traits that people can possess include Openness to Experience, Conscientiousness, Extraversion, Agreeableness and Neuroticism (Craik, Hogan & Wolfe, 1993). While all of these traits lead to different styles of leadership, as well as styles of social interaction, I argue that Openness to Experience is the most important for a democratic leader.

Openness to Experience is often thought of as an intrapersonal trait because much of a person's openness is related to intellect and the thought process. Aspects of Openness to Experience include high levels of intelligence, absorption of material, thin boundaries, tough mindedness and a need for cognition. Leaders who possess openness are more likely to try new tactics and listen to the opinions of many people because they possess a curious nature. Though many of the characteristics of Openness to Experience are internal, the thought processes affect the social interactions, political affiliations and cultural climate that surround a person (McCrae, 1987).

This personality trait is conducive to the cooperative environment because it encourages creativity and a free flow of ideas. Leaders who possess high levels of Openness to Experience will benefit cooperatives by providing an educated opinion and by fostering open lines of communication. Acceptance of new ideas and of different opinions will enhance the democratic decision-making process and benefit all worker-owners.

Finding the balance between stability and risk-taking is one of the largest challenges for a cooperative firm. Not only does balance differ for every organization, but it can change from year to year, or even day to day. Balance is not an aspect of
cooperative development that can be planned for in advance, but rather, it must be constantly addressed and developed throughout the existence of the organization.

Cooperative organizations, as democratic societies, need a sense of stability in order to function. As seen by governments around the world, democracy cannot succeed when there is not a bedrock of structure and civility. First, economic stability is needed in order to stabilize the market so that people have a certain level of physical and emotional comfort within the society. Then civility must be created between all of the people participating in the democracy, finally the system must function successfully so that the people can participate. All of these elements need to be in place for a democracy to run smoothly, and they all require a strict set of guidelines or rules that are constantly enforced.

The problem with this solid foundation is that it is often disturbed by the rapid fluctuation and risk involved in the capitalist market. As the market changes, spontaneous and often risky decisions need to be made that can disturb the legitimacy of the democratic system. When a traditional company has one person who can make risk-based decisions it is easy to act quickly. Yet for a cooperative firm, such decisions require input from all worker-owners and thus take time and action that may hinder immediate growth or progress. Firms must determine how to create a stable and yet adaptive cooperative environment within their market.

The following section attempts to analyze how well a specific cooperative created a stable and successful leadership environment within its organization. The case study is a qualitative analysis of Weaver Street Market that includes my own observations about
the site and interviews with several employees. In this section I will address and reference many of the leadership issues just discussed.

**Weaver Street Cooperative Market**

Weaver Street Cooperative Market (WSM) is a hybrid grocery cooperative located in Carrboro, North Carolina. The mission of the company is to include workers and consumers in the democratic processes of the firm, to foster community development, raise ecological awareness, offer fair prices and business practices and to educate the community about cooperative business. The organization was founded in 1988 and has functioned successfully by using traditional cooperative methods as well as transformational leadership, openness to experience and a balanced business strategy.

WSM currently has three stores in the Carrboro and Hillsboro region of North Carolina. Last year the cooperative surpassed $20 million in sales and had a profit of $359,910. Sales increased by more than 10 percent in each of the three WSM stores and its new restaurant, Panzanella, increased profits by seven percent. Currently there are 90 worker-owners at the cooperative and 11,765 consumer-owners.

The organization is a community based grocery store that focuses on providing artisan, local, sustainable and fair trade products. Rather than acting as a selling agent for manufacturers, the coop hopes to act as a buying agent for the members of their community. Therefore it often takes surveys and collects consumer opinions about the products sold in its stores. Based on the ethical beliefs of the founders of WSM, the stores do not carry products that could be in any way harmful to the health of its customers. For example, the stores do not carry tobacco products, meat or fish that were
produced with antibiotics or hormones, foods with high fructose corn syrup or other harmful additives, foods with trans fats or endangered fish.

The environment at Weaver Street Market is friendly and community oriented. When I visited to conduct interviews with WSM employees, I found the Carrboro store filled with shoppers and café-goers. The main store sits at the crossroads of a popular area in downtown Carrboro. There are other restaurants and shops in the area including a cooperative bar, a cooperative hardware store and a cooperative radio station. Behind the WSM store sits a Harris Teeter, a traditional grocery store that competes with the cooperative.

The store backs up to an old factory building, Carr Mill, which has been converted into a shopping area. The shops inside the factory building are eclectic and seem to fit with the artsy vibe of the neighborhood. The downtown area that surrounds the store was populated but had a very small-town feel. Cars and trucks filled the roads but the area also appeared walkable and bikable.

The store itself has a plain wooden exterior and appears run down from the outside. Dark green trim around the building gives it a natural feel that is somewhat negated by the large glass windows that cover half of the building. There is an expansive lawn in front of the store with about twenty picnic tables and a random assortment of chairs covering it. Several people were sitting out at these tables reading, eating and talking despite the cold weather that day. There is also a small playground that was populated by a group of children and their parents when I arrived. To one side of the store, there is what appears to be a tent but is actually a heated outdoor eating area. It is an extension of the indoor café.
When I entered the store it seemed similar to other small grocery stores I have visited. There were florescent lights glowing above rows and rows of packaged food items and the perimeter of the store housed produce, meats and cheeses. What stood out about WSM was not its organization but rather the products they were selling. Many of the foods were organic and the produce was often local.

There were fliers and pamphlets all over the store that explained food choices and the philosophy of WSM. Notices about the status of the cooperative and where to find information on how to become a member were located at every register. The store publishes a monthly magazine that discusses WSM board decisions, upcoming events in the community, and information about new products or changes at the store. These magazines are free to customers and are located next to every entrance of the building.

The WSM café is adjacent to the main grocery store and there is a coffee bar as well as a hot and cold lunch bar available in that section of the store. While I sat in the café people came and went eating lunch, reading and meeting friends. Several groups of people seemed to meet for the first time and then sat and conversed while they ate lunch. People came in groups and as individuals to eat or have a cup of coffee and the atmosphere seemed comfortable and light. The café also provided wireless internet services that several customers were using.

The staff of WSM was visible throughout the store and was available when I asked about the location of specific products. The employee population was also relatively diverse for such a small town. The floor staff who were working during my visit included Caucasians, African Americans, Hispanics and Asians. The ages of the employees also varied with the youngest employee appearing in his mid-twenties and the
oldest in her mid-fifties. Employees all wore slightly different clothing but each person had an apron on. The staff appeared to have a variety of different tasks to complete including but not limited to shelving, assisting customers, or checking people out at the register.

At Weaver Street I interviewed the Head Training Manager, Windy Willer, to acquire an overview of the organization. Willer provided general information about the purpose and design of the company as well as her personal assessment of the success of the cooperative model. Willer was frank and forthright about both the positive aspects of the organization as well as improvements that could be made at Weaver Street.

WSM differs from the previously discussed cooperatives because it has both worker and consumer owners. A coop of this type is often referred to as a hybrid cooperative because it gives democratic power to several categories of people. The cooperative sells a variety of products to the community and provides community space for events and gatherings; therefore it is very popular for customers to buy-in to the cooperative. The consumer-ownership model of the business was part of the original vision for the cooperative because it would create a community atmosphere and aid in raising capital. “There is something really valuable in having the whole community involved in their grocery and that they come there and they volunteer and they participate and they know what’s going on in their universe,” said Windy Willer, training manager for WSM.

A consumer share of the cooperative costs $75 for a single-family household, $135 for a two people and $175 for three or four adults. The investment in WSM is

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1 A top level manager or Board Member was not available at Weaver Street because they are undergoing developmental planning and fundraising drives for the construction of a new headquarters building.
refundable to the member at any time. Consumer membership entitles a person to a small
discount at the register as well as one vote per person in the annual meeting to elect the
Board of Directors. Two seats on the Board of Directors are saved for consumer-owners
who run for the office just like worker-owners.

Worker-ownership in WSM can be bought after six months of employment at the
store. An employee share costs $500 and can be taken out of the employee's salary on a
bi-weekly basis. The bi-weekly pay investment is taken for a period of one year and
equals $19.24 per pay period. Employee ownership in the firm is also worth one vote in
electing members to the Board of Directors. Two worker-owners are also elected to the
Board and anyone who is a member can run for the positions. Worker-owners are invited
to attend monthly management meetings to discuss issues within the cooperative and to
help make decisions for the organization.

At the end of every year, worker owners receive a dividend from the profits of the
organization. From 1988 to 1994 the organization did not profit because it was
attempting to garner support and grow within the community. In 1995 the organization
showed a profit and then continued to profit for the next few years. When this happened
the organization devised a plan to allocate the dividends among employees and to
reinvest some of it into the company. The amount of money each employee receives is
determined by the profits of the organization as a whole and the number of hours the
employee worked that year. Currently, one percent of the dividend is invested directly
back into the company every year and the rest is distributed to the worker-owners in the
form of an internal account.
The dividend investment process or “vesting,” often confuses employees, but it is a successful business model because it allows the organization to use the entire dividend as capital for the organization. The dividend that worker-owners receive each year goes into a personal internal account where it is not only available to the firm, but also accrues interest for the worker. Because the dividend is taxable income to the worker, WSM writes the worker a check for 20 percent of the payout each year in order to cover the taxes on the income they have invested in the firm. The “vesting” process is also an attempt by the organization to encourage long-term employment. If an employee works for WSM for five years or more they receive all of their dividends plus their initial investment of $500 when they leave. If the employee works at the coop for less than five years then they only receive the initial investment and a portion of their dividends.

At WSM there exists both an elected, and a non-elected hierarchy. The participative governance system is made up of workers, managers, board members and the General Manager. The diagram below represents the governmental system at Weaver Street.
The above table demonstrates the chain of command at WSM. The items in bold represent voting members of the organization and the other items represent organizational elements within each group. The chain of command at Weaver Street looks like the traditional pyramidal business structure of a corporate firm. The difference however, is that four members on the Board of Directors are elected by the owners. Leadership in the organization trickles down from the General Manager and the Board to Mid-level Managers. These managers are typically responsible for an entire store and deliver pertinent organizational information to all employees. Other leadership roles are held by department managers who supervise employees and act as a go-between to the Board.
All employees at WSM are not required to be worker-owners, but most managers and long-term employees are shareholders. Employees are hired to work at WSM based on skills, interests and potential commitment to the organization. The hiring process is similar to that of any traditional firm. Once an employee is hired, he goes through a three-month worker training period. The employee works in the WSM store and also attends training workshops about the cooperative model and what it means to be a worker-owner. After six months of employment, the worker can buy a share of the cooperative.

Management positions are also selected on the basis of skill and productivity in the workplace. Unlike some cooperatives, where management is elected, at WSM, the managers are promoted or hired based on their ability to work with a team and accomplish tasks. Willer notes that it would be beneficial for the cooperative model if managers were hired based on communication and positive decision making, but those intangibles are hard to measure. Instead managers are hired or promoted based on product sales and departmental success, then they are taught about inclusive decision making and democratic management.

The Board of Directors at WSM is partially elected and partially nominated. Unlike some of the other cooperatives discussed, this method of governance has the least direct-democracy involved. The Board of Directors at WSM is made up of seven members, two elected consumer-owners, two elected worker-owners, the general manager and two additional members chosen by the current board. The two additional members are selected based on what the cooperative hopes to achieve in the upcoming year. If the major project of the business is going to be community development and
outreach, then the chosen board members will have some proficiency or expertise in that area. The additional members are always chosen based on the qualifications for a specific job.

The Board of Directors at WSM follows a Policy Governance system. This method of board governance was designed by John Carver, a psychologist and author who studies organizational structures and governing boards. The model and attempts to separate the task of meeting the vision of the organization from the day to day tasks that make up the path towards that vision. More simply, Policy Governance allows the Board to separate the Ends, or economic goals of the company, from the Means, how the company achieves its goals.

The Policy Governance Model stipulates that the board is “foremost a voice from ownership to management and only secondarily a link in the other direction” (Carver, 2002, p.9). Because governance should be about what the owners want, the board is supposed to act as a voice of the owners. In the case of WSM, the board is a voice for the workers. To maximize the efficiency of the board, Policy Governance stipulates that the board will not tell the management how to do their job, but rather, will tell them what needs to be done. The board formulates a set of “Ends Policies,” or things that the workers want to see accomplished, and then submits this to the management (Carver, 2002).

The board also formulates a brief set of “Executive Limitations Policies” which do not tell the management what to do, but rather, state what the management may not do. This set of limitations is often short because breaches in ethical or managerial policy can be dealt with by the board as necessary. Once these statements are written, they are
submitted to the management and it is then the management's job to find solutions to or address the issues presented by the board. The main goal of Policy Governance is to help the board successfully act as a voice for the owners of an organization (Carver, 2002).

The role of the Board at WSM is to figure out and decide, based on the input of workers, what the company needs. The board meets regularly to decide what will be best for the company, how it needs to grow and to address individual requests or issues brought forth by the workers. Once the board discusses the issues, they come to a decision about what exactly the cooperative needs and then they present these needs to the General Manager. It is then the job of the General Manager to come up with a method for solving these problems. Once the specific issue has been turned over to the General Manager, it is, for the most part, out of the Board's and the worker's control.

At WSM, the General Manager always sits on the Board of Directors. Ruffin Slater, a founder of WSM, has been the general manager for about fifteen years. Ruffin, as he is called by employees, is one of the main reasons that WSM has been so successful over the past twenty years. A former employee and the current Project Director for the National Center of Employee Ownership, Loren Rodgers, said that the structure of the organization and the manager are one entity, "it is artificial to tear them apart."

According to former and current employees, Ruffin's success as a leader of WSM comes from his personal business knowledge and his leadership style. The style, as described by Willer and Rodgers also happens to be transformational. The descriptions given of Ruffin by these two employees give him an almost deistic status. This status comes from his communication style as a charismatic and passionate leader of the organization. He, more than any other member of the cooperative, seems to always
remember and look out for the vision of the organization. “He always has the interest of cooperatives in general, the interest of our cooperative in specific, the interest of our community, the interest of our workers, as his priority. I trust that completely,” Willer said.

Beyond the vision of the organization, Ruffin is a transformational leader because of his own capability in the business world. He is able to motivate people and push them to work harder because of his own intelligence and the value you that he places on cooperative education. Rodgers described him as a “savvy businessperson” who only hires competent employees. Ruffin is “a very systematic person who documents and thinks clearly and communicates clearly,” said Rodgers. Willer described Ruffin’s competency through his actions during board meetings. He is the one person in the room, she says, who can sit through everyone spouting off ideas and then summarize them into one major idea or point. “He plots it all out in a way that makes sense and I’m like, did we have that brilliant plan? Because... I did not recognize that brilliant plan!”

In general, Rodgers states, these competent qualities permeate throughout the organization. His leadership shows people how to live and work for the ideal as well as how to be competent in business. In the case of WSM, Ruffin helps to create a balance between the stability of the organization and the risk-based climate of the capitalist market.

Though Ruffin’s transformational style is felt by many members of the cooperative, Willer comments that it is a constant struggle to create a cascading system of transformational leadership among the management. “There’s a real disconnect that we’re working on and we’re learning better about having department managers solicitous
of feedback and understanding that they’re the bridge, they’re the communication bridge and you can put as much as you want out there on posters and walls and market messengers, and newsletters in peoples boxes but real communication happens with direct supervisors.” Because transformational leadership does not come easily to all people, Willer, in her role as the training manager, attempts to teach managers how to relate to their employees in a way that is conducive to the participatory governance of the cooperative.

One element of what Willer teaches employees and managers is how to use language in order to relate to people. Her training reflects elements of the Openness to Experience trait as a way to understand other people in the work environment. Willer tells employees to use “I” and “we” language instead of “they” phrasing when they are talking about the company. “Instead of saying ‘I don’t know what they’re doing...’ who do you think ‘they’ is?” she said. “That is you and me...we’re a little business in comparison, ‘they’ is that guy over there and you and the person you’re talking to.” Inclusive language and acceptance of the group as a whole is a way of creating a group oriented frame of mind within the cooperative. Teaching acceptance of the group is a first step in advocating the acceptance of new ideas and general Openness to Experience within the organization.

Worker participation in the governance of WSM is encouraged and accepted, though it is not always obvious in the day to day labor of the employees. Windy Willer explained that employees are often more interested in when they get to take their break, how much they get paid, where they will be working and what kind of products they sell than how they influence the long-term vision of the coop. Understanding that not
everyone wants to think about cooperative idealism all the time is part of the struggle for management and the Board of Directors.

"Senior level management can be very, very open to input; can be solicitous of feedback and making sure everybody understands where they stand in the coop, and what their rights and responsibilities are. But I feel like the only time it's really successful is when the direct supervisor is successful in making that happen," Willer said. Workers want to participate and they do participate, when they feel like their manager is listening to them and that their participation may actually have some influence. It is finding a balance between participation and the day to day job that makes WSM successful.

Finding the balance between achieving the ideals of a cooperative firm and creating a successful business has been difficult for WSM at times. The company, however, has found a sense of stability because it has not been distracted by the typical cooperative setbacks. Often cooperatives lose focus and think either too big or too small because they don’t want to commit to traditional business philosophy. Because of the leadership and often traditional economic plan of WSM, the organization has been able to find its niche and the community and create internal stability.

"We're not a 'real' coop, we get that a lot," Willer said. "Well actually, we're a successful coop, that doesn't mean we're not a real coop." Often, it means that WSM thinks about its business in business terms and tries not to get too carried away into the idealism of cooperative theory. For example, when the chain grocer Trader Joes opened a store in Carrboro and some employees panicked. Trader Joes offers products similar to that of WSM and carried a national brand name. The competition appeared unbearable. The Board and General Manager, however, had a different plan. Instead of competing
directly with Trader Joes by becoming similar to them, WSM would keep doing what made it successful; they would not change just because someone challenged them. This concept benefited the company when Trader Joes contacted to store asking to purchase WSM homemade bread to sell in their store. By remaining true to its niche and purpose in the community, WSM actually benefited from its competition.

The overview of WSM that I collected through personal experience and interviews with employees is that it is a company that is willing to work hard in order to succeed. The willingness to brainstorm ways to compete while securing a community niche, the collective leadership style and the emphasis on the worker and the customer suggests a dedication to many aspects of responsible business. In the next section I explore many of these same issues quantitatively from the employees’ perspective.
Chapter 4

Weaver Street Market Employee-Ownership Survey

Overview

In the previous chapter I looked at the structure and success of Weaver Street Market from an experiential and interview-based perspective. Now I will change direction and explore the cooperative through quantitative data provided by the employees of this organization.

In 2003 the employees of Weaver Street Market were given the Ownership Culture Survey, a product distributed by the National Center for Employee Ownership (NCEO). The survey was created for employee-owned companies so that they could analyze the success and validity of ownership practices within their organizations. 131 WSM employees completed the survey in January and February of 2003. There was an 87 percent response rate, which is higher than most organizations surveyed by the NCEO (Executive Summary, 2003).

The survey was composed of 75 scale-oriented questions. The rating scales used were either a 1 to 10 or 1 to 7 scale where 1 represents a strong disagreement with the statement and 7 or 10 represent strong agreement with the statement. Survey questions covered topics of ownership, participation, satisfaction in the workplace and employee responsibility.

In the following section I will often compare Weaver Street to about 21 other companies that have returned survey data to the NCEO. These evaluations are based on NCEO reports and comparison data. When terms such as stronger or weaker are used I am referring to the NCEO language as defined by the organization:
"In this report, we have used the terms 'stronger' and 'weaker.' There is clearly not universal standard of what constitutes a stronger or weaker attitude or company. We use these phrases as a useful short-hand. 'Stronger' scores indicate either agreement with positively worded items or disagreement with negatively worded items. In other words, for positively worded items, higher scores are termed 'stronger,' while for negatively worded items, lower scores are 'stronger'" (Executive Summary, 2003, p.7).

I will also use the term “average” to recognize that WSM scored about the same as other companies who completed the survey.

In the comparisons to other companies it is important to note that most of the organizations that have completed this survey are ESOPs and do not follow a cooperative model. Therefore the comparison of WSM data to these companies may be skewed because cooperatives have a different organizational mentality and mission than ESOP firms. This comparison can be considered a strength for WSM however because ESOP firms that practice both employee ownership and workplace participation are often more democratically governed than traditional firms; Scharf (2006) found, for instance, that the combination of ownership and participation leads to increased “horizontal monitoring” behavior in which employees sought to hold one another accountable in the workplace. The firms that participated in the Ownership Culture Survey are disproportionately of this type; participation in the survey implies a commitment to employee participation and development of an “ownership culture.” Thus, if WSM performs better than this sample ESOPs on measures of democratic participation and accountability, it also most likely performs better than traditional firms.

The summary results of the data suggest that Weaver Street Market scored stronger or substantially stronger than other employee-owned firms on 26 survey items.
The company was average on 40 items and scored substantially weaker than other employee-owned firms on 5 items (Executive Summary, 2003). In the following chapter I first present an overview of the descriptive data from this survey specifically focusing on issues of ownership, pay and rewards, the work environment and management and leadership. I then proceed to explore several hypotheses about variations in the survey responses based on sub-group variables such as ownership status, tenure and job title.

**Descriptive Data**

In this first section of data analysis I look at the mean responses from WSM employees to a variety of survey items. I then compare and contrast that descriptive data with other employee-owned firms. These comparisons are based on the survey commentary provided by the NCEO. The descriptive data is divided into categories which include: general feelings about ownership (Table 1), cooperative rights and responsibilities (Table 2), leadership and accountability (Table 3) and workplace satisfaction (Table 4). The purpose of examining this descriptive data is to gain a quantitative overview of several categories which are vital to individual worker satisfaction and the success of a democratic workplace.

Ownership at WSM was measured with a variety of questions (Table 1) ranging from “How much do you feel like an owner of this company?” to “I understand the coop idea.” The descriptive data shows that employees at WSM feel more like owners than employees in similar companies. Not only do employees have a strong feeling of ownership but they have a connection and understanding of the cooperative ideals that give them rights within the company (Executive Summary, 2003). 79 percent of
employees at WSM have some understanding of the cooperative system and what it means to be an employee within the system (Core Values, 2003).

Table 1
Ownership

<table>
<thead>
<tr>
<th>Item</th>
<th>Mean (SD)</th>
<th>% of employees who answered agree or strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>How much do you feel like an owner?</td>
<td>5.65 (2.81)</td>
<td>58%</td>
</tr>
<tr>
<td>I understand the coop idea</td>
<td>5.47 (1.46)</td>
<td>88%</td>
</tr>
<tr>
<td>How important is ownership to you?</td>
<td>7.68 (2.04)</td>
<td>86%</td>
</tr>
<tr>
<td>The company must take risks in order to prosper</td>
<td>5.29 (1.44)</td>
<td>90%</td>
</tr>
<tr>
<td>I receive my fair share of company successes</td>
<td>4.29 (1.80)</td>
<td>70%</td>
</tr>
<tr>
<td>At this company people avoid new ideas and do things the way they have always been done</td>
<td>3.33 (1.81)</td>
<td>25%</td>
</tr>
</tbody>
</table>

Though the employees may have an understanding of the system, they only have an average entrepreneurship score (Table 1: Company Must Take Risks; I Receive Fair Share; Avoid New Ideas)(Table 2: I Actively Contribute; When The Company Really Needs). According to the NCEO summary of this data, a strong entrepreneurship score would suggest that employees not only understand ownership but that they recognize the risks and slow monetary growth involved in a cooperative and are still willing to participate and commit to the firm. Entrepreneurship suggests a valid interest and dedication to the cooperative goals and activities of the business both by way of participation and daily tasks.

Employees at WSM showed a lower score in this area and thus may not have not fully accepted cooperative ideas to the point of carrying them out individually in the workplace. This is represented by their below average responses to questions about accepting company risk and average responses to hard work within the organization (Core Values, 2003). Because employees seem to truly understand the cooperative model,
these results can be attributed to several things including respondents attitude, work environment at the time of the survey as well as the concept that in any organization some individuals are not willing to sacrifice for the whole.

At WSM employees were expressive about the importance of rights and participation in their workplace (Table 2). More than at other firms, workers at WSM wanted to have a say in each element of the company. Employees feel that they deserve a transparent work-environment and that they deserve access to team-based as well as company-wide information (Core Values, 2003). The same employees however, answered weakly on issues of exercising responsible decision-making in the workplace. WSM employees, unlike workers in average participatory firms, are not willing to let others make decisions for them, even if the person is higher ranking (Executive Summary, 2003).

<table>
<thead>
<tr>
<th>Item</th>
<th>Mean  (SD)</th>
<th>% of employees who answered agree or strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company encourages people to participate in decisions that affect their day-to-day work</td>
<td>4.57 (1.77)</td>
<td>58%</td>
</tr>
<tr>
<td>Worker-owners deserve to have a say over how the company is run</td>
<td>5.98 (1.34)</td>
<td>86%</td>
</tr>
<tr>
<td>I can make any reasonable changes I need to make in my work environment</td>
<td>5.12 (1.58)</td>
<td>71%</td>
</tr>
<tr>
<td>I actively contribute to group problem solving efforts in my work area</td>
<td>5.8 (1.25)</td>
<td>90%</td>
</tr>
<tr>
<td>When the company really needs it, I am willing to do extra work to get the job done.</td>
<td>6.2 (1.09)</td>
<td>95%</td>
</tr>
<tr>
<td>I think that on some issues, I should leave the decision making to managers with specialized knowledge</td>
<td>4.96 (1.7)</td>
<td>66%</td>
</tr>
</tbody>
</table>
In this case an apparent disconnect (Table 2) arises because employees want to adhere directly to the ideals of participation. Despite the fact that WSM scored more weakly than ESOP employees on issues of relinquishing control, two-thirds of employees at still said that managers should get to make some decisions if they know more about the subject. The fact that WSM scored more weakly than an ESOP, however, could be expected in a cooperative environment. If employees adhere directly to the ideas of cooperative involvement and individual commitment to the decision-making process, it seems natural that they would not want to give up those inherent rights. Though the tension of relinquishing control and adhering to an equal work environment could become strenuous within cooperatives it suggests that the ideals of equality and voice are actually being achieved. Though WSM scored more weakly than ESOPs on this issue the response could suggest that they are also creating a more equal and participatory work environment.

Active participation scores (Table 2: I actively contribute, when the company really needs it) are also lower in the responsibility category because fewer workers admit to contributing to group problem solving or being actively involved in company-wide issues. For many of these employees, the ideas of participation and ownership seem more prevalent than actually doing the work that will help the firm succeed. Though this data suggests weaker support for action by the employees, the lack of survey items on this subject cannot adequately dictate why employees may be hesitant in these areas. Multiple outstanding factors such as motivation by management, hours worked and personal needs may influence how much risk or above and beyond time an employee is willing to commit to the organization.
Leadership and workforce accountability at WSM are related to the imbalance of rights and responsibilities in the workplace. However, in questions about accountability in the workplace, where accountability refers to acknowledgement of a decision and acceptance of future consequences, worker responsibility outweighs worker rights (Table 3). Accountability items revealed that workers feel that they are individually accountable but do not see the leadership as being equally accountable. Though the numeric statistics appear similar, the frequencies in this data and their relation to responses from other firms place the Leadership Accountability variable at average and Workforce Accountability above average. In participatory firms, employees have the right to work in a setting where the leadership will admit mistakes and they have a responsibility to admit mistakes themselves. At WSM leadership accountability scores were average in comparison to other employee-owned firms while workforce accountability scores were high (Core Values, 2003).

<table>
<thead>
<tr>
<th>Item</th>
<th>Mean (SD)</th>
<th>% of employees who answered agree or strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>WSM managers are held accountable for their decisions</td>
<td>4.65 (1.61)</td>
<td>57%</td>
</tr>
<tr>
<td>Employees at this company admit their mistakes</td>
<td>4.64 (1.37)</td>
<td>60%</td>
</tr>
<tr>
<td>I feel an obligation to challenge poor performance by my fellow employees</td>
<td>4.91 (1.54)</td>
<td>66%</td>
</tr>
<tr>
<td>My direct supervisor admits his/her mistakes</td>
<td>4.86 (1.91)</td>
<td>65%</td>
</tr>
</tbody>
</table>

Though employees rank leaders at an average level of accountability, other responses reflect a general trust in all levels of leadership. In most surveyed companies, employees trust all levels of leadership about the same, but at WSM there is an even greater level of trust for the senior management. At WSM senior management is
considered the Board of Directors and the General Manager, Ruffin Slater. Scores for each of the management categories are at or above average for other employee-owned firms (Core Values, 2003).

Overall workplace satisfaction at WSM is positive though it does not exceed the average of similar companies (Table 4). Employees are generally happy with their coworkers, with working conditions and the health and safety of the company. Employees also hold above average expectations for the future of the company. Workers at WSM strongly agree that the company and its employees are fair and honest. The scores of organizational fairness questions rated the company strong on an individual and group level. 80 percent of employees agree that company rules and regulations are fair (Core Values, 2003).

Employees at WSM are happier than those at other firms with the pay and non-monetary rewards that they receive at the workplace. Workers feel that they are adequately rewarded for the work that they do, especially if they go above and beyond what their job entails. More employees at WSM said that their coworkers work hard on a regular basis than did employees at other companies (Core Values 2003). This suggests that not only do employees find the system fair, but also sufficient to support the work process at their cooperative.
Table 4  
Work Environment

<table>
<thead>
<tr>
<th>Item</th>
<th>Mean</th>
<th>(SD)</th>
<th>% of employees who answered agree or strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company rules and regulations are fair</td>
<td>5.45</td>
<td>(1.74)</td>
<td>80%</td>
</tr>
<tr>
<td>Working conditions at the company are healthy</td>
<td>5.84</td>
<td>(1.23)</td>
<td>87%</td>
</tr>
<tr>
<td>The pay system at this company is fair</td>
<td>4.53</td>
<td>(1.86)</td>
<td>59%</td>
</tr>
<tr>
<td>People at WSM work hard</td>
<td>5.92</td>
<td>(1.15)</td>
<td>90%</td>
</tr>
<tr>
<td>I have good relations with my co-workers</td>
<td>6.15</td>
<td>(1.29)</td>
<td>92%</td>
</tr>
</tbody>
</table>

It is relevant to note, that unlike most employee-owned companies, workers at WSM ranked financial results of the cooperative as the least important aspect of ownership. One of the survey items asked employees to rank the aspects of ownership from most to least importance. The average company ranked the items in the following order: Fairness, Participation, Community, Financial and Influence. WSM employees created this scale: Fairness, Participation, Community, Influence and Financial (Core Values, 2003). The results of this ranking system may influence the responses to questions about pay and financial reward within the company because workers may be less preoccupied with the size of their individual salaries. This may be a reflection of the transformational leadership style that permeates throughout the organization. If the firm were more traditional and thus transactional, employees would be more concerned with individual rewards and increases in pay.

In general, the descriptive data for WSM suggests a positive work environment and one that exceeds the measures of other employee owned-companies. One weaknesses of the organization seem to be in motivating employees to not only understand but act on the values of employee ownership. Employees at this cooperative have a solid understanding of what it means to work for a participatory company but they
need to internalize that meaning in order to help the company function to its greatest potential (Table 2).

Specific Data Analysis

The descriptive data from Weaver Street Market suggests a positive work environment in which people feel that they have democratic rights. Descriptive data however can easily be skewed by any group of people who feel strongly about a particular item. Therefore, in order to determine that the work environment is democratic and successful for all employees, not just one sub-group, this section explores survey responses from specific groups of people. The following research is based on the ordinal logistical regressions of four sub-groups: ownership status, tenure, employment status and native language. For the purposes of this research only the first three categories provide statistically significant regression data.

In addition to the descriptive data described above, I have made several hypotheses about how this data may differ by sub-group. The three sub-groups that I have isolated are ownership status, tenure (in years) and job title. When running the regressions for each survey item place of work and language were also examined. These two variables however, did not relate to the purposes of the overall study and did not obviously contribute to changes in the survey results. Because I could not identify a specific relationship for either of these variables, I did not make claims about their significance in the success of the cooperative.
For ownership status the two sub-groups are Owner and Non-Owner. Tenure is broken down into .25-1 year, 1-2 years, 3-5 years and 5 or more years. Job title has four categories: clerk, lead clerk, specialist and assistant manager.

In previous chapters I have discussed the need for the working environment to improve so that employees have a say in the decision making process of the company, feel valued in the workplace and are generally satisfied with their jobs. In this data analysis, I hope to find out whether or not these issues are addressed at the cooperative and to what extent each sub-group is satisfied with the overall working conditions of WSM. To better analyze this data across sub-groups, I ran ordinal regressions on each of relevant survey items. I then compared the results of these regressions controlling for tenure, job status, ownership status, place of work and English or Spanish speaker to see which sub-groups had statistically significant and relevant responses to the question.

The following are my hypotheses about how the sub-groups of the WSM cooperative will respond to certain survey items.

**Hypothesis I:** Non-owners will be less concerned with the long-term goals of the company and with the group mentality of the cooperative. Owners on the other hand are more likely to work hard despite the outcome and are committed to the long-term goals of the organization.

I make this hypothesis because ownership and participation in a firm are meant to increase the involvement of workers and therefore it follows that these employees will also be more concerned with the direction of the organization. Therefore, I hypothesize
that the owners of the company are more likely to work hard despite obvious outcomes or rewards and will also show a stronger commitment to the long-term goals of the organization. Non-owners on the other hand, will be less concerned with long-term goals and more interested in the fairness of day to day practices within the cooperative.

The first relevant result to report is the fact that in general, owners and non-owners at WSM answered similarly on almost all survey items. Unlike other ownership firms where non-owners feel isolated from the decision-making process and higher processes of the firm, non-owner employees at WSM still feel highly connected to the company (Executive Summary, 2003).

Employee-owners in the cooperative did however, stand out in several categories. Based on the descriptive data, owners displayed stronger affiliations than non-owners (4.1) about individual ownership. Similarly in the ordinal regressions, owners expected their peers to feel more closely associated with the ownership process than non-owners (4.2). This is probably because owners have individual connections to the participatory process that shapes their view of the company and allows them to project their feelings onto their co-workers. Owners also touted a belief in worker-ownership as a successful and relevant system while non-owners did not respond strongly either positively or negatively.
Table 4.1
How important is ownership to you?

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>B</th>
<th>Robust (SE)</th>
<th>P &gt; IZI (significant regression)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner</td>
<td>1.21</td>
<td>(.416)</td>
<td>.003*</td>
</tr>
<tr>
<td>Clerk</td>
<td>.162</td>
<td>(.618)</td>
<td>.855</td>
</tr>
<tr>
<td>Lead Clerk</td>
<td>-.459</td>
<td>(.593)</td>
<td>.438</td>
</tr>
<tr>
<td>Asst Manager</td>
<td>-.77</td>
<td>(.593)</td>
<td>.438</td>
</tr>
<tr>
<td>Tenure</td>
<td>.162</td>
<td>(.119)</td>
<td>.175</td>
</tr>
<tr>
<td>Spanish</td>
<td>1.45</td>
<td>(.585)</td>
<td>.013*</td>
</tr>
</tbody>
</table>

Ordinal Regression model. Omitted dummy variable: Specialist; n=131; pseudo R-squared = .068

Table 4.2
How much do others feel like owners?

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>B</th>
<th>Robust (SE)</th>
<th>P &gt; IZI (significant regression)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner</td>
<td>-1.30</td>
<td>(.408)</td>
<td>.001*</td>
</tr>
<tr>
<td>Clerk</td>
<td>-.193</td>
<td>(.654)</td>
<td>.768</td>
</tr>
<tr>
<td>Lead Clerk</td>
<td>.012</td>
<td>(.662)</td>
<td>.985</td>
</tr>
<tr>
<td>Asst Manager</td>
<td>1.32</td>
<td>(.606)</td>
<td>.029*</td>
</tr>
<tr>
<td>Tenure</td>
<td>.068</td>
<td>(.109)</td>
<td>.532</td>
</tr>
<tr>
<td>Spanish</td>
<td>1.24</td>
<td>(.566)</td>
<td>.028*</td>
</tr>
</tbody>
</table>

Ordinal Regression model. Omitted dummy variable: Specialist; n=131; pseudo R-squared = .0448

My hypothesis that non-owners will be less concerned with the long term goals of the company and the group mentality of the cooperative can be addressed by approaching survey items about contributions to the company’s future as well as a willingness to improve performance within the workplace. The following survey items are relevant here:

- Our company’s employees feel that it is important to know how their workgroup affects the bottom line
- Employees at our company are very committed to the company and its future
- People at our company have too little interest in company-wide issues to get involved in them
- I feel an obligation to challenge poor performance by my fellow employees
- It's part of my job to find out how my workgroup can improve its performance

The results of the survey show that in all five of these categories neither owners nor non-owners significantly influenced the responses more than other sub-groups. The null finding in this section disproves my hypothesis but suggests a stronger work environment than I had attributed to WSM. The lack of statistically significant responses by this sub-group suggests that ownership in the company does not determine how committed the employee will be. The results could also reflect a lack of separation within the workplace between owners and non-owners since despite ownership in the company many employees are concerned with the direction the organization takes and are willing to work together to succeed.

**Hypothesis 2:** Owners and people who have worked for the company for more than three years will feel a stronger sense of autonomy within the organization.

A loss of autonomy or the right to make decisions for oneself in the workplace was one of the problems with work that I addressed in the first chapter. In response to that problem, I posit that at WSM owners and people who have worked at the cooperative
for more than three years will have stronger feelings of autonomy within the organization. There are three survey items that address autonomy needs:

- I feel that I am too closely supervised – someone is always checking up on me
- I can make any reasonable changes I need to make in my immediate work environment
- People at the company feel that they are too closely supervised

Ordinal regressions of these three survey items reveal that there was no statistically meaningful impact of any employee sub-group. Descriptively, the overall means for these items are considered higher than most cooperatives which is a positive reflection of the amount of autonomy workers feel at WSM. This data is somewhat surprising because typically, employees who work with a company for a long time hold higher-level positions. Such positions would afford them more control over their workplace and a feeling of superior autonomy. The general responses however, suggest that this cooperative differs from traditional businesses in this aspect. At WSM all employees share a positive level of autonomy and that no one group feels better or worse off than any other in the day to day decision making process at work.

_Hypothesis 3:_ Management level employees are going to be more supportive of cooperative ideals and are more likely to say that the company is successful in achieving those ideals.
Management level employees within traditional firms have more control over the company as a whole and also make more of the long-term business decisions. It is these people who are constantly reminded of the mission statement of the organization and who try to make it work. The management at WSM plays a very similar role and therefore I hypothesize that despite the elected hierarchy, management-level employees are going to be more supportive of cooperative ideals as a group. Management will also have a more positive impression of the company than other workers and will state that the company is successful in achieving cooperative ideals.

The following survey items are meant to reflect the worker’s general feelings about the cooperative model and the success of that model at WSM.

**Cooperative Model**
- Employees believe in the benefit of worker ownership (no)
- The company must take risks in order to prosper
- Employee Owners deserve a say over how the company is run

**WSM Model**
- Employees have real influence over the direction of the company
- The company responds to employee suggestions
- My point of view is taken into consideration about the general direction of the company
- The company makes a sincere effort to share information with employees
- The company encourages people to participate in decisions that affect their day-to-day work
- Overall the company is fair to its employees
The pay system is fair. Assistant Managers, the highest-level employees in the sub-group, affected this data set more than any other sub group in this category. On these particular items, assistant managers showed a statistically significant response to all but three of the questions. The Assistant Manager status did not affect the employees belief of worker ownership, whether worker-owners deserve a say in the company or in the statement "the company encourages people to participate." Several regressions are noted below, for complete regression tables see Appendix A.

### Table 4.3
**Employee owners deserve a say over how the company is run**

| Independent Variable | B (SE) | P > |z| (significant regression) |
|----------------------|-------|-----|--------------------------|
| Owner                | .685 (.442) | .121 |
| Clerk                | -.530 (.928) | .568 |
| Lead Clerk           | -.409 (.897) | .648 |
| Asst Manager         | -1.54 (.861) | .072 |
| Tenure               | -.076 (.112) | .497 |
| Spanish              | -1.05 (.480) | .028* |

Ordinal Regression model. Omitted dummy variable: Specialist; n=131; pseudo R-squared = .0495

### Table 4.4
**The company must take risks in order to prosper**

| Independent Variable | B (SE) | P > |z| (significant regression) |
|----------------------|-------|-----|--------------------------|
| Owner                | -.059 (.395) | .881 |
| Clerk                | .664 (.586) | .277 |
| Lead Clerk           | .314 (.578) | .593 |
| Asst Manager         | 1.71 (.715) | .019* |
| Tenure               | .107 (.115) | .403 |
| Spanish              | 1.04 (.526) | .117 |

Ordinal Regression model. Omitted dummy variable: Specialist; n=131, pseudo R-squared = .0575
The remaining seven survey items all showed a statistically significant response from assistant managers. These results suggest that the assistant managers have more confidence and belief in the company than other employees. It could be said that these responses are influential because the assistant managers have more information about the inner-workings of the organization. Another survey item asked whether employees felt that they had all of the information that they needed about the company and again, assistant managers provided the only statistically significant response. Despite the statistically significant response by assistant managers, the mean WSM employee response on this item was stronger than at most employee-owned companies.

I hypothesize that the assistant manager's answers are significant in so many categories because they are the people who not only believe in the ideas of the cooperative but have internalized them. It is more likely that the management discusses ownership ideals frequently and that participation in company issues is part of their weekly job. Clerks, lead clerks, and specialists on the other hand may only think about cooperative issues at the monthly participation meetings. The fact that management did
not show outstanding results in two of the categories suggests that all employees still care about the cooperative model but may not be immersed in the nuances of it every day.

_Hypothesis 4:_ In general people will be satisfied with their workplace across sub-groups because the cooperative idea provides a good working environment. Employees with less than three years experience or who are not owners may be more dissatisfied. Management will be more satisfied than other groups because they will have the most freedom in how they do their job.

Unlike many traditional firms where some employees, particularly management, are happy and satisfied in their jobs while others are miserable, I hypothesize that workers at WSM will not be sharply divided on their satisfaction with the workplace. I argue that satisfaction with the work environment may actually grow over time and the only significant data may be a result of tenure with the company. In this case, it is the lack of statistically significant data that I argue points to the positive and equitable environment at Weaver Street. The following are relevant survey items:

- Working conditions at the company are healthy and safe
- Employees are satisfied working for this company
- I have good relations with my co-workers
- I have higher expectations for WSM than I would for most companies
Regression results for all four of these items show that the only sub-group with a statistically significant response is the influence of tenure on the health and safety of working conditions. People who have worked at the cooperative longer consider it less safe and healthy than those who have worked there for 1-2 years. The other three items show no relevant responses by any sub-group suggesting that answers ranged equally among employees. The descriptive data for these specific items shows average responses in comparison to other employee-owned companies and an overall positive rating of the WSM work environment.

| Independent Variable | B (SE) | P > |z| (significant regression) |
|----------------------|--------|-----|--------------------------|
| Owner                | -0.375 (.530) | 0.480 |
| Clerk                | 0.580 (.706)  | 0.411 |
| Lead Clerk           | 0.220 (.626)  | 0.725 |
| Asst Manager         | 0.656 (.565)  | 0.246 |
| Tenure               | -0.217 (.114) | 0.057 |
| Spanish              | 1.44 (.738)   | 0.050* |

Ordinal Regression model. Omitted dummy variable: Specialist; n=131; pseudo R-squared = .0924

**Hypothesis 5:** Leadership in the organization will be seen as reasonably fair and successful by all levels and tenure of employees because the elected hierarchy allows workers some say over who they report to.

Based on the qualitative responses from Weaver Street employees about the leadership structure at the organization, I hypothesize that leadership responses in the
survey will be seen as fair and successful by all levels and tenure of employees. This hypothesis is also supported by the concept of an elected hierarchy in which employees have a choice in who supervises them and are thus more likely to accept their leadership. Leadership data comes from the following survey items:

- Overall this company is fair to its employees
- The person I report to is fair to me
- WSM managers are held responsible for their decisions
- My direct supervisor admits his or her mistakes
- Employees at WSM trust their department managers
- Employees at WSM trust their store manager
- Employees at WSM trust the general manager and administrative managers

Of the seven items listed above, four showed no statistically significant variations by sub-group while three were affected by the answers of assistant managers. Assistant managers significantly answered that the company is fair to employees, that managers are held responsible for their decisions and that employees trust store managers. The other four items remained consistent across sub-groups and the descriptive data suggests positive responses to each leadership category. As mentioned in the descriptive data section above, the ratings of trust in the general manager and administrative managers were particularly high.
Table 4.7
Overall the company is fair to employees

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>B (SE)</th>
<th>P &gt; Izl (significant regression)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner</td>
<td>-.100 (.419)</td>
<td>.810</td>
</tr>
<tr>
<td>Clerk</td>
<td>-.314 (.648)</td>
<td>.628</td>
</tr>
<tr>
<td>Lead Clerk</td>
<td>-.254 (.535)</td>
<td>.635</td>
</tr>
<tr>
<td>Asst Manager</td>
<td>1.33 (.536)</td>
<td>.013*</td>
</tr>
<tr>
<td>Tenure</td>
<td>-.061 (.111)</td>
<td>.577</td>
</tr>
<tr>
<td>Spanish</td>
<td>.974 (.556)</td>
<td>.080</td>
</tr>
</tbody>
</table>

Ordinal Regression model. Omitted dummy variable: Specialist; n=131; pseudo R-squared = .0365

Table 4.8
WSM managers are held responsible for their decisions

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>B (SE)</th>
<th>P &gt; Izl (significant regression)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner</td>
<td>-.337 (.435)</td>
<td>.438</td>
</tr>
<tr>
<td>Clerk</td>
<td>-.538 (.619)</td>
<td>.385</td>
</tr>
<tr>
<td>Lead Clerk</td>
<td>-.032 (.634)</td>
<td>.960</td>
</tr>
<tr>
<td>Asst Manager</td>
<td>1.15 (.581)</td>
<td>.047*</td>
</tr>
<tr>
<td>Tenure</td>
<td>-.115 (.096)</td>
<td>.235</td>
</tr>
<tr>
<td>Spanish</td>
<td>2.23 (.555)</td>
<td>.000*</td>
</tr>
</tbody>
</table>

Ordinal Regression model. Omitted dummy variable: Specialist; n=131; pseudo R-squared = .0630

Table 4.9
Employees at WSM trust their store manager

<table>
<thead>
<tr>
<th>Variable</th>
<th>B (SE)</th>
<th>P &gt; Izl (significant regression)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner</td>
<td>-.188 (.423)</td>
<td>.656</td>
</tr>
<tr>
<td>Clerk</td>
<td>.414 (.514)</td>
<td>.373</td>
</tr>
<tr>
<td>Lead Clerk</td>
<td>.440 (.590)</td>
<td>.451</td>
</tr>
<tr>
<td>Asst Manager</td>
<td>1.09 (.397)</td>
<td>.014*</td>
</tr>
<tr>
<td>Tenure</td>
<td>.000 (.917)</td>
<td>.895</td>
</tr>
<tr>
<td>Spanish</td>
<td>2.19 (.567)</td>
<td>.000*</td>
</tr>
</tbody>
</table>

Ordinal Regression model. Omitted dummy variable: Specialist; n=131; pseudo R-squared = .0659

The regression responses in this section are pertinent not only to the success of WSM but to my theses about the necessity of strong and accepted leadership within a cooperative organization. The presence of strong assistant manger responses suggests
that more work could be done within the organization to make sure that leadership acceptance and confidence is felt at all levels of employment. The descriptive data shows that the leadership is never rejected or fully disproved of but that there could be a stronger show of support from clerks and lead clerks. On a day to day basis however, the responses to leadership support, both descriptive and regressional are extremely positive for WSM.

*Hypothesis 6:* Positive responses to questions about community, change within the organization, supportive and involved supervisors and employee recognition will be seen in all sub-groups and will suggest a transformational leadership style within the organization.

My final hypothesis revolves around the idea of transformational leadership at WSM. Drawing on my qualitative research, I argue that transformational leadership is present at WSM even if it is not recognized as such. I also think that the transformational leadership style is the most successful way to create a strong and lasting cooperative environment. In this hypothesis WSM employees will have positive responses to questions about organizational community, adaptability of the company, supportive supervisors and employee recognition. Each of the following items is related to an aspect of transformational leadership as discussed in Chapter 3. In order to suggest that transformational leadership does exist within this organization, I will need to see a positive response in at least six of the eight items below.
<table>
<thead>
<tr>
<th>Item</th>
<th>% of employees who answered agree or strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>At this company, people avoid new ideas; they do things the way they have always been done</td>
<td>25%</td>
</tr>
<tr>
<td>This company gives appropriate recognition to employees who make extraordinary contributions</td>
<td>60%</td>
</tr>
<tr>
<td>No matter how they perform, people at this company expect the same rewards as everyone else</td>
<td>34%</td>
</tr>
<tr>
<td>The person I report to actively seeks my input</td>
<td>69%</td>
</tr>
<tr>
<td>I get sufficient feedback about my work to improve my performance</td>
<td>70%</td>
</tr>
<tr>
<td>My direct supervisor admits his/her mistakes</td>
<td>65%</td>
</tr>
<tr>
<td>The person I report to is fair to me</td>
<td>83%</td>
</tr>
<tr>
<td>It is possible for things to change here</td>
<td>80%</td>
</tr>
</tbody>
</table>

All of the above items received an average or stronger than average response at WSM. The regression statistics for these items also suggests that no sub-group influences the data in one-way or another. Therefore, these are items that employees feel similarly about regardless of job title or tenure/ WSM was stronger than other employee-owned companies on the willingness to hear new ideas, accepting the same rewards and giving employees the recognition they deserve. The descriptive data for these items suggests that at least forty percent of employees feel that the issues discussed are strongly or very strongly represented within their organization.

With regards to transformational leadership, this data is extremely positive. It suggests that all of the above items which are linked to the transformational leadership style exist within the WSM firm. Not only are these items noticed by employees, but they are also seen as a strong and positive part of the cooperative community.
Summary Points from Data Analysis

- There is general satisfaction with the work environment, the cooperative model and leadership at WSM.
- WSM had a weaker response to relinquishing control than other ESOPs
- WSM has a weaker response to internalization of cooperative ideals than other ESOPs
- Owners feel more strongly than non-owners about individual ownership
- Owners and non-owners feel similarly about commitment to the company and participation in the firm
- All sub-groups felt relatively autonomous
- Assistant managers felt more strongly about cooperative ideals than other sub-groups
- All sub-groups displayed similar satisfaction with their daily jobs
- All sub-groups displayed similar satisfaction with WSM leadership
- Survey responses suggest that transformational leadership exists at WSM

Data Conclusions

The descriptive and regression data from the NCEO survey taken by Weaver Street Market employees highlights some positive and negative aspects of the organization. First, WSM, like many cooperatives, is still struggling with how to have employees not only understand what it means to have rights in a cooperative but also how to take responsibility for those rights. The employees at WSM generally understand the cooperative model and are satisfied with their workplace. However, they have not fully
internalized the ideals of the cooperative to the point of self-sacrifice. Many of the employees at WSM want to use all of their rights all the time, even when it is not in the best interest of the company. This response by employees could be typical of a cooperative environment where people are given freedom and equality in the workplace. The apparent disconnect between responsibility and action may not be a disconnect at all, but rather a sign of the employees thinking for themselves and working on their own terms. In order to further understand this relationship and whether or not it is a problem, further research is necessary.

Workers at WSM are typically happy with their jobs, the pay and the day to day activities that occur there. Though I cannot compare these data to those of a traditionally organized company, the satisfaction rating seems reflective of a functional and successful workplace. Very few workers at the organization expressed extreme dissatisfaction with their positions or the community in which they work.

WSM is also successful at creating a cooperative environment in which owners and non-owners feel like a part of the organization. The data suggests a great equality within the workplace because regardless of ownership status or job title -- specifically among clerks, lead clerks and specialists -- survey responses were very similar. Though the assistant managers provided many statistically significant regression responses, they are the only group that is outstanding. WSM could improve on this by making sure that workers who are not managers have the same understanding and appreciation of cooperative ideals as managers. However, I note that not all employees are going to be interested in knowing every detail of the cooperative and that perhaps at WSM, the employees who do care and want to be extremely involved are in management positions.
Worker-ownership is about making choices first and foremost, and if an employee cannot choose just to do his or her job and vote several times a year, then the purpose of the organization is not being served.

The leadership style at WSM is extremely successful and is appreciated and respected by all employees in spite of sub-groups. Not only do employees trust their leaders but they are also satisfied with the way they are treated and the information that they receive from these people. Transformational leadership is also apparent in the cooperative model at Weaver Street. Leaders solicit information from their followers, create a sense of community, give feedback and are fair. Workers also have a sense of what it means to belong to a cooperative and feel that they have adequate information about the overall goals of the organization. The combination of these leadership techniques and the education of employees suggest a strong transformational structure that has allowed the organization to prosper.
Conclusions

This thesis explores the potential of worker ownership and examines the leadership structures within participatory firms. The guiding issue for my research is the marginalization of employees and a lack of democracy in the workplace. In an attempt to understand how democracy could be brought to employees I explore the cooperative business model and ask questions about how to improve the general and leadership structures within these organizations. From my research of these issues, I draw several conclusions about the cooperative business sector and what can make it more democratically and economically successful in the future.

Cooperative businesses can be successful economically but they must be willing to combine traditional business methods with new rules and leadership styles. First, I must define success in both economic and democratic terms as it applies to a cooperative. I define an economically successful cooperative as one that is competitive in the larger capitalist market. Many cooperatives find their niche on a local rather than a national scale, but if they are able to compete and profit within that market, then I consider them successful economically. Democratic success can only be determined by feedback surveys similar to the one I analyzed for Weaver Street Market. Because democracy within the firm is rooted in the employees, I consider a cooperative democratically successful if its employees feel that they have democratic rights, participation and influence within the organization.

After researching Mondragon, the Plywood Cooperatives and Weaver Street Market, I argue that cooperatives can be economically successful in a variety of markets, locations and service areas. That success, though diverse, is also based on the balance of
traditional business practices with innovative ideas and transformational leadership. In my research, I observed that cooperatives were not successful when they denied all traditional practices such as a hierarchical structure, restricted freedom and rewards-based systems. Though these practices have had negative impact on some employees, I believe that some structure and restriction is necessary for economic success.

Leadership in organizations can be executed in a variety of styles. In the cooperative setting it is necessary to first create a leadership structure that can be referenced by future employees. To create the highest level of stability and facilitate worker participation, this structure should reinforce the vision of the organization and the role that each worker has in fulfilling the vision. The structure should then advise workers and leaders on how to balance the task-oriented necessities of the business world with the vision and purpose of the organization. As seen in both Mondragon and the Plywood cooperatives it is often hard to balance ideals with functionality. This leadership structure should then be presented to every employee of the company, not just the hired or elected managers. If the workers understand and participate in the leadership of the organization, they may be more accepting of each individual leader.

Specifically, I think that in order to succeed, there needs to be some sort or power structure within the organization. Hierarchical structures can be one of the most damaging aspects of a traditional business, but if people are elected into that structure or it is in some way created by the employees, it is less damaging. People respond and understand hierarchical structures because they exist in every facet of society. If these structures are used positively to create a functional system that employees can understand
without devaluing them, then they can greatly contribute to the success of the organization.

This hierarchical structure must also incorporate the transformational leadership style if it is going to encourage democratic success within the organization. The existence of an elected hierarchy is not enough to guarantee democratic participation within the organization. Rather, the transformational leadership style, one in which success is not reward-based and employees are inspired to work as a group towards a higher vision, must be advocated by all levels of management.

Typically, hierarchical structures are paired with transactional leadership. The leader rewards his employees and they work for those rewards with the hope of moving up in the hierarchy. At a cooperative firm, this system will not lead to democratic success for several reasons. First, the hierarchy is elected so working for a promotion given by a leader is not possible. Also, cooperative and democratic environments require a commitment to ideals and a system beyond day to day involvement. Leaders who operate in a transactional mode do not emphasize working towards a vision or a company ideal.

Transformational leadership will complement the hierarchical systems that may be in place within a cooperative because it will also aid in spreading the ideals of participatory ownership. The cooperatives discussed in this thesis demonstrated that participation does exist in each of their organizations. However, in the Weaver Street case study, it was shown that the management felt more connected to participation within the company than other employees. In order to improve overall democratic success within cooperatives, more employees need to feel connected to the participation process.
Transformational leadership can help this occur in these organizations by teaching and encouraging participation through trickle-down practices. Because transformational leadership is meant to encourage close relationships between management and employees, the management can use these relationships to teach the value of participation and to give responses and feedback to employees. Employees are more likely to feel that they have a real role and impact on the company if the management or the Board of Directors is responding to them. Direct and open relationships of this sort also increase the likelihood that employees will feel valued in the workplace. This sense of value or connection to the organization may have positive economic benefits in long run because employees are more committed to the company.

At WSM and potentially at other cooperatives, employees understand what it means to participate. They understand the basic concepts, the goals and the purpose of participation, but they have yet to internalize its meaning. Workers are not yet used to the idea of sacrificing for the company as a whole nor are they willing to give up personal choice even when someone else has more expertise on a subject. Now that employees do have the right to participate, cooperatives need to help them internalize and act on that right.

There are, however, limitations to the internalization of such ideals. It is possible that cooperatives in America draw in a more educated workforce because such people are interested in and have access to information about a democratic workplace. Teaching and explaining the internalization of cooperative processes to college-educated employees is easier than teaching it to workers without a high school education. Another limitation is the likelihood that some people don't have any desire to take part in the democratic
processes of their workplace. Perhaps there is no need for them to internalize cooperative ideals but rather just to have an understanding of them for the benefit of their daily job.

Despite these limitations, it is important to keep teaching the cooperative process, its day to day requirements and the internalization of its ideals to all employees within the organization. It may be harder for some people to understand than others and cooperatives may at first draw in only certain types of people, but if they are able to create a strong base within the capitalist market, then they will be opening up valuable and democratic job opportunities over time. The success of the cooperative model could also inspire the creation of more democratic firms, in turn expanding the scope of the cooperative organization and allowing people of different educational, geographic and ethnic backgrounds to find employment in a democratic environment.

After exploring worker participation as a solution to workplace problems such as personal devaluation and leadership coercion, I conclude that the cooperative business model can offer a positive, democratic environment for employees. If the cooperative structure is organized in a way that combines elements of traditional business with more democratic methods, the cooperative can succeed both economically and democratically. Transformational leadership is a key element in cooperative success because it creates a workforce striving for one vision in a place where they feel their opinions are valued. Though cooperatives may currently be more accessible to educated workers and may be more attractive to people with certain political ideals, the success of such organizations will hopefully expand the democratic business sector so that more people can and will become involved.
Appendix A

Ordinal logistic regressions from NCEO survey of WSM employees
In these ordinal logistic regressions, the workplace site is also controlled but is not included in the tables.

Table A.1
The company encourages people to participate

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>B (SE)</th>
<th>P &gt;</th>
<th>(significant regression)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner</td>
<td>.536 (.435)</td>
<td>.218</td>
<td></td>
</tr>
<tr>
<td>Clerk</td>
<td>.366 (.610)</td>
<td>.549</td>
<td></td>
</tr>
<tr>
<td>Lead Clerk</td>
<td>-.522 (.691)</td>
<td>.450</td>
<td></td>
</tr>
<tr>
<td>Asst Manager</td>
<td>.468 (.561)</td>
<td>.404</td>
<td></td>
</tr>
<tr>
<td>Tenure</td>
<td>-.101 (.115)</td>
<td>.381</td>
<td></td>
</tr>
<tr>
<td>Spanish</td>
<td>-.748 (.524)</td>
<td>.154</td>
<td></td>
</tr>
</tbody>
</table>

Ordinal Regression model. Omitted dummy variable: Specialist; n=131; pseudo R-squared = .0313

Table A.2
Employees have real influence over the direction of the company

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>B (SE)</th>
<th>P &gt;</th>
<th>(significant regression)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner</td>
<td>-.237 (.459)</td>
<td>.605</td>
<td></td>
</tr>
<tr>
<td>Clerk</td>
<td>.484 (.686)</td>
<td>.481</td>
<td></td>
</tr>
<tr>
<td>Lead Clerk</td>
<td>.132 (.644)</td>
<td>.837</td>
<td></td>
</tr>
<tr>
<td>Asst Manager</td>
<td>.449 (.585)</td>
<td>.443</td>
<td></td>
</tr>
<tr>
<td>Tenure</td>
<td>.049 (.120)</td>
<td>.683</td>
<td></td>
</tr>
<tr>
<td>Spanish</td>
<td>2.05 (.553)</td>
<td>.000*</td>
<td></td>
</tr>
</tbody>
</table>

Ordinal Regression model. Omitted dummy variable: Specialist; n=131; pseudo R-squared = .0376

Table A.3
Employees believe in the benefit of worker ownership

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>B (SE)</th>
<th>P &gt;</th>
<th>(significant regression)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner</td>
<td>-.874 (.425)</td>
<td>.040*</td>
<td></td>
</tr>
<tr>
<td>Clerk</td>
<td>.717 (.517)</td>
<td>.165</td>
<td></td>
</tr>
<tr>
<td>Lead Clerk</td>
<td>.717 (.642)</td>
<td>.264</td>
<td></td>
</tr>
<tr>
<td>Asst Manager</td>
<td>.306 (.508)</td>
<td>.547</td>
<td></td>
</tr>
<tr>
<td>Tenure</td>
<td>.034 (.116)</td>
<td>.764</td>
<td></td>
</tr>
<tr>
<td>Spanish</td>
<td>1.13 (.557)</td>
<td>.042*</td>
<td></td>
</tr>
</tbody>
</table>

Ordinal Regression model. Omitted dummy variable: Specialist; n=131; pseudo R-squared = .0263
Table A.4

The pay system is fair

| Independent Variable | B   (SE) | P > |z| (significant regression) |
|----------------------|--------|-----|--------------------------|
| Owner                | .453 (.453) | .561 |
| Clerk                | -.551 (.581) | .343 |
| Lead Clerk           | -.633 (.534) | .384 |
| Asst Manager         | .562 (.529) | .979 |
| Tenure               | -.092 (.099) | .355 |
| Spanish              | -.216 (.658) | .743 |

Ordinal Regression model. Omitted dummy variable: Specialist; n=131; pseudo R-squared = .0392

Table A.5

My point of view is taken into account

| Independent Variable | B   (SE) | P > |z| (significant regression) |
|----------------------|--------|-----|--------------------------|
| Owner                | -.599 (.405) | .139 |
| Clerk                | .208 (.488) | .669 |
| Lead Clerk           | -.431 (.473) | .362 |
| Asst Manager         | 1.38 (.535) | .010* |
| Tenure               | .090 (.099) | .362 |
| Spanish              | 1.15 (.515) | .025* |

Ordinal Regression model. Omitted dummy variable: Specialist; n=131; pseudo R-squared = .0546

Table A.6

The company makes a sincere effort to share information with employees

| Independent Variable | B   (SE) | P > |z| (significant regression) |
|----------------------|--------|-----|--------------------------|
| Owner                | -.576 (.443) | .193 |
| Clerk                | .466 (.648) | .472 |
| Lead Clerk           | -.278 (.676) | .681 |
| Asst Manager         | 1.75 (.484) | .000* |
| Tenure               | -.069 (.102) | .494 |
| Spanish              | 1.50 (.522) | .004* |

Ordinal Regression model. Omitted dummy variable: Specialist; n=131; pseudo R-squared = .0747
Table A.7
Overall the company is fair to its employees

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>B</th>
<th>(SE)</th>
<th>P &gt; Izl (significant regression)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner</td>
<td>-.100</td>
<td>(.419)</td>
<td>.810</td>
</tr>
<tr>
<td>Clerk</td>
<td>-.314</td>
<td>(.648)</td>
<td>.628</td>
</tr>
<tr>
<td>Lead Clerk</td>
<td>-.254</td>
<td>(.535)</td>
<td>.635</td>
</tr>
<tr>
<td>Asst Manager</td>
<td>1.33</td>
<td>(.536)</td>
<td>.013*</td>
</tr>
<tr>
<td>Tenure</td>
<td>-.061</td>
<td>(.111)</td>
<td>.577</td>
</tr>
<tr>
<td>Spanish</td>
<td>.974</td>
<td>(.556)</td>
<td>.080</td>
</tr>
</tbody>
</table>

Ordinal Regression model. Omitted dummy variable: Specialist; n=131; pseudo R-squared = .0365
Appendix B

Summary Data for all Independent Variables

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Obs</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own</td>
<td>121</td>
<td>.512</td>
<td>.501</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Tenureyears</td>
<td>121</td>
<td>2.46</td>
<td>2.09</td>
<td>.5</td>
<td>6</td>
</tr>
<tr>
<td>Specialist</td>
<td>117</td>
<td>.145</td>
<td>.353</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Clerk</td>
<td>117</td>
<td>.384</td>
<td>.488</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Asstman</td>
<td>117</td>
<td>.205</td>
<td>.405</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Leadclerk</td>
<td>117</td>
<td>.264</td>
<td>.443</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Spanish</td>
<td>123</td>
<td>.195</td>
<td>.397</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Carrboro</td>
<td>120</td>
<td>.666</td>
<td>.473</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Panzanel</td>
<td>120</td>
<td>.133</td>
<td>.341</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>S_village2</td>
<td>120</td>
<td>.108</td>
<td>.312</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>WSM</td>
<td>128</td>
<td>.101</td>
<td>.303</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Admin</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix C

Summary data:

WSM responses are stronger than other ESOPs on these items

Data table from NCEO Executive Summary Report, WSM 2003

<table>
<thead>
<tr>
<th>Survey Items</th>
<th>WSM Average</th>
<th>Versus OCS Average</th>
<th>Item Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Some people in this company get undeserved special treatment</td>
<td>4.2</td>
<td>+.9</td>
<td>Organizational Fairness</td>
</tr>
<tr>
<td>At this company there are adequate opportunities for employees to learn about business</td>
<td>5.5</td>
<td>+.9</td>
<td>Information and Learning</td>
</tr>
<tr>
<td>How much do you feel like an owner of this company?</td>
<td>5.7</td>
<td>+.9</td>
<td>Ownership Identity</td>
</tr>
<tr>
<td>How much do other employees feel like owners of this company?</td>
<td>5.9</td>
<td>+.8</td>
<td>Ownership Identity</td>
</tr>
<tr>
<td>My pay is about what it should be</td>
<td>4.1</td>
<td>+.7</td>
<td>Work and Pay</td>
</tr>
<tr>
<td>People at WSM are given enough information to do their jobs well</td>
<td>4.8</td>
<td>+.7</td>
<td>Information and Learning</td>
</tr>
<tr>
<td>This company gives appropriate recognition to employees who make extraordinary contributions</td>
<td>4.7</td>
<td>+.6</td>
<td>Work and Pay</td>
</tr>
<tr>
<td>Employees at WSM trust the GM and administrative managers</td>
<td>5.1</td>
<td>+.6</td>
<td>Trust in Leadership</td>
</tr>
<tr>
<td>I get sufficient feedback about my work to improve my performance</td>
<td>5.0</td>
<td>+.6</td>
<td>Information and Learning</td>
</tr>
<tr>
<td>Generally speaking, I understand the cooperative ownership idea and how it works at this company.</td>
<td>5.5</td>
<td>+.6</td>
<td>Ownership Identity</td>
</tr>
</tbody>
</table>
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