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**Fast and spurious: How executives capture governance structures to prevent
cooperativization**

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Fast and spurious: How executives capture governance structures to prevent cooperativization

Abstract

Although workers' cooperatives are regarded as credible alternatives to private companies to reform capitalism, scholars have only started to document the struggles inherent to cooperativization – the process by which private companies transition to cooperative forms. This paper analyses how executives prevent actual cooperativization in practice by shaping and capturing governance structures. Relying on 35 interviews, observations, and focus groups of two private firms having adopted cooperative forms, we document a set of governance practices used by executives to prevent cooperativization: *general assembly disempowerment*, *board neutralisation*, and *executive committee entrenchment*. We then explain how these practices interact to form a *spiral of democratic governance prevention* that generate *spurious workers cooperatives*. These results contribute to cooperative studies by explaining the role of executives and governance in preventing cooperativization. Our study enlarges the repertoire of worker cooperatives pathologies and offers political and organisational levers to limit the phenomena of cooperativization prevention and executives' capture of governance structures.

Keywords: worker cooperatives, cooperativization, democratic prevention, governance, practice, case study

Worker cooperatives can overcome some drawbacks of capitalism, notably by promoting workplace democracy (Audebrand, 2017; Ferreras, Battilana, & Méda, 2020) and enhancing workers' competencies and self-esteem (Leca, Gond, & Barin Cruz, 2014). Several voices have called for the promotion or adoption of cooperative forms as a way to reform capitalism (Cheney, Santa Cruz, Peredo, & Nazareno, 2014; Paranque & Willmott, 2014; Vieta, 2020). Such a move involves private organisations' transition to a cooperative form – a process known as *cooperativization* (Bowman & Stone, 2004). Cooperativization can emerge from private firms' initiatives or integration within globally expanding workers' cooperatives, such as Mondragon (Bretos & Errasti, 2017; Cheney et al., 2014).

Scholars have only started to document cooperativization and its inherent struggles (Basterretxea, Cornforth, & Heras-Saizarbitoria, 2022; Bretos & Errasti, 2018). This process involves deep organisational transformation and the active promotion of democratic governance structures (Basterretxea et al., 2022). Such changes can elicit resistance and generate tensions with workers, managers, and even labour unions, as Bretos and Errasti (2017) documented in their study of Mondragon's struggles at turning one of their initially private foreign subsidiaries into a cooperative. Recent studies have shed light on the tensions inherent to cooperativization and identify executive resistance as a major source of difficulty that can lead to the emergence of 'spurious' worker cooperatives (Heras-Saizarbitoria, 2014). But if the executives appear as actors who can resist, little is known about how they contribute concretely to prevent cooperativization. Moreover, despite recognising that governance plays a key role in cooperatives' failures (Basterretxea et al., 2022), little is known about the role of governance structures in cooperativization prevention. Therefore, we ask: *How do executives rely on governance structures to prevent cooperativization?*

To address this question, we build on insights from prior studies of cooperativization (Bretos & Errasti, 2017) and the role of governance structures in worker cooperatives (Bretos, Errasti, & Marcuello, 2020; Cornforth, 2004). We then rely on two in-depth case studies of private firms that have formally transitioned to worker cooperatives. We focus on how their executives engage in practices that shape their organisation's governance structures to limit the enforcement of cooperative governance principles. Combining 35 interviews with direct observations over 2 years and secondary data, we induced a set of governance practices used by executives to prevent cooperativization: *general assembly disempowerment*, *board neutralisation*, and *executive committee entrenchment*. Our results show how these practices form a *spiral of democratic governance prevention* that explains the decoupling between the formal and actual adoption of the cooperative status and the fast development of spurious

cooperatives due to executives' orchestration of the capture of governance structures.

Our study offers three insights that have implications for the analysis of cooperativization and the governance of worker cooperatives by: (1) explaining that executives orchestrate 'cooperativization prevention' at multiple levels; (2) enlarging the repertoire of worker cooperatives pathologies by conceptualising the *spiral of democratic governance prevention*; and (3) envisioning political and organisational levers to limit cooperativization prevention and the emergence of spurious worker cooperatives. Finally, we reflect on 'accidental activism' as an unintended outcome of engagement through research.

Cooperativization: Supporting the adoption of a cooperative form to reform capitalism

According to the International Cooperatives Alliance (ICA, 2017), a worker cooperative is an 'autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise'.ⁱ This definition and the seven related principles proposed by the ICA offer a key reference point that has been used to formally define worker cooperatives in various countries' legal frameworks, such as France (Law 2014-856 related to social and solidarity economy, 31st July 2014).ⁱⁱ As an organisational form, worker cooperatives have been approached as a potential vehicle to reform or transform capitalism (Ferrerias et al., 2020). In contrast to capitalist firms driven by a logic of shareholder profit maximisation (Davis, 2021), worker cooperatives collectively share ownership and economic profits with employees (Cheney et al., 2014; Esper, Cabantous, Barin-Cruz, & Gond, 2017). By giving employees the capacity to collectively steer their firms and control executives, worker cooperatives promote 'organisational democracy' (Battilana, Fuerstein, & Lee, 2018) and enhance workers' competencies and self-esteem (Leca et al., 2014).

Accordingly, the governments of numerous countries have leveraged the transformative potential of cooperatives, engaging in reforms supporting the adoption of the worker cooperative organisational form (Flecha & Ngai, 2014). Central to such dynamics is the broad movement of *cooperativization*, which aims to 'replace the hierarchical and coercive relations typical of capitalist production and consumption by voluntary cooperative associations' (Bowman & Stone, 2004, p. 280). Cooperativization involves the transformation of private firms into worker cooperatives (Vieta, 2020), notably through integrating private entities within established cooperatives (Bretos & Errasti, 2018; Bretos, Errasti, & Marcuello, 2018). This process opens new rights and prerogatives for employees regarding ownership, profit sharing, and management supervision (Bernstein, 1976; Bretos et al., 2020). Theoretically, it

might also lead to cultural changes by integrating cooperative principles and values enacted in a bundle of practices (Bretos & Errasti, 2017, 2018).

Prior research suggests that cooperativization is far from straightforward, neither in supporting policy-making nor in its organisational implementation. At the policy level, even though cooperativization is encouraged in many countries (Michie, Blasi, & Borzaga, 2017), its deployment generates difficulties. For instance, at the country level, Flecha and Ngai (2004) identify legal (e.g., institutional complexities and legal obstacles) and economic barriers (e.g., the need for a private firm to evaluate a healthy economic context before considering switching to a cooperative). Specific economic circumstances combined with loopholes in cooperative laws can lead to the development of ‘spurious cooperatives’ – organisations adopting a ‘façade’ or formal status of cooperative to exploit economic or legal advantages for reasons that diverge radically from cooperatives’ values. The case of the exploitation of the cooperative social status by various branches of the Italian mafia to access public contracts in the health sector (Allum, Marinaro, & Sciarrone, 2019; Martone, 2017) or the reliance on worker cooperative forms to exploit migrant workers (Iannuzzi & Sacchetto, 2020; Riverso, 2019) are extreme illustrations of dysfunctional cooperativization dynamics. Such trends suggest that policy-makers encouraging the adoption of cooperative forms may have to move beyond campaigning and legal design to ensure organisations’ substantive adoption of cooperative principles.

Actors may also struggle to implement cooperativization at the organisational level. As they are not ‘born cooperatives’, private firms freshly turned into cooperatives may suffer from distinct pathologies than the classic process of ‘democratic degeneration’, i.e., a growing inability of members to guide and democratically control the functioning of their cooperative in the face of a managerial elite who concentrates decision-making capacities (Cornforth, 1995; Jaumier, 2017; Michels, 1915) and that is reinforced by competitive and economic pressures (Bretos & Errasti, 2017; Ebrahim, Battilana, & Mair, 2014; Errasti, 2015). Indeed, before democratic degeneration can emerge, democracy must be ‘generated’ through cooperativization, and this process can be undermined by a variety of barriers, which have been less documented (Bretos et al., 2020). For instance, Flecha and Ngai (2014) identify cultural barriers at the organisational level, such as the lack of understanding of cooperative culture by employees who do not see the need to invest in cooperativization and the interest in becoming members of a worker cooperative. Such a cultural obstacle shows the importance of promoting the cooperative model through worker awareness and training.

A second key potential factor undermining cooperativization at the organisational level is

the resistance of executives who perceive the cooperativization as a threat to their authority (Basterretxea et al., 2022; Flecha & Ngai, 2014). Executives' resistance to change governance practices and structures are neither a new phenomenon nor related to worker cooperatives. In a series of robust empirical studies, Westphal and Zajac have documented how executives “protect or advance their political interests” (2013, p. 637) by engaging symbolically in governance reforms while maintaining the status quo. This line of research suggests that executives can engage formally with cooperative governance norms while avoiding their implementation in practice to maintain their authority and protect their prerogatives.

A third element that can undermine cooperativization relates to the design of sound governance structures that play a key role in dealing with the tensions cooperatives face (Basterretxea et al., 2022; Cornforth, 2004, 2012). Governance structures correspond to the ‘systems and processes concerned with ensuring the overall direction, control and accountability of an organisation’ (Cornforth, 2004) and are key to cooperative projects’ good functioning or failures (Birchall, 2014; Cornforth, 2012). Basterratxea et al. (2020) suggest examining with more depth the understudied role played by all the entities forming the cooperative governance structures – board of directors, general assembly and executive committee – and consider them as a whole when evaluating the contribution of governance to cooperative failure or success.

Despite the importance that executives and governance structures can play in undermining cooperativization, little is known about how executives simultaneously display an intention of cooperativization – which results in the attribution of formal rights and possibilities of control to the employees – while maintaining their managerial prerogatives and ability to direct the operation of the new cooperative. Such executive resistance to cooperativization is likely to involve the governance structures of cooperatives and has the potential to shed light on the organisational micro-foundation of the emergence of spurious worker cooperatives.

Accordingly, we studied resistance to cooperativization and, more particularly, the process by which executives prevent private firms’ cooperativization by considering, more specifically, the role of governance structures.

Research design and context

Engaging practitioners to identify relevant cases

Between April 2013 and December 2017, we developed a research partnership with the

French cooperative movement, or CG Scop, an acronym for Confederation General of Cooperative and Participative Societies. Created in 1884, this association promotes worker cooperatives and offers a range of services for its members. This partnership was structured around a knowledge project that aimed to understand how workers are socialised to cooperative governance principles following the buyout of a private company by its employees and the creation of a worker cooperative. In addition to this research objective, we agreed with CG Scop to use our research to build operational outputs by drafting pedagogical case studies that can be mobilised in its training programs and to organise professional workshops based on the results of our work. Two of the three authors were in regular contact with CG Scop to present the research project, identify cases, report on the progress of the work, and organise the delivery of these outputs.

Scrutinising its members to find relevant ‘cases’ (i.e. former private firms that became worker cooperatives), CG Scop provided us with contacts at SoftWare and SortWaste, two worker cooperatives that were private companies that formally adopted the legal status of cooperatives a few years ago, and encountered struggles during cooperativization. Two authors conducted interviews with various actors within these worker cooperatives and with advisors from CG Scop who accompanied their transition from private firms to cooperatives. We combined a retrospective analysis of their cooperativization with a study of their ongoing activities and governance practices over 2 years (2014–2015).

After entering the two organisations, it became clear that the attitude of executives and the avoidance of democratic governance were dominant aspects at both SoftWare and SortWaste. There were obvious tensions between executives and most employees (who wanted to be part of the cooperative but were deliberately set aside by executives). Intrigued by these dynamics, we focused our investigation on how executives rely on governance structures to prevent cooperativization. This focus aligned with current political developments about cooperatives in the French context.

Cooperativization in France

In 2020, 2400 worker cooperatives operated in France, employing about 56,000 people and generating 5.5 billion euros of turnover. The French legal framework for worker cooperatives specifies rules related to the three elements of their governance structures: Online appendix A provides an overview of these legal requirements concerning the general assembly, the board of directors and the executive committee. Most of these cooperatives are small firms that employ an average of 20 people. Over the last 10 years, France has created about 200 new

worker cooperatives each year; 40% of them came from existing structures that have engaged in a cooperativization process (CG Scop, 2020).

This growth of private companies' cooperativization was accompanied by CG Scop, an association with 21 regional subsidiaries. CG Scop offer three types of services: (a) advice on economic, legal, social, and financial aspects; (b) technical support for procedures involving public authorities; and (c) training for employees, members and directors. With the support of the public authorities, a major promotion campaign was launched by CG Scop in the early 2010s to encourage the takeover of existing private structures by employees under cooperative status (CG Scop, 2013). Faced with the large wave of retirement of small firm owners, the significant drop in family transfers of firms, and the risk of unemployment (Dombre-Coste, 2016), the French government was willing to develop employees' takeovers. To this end, a law was passed in 2014 to encourage the development of worker cooperatives.ⁱⁱⁱ

Our interviews and discussions with CG Scop members and the analysis of institutional speeches and practitioners' reports about cooperativization made salient that governance aspects during cooperativization were largely overlooked by the French cooperative movement. The sole aspect of cooperative governance considered and subject to advice was identifying a leader and a team of executives (i.e., an executive committee) who could oversee the cooperativization process. The challenges inherent to setting up a general assembly of members and forming a board of directors composed of elected employees were usually reduced to purely technical and legal considerations. Confident in the virtues of the cooperative model, CG Scop believes that these complex issues will resolve themselves once the 'right' team of executives has been appointed. Such faith in cooperatives' self-organisation is illustrated on the webpage of one of the institutional websites of the CG Scop:

'[It] is enough for an employee, undoubtedly already an executive, to have demonstrated in your eyes, and those of the other employees, qualities of listening, pedagogy, and of a certain leadership so that the cooperatives principles do the rest. What will be missing from the man or woman you have chosen and accepted to take up the challenge, the participatory management of the worker-cooperatives and the collective will to succeed will provide for it.' (source: www.jetransmetsamessalaries.fr)

This insight from the field took on an interesting meaning regarding recent studies of cooperatives, as this suggests that even though governance issues are likely to be the Achilles heel of cooperativization (e.g., Basterretxea et al., 2020), they remain to a large extent under

the radar of academics and practitioners. We, therefore, focus on governance issues when investigating cooperativization at SoftWare and SoftWaste.

Two cases of cooperativization: SoftWare and SortWaste

Cooperativization at SoftWare

Founded as a private and for-profit company in 1971 by three engineers, SoftWare had 15 cooperative members for 35 employees at the time of the study. Its main activity was information technology (IT) solutions for business management. As they reached retirement age, the three founders – who were also the unique shareholders – decided to sell the company around 2010. Several potential buyers showed interest, but the three founders had a hard time imagining their company being bought and eventually dismantled by a competitor or a global firm. Dissatisfied with these options, the founders decided to sell SoftWare to its employees by adopting a cooperative legal form. SoftWare was in good financial health and had a cash position of over 1.5 million euros. The founding shareholders proposed that the employees buy their shares and withdraw 1,300,000 euros of cash from the firm in return. This arrangement enabled employees to spend little private capital to buy the company, and the founders recovered a substantial amount of money.

The three founders did not know the cooperative model, and once the deal was finalised, they cut off all forms of relationship with SoftWare. The two executives in place took over the management of the cooperativization process with the support of the CG Scop. These executives asked seven managers running SoftWare's main activities to become members but agreed to extend this possibility to other employees in the future. The choice of these seven members owes nothing to chance since this is the minimum number of members required by French law to set up a worker cooperative (see Online appendix A). One year after, the two executives opened the capital to refinance the company. However, they set drastic conditions for accessing the cooperative's membership, as at least 6 months of wages had to be invested. French law does not specify any particular amount for accessing the capital of a worker cooperative but simply requires a minimum of 18,500 euros of initial capital. It is the cooperative, through its status, that sets the minimum amount of shares to be held to become a member. SoftWare's conditions made it difficult or even impossible to access membership for those receiving the lowest wages. Only eight employees took part in the capital of SoftWare. These new members were all managers who were approached beforehand by the two executives.

Cooperativization at SortWaste

Founded in 1993, SortWaste was a subsidiary of a non-profit association dedicated to waste collection and recycling with a core social mission of creating jobs for long-term unemployed people. Unlike SoftWare, SortWaste stems from social entrepreneurship and pursues hybrid goals. SortWaste experienced uninterrupted growth in its activity and jobs over 15 years. In 2005, tensions emerged between the executive in charge of SortWaste and the board of its parent association. Two options were on the table: selling SortWaste to a private buyer or giving the subsidiary full independence by adopting a cooperative legal form. The cooperative status appeared to be the best solution to preserve the organisation's social mission.

Once the decision to adopt a cooperative form was taken, CG Scop was mandated to organise the takeover by employees and then fully disengage. Following the cooperative movement's advice, the company's buyout and the cooperativization project fell to one executive historically in charge of SortWaste. As in the case of SoftWare, this executive had no prior knowledge of the operation and rules of cooperatives. With the advice of CG Scop, he chose to surround himself with a small core of managers to manage the cooperativization process and personally asked 13 managers with good knowledge of the company's key business areas to become members. Unlike the case of SoftWare, there was no real financial barrier to membership since new members had to acquire 15 shares of 50 euros (or 700 euros). SortWaste started with 14 members for 80 employees (17.5%) in 2006; 10 years later, the organisation counted 38 members (10 managers and 28 employees) for 135 employees (28%). These figures sharply contrast with the national statistics: In France, 80% of employees in worker cooperatives are also members.

Although both cases present peculiar organisational identities and trajectories – SoftWare started from a purely capitalist and profit-oriented identity whereas SortWaste's original mission focused on social inclusion through economic activity – their process of cooperativization presented striking similarities concerning the role of executives, the limited proportion of members, and governance structures. Thus, we use them as complementing cases to investigate cooperativization struggles (Eisenhardt & Graebner, 2007) following a 'literal replication logic' (Yin, 2015, p. 47) while paying attention to the differences between our cases to evaluate the transferability of our insights (Lincoln & Guba, 1985). Examining both cases, we realised that the interesting aspect lays in the lack of knowledge, the fear of economic difficulties, and the threat of losing power that led executives to adopt practices that prevented the democratic governance emergence during the cooperativization process.

Methods and data

Data sources

We collected data from multiple sources: interviews, secondary sources, and focus groups. Online appendix B provides more details about our data sources. Online Appendix C describes their use in our analytical protocol.

Interviews. Central to our protocol were interviews with 23 insiders from the two worker cooperatives. To confirm that we obtained an accurate picture of the governance practices at each organisation, we purposively sampled distinct types of employees (e.g., non-member employees, member employees, directors, and CEOs). The interviewees provided us with detailed accounts of the events that preceded the decision to buy out the firm and a variety of practices that explain the prevention of cooperativization. We also held 12 interviews with external stakeholders, including the advisors accompanying the transition from a private company to a cooperative for both cooperatives and field experts from CG Scop. Our interviews focused on three topics: (a) the design of governance structures, (b) the involvement and behaviour of actors inside these governance structures as well as outside, and (c) key decisions and actions related to governance since the formal adoption of the cooperative status. We completed 35 interviews with 29 actors.

Secondary data. We complemented our direct interviews with available secondary data. Our contacts at the two cooperatives provided us with internal documents and communication materials. We could access promotional brochures, e-mail exchanges, intranets, websites, induction manuals, and, most importantly, worker cooperatives' legal status and financial documents. We added to this data a set of guidelines developed by CG Scop and its advisors regarding the key factors to make cooperativization successful (CG Scop, 2013, 2020).

Focus groups. Finally, we conducted two focus groups (Morgan, 1996) in the context of 'feedback sessions' organised for the benefit of members of CG Scop. The first focus group was held in 2016 and offered us the opportunity to collect feedback from a preliminary version of our findings; the second focus group held in 2017 was followed by in-depth discussions of our findings that helped us formalise the *spiral of democratic governance prevention* framework. We obtained nearly 12 h of interactive presentations and discussions with these cooperativization field experts.

Data analysis

The data collected were analysed through a qualitative and inductive approach. We navigated between data and the literature on cooperativization and the governance of cooperatives to identify practices that lead to the prevention of democratic governance and the emergence of spurious worker cooperatives. Following a standard ‘Gioia protocol’ (Gioia, Corley, & Hamilton, 2012), we engaged in a first-order analysis of governance decisions and practices and coded interviews, documentation, and informal and formal discussions. This first-order analysis captured the voice of the interviewees and led to a repertoire of 23 governance-related practices. Examples of these practices include ‘high cost for becoming a member’.

In line with the Gioia protocol, we then moved to a second coding phase (Corbin & Strauss, 2007) and identified relationships between the first-order codes to gather them into ‘second-order themes’. Moving back and forth between our data and the literature, we grouped the 23 activities into a parsimonious set of nine practices that reflect the difficulties regarding cooperativization and, more specifically, the enforcement of democratic governance principles. During the third phase of coding, we aggregated these nine second-order practices into three constructs associated with the democratic governance prevention dynamic taking place in the general assembly, the board of directors, and the executive committee. Specifically, our first aggregate construct – *general assembly disempowerment* – accounts for the practices by which the potential for generating democracy among workers is weakened due to a closed membership, partial information given to members and non-contradictory debates during meetings. Our second construct – *board of director neutralisation* – points to dynamics nurtured by practices that deliberately undermine directors’ capacity to shape the cooperative strategy and control executives. Our third construct – *executive committee entrenchment* – accounts for how executives insulate themselves and implement strategies that increase the members’ dependence on them. Figure 1 presents our data structure, and Online appendix D provides supplementary illustrations of our coding from our interview data. Our first findings unpack the practices enforced by executives in both organisations that lead to a decoupling of formal cooperative governance structures from actual governance practices.

--- Insert Figure 1 about here ---

Once we had identified our three aggregated constructs, we explored whether and how they interact with each other through cooperativization. Although our data did not enable us to conduct an in-depth processual analysis (Langley, 1999; Langley et al., 2013), a prior narrative analysis of the two cases helped us identify the key ‘shifts’ from one practice to the other. Revisiting our interviews and secondary data to document how such shifts emerged while following the logical flow of activity inherent to the setting of a governance structure (e.g., first assembling members to conduct an election, then voting for directors who collectively nominate a CEO). We found empirical evidence backing the facts that: (a) general assembly disempowerment enabled the neutralisation of the board of directors; (b) such a neutralisation reinforced executive entrenchment; and (c) entrenchment itself enabled the orchestration of general assembly disempowerment in a self-reinforcing manner. We integrated these elements to theorize a ‘recursive’ process (Cloutier & Langley, 2020: 11-12) that we coined the *spiral of democratic prevention* framework. That framework explains how the functioning of the three governance structures interacts in ways that generate *spurious worker cooperatives*. Figure 2 presents this framework with related data that constitutes our second finding.

--- Insert Figure 2 about here ---

Findings: Orchestrating the capture of the governance structures

Our analysis revealed that three sets of practices led to the prevention of the cooperativization process: (1) the disempowerment of the general assembly; (2) the neutralisation of the board of directors; and (3) a strengthening of the entrenchment of the executive committee.

General assembly disempowerment

Transitioning from a private company to a worker cooperative involves the creation of a new governance component, namely, the general assembly of members. Establishing such a component of governance is not straightforward, as it involves defining a cooperative project, obtaining a majority of members who share this project, and electing – through the ‘one member, one vote’ principle – a board of directors who is then in capacity to appoint (or to dismiss) the executives. Cooperativization, through the emergence of a general assembly of members, creates a political challenge for the executives in charge of such a process, as they should keep securing political support for

their position. We found that the executives in charge of building a general assembly in each company maintained their vision and protected the interests of a dominant coalition by disempowering the general assembly through three practices: *biasing members selection, focusing discussions on economic objectives, and enforcing hierarchical differences between members.*

Biasing members selection. In the French context, creating a general assembly is a legal obligation to obtain a cooperative status (Online appendix A), and executives in charge of cooperativization cannot derogate from this requirement. To ensure control of the general assembly, executives co-opted the assembly members, acting both before and after adopting the cooperative status. First, at both cooperatives, executives ensured that a majority of members were close collaborators to create a hardcore of ‘affiliates’, as illustrated in the following conversation with Raymond, a manager at SortWaste:

Researcher: Few of you have become members; how do you explain that?

Informant: I’ll be frank with you: there was no information. We only communicated once in a meeting when the project was completed. Employees were told they could become members, but people don’t even know what it’s like to be a cooperative member. They did not have the explanations necessary to understand. As managers, we had elements that the other employees did not have. I have been directly contacted to enter the membership and become part of the core of members around Roger [the CEO of SortWaste].

Researcher: Do you think that this targeting was deliberate?

Informant: Yes, that’s obvious. It was easy to have meetings, to explain and weigh the pros and cons in front of colleagues. Then people would have joined or not.’

In addition to co-opting assembly members, we observed at SoftWare a complementary selection method consisting in setting cooperative membership access at a high financial cost.

‘If you want to become a member, you must give 6 months of your salary. For example, a person earning 2,500 euros per month must pay a total of 15,000 euros, so 125 euros will be collected every month for 10 years. This is difficult for those who have small salaries, who have loans and children.’ (Mia, Employee, SoftWare)

As suggested by Vanessa – an employee who never became a member at SortWaste – this deliberate selection generated frustration and mistrust about the cooperative project, therefore restraining the scope of the assembly membership:

‘They made the member status a ‘privileged’ status. I didn’t join because it was white collars on one side and blue collars on the other from the start. Our union told us: ‘Managers deliberately want to take personal advantage of the cooperative status’. They do not follow cooperative values. [...] And that’s why very few employees like me became members.’ (Vanessa, Employee, SortWaste)

Second, more subtle biases of members’ selection are operated by restraining access to the training programs of CG Scop only to executive members. These programs aim at developing members’ competencies and knowledge of cooperative governance principles. At SoftWare, no non-executive members benefited from these training programs, as the CG Scop regional advisor told us. At SortWaste, only five out of 34 non-executive members could access short training about the cooperative model during the first 10 years of its life as a cooperative. This restricted access undermines a deliberative and democratic functioning of the general assembly meetings, according to Stephany (Employee, SortWaste):

Informant: It is really difficult for me to talk during general assembly meetings. I don’t know what a meeting should be like if we have the right to debate what we can or cannot say. It’s hard enough to understand what’s being presented to us. I would have had to be trained to participate more.

Researcher: Did you benefit from the training courses offered by the cooperative movement?

Informant: I haven’t heard of it.’

As a result, non-executive members do not develop the knowledge and competencies that could help introduce norms and practices associated with cooperative principles during general assemblies. When asked during an informal interview about such a lack of understanding of the role and prerogatives of members during general assembly meetings, the CG Scop regional advisors of SoftWare and SortWaste confirmed our insights and underlined the difficulties they encountered when trying to convince both

CEOs to offer training programs to cooperative members.

The last practice of biasing information and selection is related to the socialisation of cooperative newcomers. At both organisations, cooperative aspects were barely evoked in front of newcomers. Executives and managers deliberately set aside cooperative principles when recruiting new employees – a point explicitly expressed by one director at SortWaste:

‘When we hire someone, we focus on his/her competencies and our needs... I do not talk about the fact that we are cooperative. S/he will discover that at one time or another, and we will see if it makes sense.’ (Mathew, Executive/director, SortWaste)

We found that both organisations’ introduction booklets only briefly mention the cooperative project, preventing employees from understanding the cooperative nature of the organisation and the opportunity it offers them to become a member. It took Stephan, an employee at SortWaste, ‘6 months to discover that [*he*] was working in a cooperative’.

Focusing discussions on business objectives. Selecting members is the first move to disempower the general assembly. It is reinforced by practices orientating the content of discussions during annual meetings. In both cooperatives, executives and directors oriented the general assemblies in ways that gave precedence to business priorities and economic objectives.

‘During general assemblies, I focus mainly on economic results. We have to trivialise our cooperative status because we are a for-profit organisation, and we must create value. If you go too much on ideology and cooperative stuff, you lose sense. No business – no democracy!’ (Marc, CEO, SoftWare)

‘The general assembly meeting is a kind of formal lecture. The CEO presents all the figures, the tables, the results, and the economic objectives. It’s not much more interesting than that.’ (Luke, Manager/Member, SortWaste)

In this perspective, corollary social objectives, democratic governance principles, and the cooperative model are deliberately set aside. At SoftWare and SortWaste, the general assembly does not function as a governance mechanism enabling the deliberation of members regarding aspects of cooperative functioning (e.g., the inclusion of workers in the cooperative

capital, social mission, opening of membership, and relationship with local communities). Such a take on the general assembly departs significantly from the usually in-use principles of governance in cooperatives (ICA, 2017), which is not supposed to be solely focused on economic aspects. This approach reflects executives' desire to maintain a culture focused on economic performance at both organisations. Executives fear that they will be overwhelmed by demands that could weaken the economic wealth of their companies. While the general assembly formally brings together cooperative members, it functions in both cases as a general assembly of shareholders mainly interested in the company's economic performance.

Enforcing hierarchical differences between members. A third practice that disempowers the general assembly consists of executives keeping control of the microphone to maintain a segmentation of members by giving them a voice selectively. As a result, members had very few, if any, opportunities to react to the executives' statements. In practice, they asked very few questions making these assemblies 'not really exciting' (Mathew, executive manager/director, SortWaste, interview). Our data show that executives at both organisations were well-aware of this top-down approach and comfortable with such a functioning.

'The agenda of the general assembly is 80% of information on our commercial and financial performances. The rest is dedicated to some general questions, and believe me; this is more than enough!' (Marc, CEO, SoftWare)

Interviewees mentioned that a hierarchical tone was adopted during general assembly meetings and that executives trivialised non-economic debates. Some interviewees reported rare instances during which members asked challenging questions to executives during the assembly. At both organisations, executives reacted with overbearing attitudes and responded by delegitimising the question or the person asking it. Enforced by the executives, this hierarchical functioning of general assembly meetings created a feeling of discomfort among members, as illustrated by these words from a manager and director of SoftWare:

'One day, a member asked a question regarding the imbalance in our financial results and the partition of our profit. [...] They made him understand that we do not mix blue collars and white collars. It was rude, and I felt uncomfortable and even more because his question was relevant.' (Angela, Manager/director, SoftWare)

Although legally, all members have the same voice during general assembly meetings, we found in both cases that managerial hierarchies and social differences were clearly visible and deliberately maintained – ‘there are members and members’ to use the words of an informant. Worried by a potential loss of support, executives carefully select members, muzzle the debate, and keep reminding members ‘who is in charge’ and that they are above all workers. Through these disempowerment practices, the general assembly – which is supposed to be the place of democratic debates around the cooperative project – is turned into an economic forum dominated by executives.

Board of directors’ neutralisation

In contrast with the general assembly meeting of members, which is legally required when transitioning to a cooperative status (Online appendix A), the board of directors is a legacy of the governance structures’ pre-existing cooperativization. SoftWare had a board of directors composed of three historical shareholders, whereas the board of its parent association administered SortWaste. In both cases, cooperativization brought about profound changes in the composition and prerogatives of boards and involved changing the rules for appointing directors – who are now directly elected during the general assembly on a ‘one member, one vote’ basis. In principle, these directors prioritise the organisation’s objectives, ensure the respect of cooperative principles, and control executives. Accordingly, the nomination of directors is highly sensitive for executives, who can be pressured by unsatisfied directors, and ultimately dismissed. Faced with this threat, executives at SoftWare and SortWaste have deliberately reduced the capacity of directors to control them, orient the strategy, and defend cooperative values, deploying a process of board neutralisation. This neutralisation operates through three complementary practices: *board rubber-stamping*, *one-tier board structuring*, and *the maintenance of blurred roles*.

Board rubber-stamping. In both cases, the two CEOs defined board meeting agendas unilaterally. According to interviewees, SoftWare’s CEO explicitly assumes to perform this responsibility without leaving the possibility for the directors to introduce other subjects.

‘One day, a director asked [...], ‘who decides the topics discussed during board meetings?’ The CEO answered that it was his entire responsibility...’ (Monica, Executive/director, SoftWare)

In addition, our informants mentioned that CEOs and executives at SoftWare and SortWaste were withholding information from directors to prevent them from having the full picture of important issues. This information asymmetry prevented directors from challenging CEOs and executives regarding important questions. During an informal exchange, a non-executive director of SoftWare told us that the board of directors never discussed the best strategy to adopt when the company faced the prospect of a major trial with an important customer. One day, the CEO informed the directors that the trial was lost and that a substantial fine would have to be paid. Likewise, at SortWaste, two non-executive directors told us that the firm was confronted with the potential defection of a major customer, but the CEO managed to exclude this important issue from the board meeting agenda.

The rubber-stamp functioning of boards was especially palpable when the CEOs came in front of directors mainly for the formal validation of decisions already made at the executive-level committee. Even though non-executive directors were aware and critical of such a rubber-stamp functioning, they were not necessarily in a position to act about it:

‘Researcher: How does the board function at SortWaste?’

Informant (Christopher, manager/director, SortWaste): The board is built so that it leaves little room for discussion. We are led to be more of a recording chamber than anything else. In concrete terms, we have the impression that we are lagging behind decisions already taken elsewhere.

Researcher: Are you the only one who thinks that?

Informant: Not at all, but it does not change anything.’

One-tier board structuring. This practice is observable at SoftWare and SortWaste and contributed to the neutralisation of the board. It consists of electing the top executive as chairman. This accumulation of prerogatives in the hands of one single person was justified in both cases on pragmatic grounds to support more efficient decision-making processes. We were surprised to observe during our focus groups with the members of the CG Scop that such a practice was not questioned and was even promoted by this association. Such a choice was presented as obvious by both CEOs during their interviews.

‘What would a president do—can you tell me? It is more efficient to have one single person at the crossroad of the board of directors and the executive committee.

Really more efficient, believe me!’ (Roger, CEO, SortWaste)

In addition, in both cases, this one-tier board structuring relied on a selection norm according to which all executives must be part of the board of directors. The presence of the executive committee on the board of directors is justified in both cases by the need to secure appropriate competencies and expertise for decision-making processes on economic issues. This composition of the board of directors is presented to all members as ‘an imperative’ for the proper functioning of the cooperative. The two CEOs played an active role in convincing members of the need to be surrounded by a team of executives to steer the economic development of the cooperative. Since the start of the cooperativization process, this argument has been accepted by members who were unfamiliar with cooperative governance principles.

‘Members of the board of directors are executives. We don’t have a disconnection. Executives are directors, and directors are executives. I am the only one who is not an executive. That is normal as they run the firm and have a global vision of our business operations.’ (Angela, Manager/director, SoftWare)

Interestingly, during our meetings at the French cooperative movement, the participants mentioned that they advised SortWaste and SoftWare to open more positions for non-executives and regular workers on their respective boards of directors. Both CEOs counter-argued that the current structure was best suited to their economic objectives.

Maintaining blurred roles. This ultimate practice achieves the neutralisation of the board by confusing the respective roles and contributions of the board of directors and the executive committee. Our data at both cooperatives highlight the lack of knowledge about cooperative governance structures and a misunderstanding of the division of tasks, especially between both structures. This confusion of roles undermined the capacity of the board of directors to challenge executives and prevented the emergence of any counter-power. When challenged during a board meeting, executives adopted overbearing attitudes. Such answers nurture a climate of insecurity for non-executive directors, who usually lack confidence and training.

‘During a board meeting, I criticised communication aspects. I was not rude, but my boss came to me the next day and told me that the board was not the right place to express that. She told me that I had to talk to her before expressing criticism during meetings.’ (Eleonor, Employee/director, SortWaste)

This attitude discouraged non-executive directors from relying on existing governance

channels to express criticism because they feared retaliation from their boss. Such findings of the design and functioning of the two boards of directors came out as a real surprise for us, considering the well-established governance model for cooperatives in use for several decades in the consortium of worker-cooperatives Mondragon (Azkarraga, Cheney, & Udaondo, 2012). This surprise was all the greater as the CG Scop appears to support certain problematic practices established at both cooperatives. In fact, the boards of directors of SortWaste and SoftWare were diametrically opposed to the ones of Mondragon, in which: (a) the functions of Chairman and Executive are systematically separated; (b) the members of the executive committee cannot sit on the board of directors; and (c) the directors are regularly trained so that they can fulfil their mission of co-constructing the strategy, disseminating cooperative values, and supervising managers. The governance practices in-use at SortWaste and SoftWare undermined the enforcement of independent checks and balances, as those who were supposed to control executives (the directors) were themselves executives.

Executive committee entrenchment

The executive committee is, in both cases, the governance body that has been the least transformed by the shift toward a cooperative form. In fact, the composition of the executive committee and the objectives pursued have remained the same. However, we found that both CEOs sought to strengthen their hold over the organisation to reinforce their authority and secure the dynamic they had initiated before the transition into a cooperative, i.e., executive entrenchment. Aware of the greater fragility of their position due to the elective process which leads to their appointment or dismissal, the two CEOs had developed their roots through three practices: *maintaining a centralised structure*, *implementing idiosyncratic strategies*, and *controlling networks of supporters*.

Maintaining centralised structure. Our two cases suggest that cooperativization created new expectations for employees who (wrongly) assumed that such a process would make management and decision-making more oriented towards workers' participation.

‘[*We were told that*] ‘there are two categories of workers here: thinkers and followers. Thinkers make decisions, and the rest have to implement them.’ We could have expected more participation in a cooperative!’ (Mia, Employee, SoftWare)

Although such a participatory dimension of the organisation of work can be observed in some cooperatives, it does not constitute a legal obligation and has never been on the agenda of the two cooperativization projects. In both cases, executives strive to maintain hierarchical structures, rejecting any move towards participation.

‘Here, you have several departments, and everything is structured around the hierarchy (executives, managers, supervisors). We are a firm, not a Mexican army!’
(Monica, Executive/director, SortWaste)

This ‘command-and-control’ managerial approach to labour organisation was in place before transitioning at both cooperatives and was deliberately maintained to avoid any risk of destabilising the company, as explained by the CEO of SoftWare:

‘The democratic aspect that we talk about at the level of cooperatives has one member/one vote. For me, that’s democracy and nothing else. It is not to consult everyone in day-to-day management, as I have heard. Democracy in the company, I do not subscribe to it, and I think that would be extremely dangerous. It was never part of the project anyway.’ (Marc, CEO, SoftWare)

Cooperativization raised employees’ expectations of participation and led executives to maintain the centralisation of the organisational structure proactively. This maintenance was considered to contain the risk of spreading democratic ideals beyond the statutory aspects relating to the vote of members during general assembly meetings.

Implementing idiosyncratic strategies. To prevent a change in the political balance within the general assembly and the board of directors undermining their position, both CEOs made sure to be seen by members as ‘indispensable’ to the development of their company. Indeed, we found the CEOs to orient the strategy of their cooperatives in peculiar directions, which mirror the business domains they know best. For instance, SoftWare’s CEO proposed to the board of directors to develop a strategic project in the built-environment sector because such an orientation capitalises on his knowledge and personal network. At the same time, this move prevented the shift of the strategy in any direction falling outside his scope of competence, as explained by a non-member employee of SoftWare:

‘I think it could make sense to develop mobile application projects or any project in

connection with wireless technologies. This is the future of our sector! [...] No. It is not worth discussing this kind of project because, in any case, he [*the CEO*] does not know anything about it. He does not understand. He does show any interest in this technology.’ (Raja, Employee, SoftWare)

Our interview with a director of SortWaste further clarified the close alignment of the CEO’s social capital with the firm’s market strategy.

‘Our business activities make us dependent on public markets and, therefore, on local elected officials. Apart from Roger [*CEO*], no one has contact with these elected officials. He is the one who frequents them and meets them. You should also know that he himself is elected at municipal and regional levels and that this is also why he is essential.’ (Monica, Executive manager/Director, SortWaste)

At both cooperatives, CEOs opportunistically created strategies combining their competencies, personal relationships, and cooperative assets to reinforce the organisation’s dependency on them while mastering the design and implementation of key projects.

Controlling networks of internal supporters. At both cooperatives, CEOs engage in political activities to reinforce their positions in their organisation by creating an internal network of supporters. Both CEOs favour employees who support their strategic objectives and approach to governance principles. Promotions and training programmes were used as tools for CEOs to reinforce their internal network of affiliates. At SortWaste, the CEO decided to promote three employees. One of the directors made clear during an interview that all promoted employees were closely related to the CEO; one of the three ‘favourites’ included the CEO’s daughter.

‘The daughter of the CEO has worked here for three years. She is now an executive, and we know what she will do when her father retires...’ (Christopher, Manager/director, SortWaste)

Such a treatment of the CEO’s clan stands in sharp contrast with the situation of other employees who are threatened by regular redundancy plans. Some of them were asked to accept a demotion to keep their jobs. Similar practices were observed at SoftWare, where the CEO only gave promotions to employees who agreed to contribute to the cooperative’s

capital. By linking being promoted to being a member in the capital of the cooperative, CEOs expect to secure the support of old and new members during general assemblies.

‘He [*the CEO*] allowed me to follow a training program in design. I was here for six months, and I wanted to make progress. He gave me a go, and he asked me to buy shares and become a member’. (Stephan, Employee, SoftWare)

As a result of these entrenchment practices, the two CEOs reinforce their position in the two cooperatives. Aware of a potential threat of dismissal, they create a strong dependency and consolidate their internal networks of affiliates. Members are selected by the managers and benefit from privileges to obtain their support during the votes at the general meeting.

The spiral of democratic governance prevention; A model

In this section, we present the model of democratic governance prevention we infer from our analysis. This model draws a spiral-shaped movement from the disempowerment of the general assembly to the neutralisation of the board of directors and then reinforces the entrenchment of executives whose behaviour weakens the general assembly (Figure 2).

Our model starts with inexperienced incumbent executives of private firms who took over the cooperativization process. The adoption of the cooperative status challenged the power of these executives, as their position and formal authority both depend upon the democratic vote of members at general assembly meetings and the discretionary behaviour of elected directors. Unaware of the meaning of cooperative principles and keen to keep the situation under control, these executives decoupled governance to address this political challenge. On the one hand, they adopt the legal and formal norms of cooperative governance, with the constitution of a community of members, the creation of a general assembly, the election of a board of directors following the one member/one-vote principle, and the nomination of a chairman, and finally the designation of a CEO. On the other hand, these executives, inexperienced with democratic decision-making, mitigate the threat of seeing their authority questioned.

A first shift of the spiral occurs as incumbent executives orchestrate the disempowerment of the general assembly. With the formal adoption of the cooperative statute, executives must secure the support of most members during the vote of the legal resolutions they submit and the election of directors. To obtain this majority, incumbent executives carefully select potential members who support their vision of the future of the cooperative. Threats of retaliation and overbearing attitudes inhibit members’ willingness to ask embarrassing questions during general assembly meetings. This deliberate disempowerment of the general

assembly led to members' self-delegitimation – most of the workers we interviewed regard themselves as having neither the competence nor the credibility to voice their concerns.

‘I trust them [*the executives*] more than me to analyse and present things to the general assembly. It's a job! And it's not mine.’ (Eric, Manager/Member, SoftWare)

The second shift in the spiral of democratic prevention is triggered as the general assembly's disempowerment enables the neutralisation of the board of directors (Figure 2). The election of directors is particularly sensitive because they appoint the CEO and, subsequently, the executive committee. When forming a board of directors, it is essential for incumbent executives to secure their support. In both cases, this challenge was tackled by electing executives as directors. To justify the selection of directors with economic and managerial competencies, conversations during general assembly meetings were focused on economic objectives. Deliberate attempts to play with the members' emotions regarding the potential death of the firm reinforced the notion that having competent executives as directors is key to effectively governing the cooperative. As a result, few non-executive members spontaneously dare to present themselves as directors, and boards are formed with directors who are unlikely to contest or question any decisions from the executives.

‘I don't see myself on the board of directors discussing and deciding on economic matters. It's the domain of executives, not mine. We would go bankrupt if it was me! [*laughs*]. There have been several board members elections, and each time our CEO proposed to elect a team of executives. Isn't that normal?’ (Stephany, Employee/Associate, SortWaste).

The third shift of the spiral points to the neutralisation of the board of directors to executive entrenchment (Figure 2). The composition of the board advantages executives who are neither controlled nor challenged by directors whom all have a seat on the board. In addition, executive practices weakened the board of directors' capacity to contest executives, notably by refusing to train directors to develop competencies and knowledge in cooperative functioning, governance, and strategy. ‘Undisciplined’ directors who developed more critical attitudes regarding cooperative principles are exposed to mocking inside and outside the boardroom. The board of directors, which is supposed to protect and facilitate

cooperativization, does not challenge executives on this issue. As a result, the board's neutralisation enables the presence of entrenched executives who defend their authority by maintaining a centralised structure and implementing idiosyncratic strategies.

'I don't see where the cooperative is. Daily we are associated with nothing. We apply their directives, and that's it! It's not as if the board of directors will change anything because the board of directors is them.' (Ibrahim, Employee/Non-member, SoftWare)

The (spiral) loop is closed as more entrenched executives have more leeway to nurture the disempowerment of the general assembly by continuing to select new members, maintaining strict hierarchical relations between them, and focusing on economic objectives (Figure 2). The reinforcement of entrenchment undermines any counter-powers that could make executives accountable for the limited impact of cooperativization.

In summary, our findings suggest that if SoftWare and SortWaste have formally and legally adopted workers' cooperatives principles and structures, their actual functioning has deliberately prevented the development of democratic governance. The resulting organisations are a form of spurious workers' cooperatives. Indeed, the spiral of democratic governance prevention we conceptualised led in both cases to a strong and continuous deviation of these organisations from four cooperative principles formulated by the International Cooperative Alliance and CG Scop in France (ICA, 2017). First, the membership of worker cooperatives is supposed to be *open without discrimination*. At SoftWare and SortWaste, the membership is deliberately restrained and carefully controlled by the executives. Second, worker cooperatives should be *democratically controlled by elected directors who set policies and are accountable to the membership*. Even though directors are democratically elected in both cases under study, these directors do not set the policies of the cooperatives and are not accountable to the membership but to the executives. Third, worker cooperatives are supposed to *provide education and training for all categories of members to contribute effectively to their development*. At SoftWare and SortWaste, executives restrain their employees' access to training programs and deliberately deprive the workforce of understanding how cooperatives should function. Fourth and finally, economic profits and surplus generated by cooperatives are supposed to be *collectively re-invested to support development policies*. At SoftWare, the surplus is used to give dividends and increase

executives' bonuses to the detriment of the development of the cooperative (see Online appendix E).

The emergence of such a spiral of democratic governance prevention is less surprising at SoftWare, which had a private focus in the first place, than at SortWaste, which had a social mission. This suggests that executive prevention of democratic governance can occur despite the presence of an organisational trajectory and identity that is aligned with cooperative ideals. Therefore, these two cases suggest the potential transferability (Lincoln & Guba, 1985) of our framework to a wider range of organisational settings subjected to cooperativization, characterised by various degrees of commitment to cooperatives' ideals.

Discussion, implications, and conclusion

In this paper, we analysed how two private firms transitioned to a worker cooperative legal form and found that executives orchestrated the undermining of three components of the governance structures to prevent the enforcement of cooperative governance principles through this process (Figure 1). We consolidated our results by conceptualising a spiral of democratic governance prevention model that explains how these organisations became spurious worker cooperatives (Figure 2). Our study results in insights that have implications for the analysis of cooperativization and of the governance of worker cooperatives that we now discuss while suggesting areas for future research.

Cooperativization struggles as a multilevel phenomenon

Our findings first contribute to the analysis of cooperativization struggles (Basterretxea et al., 2022; Errasti, Bretos, & Etxezarreta, 2016) across multiple levels of analysis by identifying executives' mundane practices that decouple governance structures (micro-level), explaining how these practices' interactions prevent the emergence of democratic governance (meso-level) and showing how the silence about, or denial of, governance issues on the part of the association supporting cooperativization contributed to promoting the maintenance of spurious worker cooperatives (macro-level).

Recent studies suggest that executives who commit to formally adopting cooperative organisational forms may, in fact, prevent the dynamics from maintaining their prerogatives and solve a tricky political and cognitive challenge (Bretos & Errasti, 2017; Flecha & Ngai, 2014; Heras-Saizarbitoria, 2014). However, the micro-level practices of executives underlying this process and their influence on the multiple components of cooperatives'

governance structures deserved further scrutiny (Basterretxea et al., 2022). Our results address these key gaps in our knowledge of how cooperativization succeeds or fails while extending our understanding of the limitations of this process in several ways.

At the micro-level of analysis, we found that cooperativization difficulties result from misconceptions by executives of the role and prerogatives of the three main governance structures: the executive committee, the general assembly, and the board of directors. This finding is consistent with Basterratxea et al.'s (2020) view that all the components of cooperative governance should be considered to explain cooperativization difficulties. However, our results move beyond these prior insights by explaining how the decoupling between governance structures and practices is orchestrated by executives and how mundane practices implemented in the general assembly, board of directors, and the executive committee spiral together in ways that promote executive entrenchment, muzzle debates during general assembly meetings, and weaken the contribution of the board of directors (Figure 2). In so doing, our analysis shows how (micro) individual practices coalesce at the (meso) organisational level to generate spurious cooperatives (macro). Interestingly, we found similar prevention dynamics supported by executive practices at both cooperatives, even though one of them was initially closer to cooperative ideals (SortWaste). Future research could extend our research design by evaluating whether differences in private firms' initial orientations and trajectories trigger a downward or upward spiral of democratic governance prevention.

In relation to executives, our findings uncover an interesting tension about their agency in the adoption of dysfunctional practices of cooperative governance. On the one hand, executives' adoption of dysfunctional practices relates to the ignorance of the spirit of cooperative principles and beliefs grounded in their prior experience of working at private firms. On the other hand, when made aware of the implications of cooperativism, executives deliberately kept cultivating the ignorance of their employees to consolidate their power. Such a tension between 'actual' and 'strategic' ignorance as complementary drivers of democratic prevention could be explored in future analyses of spurious cooperatives.

At the organisational level, our analysis suggests that cooperativization struggles can relate to internal dysfunctional dynamics as much as to the external barriers documented in prior studies (Bretos & Errasti, 2018; Flecha & Ngai, 2014). Although the organisational dynamics we identified are likely to exacerbate the influence of external pressures already documented in the literature, future studies could investigate how internal and external sources of democratic prevention interact to shape cooperativization: Which external

pressures are more likely to influence specific dysfunctional executive practices in governance structures? Can the deficiency of one element of the governance structure be compensated by the strength of another? Relying on qualitative comparative research methods (Furnari et al., 2021) to compare processes of private firms transitioning to cooperatives could help address such questions and clarify the factors that shape cooperativization struggles.

Beyond the individual and organisational levels of analysis, our account of two cases of cooperativization struggles points to the fact that spurious cooperatives can emerge and be maintained despite a macro-level political context encouraging cooperativization, and, paradoxically in our context, in part due to the unintended role played by the association tasked by the government to promote cooperativization. Although not necessarily a deliberate policy, the lack of training about the role of governance to executives in charge of cooperativization provided by CG Scop, and the silencing of governance issues by regional advisors recognised during our informal discussions, may have contributed to enabling the adoption of dysfunctional executive governance practices at worker cooperatives, potentially triggering the spiral of democratic governance prevention. Future studies could analyse more closely the role played by intermediary organisations in charge of deploying or supporting cooperativization, such as governmental agencies or associations like CG Scop in France, in the unintended development of spurious worker cooperatives. Future work could also contrast our French context to other countries (e.g., Germany, the UK, and Italy) to further conceptualise the extent to which country-level policies, legal frameworks, and organisations promoting cooperatives relate to ways that can contribute to the success or failure of cooperativization. For instance, in the UK, the Industrial Common Ownership Act of 1976 and subsequent regulations limit the amount of financial contribution needed to become a cooperative member, addressing de facto one of the factors used by executives to undermine cooperativization in our case. Future studies could document whether a similar legal framework could help prevent spurious cooperatives from emerging.

Enlarging the repertoire of worker cooperatives pathologies

Our analysis's second contribution is enriching the conceptual repertoire of cooperative worker pathologies and adding to the well-established thesis of *democratic degeneration* (Diefenbach, 2020; Michels, 1915) and *mission drift* (Cornforth, 1995; Cornforth, Thomas, Spear, & Lewis, 1988). Our research shows that another pathology may lead to spurious worker cooperatives: congenital disorder in governance structures. The spiral of democratic governance prevention operates before the emergence of organisational democracy in contrast

to the first two democratic pathologies that occur once a cooperative is set and consists of the progressive loosening of its democratic decision-making ideals. By perpetually postponing the enlargement of the membership, the training of members and conversations regarding the cooperative project, this spiral results in the production of spurious worker cooperatives, as shown in our two cases. Beyond the specific case of private firms transitioning to cooperatives and in contrast to democratic degeneration, *democratic prevention* suggests paying attention to the early stages of cooperative emergence and conception. The structural governance issues we identified could result from ‘failure by design’. Like the initial formulation of the democratic degeneration thesis by Michels (1915) and its recent revisiting by Diefenbach (2019, 2020), this democratic prevention stresses the role of executives and their search to ‘cement their position of power’ (p. 557) through their influence on governance structures.

However, this does not necessarily mean that executive dominance will be permanent (Diefenbach, 2019). In fact, we could uncover these processes through employees’ voices, and our non-executive cooperative member interviews critically reflected on the functioning of the governance, suggesting ‘challenging the closed cast’ (Diefenbach, 2019, p. 557). This result points to a temporal boundary condition of our analysis, as it could become tricky, if not impossible, for executives to maintain ignorance of cooperative values in their organisation in the long run. Future works could explore this boundary condition by exploring how executives willingly maintain or not their cooperatives in ignorance of its status.

A related boundary condition to the democratic prevention pathology is contextual and points to the role played by the CG Scop in maintaining its executive members’ ignorance in our case. The association avoided contradicting executives or shedding light on their misconceptions about cooperatives. Such maintenance of executives’ ignorance may relate to this association’s dependency on the financial contributions of worker cooperatives. This lack of independence may have limited the critical engagement of CG Scop’s advisors with executives, as well as the exclusion of spurious workers cooperatives from the association, even though a spiral of democratic governance prevention was established.

Envisioning political levers to reduce cooperativization prevention by executives

Although our study has uncovered how executive prevention to cooperativization can emerge as a self-reinforcing spiral generating spurious forms of worker cooperatives, we do not regard such trends as fatalities. Our analysis points to levers that could be used by workers, cooperative associations, or policy-makers to reduce executive resistance to cooperativization

and diminish the potential development of spurious worker cooperatives (Pansera & Rizzi, 2020; Zanoni, Contu, Healy, & Mir, 2017). First, from a bottom-up perspective, they are possibilities for workers to leverage the cooperative legal form and principles to re-orient the governance of the cooperative towards more democratic and open forms of decision-making. Such an approach would consist in subverting ‘spurious cooperatives’ forms to make them deliver the benefits of cooperative principles for workers, in a similar move as the one suggested by Gond and Nyberg (2017) to mobilise legal levers and existing policies to force corporations to deliver their CSR promises to their stakeholders.

Second, from a horizontal perspective, the role of associations or organisations promoting worker cooperatives can be essential by developing stricter rules and guidance about governance, such as the ones of the Mondragon Corporation, where the roles of the chairman of the board of directors and chief executive are systematically separated. These cooperative advocacy organisations could develop intervention procedures for limiting the threat of democratic governance prevention. At the early stage of the cooperativization process, the design of governance structures orients the trajectory and can directly lead to spurious worker cooperatives. In this regard, cooperative advocacy organisations may not develop exclusive contacts with executives but also with employees of cooperatives to identify dysfunctional spirals at their early stages and intervene when cooperative pathologies are curable.

Third, from a top-down perspective, legal framework and public interventions could assume that if worker cooperatives offer valuable possibilities for overcoming some drawbacks of capitalism and enhancing workers’ competencies and self-esteem, they also have pathologies. To limit the emergence of these pathologies and the development of spurious worker cooperatives, public interventions could link their tax policies and promote subsidies to enforce cooperative values and principles certified by independent authorities. Worker cooperatives can develop their full potential if they are surrounded by a set of institutional supports and intervention processes to downplay their pathologies. Accordingly, we would suggest academics partner with policy-makers and practitioners develop a practical guide for cooperativization. Such a practical guide could give the advice to prevent the emergence of the spiral of democratic governance prevention and explain how to undermine such a spiral through good practices of governance.

Reflecting on how ‘accidental critical activism’ can emerge from engaged scholarship

Beyond theoretical contributions and their implications for policy and practice, producing this study enabled us to reflect critically on the nature of our own engagement with the CG Scop

by pointing to a form of ‘accidental critical activism’ that adds to prior accounts of ‘critical performativity’ (Cabantous, Gond, Harding, & Learmonth, 2016), or ‘intellectual activism’ (Contu, 2020), as our study evidences the potentially unintended nature of some research impacts. Researchers have been encouraged to enhance their involvement with stakeholders involved in organisational phenomena (Spence & du Gay, 2022).

Although the present research project was never meant to perform such a critical form of engagement, the authors who initiated the collaboration with the CG Scop were nevertheless keen to help this association promote cooperativization in the French context. Planned engagement activities (Aguinis & Gabriel, 2022) involved notably organising workshops and producing pedagogical case studies of private firms’ cooperativization successes and failures to train future managers in charge of cooperativization. However, after a formal meeting during which the results about governance were presented at the end of the research process, and through our continuous informal interactions with regional advisers of CG Scop during a workshop, it became clear that the association was not at ease with our results. Tellingly, the association prevented the publication and diffusion of the two pedagogical case studies focused on cases of cooperativization failure and allowed only their use in an informal workshop with the association’s regional advisers. During this workshop, it became clear that the presence of spurious worker cooperatives was known by advisers who hid this fact from the central organisation and never discussed it. In addition, our suggestion to produce a guide about good governance practice as the conclusion of the official restitution of our results was never followed-up, and the CG Scop progressively severed its ties with the research team.

By surfacing the taboo topics of dysfunctional governance and spurious worker cooperatives, we performed an accidental form of critical activism, which has embarrassed our partners. Our results indeed pointed to an inconvenient truth that was at odds with the cooperativization’s success story that the CG Scop was keen to promote the impact of the government law encouraging cooperativization. We realised only retrospectively how delicate the topic of executive governance capture was for the association and could have designed more impactful interventions by involving different key stakeholders in the research process. This experience suggests that critically performative interventions remain ‘balancing acts’ that generate unintended rather than ‘planned’ (Aguinis & Gabriel, 2022) effects and maybe be more delicate to deliver than what is usually assumed (Spence & du Gay, 2022).

Endnotes

ⁱ <https://www.ica.coop/en/cooperatives/cooperative-identity>.

ⁱⁱ The functioning of worker cooperatives is driven by seven principles internationally recognized: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; cooperation among cooperatives; concern for community (for more details: <https://www.ica.coop/sites/default/files/publication-files/ica-guidance-notes-en-310629900.pdf>).

ⁱⁱⁱ Specifically, this law encompassed: (a) the obligation to inform employees in advance in the event of the selling of their company; (b) the creation of a special cooperative statute to facilitate employees' investments. The new statute of 'cooperative of priming' allows employees to take over a company and to hold the majority of votes in the constitution of the company while being a minority in the capital for 7 years.; and (c) the obligation for executives to find a buyer in the event of a sale.

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Figure 1: Data structure

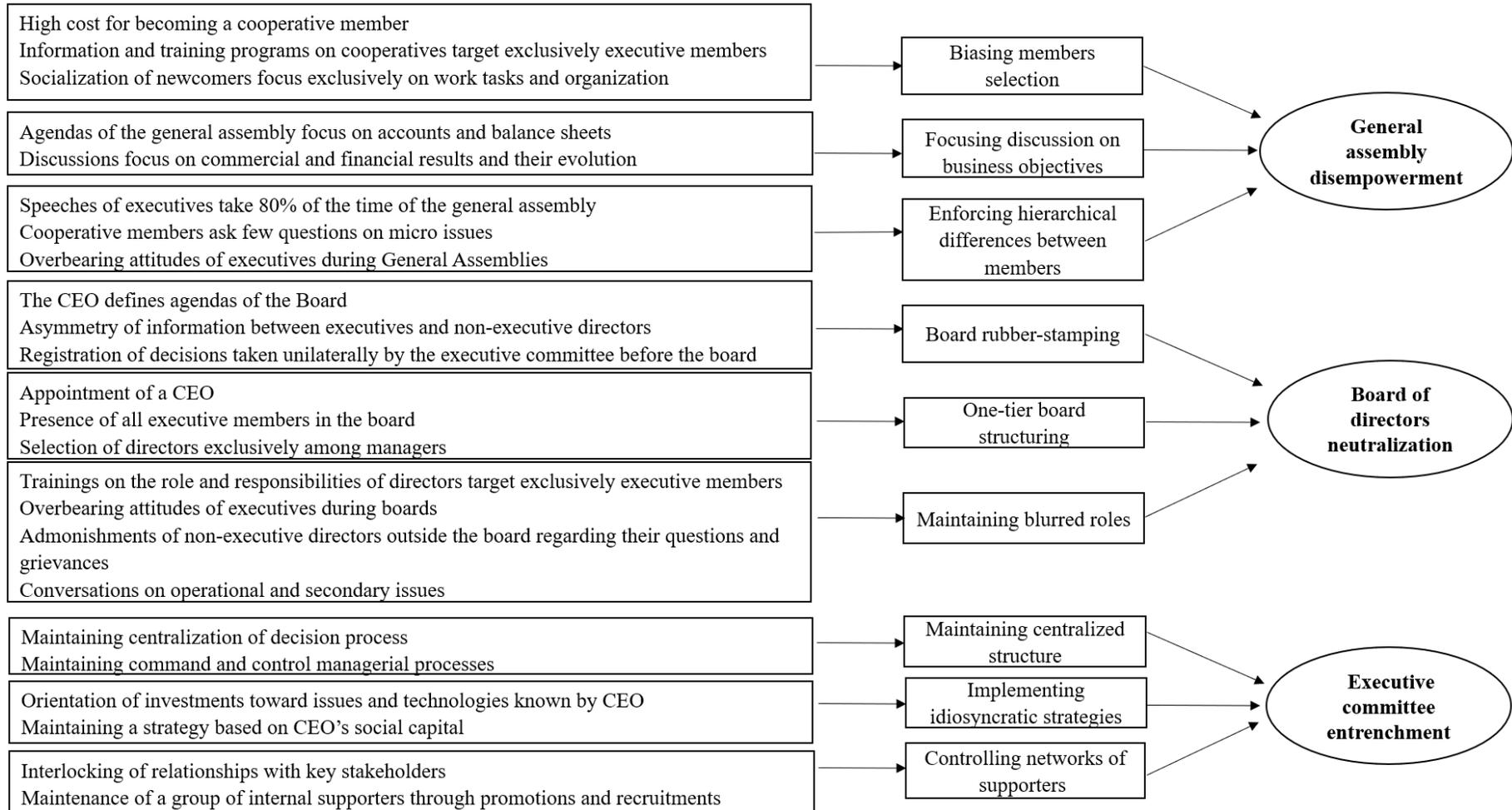
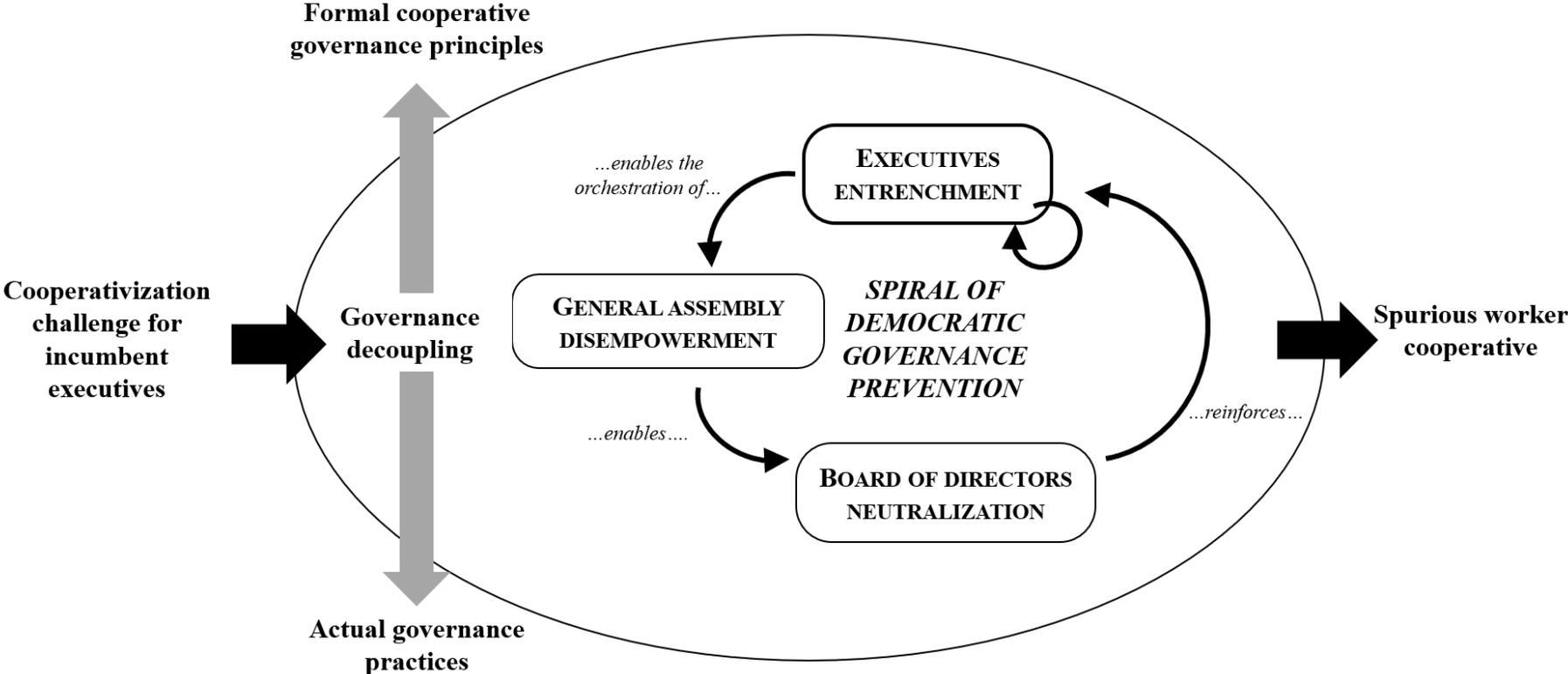


Figure 2: Model of democratic governance prevention through decoupling practices



Online appendix A: The legal aspect of governance for French worker cooperatives*

General assembly	Board of directors	Executive committee
<ul style="list-style-type: none"> ▪ Minimum amount of capital: 18500 euros ▪ Number of associates: minimum 7. If this number is not observed, the law dissolves the cooperative. ▪ One member – One vote ▪ One share is enough for being a member but each cooperative has the right to fix specific financial conditions in its status. ▪ After one year, each employee has the right to access to the membership. The general assembly collectively accept or reject each demand. 	<ul style="list-style-type: none"> ▪ Every member of the cooperative can be elected director. ▪ Each director is elected for a maximum of 6 years. The mandate can be shorter according to the status of the cooperative. ▪ Directors has the right to be reelected. ▪ Directors are dismissed by the general assembly. ▪ Between 3 and 18 directors. ▪ Directors have the right to be involved in the executive committee. ▪ The chairman is elected by the board of directors. 	<ul style="list-style-type: none"> ▪ Every member of the cooperative can be nominated CEO. ▪ The CEO hires executives among employees and constitutes a committee. ▪ The CEO is nominated for a maximum of 6 years and can be dismissed by the board of directors. ▪ The CEO can be elected chairman of the board of directors.

**Sources: Law N° 78-763 – articles 2 to 20*

Online appendix B: Overview of the research design and main sources of information

Interview Number	Pseudonym	Position	Recording / notes	Length	Secondary documents
SoftWare Insiders					
1.1	Marc	CEO/president	Recorded	68	- 5 E-mails - 1 annual report - 2 financial statements and profit distribution - 3 external communication documents - 7 videos - 1 press article - Organizational chart - Status
1.2.	Adam	Executive manager/director	Recorded	45	
1.3.	Lois	Executive manager/director	Recorded	52	
1.4.	Suzanne	Executive manager/director	Recorded	34	
1.5.	Angela	Manager/director	Recorded	70	
1.6.	Eric	Manager/Member	Recorded	51	
1.7.	Mohamed	Manager/Member	Recorded	40	
1.8.	Raja	Manager/Member	Recorded	28	
1.9.	Mia	Employee/non member	Recorded	73	
1.10.	Stephan	Employee/non member	Recorded	24	
1.11.	Ibrahim	Employee non member	Recorded	26	
Total SoftWare insiders			11 (11 actors)	511 (8h31)	8 main sources (22 documents)
SoftWare: Members of the regional Worker Cooperative Movement					
1.12	Sam	Manager of a WCM regional agency	Recorded	52	- code of conduct for cooperatives
1.13			Notes	30	
1.14	Liza	Advisor of a WCM regional agency	Recorded	25	
1.15			Notes	42	
1.16	Esteban	Advisor WCM regional agency	Recorded	46	
1.17			Notes	55	
Total SoftWare stakeholders			6 (3 actors)	250 (4h10)	
SortWaste insiders					
2.1.	Roger	CEO/president	Recorded	123	-7 E-mails -3 annual reports -1 Power point - 3 External communication documents -6 videos -12 press articles -Organizational chart -Statutes -Welcome booklet -official report
2.2.	Mathew	Executive manager/director	Recorded	52	
2.3.	Monica	Executive manager/director	Recorded	70	
2.4.	Raymond	Manager/director	Recorded	42	
2.5.	Christopher	Manager/director	Recorded	39	
2.6.	Eleonor	Employee/director	Recorded	59	
2.7	Tom	Employee/Member	Recorded	46	
2.8	Luke	Manager/Member	Recorded	55	
2.9	Stephany	Employee/Member	Recorded	43	
2.10	Vanessa	Employee/non member	Recorded	65	
2.11.	Jacob	Employee non member	Recorded	49	

2.12	Said	Employee/non member	Recorded	22	
Total SortWaste insiders			12 (12 actors)	665 (11h05)	10 main sources (36 documents)
SoftWare: Members of the regional Worker Cooperative Movement (WCM)					
2.13	Anne	Executive-WCM regional agency	Recorded	25	- code of conduct for cooperatives
2.14			Recorded	68	
2.15	Michel	Advisor- WCM regional agency	Recorded	49	
2.16			Notes	28	
2.17	Ghita	Advisor- WCM regional agency	Notes	40	
2.18			Notes	36	
Total SortWaste stakeholders			6 (3 actors)	246 (4h06)	1 main source (1 document)
Total – Interviews with insiders and direct stakeholders			35 Interviews (with 29 actors)	27h52	20 sources (60 documents)

Focus Group 1: Feedback sessions with members of the National Worker Cooperatives Movement					
Pseudonym	Position		Observations (hours)		Secondary documents
VP	Vice president in charge of research activities		-2 formal meetings -1 brainstorming session - Discussions	-10 E-mails - 1 power point - 2 meeting minutes - Website of SC Scop & of International Cooperative Alliance - Annual activity reports of CG Scop - Documentation of CG Scop on cooperativization	
HR	Head of the research department				
EA6	Executive of a regional agency – region 6				
ETE	Executive in charge of training and employment policies				
IC1	Internal consultant				
IC2	Internal consultant				
Focus Group 2: Feedback sessions of the National workshop of the Worker Cooperatives Movement on buyout and governance of new worker cooperatives					
HR	Head of the research department		- Workshop: 3 teams (from 4 to 5 participants) working on SoftWare and Softwaste case-studies on bad and good practices of governance during cooperativization - Discussions intra groups - Discussions intergroups - Restitution in plenary session (65 participants) - Debate in plenary session - Informal discussions	- 12 E-mails - 1 Restitution Power Point - 1 final report	
EA1	Executive of a regional agency – region 1				
EA7	Executive of a regional agency – region 7				
EA3	Executive of a regional agency – region 3				
EA10	Executive of a regional agency – region 10				
EA6	Executive of a regional agency – region 6				
EA9	Executive of a regional agency – region 9				
AA2	Advisor of a regional agency – region 2				
AA4	Advisor of a regional agency – region 4				
AA5	Advisor of a regional agency – region 5				
AA6	Advisor of a regional agency – region 6				
AA8	Advisor of a regional agency – region 8				
AA9	Advisor of a regional agency – region 9				
Total focus groups	19 participants (6 occupations)		19h of observations	8 sources (30 documents)	

Online appendix C: Uses of data sources

Source of data	Type of data	Analytical purpose
<p>Interviews 35 interviews with 29 actors representing about 28 hours</p>	<ul style="list-style-type: none"> - Semi-structured individual interviews (audio-recorded) with members of the two cooperatives - Semi-structured interviews (audio-recorded or notes) with CG Scop's regional members 	<ul style="list-style-type: none"> - Understanding the organizational context - Knowing the actors involved in the governance - Knowing the functioning, structures and organization of the governance system, as well as the governance practices - Understanding the opinions of the actors on the governance practices and functioning as well as their interactions - Triangulating information and facts
<p>Secondary data 90 documents in 28 sources</p>	<ul style="list-style-type: none"> - E-mails from members - Annual reports, financial statements - Communication documents and videos (e.g., video of the story of the firm; commercial videos) - Press articles on the story of the firms - Internal documents: organizational chart & statutes, welcome booklet, official report - Code of conduct for cooperatives - Power points presentation: presentations from CEO, the worker cooperatives movement, the workshop for on Software and Softwaste cases - Minutes of meetings with members of CG Scop - Websites of CG Scop; International Cooperative Alliance - Annual activity reports of CG Scop - Communication on takeover in a cooperative status (a website and a guide from CG Scop) 	<ul style="list-style-type: none"> - Understanding the organizational context - Knowing the French institutional context of cooperatives and cooperativization - Understanding the role of CG Scop in cooperativization development - Knowing the opinions of actors - Knowing the functioning, structures and organization of the governance - Understanding governance practices - Understanding the interactions between the governance actors and other actors (non-members employees and members of CG Scop) - Triangulating data and interpretations emerging from interviews
<p>Observation in feedback sessions and national workshop of the WCM 19 actors, about 20 hours</p>	<ul style="list-style-type: none"> - Field notes from formal meetings with CG Scop's members - Participation in a brainstorming session with CG Scop's members - Field notes from some of informal conversations with members of the two worker cooperatives and of CG Scop - Animation and participation of the workshop on Software and Softwaste cases - Field notes from informal conversation between participants of the workshop and from the restitution of the workshop in plenary session 	<ul style="list-style-type: none"> - Supporting, integration and triangulating insights and interpretations emerging from our interviews and secondary data - Comparison of the two cases studied with other cases known by members of CG Scop - Evaluating our results and analysis

Online appendix D: Supplementary coding illustrations

General assembly disempowerment	
Biasing members selection	
High cost for becoming a member	<i>My children are gone but honestly 6 months of salary for young employees with loans and personal life to build it is a lot of money!</i> [Angela- Manager/Director – Software] <i>There are two categories of workers here: members and non-members. Your chance to become a member is directly linked to your position and your salary</i> [Ibrahim - Employee/ Non-member Software]
Information and training programs on cooperatives target exclusively executive members	<i>We decided to follow trainings regarding worker cooperatives and governance issues only for executives. I do not think that other members are interested in these issues...</i> [Marc - CEO Sortwaste] <i>The creation of a cooperative was a fait accompli. We did not have any information before, and the project has been presented when it was nearly completed. Everything was fixed and decided in advance during the first general assembly... And when other colleagues discovered the project very few jumped on board</i> [Jacob – Employee/Non-member Sortwaste]
Socialization of newcomers focus exclusively on work tasks and organization	No mention of the cooperative governance in Sortwaste welcome booklet. [Research notes on the secondary documents linked to Sortwaste] <i>To be honest, I am one the last newcomers and it took me 6 months to discover that this firm is a cooperative. We don't have any information regarding this</i> [Stephan – Employee/ non-member Software]
Focusing discussion on business objectives	
Agendas of the general assembly focus on accounts and balance sheets	<i>The agenda of our general assemblies is always the same. We start with a presentation of the annual report then we have a presentation of our financial performances and balance sheets. Finally, there are some diverse issues.</i> [Marc– CEO Software] <i>We usually receive the agenda of the general assembly on week before: presentation of balance sheets and financial forecasting and to finish there are diverse issues.</i> [Tom - Employee /Member Sortwaste]
Discussions focus on commercial and financial results and their evolution	<i>During our general assemblies, we mainly talk about economic results and our commercial performance. We have detailed tables and figures of the last 12 months. [...] We can say that in our cooperative there is a transparency on economic aspects but for other aspects and issues, it is not the same story...</i> [Stephany – Employee/Member Sortwaste] <i>Discussions in general assemblies are mainly focused on commercial and financial results.</i> [Adam – Executive manager- Director Software]
Enforcing hierarchical differences between members	

Speeches of executives take 80% of the time of the general assembly	<i>The structure of the general assembly is 80% of information on our commercial and financial performance. The rest is dedicated to some general questions and believe me it is largely enough! [Marc CEO Software]</i> <i>The general assembly is primarily a time of information. We have much information given by the CEO. There are no surprises [Luke – Manager/Member Sortwaste]</i>
Cooperative members ask few questions on micro issue	<i>I tried to express some ideas, but I have to admit that I did not make any efforts [Stephany – Employee/Member Sortwaste]</i> <i>We have very few questions during our general assemblies... Last time they were few, mainly related to the location of the assistants. [Christopher- Manager/ Director Sortwaste]</i> <i>The main questions that we faced this year were related to our new website. It was really interesting to have feedbacks of our members, but you know nothing really happen during our general assemblies [Suzanne Executive Manager/Director Software]</i>
Overbearing attitudes of executives during General Assemblies	<i>It is not easy to take part of the discussion in general assembly. The attitude of the executives makes us feel a distance, a hierarchy between them and us [Tom – Employee/Member – Software]</i> <i>Stephany told me that she asked a question during her 1st General Assembly to better understand the presentation. The CEO explained to her that he wasn't going to go into the details of the calculations for her in a condescending tone. She did not appreciate this exchange. [Research notes from Sortwaste – Informal discussion with Stephany, Employee/Member, Sortwaste]</i>
Board of directors' neutralization	
Board rubber-stamping	
The CEO defines agendas of the board	<i>The agenda of the board of directors is fixed by the CEO. We usually receive one week before some documents regarding the different points we have to address. [Angela – Manager/Director Software]</i> <i>I define the agenda of the board meetings. This is my job. [Roger – CEO – Sortwaste]</i>
Asymmetry of information between executives and non-executive directors	<i>We are a small firm, and we have a lot of work. When we face important decisions, we have to take them quickly and that is the job of the CEO! But we also need to do things legally and this is why when it is needed, we organize a meeting of the board of directors, and we vote [Mathew – Executive Manager/ Director Sortwaste].</i> <i>We do not have debates and conversations regarding strategic issues. We face a major threat with our major customer, but we do not prepare the different options that we could implement if we lose it. I don't have any information and we should really work on that question [Raymond Manager/Director Sortwaste].</i>
Registration of decisions taken unilaterally by the executive committee before the board	<i>Here this like in some municipal councils: you vote what has been previously decided by executives. The board of directors is here for giving a legal status to decisions previously taken by the CEO [Angela – Manager/Member Software]</i> <i>A director told me that he had discovered during a board meeting that an important decision had been already taken without being informed. And obviously it was not an option to open a discussion. [Research notes from the National Workshop of the WCM- Executive of a regional agency – region 1]</i>
One-tier board structuring	

Appointment of a CEO	<p><i>The board of directors and the executive committee have more or less similar functions and that is normal to have in charge these two aspects [Marc - CEO Software].</i></p> <p><i>I advised them to elect the manager as president because it is the easiest and most efficient way to run the business. [Sam – Manager of the WCM regional agency of Software]</i></p>
Presence of all executive members in the board	<p><i>It is important to have all these competences in the board of directors. I can't imagine a board without the presence of the executives [Mathew – Executive Manager/Director Sortwaste]</i></p> <p><i>During the first general assembly, I was very clear on that point: everyone is welcomed in the cooperative, the cost of entry is 15000 euros, and the board of directors is composed of all the executives. I was not ambiguous [Marc CEO Software]</i></p> <p><i>I advised them to integrate all executives 'members in the board, because it is important to have the best managerial skills in the board. [Sam – Manager of the WCM regional agency of Software]</i></p>
Selection of directors exclusively among managers	<p><i>They deliberately decided to close the board to employees [Liza – Advisor of the WCM regional agency of Software]</i></p> <p><i>They have been self-elected. One day a simple worker asked to be a member of the board. They answered no. The explanation was: he does not have managerial experiences. [Tom – Employee / Member Sortwaste]</i></p>
Maintaining blurred roles	
Trainings on the role and responsibilities of directors target exclusively on executive members	<p><i>It is important to receive trainings regarding cooperatives but as you have seen, we are a small organization, and it is difficult to find available employees for that. Executives have been trained on these aspects and it is not so bad! [Marc-CEO Software].</i></p> <p><i>A training program related to governance issues could be very useful as I face a lot of questions regarding my mission and my contributions as a director. I am not sure that our board meetings are really productive [Eleonor Employee/ Director Sortwaste].</i></p>
Overbearing attitudes of executives during board	<p><i>We are three non-executives among the directors, and they made us understand that we must be in harmony. Now we tend to follow their decisions [Christopher – Manager/ Director Sortwaste]</i></p> <p><i>I had the opportunity to attend to an open board meeting. Some directors were here but they did not speak and rose their hands. Executives had the microphone. I had the feeling that they were afraid of talking [Mohamed – Manager / Member Software]</i></p>
Admonishments of non-executive directors outside the board regarding their questions and grievances	<p><i>I will not engage battles in the board of directors because I have a daily life in this organization. When you express too much in the Bord of Directors, you face daily critics and remarks... [Angela – Manager/Director Sortwaste]</i></p> <p><i>It is not only that criticism is not tolerated in board meetings, but it is also that it is sanctioned after the meetings! [Eleonor Employee/Director Sortwaste]</i></p>
Conversations on operational and secondary issues	<p><i>During the last meeting, I talked about safety equipment. I am sure that we can have better equipment at a lower price [Adam – Executive Manager/ Director Sortwaste]</i></p>

	<i>We talked about our welcome area at the entrance. We miss a sofa and the one we have is outdated. We do not give a good image to our visitors and that is important [Angela – Manager / Director Software]</i>
Executive committee entrenchment	
Maintaining centralized structures	
Maintaining centralization of decision process	<i>Executives have strong positions here even in the minds of employees. They take decisions and we follow [Raymond – Manager/Director Sortwaste]. Managers take decision for their team. Cooperative is not synonymous of anarchy. [Marc – CEO Software]</i>
Maintaining command and control managerial processes	<i>I am not comfortable with flat organizations. This management style does not suit our culture. We are engineers with a culture of planning and control [Marc - CEO Software] In everyday work, she [his manager] gives me instructions and control if it's conformed to her idea. I do not have any autonomy. She is always behind my back [Said – Employee/non-member]</i>
Implementing idiosyncratic strategies	
Orientation of investments toward issues and technologies known by executives	<i>When you are in the IT business, innovation is essential! Unfortunately, our executives are not sensitive to this issue. They are obsessed by commercial performance. [Raja – Manager/Member Software] Concerning our strategic orientations, I opened new business opportunities in the construction sector. I know this sector very well and I think we have great business opportunities [Roger – CEO Sortwaste]</i>
Controlling networks of supporters	
Interlocking of relationships with key stakeholders	<i>We decided to invest in the construction sector. I have excellent personal relationships with owners of important companies in this business. [Roger – CEO Sortwaste] For the moment no one knows this client. It is a personal relation of our CEO. He refuses to be accompanied during his meetings [Raja – Manager/member – Software]</i>
Maintenance of a group of internal supporters through promotions and recruitments	<i>Employees with a good experience have not been nominated in the board of directors. A guard of personal affiliates surrounds the CEO. [Luke – Manager/Member Sortwaste] The daughter of the CEO works here for three years. She is now an executive and we know what she will do when his father will retire.. [Christopher - Manager/Director Sortwaste].</i>

Online appendix E: Profit distribution among Software's members in 2011 and 2012

	Number of shares (31/12/12)	Capital owned in euros (31/12/12)	% CAP	Dividends 2011 in euros	Dividends 2012 in euros	Total dividends 2011 & 2012 in euros	Contribution 2011	Contribution 2012	Total contribution 2011 and 2012	Total dividends & contribution 2011/2012 in euros
Member 1	457	9,140	10,3%	3,691	7,591 €	11,282 €	2,954 €	3,043 €	5,997 €	17,279 €
Member 2	681	13,620	15,3%	5,582	11,311 €	16,893 €	4,452 €	5,623 €	10,075 €	26,968 €
Member 3	683	13,660	15,3%	5,571	11,345 €	16,915 €	4,452 €	6,669 €	11,121 €	28,036 €
Member 4	443	8,860	10,0%	3,545	7,358 €	10,903 €	3,011 €	4,031 €	7,042 €	17,945 €
Member 5	329	6,580	7,4%	2,611	5,465 €	8,076 €	2,263 €	3,016 €	5,279 €	13,354 €
Member 6	392	7,840	8,8%	3,185	6,511 €	9,696 €	2,777 €	3,612 €	6,390 €	16,086 €
Member 7	485	9,700	10,9%	3,950	8,056 €	12,006 €	3,592 €	4,747 €	8,339 €	20,345 €
Member 8	125	2,500	2,8%	405	2,076 €	2,481 €	2,258 €	2,985 €	5,243 €	7,725 €
Member 9	64	1,280	1,4%	203	1,063 €	1,266 €	1,071 €	1,426 €	2,497 €	3,762 €
Member 10	116	2,320	2,6%	371	1,927 €	2,298 €	2,028 €	2,647 €	4,674 €	6,972 €
Member 11	135	2 700	3,0%	439	2,242 €	2,681 €	2,631 €	3,459 €	6,090 €	8,771 €
Member 12	130	2,600	2,9%	416	2,159 €	2,576 €	2,305 €	2,909 €	5,214 €	7,790 €
Member 13	210	4,200	4,7%	1,666	3,488 €	5,154 €	1,425 €	1,894 €	3,319 €	8,473 €
Member 14	106	2,120	2,4%	338	1,761 €	2,098 €	1,771 €	2,338 €	4,109 €	6,207 €
Member 15	96	1,920	2,2%	304	1,595 €	1,898 €	1,591 €	2,109 €	3,700 €	5,599 €
Total	4,452	89,040	100%	32,276	73,948 €	106,223 €	38,584 €	50,505 €	89,089 €	195,312 €