

Instructor's manual

Chapter 8 – The rise and fall of industrial democracy: employee ownership and the business cycle

This chapter examines aspects of the employee ownership lifecycle, particularly what happens at the formation and decline phases. There are various theories relating to supposed weaknesses of employee-owned firms and these will be assessed with reference to empirical evidence. By the end of this chapter you will be able to:

- demonstrate understanding of the mechanisms and rationale of establishing employee-owned firms;
- analyse core concepts and theories relating to the demise of employee-owned companies;
- articulate how employee-owned firms experience the business cycle.

The key arguments that will be developed in this chapter are:

The rationale and mechanisms for establishing employee-owned companies differ depending on the form of employee ownership.

Employee-owned firms face specific problems at the formation stage compared with other forms of enterprise.

Employee-owned firms do not possess certain traits that make business failure inevitable.

Democratic structures and worker control do not necessarily diminish as a result of adopting more conventional organisational characteristics.



Chapter cases and seminar exercises

Case 8.1 Childbase

Case 8.2 Occupy, Resist, and Produce – the case of Argentinean worker co-operatives

Case 8.3 United Airlines

Case 8.4 Voestalpine AG

Case 8.5 Olympia Veneer co-operative

Additional Case 8.6 Converting to a co-operative business: lessons from Mondragon

Additional Case 8.7 National Freight Consortium

Summary of Learning

This chapter has argued that:

- The rationale and mechanisms for establishing employee-owned companies differ according to the form of employee ownership.
- The economic, social, and political environments are relevant to understanding the formation and decline of employee-owned companies.
- Employee-owned firms face specific problems at the formation stage compared with other forms of enterprise.
- Employee-owned firms do not possess certain traits that result in their inevitable failure as businesses.
- Democratic structures and worker control do not diminish as a result of adopting more conventional organisational characteristics.



Possible Essay/Discussion Questions

- Why are there so few employee-owned firms in the UK?
- What are the barriers to the formation of and conversion to employee ownership?
- Discuss the theoretical explanations for the small number of employee-owned firms?
- Are employee-owned firms destined to fail or degenerate into conventional companies?
- What factors are associated with the conversion of employee-owned firms into conventional companies?
- Do you agree with the theory that management and organisational issues supersede those of democracy and commitment to employee ownership?

Useful resources

Foundation for Enterprise Development

<http://www.fed.org/>.

Co-operative Business Consultants

<http://www.cbc.coop/>.

Co-operative Development Scotland

<http://www.cdscotland.co.uk/>.

Baxi Partnership

<http://www.baxipartnership.co.uk/>.

The Co-operative Enterprise Hub

<http://www.co-operative.coop/enterprisehub/>.

Ownership Associates

<http://www.ownershipassociates.com/index.shtm>.

Ohio Employee Ownership Center

<http://oeockent.org/index.php/component/content/article/136>.

