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ECONOMIC AND INDUSTRIAL DEMOCRACY

Bretos, I., Ridley-Duff, R., & Wren, D. (2024). Crafting alternative work organisations: Paradoxes of workplace democracy and emancipation in worker-buyout co-operatives. *Economic and Industrial Democracy*, DOI: 10.1177/0143831X241273044.

Crafting alternative work organisations: Paradoxes of workplace democracy and emancipation in worker-buyout co-operatives

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Abstract
Drawing on an interpretative study primarily based on two waves of interviews, the authors traced two cooperativisation experiences over 10 years from an actor-centred approach. The shift to worker ownership did not automatically lead to workplace democratisation and workers' emancipation. Indeed, the early development of the cooperativisation experiences was marked by internal conflict and worker-owners' dissatisfaction. Over time, a paradoxical alternative workplace was consolidated, in which worker-owners' emancipation was ultimately sustained through the exploitation of non-member employees. The study makes a twofold contribution to the cooperativisation literature. First, it moves beyond utopian or sceptical perspectives to provide a more nuanced view of worker-buyout co-ops, emphasising the paradoxical nature of their emancipatory potential. Second, the study's longitudinal analysis of co-ops formed out of financially sound firms, rather than bankrupted ones, advances knowledge of the diversity of cooperativisation experiences and the mechanisms that contribute to the longevity and sustainability of worker-buyout co-ops.

Keywords
Cooperatives, emancipation, Mondragon, worker buyout, workplace democracy

Economic & Industrial Democracy

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Journal:	*Economic and Industrial Democracy*
Manuscript ID	EID-23-1981.R2
Manuscript Type:	Original Article
Keyword:	Cooperatives, Mondragon, Worker buyout, Emancipation, Workplace democracy
Country:	Spain

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Keywords

Co-operatives, emancipation, Mondragon, worker buyout, workplace democracy

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Introduction

Worker co-operatives (WCs) have aroused renewed scholarly interest in a context of increasing questioning of capitalism and the shareholder-owned corporate model. Research has provided ample empirical evidence of the positive outcomes yielded by co-ops in terms of higher employee wellbeing (Dow, 2003; Liu et al., 2023), superior rates of productivity, organisational performance and survival compared to their capitalist counterparts (Pérotin, 2012; Blasi et al., 2024), and the generation of positive societal and environmental outcomes (Mair and Rathert, 2021; Krugman, 2023; Mazzucato, 2023).

However, the co-operative sector is not entirely stable and homogeneous but institutionally diverse (Bretos et al., 2020). On the one hand, financial pressures and managerialism trends associated with an increasingly competitive market economy have permeated WCs, leading some of them to 'degenerate', abandoning their co-operative goals and eventually turning into capitalist firms, either formally or *de facto* (Pastier, 2024; Bretos et al., 2024). On the other hand, conventional firms have been found to increasingly adopt cooperative-like values and practices in a context in which notions of employee voice, shared wealth, and inclusiveness are pervading mainstream corporate philosophy, managerial discourse and organisational practice (Diefenbach, 2019; Battilana et al., 2022). Indeed, a growing body of research has documented a variety of *cooperativisation* experiences worldwide, involving the conversion of capitalist firms into WCs (Ness and Azzellini, 2011; Vieta, 2016; Di Stefano et al., 2023).

Although previous research has provided fundamental insights into the 'who-what-where-when-why and how' of cooperativisation (see Di Stefano et al., 2023 for a detailed literature review), two key issues deserve further empirical development and theorizing.

First, previous literature has focused mainly on the struggles surrounding worker buyouts of bankrupt firms, with a paucity of research on the cooperativisation of financially sound firms (Vieta, 2016; Di Stefano et al., 2023). While worker buyouts of financially sound firms have been found to have higher survival rates than worker buyouts of firms in difficulty and even than newly-created WCs (Mirabel, 2021; Dean, 2024), little is known about the intricacies of institutionalising the co-op values and practices in these WCs after the workers' buyout, as well as what factors critically determine their longevity and long-term democratic vitality (Bourlier-Bargues et al., 2024; Di Stefano et al., 2023).

Second, cooperativisation literature has largely adopted a 'macro-emancipation' lens that focuses on the significance of worker-buyout co-ops to transform capitalist institutions and the prevailing social order (Ness and Azzellini, 2011; Carruth, 2019; Vieta, 2020). Yet these studies place little emphasis on how organisational actors experience the radical changes implied in transitioning from a capitalist to a co-op workplace (Di Stefano et al., 2023). Indeed, scholars have called for more actor-centred, longitudinal studies of cooperativisation experiences that draw attention to the individuals' subjective construction of a co-op identity and their agency to harness democratic governance structures and reshape the workplace in a more democratic way (Kandathil, 2015; Esper et al., 2017; Bourlier-Bargues et al., 2024).

To address these gaps, we provide an interpretative study of the cooperativisation of two financially sound firms that belong to Mondragon Corporation (henceforth, Mondragon). Our findings reveal that the change to worker ownership did not automatically lead to workplace democratisation and workers' emancipation. Indeed, the cooperativisation projects were

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initially marked by internal conflict and worker-owner dissatisfaction. Our findings also show that a two-tiered labour force of worker-owners and non-member employees had consolidated in both firms after a decade of operation under the WC model. Whilst *worker-owners* reported substantial emancipatory changes grounded in their perception of greater levels of autonomy, self-management and identification with the co-operative values, a significant number of *non-member employees* were excluded from ownership, profit-sharing and decision-making rights on the grounds of market-related concerns of efficiency, flexibility and competitiveness.

This study contributes to a growing body of literature on cooperativisation in two main ways. First, by adopting an actor-centred approach, it reveals that workplace democratisation and the formation of a co-operative identity in worker-buyout co-ops is critically shaped by paradoxical tensions vis-à-vis market-driven concerns and prescriptions. We show how the interplay between tensions on different levels can lead to the consolidation of a paradoxical alternative workplace in which worker-owners' emancipation ultimately rests on the exploitation of non-member employees. Second, by providing a longitudinal analysis of the cooperativisation of two financially sound firms, this study advances the understanding of the diversity of cooperativisation experiences and the mechanisms that contribute to the longevity and democratic vitality of worker-buyout co-ops. Specifically, our research highlights informal learning and continuous co-operative training as crucial for instilling a co-op identity amongst worker-owners and enabling their active participation in decision-making.

Literature review

The examination of the challenges faced by co-ops in enacting their democratic values and collectivist practices while successfully operating in capitalist market-economies has long aroused great interest from scholars of various disciplines, including organisation and management, industrial relations, sociology, and political economy. In synthesis, three major perspectives can be distinguished, involving utopian, sceptical, and nuanced views of the relationship of co-ops vis-à-vis the capitalist system in which they have to flourish and thrive.

The utopian perspective portrays co-ops as 'critically performative' alternatives (Esper et al., 2017) to capitalist enterprise on the basis of their normative values of democracy, autonomy, equality and solidarity. The focus is upon on the potential of co-ops to prefigure and advance a less divisive and destructive post-capitalist economy (Wright, 2013; Jossa, 2017), 'both by creating imaginaries of an alternative future and by showing their viability in their everyday practices' (Schiller-Merkens, 2024: 458). Scholars have emphasised the role of co-ops in emancipating the workforce from class exploitation and alienation (Chatterton and Pusey, 2020), reducing income- and social-inequality, and fostering environmental sustainability (Mair and Rathert, 2021; Battilana et al., 2022; Mazzucato, 2023).

The sceptical perspective offers a deterministic critique of co-ops, assuming that these organisations are inexorably doomed to degenerate in the long run by adopting the same practices and priorities as capitalist firms in order to survive in a market economy. Although the degeneration thesis was prevalent during the 1970s and 1980s (see Cornforth, 1995 and Diefenbach, 2019 for detailed reviews), it has recently gained new momentum in the co-operative literature. Scholars argue that global capitalism and managerialism trends have exacerbated pressures towards degeneration in co-ops, in the form of unlimited organisational

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growth, excessive professionalization, concentration of decision-making power in a managerial elite, and introduction of labour-process regimes that privilege economic efficiency, continuous improvement and customer satisfaction (e.g., Cathcart, 2013; Errasti et al., 2017; Errasti et al., 2023; Basterretxea et al., 2022; Pastier, 2024).

The nuanced perspective provides a more complex picture of co-ops that acknowledges the tensions and dilemmas these organisations face in realising their principles of democratic governance, solidarity and equality while remaining competitive in a market economy (Heras, 2014; Paranque and Willmott, 2014; Jaumier, 2017; Bretos et al., 2024). Under this approach, scholars have shown that co-ops can anticipate and prevent degeneration as well as implement regeneration schemes that breathe life back into co-operative ideals and values (Cornforth, 1995; Bretos and Errasti, 2017; Bretos et al., 2020). Some recent studies have also elucidated co-ops' endeavours to balance business success and co-operative principles under a paradoxical lens, which draws attention to 'contradictory yet interrelated opposites that exist simultaneously and persist over time' within organisations (Cunha and Putnam, 2019: 95). Thus, the unfolding of co-ops is argued to be 'characterized by a permanent mediation between hierarchy and democracy, social and financial performance, alternative and mainstream, degeneration and regeneration' (Hartz et al., 2023, p. 2; see also Hernandez, 2006; Storey et al., 2014; Bretos et al., 2023; Bunders and De Moor, 2023).

As noted by Kandathil (2015), contradictions and paradoxical tensions are likely to be especially visible in worker-buyout co-ops, as these firms undergo radical organisational and cultural changes in their transition from a capitalist to a co-operative workplace.

Two major scenarios in which cooperativisation occurs can be distinguished: 1) in the rescue of failing firms, with WCs being formed by employees in order to preserve their jobs when faced with the closure of a business; 2) in successful firms expressing a preference for inclusive ownership and management underpinned by a philosophy that emphasises participatory governance and economic democracy (Vieta, 2016; Di Stefano et al., 2023).

The first scenario has attracted notable academic interest, with scholars examining multiple waves of workplace occupations and worker-recuperated co-ops across North America (Gunderson et al., 1995; Blasi et al., 2024), Latin America (Atzeni and Ghigliani, 2007; Ness and Azzellini, 2011; Vieta, 2020), Europe (Paton, 1989; Jensen, 2011; Antonazzo, 2019), the UK (Waddington et al., 1998; Gall, 2011), and elsewhere (Yildirim, 1999; Kandathil, 2015).

These WCs are created under adverse commercial conditions, including industrial decline, cut-throat competition, high indebtedness, technological backwardness, underinvestment and poor management, which often result in low survival rates or rapid degeneration processes (Cornforth, 1983; Sobering and Lapegna, 2023). Despite these challenges, many worker-recuperated co-ops have been found to thrive while preserving their democratic essence over the years (Ozarow and Croucher, 2014; Vieta, 2020). Such resilience is seen to be contingent on the extent to which the co-op is able to re-establish its legitimacy vis-à-vis suppliers and customers, as well as on the co-op's socio-geographical location, as this determines access to place-based resources and support from various institutional actors such as governments, unions, educational institutions, co-op networks and social movements (Yildirim, 1999; Atzeni and Ghigliani, 2007; Carruth, 2019; Sobering and Lapegna, 2023).

In contrast, as also noticed by other scholars (Vieta, 2016; Di Stefano et al., 2023), the second cooperativisation scenario has been relatively under-researched. In worker buyouts of

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3 sound firms, many of the aforementioned operational and financial constraints are likely to be absent. Yet these co-ops also have to deal with the 'baggage of the capitalism in which they have been embedded for long', which may 'constrain the co-op's movement toward workplace democracy' (Kandathil, 2015: 11). In particular, employees have to develop a new political subjectivity grounded in a worker-owner identity and a co-operative ethos (Esper et al., 2017; Souleles, 2020), and actively contribute to 'institutionalizing new democratic practices, norms, values, [and] commitments' (Kandathil, 2015: 11). Moreover, while unions tend to be more sympathetic to workers' attempts to cooperativise failed firms as a means of saving jobs during periods of crisis and unemployment (Thornley, 1983; Azzellini, 2018), they may be more hostile in cases of worker buyouts of financially sound firms, as they often view broad-based employee ownership as undermining their power and influence in the company (Brown and Quarter, 1994; Di Stefano et al., 2023).

An additional aspect limiting our understanding of the unfolding of worker-buyout co-ops stems from the fact that much of the cooperativisation literature has adopted a 'macro-emancipation' lens. Macro-emancipation studies focus on the promises and limitations of alternative organisations to produce large-scale social change and prefigure radical post-capitalist solutions, rather than on the significance of smaller-scale changes taking place at the workplace level (see e.g. Alvesson and Willmott, 1992; Huault et al., 2014).

Accordingly, previous analyses of worker-buyout co-ops have revolved largely around utopian or sceptical positions, seeing these organisations as caught in a grand dichotomy: they may either flourish and challenge the status quo, or decline and get co-opted by neoliberal capitalism. Some scholars have portrayed worker-buyout co-ops as 'real utopias' (Larrabure, 2017; Vieta, 2014, 2020; Ozarow & Croucher, 2014; Azzellini, 2018) that reflect 'the unnecessary role of capital in organizing production and work … by eliminating managerial control of the labour process and giving to each worker equal representation and rights in the decision-making process' (Atzeni and Vieta, 2014: 52). Conversely, other scholars have argued that worker-buyout co-ops are particularly susceptible to bankruptcy or degeneration, unless they engage in larger-scale labour struggles and broader social movements that shield them from dominant capitalist patterns of authority, individualism and competition (Kabat, 2011; Carruth, 2019; Jervis, 2022; Sobering and Lapegna, 2023).

Only a few studies have adopted a nuanced view that focuses explicitly on the paradoxical tensions that arise in worker-buyout co-ops when it comes to putting their principles of democracy, equality and solidarity into practice. These studies move beyond the simplistic categorisation of worker-buyout co-ops as either real utopias or degeneration-prone organisations to recognise both their micro-emancipatory potential and their limitations. The focus is upon on how organisational actors experience the cooperativisation process and how their subjective identities and agency translate into everyday practices that either facilitate or hamper the transition from a capitalist workplace to a genuinely co-operative one.

For instance, in their study of a cooperativised furniture factory, Hammer and Stern (1980) found that the change to collective ownership did not imply the transformation of workers' identities and subjectivities, as they continued considering management as the true owners and did not question the existing hierarchical order. Oseen's (2016) study of the evolution of several Argentinean worker-recuperated co-ops shows how male workers relied on different discursive and material practices over time to institute gendered, hierarchical pay scales and

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displace female workers from decision making. In their analysis of an Indian cooperativised firm, Kandathil and Varman (2007) found persistent conflicts between managers and employees, with the former being reluctant to share 'sensitive' information with the latter, which resulted in mutual distrust and the workers' inability to participate effectively in decision-making. Similarly, Bourlier-Bargues et al. (2024) show how senior managers co-opted democratic governance structures in two French cooperativised firms by relying on three key everyday practices (general assembly disempowerment, board neutralization, and executive committee entrenchment), which ultimately prevented workplace democratisation.

Inspired by a nuanced view of WCs as complex and contradictory organisations, our actor-centric analysis aims to advance knowledge of how paradoxical tensions shape the unfolding and consolidation of worker-buyout co-ops.

Methods

Given our research objective of studying cooperativisation from an actor-centred perspective, an interpretative qualitative approach was adopted (Sandberg, 2005). Interpretative qualitative research focuses on the socially constructed nature of reality by studying phenomena in the environment in which they naturally occur and relying on social actors' meanings and understanding of events (Smith, 2009). Rather than producing qualitative facts to evaluate hypotheses, an interpretative approach seeks to describe 'how different meanings held by different persons or groups produce and sustain a sense of truth, particularly in the face of competing definitions of reality' (Gephart, 2004: 457). Thus, an interpretative paradigm is particularly suitable for gaining insight into the intricacies involved in radical processes of organisational change and identity transition (Gioia et al., 2013), as understanding of these phenomena requires giving voice to informants and their perceptions of lived experience.

Research setting

Our empirical setting is Mondragon, one of the world's largest and most influential worker-owned-and-governed businesses. Mondragon came into being in 1956 in the Basque Country, imbued with the Social Catholic doctrine of the priest José María Arizmendiarrieta, who envisioned a co-operative movement that would permeate all realms of social and economic life, from work to education, savings, leisure, health, social care, and so on. By 2023, Mondragon comprised 23 hedging entities, 81 autonomous co-ops in the areas of finance, industry, retail and knowledge, 104 joint-stock subsidiaries overseas, and some 30 non-cooperative companies in Spain; altogether employing more than 70,000 people worldwide.

Mondragon has served as a laboratory for the cooperativisation of firms for decades. In the early years, joining the group without having the legal status of a co-op was impossible, and many capitalist firms were turned into co-ops with the aid of the group's co-operative bank, the Caja Laboral. Since the early 1990s, however, many capitalist firms have joined Mondragon, generally due to their acquisition by some of the group's industrial co-ops (Errasti et al., 2017; Bretos et al., 2019). In response to the dilemmas raised by non-cooperative growth, in 2003 Mondragon made the dissemination of the co-op model in the group's capitalist firms as a strategic priority (Ruiz and Bretos, 2023). Today, approximately 20% of Mondragon's total industrial membership comes from cooperativisation schemes.

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We performed a detailed investigation of two similar cooperativised firms (anonymised as WC-One and WC-Two) in order to guarantee literal replication (Yin, 1984) and thus increase the robustness and validity of our findings and their generalizability to other worker-buyout co-ops operating under similar conditions. Table 1 outlines the main characteristics of the two WCs studied. Selection of these WCs was based on several criteria. First, they represent the two largest cooperativisation projects recently conducted in Mondragon. Second, both firms were financially successful before and after their cooperativisation. Third, both firms are of a considerable size and operate in a highly globalised competitive industry. These are crucial prerequisites for shedding light on the paradoxical tensions experienced by WCs, since small WCs operating in niche-markets are likely to be more isolated from capitalist competition and be able to enact workplace democracy with limited external threats (Jaumier, 2017).

******************** [INSERT TABLE 1 ABOUT HERE] ********************

Data collection

The study relies on both retrospective and real-time data collected from archival and interview sources. This combination is considered ideal for building a rich, context-sensitive, historically-grounded case (Yin, 1984), with the retrospective data enabling efficient gathering of more observations, and the real-time data mitigating retrospective bias and improving understanding of how events evolve over time (Leonard-Barton, 1990).

Interviews. Our primary data source consisted of 58 semi-structured interviews ranging from 70 to 180 minutes in length (see Table 2). Initial access to each co-op was gained via personal contact with the Chair of the Governing Council. We then relied on 'snowball sampling' (Yin, 1984) to identify informants from different functional areas and hierarchical levels who had directly participated in the cooperativisation process.

******************** [INSERT TABLE 2 ABOUT HERE] ********************

We interviewed members of Mondragon's internal bodies that are involved in cooperativisation projects: the LANKI Institute of Co-operative Research, the OTALORA Centre for Management and Co-operative Development, and Mondragon's Social Management Department. LANKI engages with the co-ops in participatory action research and knowledge transfer aimed at supporting the enactment of co-op values and practices. OTALORA and Mondragon's Social Management Department are involved, amongst other areas, in co-operative promotion and the implementation of co-operative training courses.

At the co-ops, we interviewed members of the team responsible for designing and monitoring the cooperativisation project, representatives of the Governing Council and the Social Council, senior managers, works council members, workers who became owner-members after the firm's conversion and workers who declined this option. Most of the informants were interviewed in the two waves of data collection, although in some cases it was not possible because they had already retired or left the co-op.

The interviews were conducted in two distinct waves. The first wave of interviews focused on the events surrounding the companies' conversion and the early development of the cooperativisation experiences. It began five years after the workers' buyout at WC-One, and

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three years after the workers' buyout at WC-Two. Importantly, a span of up to five years is considered adequate to mitigate informant recall bias (Leonard-Barton, 1990). In this wave, we asked about the company's background, motivations behind the cooperativisation initiative, planning of the cooperativisation process, workers' reasons for becoming or not becoming owner-members, views of the challenges encountered immediately after the workers' buyout, and members' future expectations.

The second wave of interviews took place after the firms had been operating under the co-op model for 10 years, a period long enough to observe whether and how the firms had been able to put the co-op principles into practice (Bretos et al., 2020). In this wave, we sought to understand the changes that members had perceived after a decade, and for this we used a more open-ended interview style to give informants space to reflect on their experiences (Smith, 2009). Four key themes were addressed: changes in working conditions and employment relations; identification with the co-op values; ability to participate in decision-making; and relationships with other co-ops and local actors. We also asked the interviewees to identify the specific factors and actions that triggered the changes they had perceived.

Archival data. A large amount of archival data were collected from 63 publicly available documents such as annual reports, published interviews, press releases, and monthly issues of Mondragon's in-house magazine. Our informants also provided us with 31 internal documents including business and strategic plans, minutes of general assembly meetings, documents used by the Contrast Team to explain the cooperativisation project to workers, and a series of in-house surveys conducted by the HR Department to gather workers' views on the cooperativisation process and to assess different aspects related to democratic governance and workers' satisfaction at various moments of the co-op's life.

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This archival database covers the development of both firms since their inception in the 1960s, with a particular focus on the period encompassing their cooperativisation. Overall, archival data proved particularly valuable in triangulating interviewees' accounts and tracing the organisational changes that occurred between the first and second waves of interviews, as this transitional period was only captured through informants' recollections in our interviews.

Data analysis

As commonly prescribed in interpretative research, we analysed the data as we collected it in order to attain 'deep immersion' in the field from the very beginning (Smith, 2009). The analytical process involved a continuous dialogue between the data and the theory, as we moved iteratively amongst empirical observations, emerging patterns in the data, and existing theory (Sandberg, 2005). In particular, the data analysis proceeded in five major steps.

In a first step, we constructed a detailed chronology of the critical events, decisions, and actions surrounding the cooperativisation of the firms. Each of the events comprised phrases, terms or descriptions taken from the raw data (interview transcripts and archival documents) to develop a comprehensive case narrative (Langley, 1999).

In a second step, we used a 'temporal bracketing' strategy to sort progressions of related events into distinct periods separated by identifiable discontinuities in the temporal flow (Langley, 1999). We divided the story into three periods. The first period (*pre-buyout phase*) comprised the design, planning and steering of the cooperativisation project. It encompassed 2

years in WC-One (2006-2007) and 4 years in WC-Two (2008-2011). The second period (*buyout and transition phase*) comprised the legal constitution of the WC and a transitional phase marked by conflict and difficulties in operating under the new co-op organisation and governance conditions. This period encompassed 3 years in both WCs (2008-2010 in WC-One; 2012-2014 in WC-Two). The third period (*post-transition phase*) involved the unfolding of the WCs once the transition phase was over. The boundary of this period was defined by worker-owners' perception of substantial changes in relation to their own identity and agency in terms of participation in decision-making. In WC-One, this period began in 2011 and we tracked it until 2018; in WC-Two, this period began in 2015 and we tracked it until 2021 (i.e., in both cases, we concluded our fieldwork ten years after the workers' buyout).

In a third step, we engaged in a comparison of temporal brackets in order to examine 'how actions of one period lead to changes in the context that will affect action in subsequent periods' (Langley, 1999: 703). In so doing, it became clear that the patterns of organisational and identity change involved in the cooperativisation process were critically shaped by tensions and contradictions between co-operative purposes and market-driven concerns.

Thus, in a fourth step, we interrogated the literature on organisational change in co-ops and found the notion of paradox to be particularly useful in making sense of such tensions and contradictions. By re-examining our empirical data through a paradox lens, we categorised a number of paradoxical tensions that shaped the co-ops' development within each of the three periods. A key procedure at this stage consisted of looking for patterns across cases, which involved constantly moving between the individual cases, drawing on the complete cases, detailed sub-sections and cross-case similarity matrices (Smith, 2009: 166).

In the final step, we checked our preliminary analysis with key informants in order to verify consistency with the participants' lived experience (Sandberg, 2005). Incorporating their feedback, we developed a narrative account that reflects our interpretation and includes verbatim examples from transcripts of interviews with informants (Smith, 2009). We now report our main results and interpretations within each of the three periods identified.

Pre-buyout phase: Paradoxical tensions surrounding the emergence and design of the cooperativisation projects

The paradox of promoting employee share ownership without workers' involvement

The initiatives to cooperativise the firms did not originate from the rank-and-file workers, but rather from senior managers (some of whom had an ownership stake in the company) and members of the Mondragon Corporation who were directly involved in the promotion of new co-ops within the group (a significant portion of the capital in both companies was owned by the Mondragon Corporation). Many of these senior managers had previously worked in other Mondragon co-ops and, since the early 2000s, had been involved in ideological debates on how to move towards an organisational scheme closer to Mondragon's co-op philosophy and praxis. They perceived it as an inconsistency to operate as capitalist firms while belonging to Mondragon, and believed that the co-op model offered a more suitable framework to enhance the firm's competitive position while ensuring workers' commitment and wellbeing.

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> We saw the [cooperativisation] initiative as a matter of internal coherence. We are part of Mondragon, one of the oldest and most relevant co-op groups in the world, but for a long time we had not been taking advantage of that. (Contrast Team member; WC-Two; March 2015)

The first step involved the setting up of the "Contrast Team", made up of top management staff and consultants from the Mondragon Corporation, who were tasked with designing the stages of the cooperativisation project and supervising its development (see Figure 1).

******************** [INSERT FIGURE 1 ABOUT HERE] *********************

The Contrast Team conceived and drove cooperativisation with very little involvement on the part of workers and unions. Management ensured that unions were excluded from the debate from the very beginning due to their opposition to the cooperativisation projects.

> It was clear that the first thing to do was deactivate the unions. There was strong opposition from their side. The project would not have been possible otherwise. (Contrast Team member A; WC-One; April 2013)

Union delegates generally viewed cooperativisation as the abolition of union influence and criticised that it implied forcing workers to buy their jobs—each worker-owner had to pay €13,000 as a capital contribution to acquire a share in WC-One and €10,000 in WC-Two. Unions also highlighted that the cooperativisation projects were presented to workers as projects intrinsically linked to a set of investments and innovations necessary for the firms' viability. At WC-One, cooperativisation was linked to a €40 million investment to renew equipment and upgrade production processes in order to enhance productivity. At WC-Two, it was linked to the introduction of an advanced 'mini-company' system. This system, grounded in principles of quality management, customer focus and job enrichment, was ultimately aimed at restructuring production and work organisation across semiautonomous teams.

> There were various [union] positions that were contrary to cooperativisation. Many felt that it was a kind of self-exploitation for the workers to become owners, and that Mondragon's co-op model was the death knell for unionism (…). Others stressed the fact that workers were forced to buy their jobs. They had to pay a lot of money to become worker-owners. (Works Council member; WC-Two; May 2016)

Moreover, workers claimed that they were not brought onboard until the final stages, when the Contrast Team gave small group presentations on the cooperativisation project and individual meetings were held to explain to workers the new socio-labour conditions if they decided to become owner-members. An in-house survey conducted by the HR Department at WC-One revealed that 40% of the workers identified lack of information as the main shortcoming in the cooperativisation process. WC-Two workers expressed similar complaints:

> We did not receive any direct information until almost the last moment (...) and when the project was presented to us, the decisions had been already made from above. We didn't have a say in the design of the project. (Shop-floor worker-owner B; WC-Two; May 2016)

The paradox of becoming co-op owner-members without a co-operative identity

A significant portion of the permanent workers refused to become co-op owner-members and opted to remain salaried employees after the companies' conversion – around 25% in both WC-One and WC-Two. According to in-house surveys, the vast majority of these workers

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were nearing retirement age, and quoted reasons relating to a reduction in their pensions if they became co-op owner-members, due to a change in the Spanish Social Security regime.

Meanwhile, the in-house surveys revealed that the main motivation for those workers who decided to become owner-members was the greater job security offered by the co-op model (77% of co-operators at WC-One and 82% at WC-Two), rather than identification with the co-operative philosophy (this option was marked by only 11% of worker-owners at WC-One and 7% at WC-Two). The fact that both firms were converted in a context of economic crisis in Spain, and that co-ops had shown greater resilience than capitalist firms in weathering the crisis had a decisive influence on the workers' decision to become owner-members.

> It had little to do with co-op identity; it was about the fear of losing our jobs in a context of crisis and growing job insecurity. We were aware that by becoming a Mondragon co-op, our jobs as owner-members were assured. (Shop-floor worker-owner A; WC-One; March 2014)

> The job security and stability this project offered was the main reason for many of us (...). Seeing that co-ops work, and that they've been performing better than many other companies during the crisis, helped us to take the plunge. (Shop-floor worker-owner A; WC-Two; May 2016)

When asked about the lack of identification with the co-op philosophy, worker-owners claimed that the training course they undertook at OTALORA prior to cooperativisation was clearly insufficient to instil co-operative values and culture in them. Rank-and-file worker-owners received only one 8-hour session on the history and milestones of the Mondragon co-operative experience and the basic functioning of a co-op, whereas training for members of the Governing Council and the Social Council involved three 8-hour sessions.

> The [initial co-op training] course I received was not enough to enable me to assimilate the meaning of co-op values and see how to put them into practice (…). Values of democracy and cooperation are very different from those that rule in the capitalist business world. (Shop-floor worker-owner B; WC-Two; May 2016)

> [Co-op] training was not enough. Only a few notes were distributed! I guess the training for managers was better, but for us it was poor. (Shop-floor worker-owner C; WC-One; March 2014)

Buyout and transition phase: Paradoxical tensions surrounding the early development of the cooperativisation experiences

WC-One was registered as a co-op in January 2008. A total of 410 permanent staff became full co-op owner-members, while 123 permanent staff opted to stay on in the co-op as salaried employees. WC-Two was converted in June 2012, with 148 permanent staff becoming owner-members and 44 staying on as salaried employees. Temporary employees (numbering 155 in WC-One and 11 in WC-Two at the time) were not eligible to become owner-members.

Following their conversion, both WC-One and WC-Two adopted Mondragon's rules and mechanisms of financing, remuneration, democratic governance and inter-cooperation.

The co-ops have to allocate 30% of their after-tax profits to indivisible reserves, while the allocation of the remaining 70% is decided by the General Assembly. On a general rule, both co-ops have annually allocated a 30%-portion to a Voluntary Reserve Fund aimed at financing the company's development, and the remainder has been distributed as 'patronage refunds' to the owner-members. Patronage refunds include both the *anticipos* (i.e. the monthly salary received by the owner-members according to hours worked and job position) and the *retornos* (i.e. the share of the remaining profit that is distributed to each owner-

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member at the end of the year, comparable to corporate dividends). Patronage refunds are set on a 4.5:1 scale in both co-ops, i.e., the highest-paid director earns 4.5 times as much as the lowest-paid shop-floor worker (in the Mondragon group, the average pay scale is around 8:1).

WC-One and WC-Two also adopted the governing bodies typical of Mondragon co-ops (see Figure 2). The *General Assembly* is the co-op's supreme governing body and meets at least once a year. It consists of all the owner-members, who decide on a one-person, one-vote basis on strategic issues such as approval of business plans and election of the members of the Governing Council, the Audit Committee and the Social Council. The *Governing Council* comprises 12 members in both co-ops. This body meets once a month and is responsible for overseeing the implementation of the strategic policies set by the General Assembly. It also nominates the general manager and monitors his/her performance. The general manager and key functional directors make up the *Management Council*, which is the executive body that runs the co-op on a day-to-day basis and is expected to work closely with the Governing Council. The *Audit Committee* is a three-member body charged with auditing the accounts presented to the General Assembly. The *Social Council* comprises 10 members in WC-One and 8 members in WC-Two. This body replicates the role of unions (Mondragon co-ops are non-unionised) by bringing grievances to management on behalf of workers, with an explicit concern for safety, hygiene, remuneration, and personnel issues. The Social Council also communicates managerial decisions and conveys information downward. The *mini-councils* are organised in each work centre or section, and play an intermediary communication role between the Social Council and the shop-floor worker-owners.

********************* [INSERT FIGURE 2 ABOUT HERE] ********************

Both co-ops also take part in the Mondragon group's inter-cooperation system. The most important mechanisms of inter-cooperative solidarity include a collective fund that provides co-ops with financing for large investments, a profit-pooling system whereby part of the losses of co-ops in crisis are covered by using surpluses from other co-ops, and the relocation of worker-owners among Mondragon co-ops in order to preserve jobs.

The paradox of setting up democratic governance bodies without economic democracy skills

The insufficient training received by the worker-owners resulted in a widespread lack of the *economic democracy skills* necessary for effective democratic functioning. Economic democracy skills comprise both formal 'business-owner skills', based on management, financial and operational knowledge, and softer 'socio-emotional and participatory skills', based on the ability to actively and consciously participate in decision-making processes (Summers and Chillas, 2021). Both types of skills are interrelated, as the lack of skills in financial literacy and business planning makes it difficult for owner-members to effectively participate in decision-making. In this regard, when asked to recall the early unfolding of the newly-created democratic governance bodies and spaces, our informants commonly used adjectives such as 'dysfunctional', 'challenging' and 'tension-laden'.

Shop-floor worker-owners acknowledged that they lacked democratic participation skills underpinned by mutualistic, reciprocal relations and collective ambitions, as they came from a hierarchical culture that encouraged internal competition and individualistic behaviours. They

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also admitted to being unfamiliar with how a worker co-op functioned. Indeed, in-house surveys revealed that, one year after the cooperativisation, only 7% of worker-owners at WC-One and 12% at WC-Two claimed to know exactly what the co-operative principles entailed.

> When the Social Council was set up, I don't think any of us were aware of its functions (…). We didn't really know how a co-op worked. (Shop-floor worker-owner C; WC-Two; May 2016)

Meanwhile, members of the Governing Council and the Social Council implicitly acknowledged their lack of business-owner skills by stating that they had been poorly prepared for their roles, had insufficient business knowledge, and found it difficult to understand the financial and technical information they received from management.

For the Social Council members, these shortcomings resulted in difficulties in conveying information and management decisions to shop-floor worker-owners, which ultimately hindered the latter's capability to effectively contribute to organisational decision-making.

> Suddenly we started receiving a lot of business information that we often found difficult to understand (…). A few months into our mandate, sales started to drop a lot [due to economic crisis], and we had to convey harsh [management] decisions to the workers. (Social Council member B; WC-One; April 2013)

For the Governing Council members, the lack of business-owner skills resulted in their inability to effectively supervise management and participate actively and consciously in strategic and economic decisions. As some of them pointed out, at the beginning they merely rubber-stamped management's plans and proposals.

> There was a clear imbalance of power [between us and the Management Council]. Some members who came from the works council were more used to playing that role [i.e., being a counterweight to management], but some of us just did not feel qualified to question management's proposals. (Governing Council member; WC-Two; March 2015)

The paradox of cooperativisation leading to conflict and worker-owners' dissatisfaction

Cooperativisation engendered substantial division and conflict as it led to the emergence of a two-tiered labour force: *worker-owners*, who participate in the company's ownership, profit-sharing and management, and who collectively set their working conditions at the General Assembly; and *non-member employees*, who are deprived of the rights and benefits of co-op membership, and whose working conditions are established through collective bargaining.

In both firms, the works council continues to operate as the body representing the interests of the salaried employees, although it enjoys much less power after cooperativisation.

> We had been a company with a long tradition of union activism and a very strong works council, but this disappeared with the cooperativisation (…). The works council president became chairman of the Governing Council. That says it all about the weakening of this body. (Works Council member A; WC-One; April 2013)

Conflict was particularly noticeable at WC-One. In early 2009, worker-owners decided to reduce their salary by 6.3% in order to deal with the crisis and maintain employment (sales had fallen by 50% during 2008), but salaried employees refused to follow suit and the works council called a strike. Management responded by threatening to dismiss 61 workers, which led to the salaried employees to accept the salary cut.

> We were being required to make the same sacrifices as owner-members, when we didn't have the same rights as they do. We are excluded from the company's decision-making and profit sharing. Why then should we

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> have accepted a cut in salary? (…). We simply invoked the collective agreement in force, which included a 1.5% wage increase for 2009. (Non-member employee A; WC-One; March 2014)

In addition, in-house satisfaction surveys conducted at both companies one year after their cooperativisation found that an overwhelming majority of worker-owners (89% at WC-One and 82% at WC-Two) reported lower levels of job satisfaction and wellbeing than one year prior to the cooperativisation.

When we asked about the reasons for this, worker-owners explained that the restructuring of work organisation on the shop floor had involved higher levels of stress, workload and pressure, and that cooperativisation had not met their expectations of self-management and autonomy at work. In fact, one year after cooperativisation, more than 60% of WC-One worker-owners rated their influence in decision-making as below 3 out of 10; while more than 50% of WC-Two worker-owners rated it below 2 out of 5.

> We suffered higher stress and our workload increased after we became a co-op (…). [The mini-company system] was sold [by management] as a way to promote our autonomy and participation, but everything I heard on the shop floor was about quality and costs (…). We also had to do many tasks that we didn't do before and we felt that our work was tightly controlled. (Shop-floor worker-owner C; WC-Two; May 2016)

Furthermore, worker-owners also highlighted that their new status as owners entailed greater responsibility and stress.

> Before, you did your job, you went home, and every month you got your paycheck, whether the company was doing well or not [so] well (…). Now, it's different. The economic results depend on all of us pulling together. If there are losses, they are socialized amongst everybody [co-operators]. (Shop-floor worker-owner A; WC-Two; May 2016)

Post-transition phase: The consolidation of a paradoxical alternative workplace

Our second wave of interviews found significant emancipatory changes at both companies after a decade of operation under the co-op model, with worker-owners reporting greater levels of autonomy and self-management and their transition towards a co-operative subjectivity. However, this emancipatory journey unfolded while a number of non-member temporary workers were excluded from ownership, profit-sharing and decision-making rights.

The emancipation of worker-owners relies on the exploitation of non-member employees

All the informants in our second wave of interviews highlighted the substantial reduction in internal conflict within the co-ops. Yet this was not due to the building of common ground with those permanent employees who continued to be salaried employees after cooperativisation, but rather to the fact that most of them had already retired or left the co-op. By 2020, only about 30 and 15 (respectively) of those non-member employees were still working at WC-One and WC-Two. At the same time, the proportion of non-member temporary employees had increased significantly in both co-ops (see Table 1).

> Today, most non-member employees are temporary workers (…). They are not offered the possibility of becoming owner-members, even though the co-op would not be profitable without them. This behaviour does not align with Mondragon's supposed co-operative philosophy. (Works council member; WC-One; interview published in the press; June 2020)

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The members of the co-ops' governing bodies justified having a high proportion of non-member temporary employees by saying that this was in order to attain the efficiency and flexibility necessary to ensure the co-op's competitive survival and, ultimately, secure the jobs and income of the co-op owner-members.

> More than 90% of the permanent workers are co-op owner-members (...). [However,] you need to have some labour flexibility. In our sector, one year you secure a good contract and you have too much work to do, and the next year it is exactly the opposite. (Governing Council Chair; WC-Two; January 2020)

> If we suddenly made all the temporary employees owner-members, the company would no longer be competitive. We would not be able to support the high labour costs (…) and the co-op would have to close down. (Social Council member B; WC-Two; November 2021)

However, the use of non-member temporary employees was taken for granted by the rank-and-file worker-owners. They avoided debating the ethical implications of employing a non-member workforce with inferior conditions in terms of job security, training, voice and pay, focusing instead on discussing the changes experienced by themselves as owner-members.

Regarding workplace democracy, references to autonomy at work, involvement in decision-making, and employee–management egalitarian relations became commonplace in our interviews with the owner-members. Indeed, a follow-up in-house survey conducted at WC-One ten years after its conversion revealed that about 60% of the owner-members scored their capacity to participate in decision-making with more than 7 out of 10.

> We came from a hierarchical model in which we did things like machines (…). Now we hold briefings with managers to analyse issues related to quality, productivity (…). They share information regarding the business situation. (Shop-floor worker-owner A; WC-One; December 2018)

> I feel that I have discretion at work. I have the autonomy to make decisions (...) and we have time to discuss and share opinions in team meetings. (Shop-floor worker-owner B; WC-Two; December 2021)

References to the formation of a co-operative identity were also pervasive in our second-wave interviews with the co-op owner-members. They generally described co-operative identity as the commitment to values of mutual help, solidarity, equity, and democracy.

> I can proudly say that I'm a co-operator. I'm part of a company where we (…) make decisions collectively and there are no inequalities. Now, the general manager is paid no more than four times as much as a shop-floor worker. That creates a sense of unity. (Shop-floor worker-owner D; WC-Two; Dec 2021)

> There has been an ideological evolution in many of us here (…). Most of us share a commitment to the co-op model (…), which in short means a shared vision of economic democracy and social justice. (Social Council member A; WC-One; Dec 2018)

Our fieldwork found that the emancipatory changes experienced by the co-op worker-owners were critically boosted by two factors: (i) informal learning processes and (ii) the institutionalisation of co-operative education and training.

The role of informal learning processes in enacting worker-owners' emancipation

Informal learning processes unfolded both at the intra-cooperative level (i.e., through everyday work within the co-op) and the inter-cooperative level (i.e., through interaction and cooperation with other Mondragon co-ops).

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At the intra-cooperative level, rank-and-file worker-owners described their involvement in decision making as a learning-by-doing process, shaped by collective action.

> At the beginning, we didn't know how to make the most of the [participatory] spaces created. I remember that in the mini-councils and the preparatory meetings for the General Assembly, people didn't participate or ask any questions. Today they are fundamental forums for debate (…). This is very much a collective learning process that comes from the daily work in the workshop, in the meetings, and in the governing bodies. (Shop-floor worker-owner E; WC-One; December 2018)

In terms of co-op identity, worker-owners highlighted the importance of spending time with workmates, in particular with some key members who were described as 'co-op leaders'. These leaders do not necessarily occupy senior positions, but rather are worker-owners who are strongly committed to cooperativism and have a union or social activism background.

> Over time (…) I noticed a greater commitment and fairer, more horizontal relationships between us all. You begin to spend a lot of time with your workmates in meetings, assemblies, weekly briefings (…), and this creates closer relationships and bonds (…). Co-op leaders have played a key role in disseminating the co-op principles and values by leading by example. (Shop-floor worker-owner D; WC-Two; December 2021)

At the inter-cooperative level, the owner-members linked co-op identity formation and workplace democratisation to Mondragon's system of inter-cooperation. Specifically, rank-and-file worker-owners highlighted the job security offered by Mondragon's formal inter-cooperation mechanisms as paramount for creating a sense of solidarity and co-op identity.

> If a co-op is in trouble, [Mondragon] activates mechanisms to safeguard owner-members' jobs (…) [such as] the solidarity fund to cover losses and the relocation [of surplus workers] to other [Mondragon] co-ops (…). That makes me feel that our jobs are non-negotiable (…) and creates a deep-seated sense of collectivism and solidarity. (Shop-floor worker-owner B; WC-Two; December 2021)

Members of the co-op governing bodies also referred to more informal inter-cooperation involving continuous exchanges between members from different Mondragon co-ops.

> We regularly meet [with members of other Mondragon co-ops] in different forums and workshops which deal with a variety of topics: social transformation, co-operative leadership, participation (…). These are key spaces for collective learning. You learn how other co-ops address similar challenges to those your company is facing. (Governing Council member A; WC-One; November 2017)

The role of continuous co-operative training in enacting worker-owners' emancipation

The institutionalisation of co-operative education and training was also fundamental for the formation of a co-operative identity among owner-members and for enacting their active involvement in decision-making. Since the conversion of their firms, owner-members of both co-ops have undergone three types of co-operative training: (i) general training provided by OTALORA; (ii) ad-hoc training provided by the co-op's HR Department; and (iii) an in-depth training course completed by some key members of the co-op governing bodies.

First, the entire staff of both co-ops took several of OTALORA's co-operative training courses. Rank-and-file worker-owners received training in general aspects of the Mondragon co-op experience, including its history and philosophical roots and the basic functioning of a co-op. Those who are members of the governing bodies received more extensive training in the nature of Mondragon cooperativism and the specific functioning and roles of each governing body. In addition, members of the Governing Council and members of the Social

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Council received training in business management in order to better interpret financial and technical information and participate effectively in managerial decision-making.

> Turning into a co-op does not mean that suddenly we are all co-operators. You don't become a co-operator overnight. A long process of education and internal reflection has been necessary. (Human Resources manager; WC-One; November 2017)

> The development of a co-operative project is a never-ending process. It requires a continuous balance between commercial and co-operative goals; and [co-op] education plays a critical role in this regard (…). [Co-op education] has become an integral part of our socio-entrepreneurial project (…). It is crucial for nurturing our co-operative commitment as owner-members (…) [and] for the effective functioning and coordination of the co-op governing bodies. (Social Council member A; WC-Two; December 2021)

Second, in both co-ops, the HR Department incorporated into its training provisions a module focused on the co-operative principles and values. This module is more tailored to the company's specific organisational context and has a hands-on approach directed towards equipping the rank-and-file worker-owners with co-operative skills and competences and enhancing their active participation in decision-making processes.

> The training course was very useful because it was very much focused on our co-op (...). It allowed me to get to know the culture of the company and how to put the co-operative values into practice within the specific context of [WC-Two]. (Shop-floor worker-owner D; WC-Two; December 2021)

Third, some key members from both co-ops also completed the "Expert Course in Co-operative Development", which is run by LANKI and OTALORA. This is a six-month in-depth course, aimed mainly at members of the co-op's governing bodies, and consisting of four modules: meaning and development of the Mondragon co-operative experience; democratic governance and inter-cooperation; co-op culture and identity; and social transformation. Participants in this course highlighted its importance for deepening their sense of co-operative identity and for disseminating the co-op culture and values in their company.

> For me it was a process of reflection and personal inner change. It convinced me to become more committed to the co-op model (...). The hectic pace of day-to-day work at the company makes it difficult to find time for collective reflection – but that's exactly what the course provided: a space to reflect on the meaning of cooperativism (…). I have had the opportunity to disseminate the knowledge and experience acquired [on the course] to other members of the co-op. (Governing Council member; WC-Two; January 2020)

Discussion

Worker-buyout co-ops have aroused renewed scholarly interest because of their potential to emancipate workers from class exploitation and alienating forms of work organisation (e.g. Atzeni and Ghigliani, 2007; Kandathil and Varman, 2007; Atzeni and Vieta, 2014; Oseen, 2016; Carruth, 2019; Vieta, 2020; Di Stefano et al., 2023; Bourlier-Bargues et al., 2024). Our in-depth analysis of the two most relevant cooperativisation projects recently conducted in Mondragon contributes to this literature in two main ways.

First, much of the literature on cooperativisation has adopted a macro-emancipation lens interested in elucidating the potential and limitations of worker-buyout co-ops in prefiguring and advancing a post-capitalist economic system. Accordingly, some scholars have described worker-buyout co-ops as real utopias that expose the parasitic character of the capitalist class (Atzeni and Vieta, 2014; Ozarow and Croucher, 2014; Larrabure, 2017; Azzellini, 2018),

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whereas others have emphasised that worker buyout co-ops are doomed to fail or degenerate into capitalist forms of organisation unless they engage into broader labour struggles and campaigns for large-scale social transformation (Kabat, 2011; Carruth, 2019; Jervis, 2022).

This paper moves beyond these 'totalizing positions' to offer a more nuanced view of worker-buyout co-ops that recognises their emancipatory potential for worker-owners, without ignoring the everyday challenges these co-ops face in putting their values of self-management, solidarity, and equity into practice. By adopting an actor-centred approach that shifts the focus onto how members experience the radical changes involved in transitioning from a capitalist to a co-operative workplace, our study reveals that the unfolding of worker-buyout co-ops is critically shaped by paradoxical tensions vis-à-vis market-driven concerns and priorities. Our research therefore adds to a burgeoning stream of inquiry that emphasises the paradoxical nature of co-ops (Storey et al., 2014; Hartz et al., 2023; Bunders and De Moor, 2023; Bretos et al., 2023) by examining the specific case of worker-buyout co-ops.

Specifically, our case studies provide evidence of how workplace democratisation and co-operative identity formation in worker-buyout co-ops are influenced by ongoing contestation between co-operative principles and the baggage of capitalism in which the firms had been embedded for long. The cooperativisation initiatives were designed and implemented in a top-down fashion, with very little input from workers and unions, and most workers actually became owner-members for market-driven utilitarian motives rather than cooperative-driven, idealistic aspirations. Moreover, the early phase of the worker-buyout co-ops was marked by a dearth of expertise and skills to harness the potential of the newly-created democratic governance bodies, as well as by substantial conflict and worker-owner dissatisfaction. The interplay of these tensions ultimately led to the consolidation of a paradoxical alternative workplace, in which the ownership, profit-sharing and decision-making rights of a first-tier labour force of worker-owners are guaranteed by the economic efficiency and labour flexibility provided by a second-tier labour force of non-member temporary employees.

Second, our study contributes to a better understanding of the diversity of cooperativisation experiences and the mechanisms enabling the long-term survival and sustainability of worker-buyout co-ops. Previous studies have focused on the cooperativisation of bankrupt firms and have generally provided snapshots of these co-ops or, at best, tracked their evolution over short periods of time (see Di Stefano et al., 2023). Thus, previous literature has documented workers' struggles to overcome the financial and operational difficulties associated with restarting a bankrupt enterprise as a co-op, highlighting access to place-based resources and support from various institutional actors as crucial for worker-recuperated co-ops to avoid rapid degeneration or failure at an early stage (Carruth, 2019; Sobering and Lapegna, 2023).

In contrast, this study has traced the cooperativisation of two financially-sound companies over a long period: ten years. Unlike worker buyouts of bankrupt firms, worker buyouts of sound firms are less prone to early failure, as they do not face such severe operational and financial problems. Instead, the main challenges faced by these worker buyout co-ops appear to be related to establishing a strong co-op identity and the translation of decision-making rights into effective democratic control of production and management. The longitudinal approach adopted has allowed us to identify two factors (informal learning and co-operative training) that make a critical contribution to the longevity and democratic vitality of worker-buyout co-ops, but whose effects become noticeable over a rather longer time-scale.

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Informal learning involves a process of acquisition of co-operative skills and values by worker-owners, a process which unfolds over time through daily collective action, self-management and teamwork (Souleles, 2020; Pérez et al., 2024). Similar to Vieta (2014), our results show that informal learning emerges at both intra-cooperative and inter-cooperative levels. Intra-cooperatively, informal learning unfolds organically as worker-owners interact with each other through daily activities in the workplace and absorb the attitudinal and behavioural examples of co-op leaders. Inter-cooperatively, informal learning unfolds as worker-owners engage in knowledge sharing with worker-owners of other co-ops.

The institutionalisation of co-operative training, whose effects on co-op performance and sustainability have rarely been examined in previous literature (Heras, 2014; Ruiz and Bretos, 2023), also played a key role in building a co-operative identity amongst worker-owners and enabling their active participation in decision-making. The early development of the cooperativisation experiences was marked by worker-owners' detachment from the co-operative philosophy and a widespread lack of the expertise and skills necessary to effectively harness the power of the newly established democratic governance bodies and spaces. However, continuous training in the philosophical, social and practical aspects of cooperativism succeeded in equipping worker-owners with the 'economic democracy skills' (Summers and Chillas, 2021) necessary for effective democratic functioning.

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Conclusion

In conclusion, our research offers a supportive view of the potential of cooperativisation projects for the emancipation of their owner-members, although it also uncovers the salience of paradoxical tensions in shaping the emergence, evolution and consolidation of worker-buyout co-ops. In our case studies, this paradoxical element is particularly reflected by the fact that both co-ops relied on the exploitation of non-member employees to maintain their competitiveness and thus secure the jobs and incomes of the co-op owner-members. Thus, we argue that cooperativisation initiatives do not necessarily represent a straightforward solution for promoting worker participation, economic democracy, and fairer employment relations.

Our findings have practical implications for the resilience and democratic vitality of worker-buyout co-ops and other worker-owned firms, and also suggest some promising avenues for future research. Contrary to the common assumption that employee ownership is the strongest device for achieving workplace democracy, our findings suggest that the shift to worker ownership does not automatically lead to substantial workplace democratisation and worker emancipation. As also noticed by other scholars (e.g. Kandathil and Varman, 2007; Souleles, 2020), additional mechanisms and channels must be established to achieve genuine worker participation and cultivate a strong co-operative identity. In particular, our study shows the importance of creating participatory spaces that enable worker-owners to acquire co-operative skills through informal learning and everyday practice, and reveals how a continuous educational endeavour can instil a co-operative ethos in worker-owners and enact their participation in decision-making. Through longitudinal studies of cooperativisation experiences in other industries and national settings, future research may shed light on the role of other mechanisms in ensuring the long-term sustainability of worker-buyout co-ops.

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Our findings also show the dilemmas posed by the employment of non-member workers, and how the disempowerment of these employees vis-à-vis the owner-members can generate internal conflicts and governance dysfunctions that jeopardize the co-op's survival. Given that the employment of non-member workers is widespread among WCs operating in highly-competitive industries (Basterretxea et al., 2022; Bretos et al., 2024), future studies could investigate possible solutions to effectively integrate the interests and priorities of both non-member employees and worker-owners into the co-operative project.

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Table 1. Description of the cases

Cases	WC-One	WC-Two
Main activity	Manufacture of components for the automotive industry	Manufacture of components for the automotive industry
Location	Northern Spain	Northern Spain
Year established	1968	1965
Year of integration in Mondragon	1990	1991
Year of cooperativisation	2008	2012
No. of staff in conversion year	688 (410 owner-members; 123 permanent employees; 155 temporary employees)	203 (148 owner-members; 44 permanent employees; 11 temporary employees)
Staff in 2020	754 (519 owner-members; 38 permanent employees; 197 temporary employees)	286 (203 owner-members; 17 permanent employees; 66 temporary employees)
Revenue in conversion year	€62 m	€22 m
Revenue in 2020	€97 m	€36 m

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Table 2. Interview data

	WC-One (converted in 2008)		WC-Two (converted in 2012)		Mondragon Corporation
Interview waves	First wave (2013-2014)	Second wave (2017-2018)	First wave (2015-2016)	Second wave (2020-2021)	2013-2020
Number of interviews	17	12	13	10	6
Informant's position	• Contrast Team member A • Contrast Team member B • Governing Council Chair • Governing Council member A • Governing Council member B • Social Council member A • Social Council member B • General Manager • Human Resources Manager • Production Manager • Works Council member A • Works Council member B • Shop-floor worker-owner A • Shop-floor worker-owner B • Shop-floor worker-owner C • Non-member employee A • Non-member employee B	• Contrast Team member A (x) • Contrast Team member B (x) • Governing Council Chair (x) • Governing Council member A (x) • Governing Council member C • Social Council member A (x) • General Manager (x) • Human Resources Manager (x) • Shop-floor worker-owner A (x) • Shop-floor worker-owner B (x) • Shop-floor worker-owner D • Shop-floor worker-owner E	• Contrast Team member • Governing Council Chair • Governing Council member • Social Council member A • General Manager • Human Resources Manager • Production Manager • Works Council member • Shop-floor worker-owner A • Shop-floor worker-owner B • Shop-floor worker-owner C • Non-member employee A • Non-member employee B	• Governing Council Chair (x) • Governing Council member (x) • Social Council member A (x) • Social Council member B • General Manager (x) • Human Resources Manager (x) • Production Manager (x) • Shop-floor worker-owner A (x) • Shop-floor worker-owner B (x) • Shop-floor worker-owner D	• LANKI member A • LANKI member B • OTALORA member A • OTALORA member B • Mondragon's Social Management Department member A • Mondragon's Social Management Department member B

Note: (x) means that the same informant was interviewed in both waves of data collection.

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Figure 1. Chronology of the main steps preceding the workers' buyout

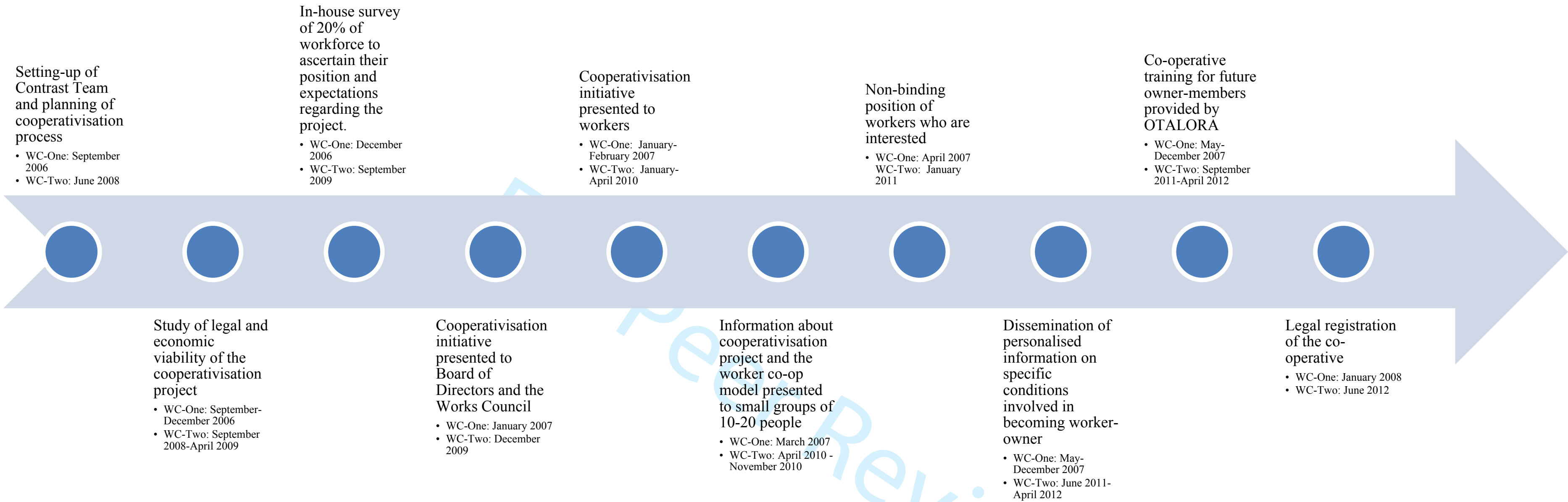

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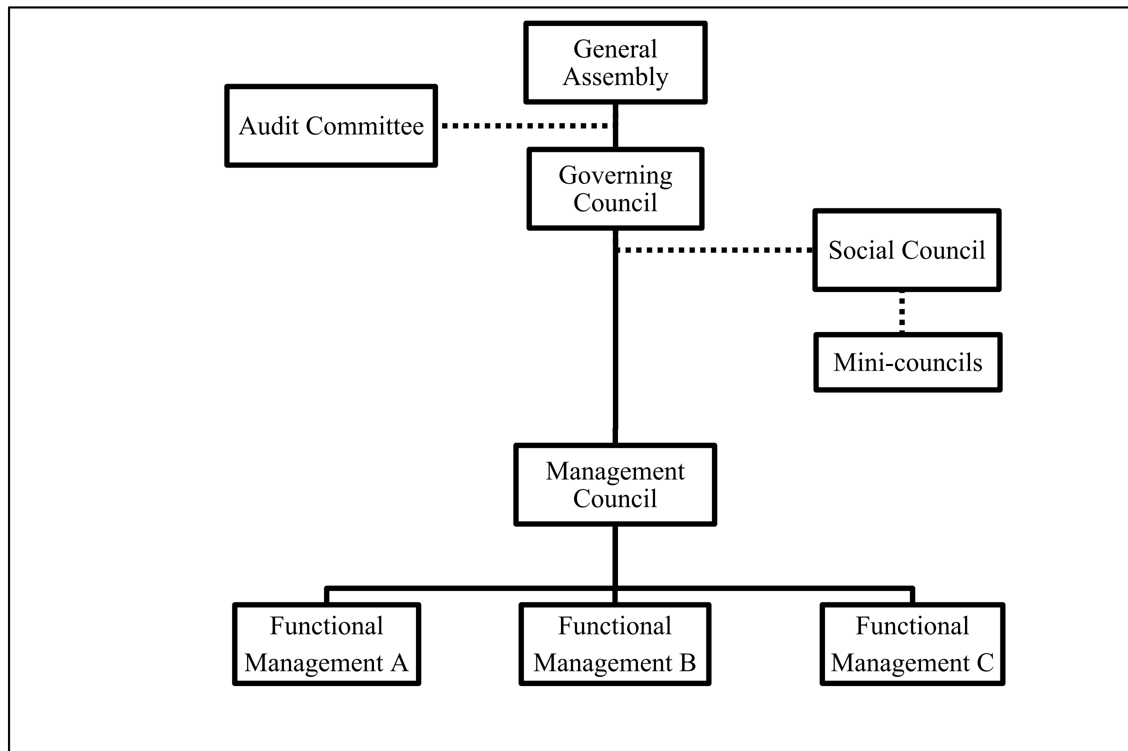
Figure 2. Governing bodies established after the workers' buyout



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Author Biographies

Ignacio Bretos (PhD) is an Associate Professor at the Department of Management at University of Zaragoza, Spain. His research interests concern critical management studies and alternative organisations, with a particular emphasis on workplace democracy and organisational change. Ignacio has published in leading journals, including *Business & Society, Human Resource Management Journal*, *ILR Review* and *Organization*.

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David Wren (PhD) is a Senior Lecturer in the Department of Management at Sheffield Business School, UK. Previously, he was a manager in both private and public sectors. His research interests concern organisational culture within employee-owned businesses, responsible management, and societal transformation through the social economy.

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