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No Heir apparent? Exploring the Worker Co-operative Model as a Solution to Family Business Continuity

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ABSTRACT

Family businesses, with no apparent heir, face the risk of discontinuity. While a number of family businesses rely heavily on non-family employees, the role of non-family employees in the continuity of family businesses is under-researched. The workers' co-operative model offers one way to address this gap as it represents a model whereby non-family employees gain a stake in ownership whilst the family remains involved. In practice, conversion to ensure continuity is actively promoted in a number of countries. In this paper, the authors explore the role of the workers' co-operative model as one possible solution to succession difficulties facing family firms. Based on the reported experiences in a number of countries, we identify the motivations behind conversion, the barriers faced and the benefits accruing. We find that, in theory, the worker co-operative model merits the attention of family business scholars as a means of securing continuity and survival of family business. We explore the factors that appear to aid or hinder successful conversions in practice and we make recommendations to policy-makers surrounding the supports required to encourage and facilitate successful conversion.

KEY-WORDS

WORKERS CO-OPERATIVE MODEL; FAMILY BUSINESSES; CONVERSION; CONTINUITY; SUCCESSION

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1. Introduction

This paper extends the dialogue on the applicability of co-operative research to family business research as introduced by Goel (2013) and expanded by Karhu (2015) and Goel and Roessl (2015) by proposing conversion to workers' co-operatives as one solution to the succession difficulties family businesses encounter. Family businesses are considered a most complex form of organisation (Birley and Muzyka, 2000), yet one of the most dominant worldwide (Astrachan and Shanker, 2003). Our starting point in exploring the workers' co-operative as a viable solution to succession for family businesses is the Irish context. Family businesses represent up to 90 per cent of the indigenous business sector in Ireland and provide around 50 per cent of employment (Birdthistle and Fleming, 2005). With almost two-thirds of Irish family businesses indicating they have no plans to pass the management of their business onto the next generation[1], the role of non-family employees in continuity of family businesses is a pertinent topic.

A "Family Firm Transfer" (FFT) initiative targeted at family owned businesses with a potential difficulty transferring the business to the next generation and devised to facilitate employee buy-outs was introduced in Ireland in the 1990s by the state-run Co-operative Development Unit (CDU)[2] (Carroll, 2005). The rationale behind the initiative was that the model could prove advantageous to non-family employees, as the family remained involved in the business post-transfer allowing non-family employees to retain and have access to idiosyncratic knowledge family members may possess. As the family members remain active in the business, they are motivated to transfer skills and tacit knowledge to non-family employees. Most importantly, jobs would be safeguarded. Advantages to non-family employees were seen to include improved income and status (Carroll, 2005).

The first family business converted to a workers' co-operative in 1996 with the assistance of the CDU. The policy initiative ceased to operate in the late 1990s. While it is unknown how many businesses continue to operate as workers' co-operatives, their experiences operating as co-operatives also remain under-researched. Our exploratory research aims to investigate the situation in Ireland and, drawing on good practice internationally, to better understand the enabling factors, barriers and benefits of conversion, particularly for family businesses that lack an heir. In asking the research question of how worker co-operatives can assist family businesses in continuity, we draw on the experiences of Irish family businesses who availed of the government initiative in the 1990s. We extend our investigation to include best practice from cases internationally (North America in particular), to make recommendations from both a theoretical and practice perspective on the potential viability of the workers' co-operative model as one potential solution to succession challenges facing family businesses.

This research makes three key contributions. Firstly, we address the gap in the family business literature on succession options for family firms by introducing the worker co-operative as one

[1] See http://www.pwc.ie/survey/2016-irish-family-business-survey.html

[2] A unit of FÁS, the then National Training and Employment Authority.

potential mechanism for continuity. As Belak, Duh and Milfelner (2012) point out; succession remains a key challenge for family business due to the limited solutions to succession difficulties. Secondly, we highlight the potential role of the workers' co-operative model as a mechanism for continuity, which does not garner much attention in the academic literature. Thirdly, we contribute significantly to practice by extrapolating the key benefits of transfer of ownership to a workers' co-operative model by highlighting experiences both nationally and internationally.

This paper is structured as follows: firstly, we review the literature on family businesses and workers' co-operatives. We then detail our methodological approach followed by the presentation of our key findings. After discussion of our key findings in the context of the available literature, we conclude by proposing suggestions for future research and practice and make recommendations for consideration by policy makers.

2. Workers' co-operatives and family businesses: A literature review

Workers' co-operatives and family businesses are both unique forms of organisation in terms of ownership structure and the principles upon which they operate. Both types of organisation are viewed as dominant economic forces (Goel, 2013). Co-operatives are defined as member-based organisations that are owned and controlled by their members who use their services and share in their benefits (Briscoe et al., 1981; Parnell, 1999; Jussila, Goel and Tuominen, 2012; Birchall, 2014). The focus of this paper is on the workers' or employee-owned co-operative model, which has achieved some attention as a possible solution to business succession problems (DEON[3], 2005; Hough, 2005; Artz and Kim, 2011; Messing, 2011; Nuttall, 2012; Abell, 2014; Berner et al., 2014; ILO, 2014; Lingane and Rieger, 2015), although predominantly in co-operative writings. According to Goel (2013), co-operatives are a dominant socio-economic organisational form globally. In Ireland, over 1,400 co-operatives serve three million members (Carroll, McCarthy and O'Shaughnessy, 2012).

A worker co-operative is owned and democratically controlled by the people who work in it. Worker-members enjoy control rights and return rights in the business (Ben-Ner and Jones, 1995) and therefore are the prime beneficiaries of the business, as is the family in a family firm. Worker co-operatives engage in participative decision-making and aim to create and maintain sustainable employment (Briscoe, Carroll and Hughes, 2005; ILO, 2014). They have diverse origins. Some have emerged as vehicles for job creation, takeovers or rescues, others as a response to social and ethical issues. In addition, there have been some notable examples of endowments whereby private business owners have converted their businesses into worker co-operative type structures (e.g., the Scott Bader Commonwealth, the John Lewis Partnership, Tullis Russell).

[3] Delivering Employee Ownership Network.

Family businesses are defined as "a business governed or managed by [a family] with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or number of families in a manner that is potentially sustainable across generations of the family/families" (Chua, Chrisman and Sharma, 1999: 25). Although no official statistics are complete enough to map the presence of family businesses throughout the world, many studies conducted in different countries have confirmed the weight these businesses carry in national economies (Astrachan and Shanker, 2003; Mandl, 2008). In the past, family businesses were often perceived negatively due to their family influence (Donnelly, 1964) and, if they were successful, it was concluded that such success was in spite of their family character (Mandl, 2008).

According to both family business scholars and practitioners, one of the major problems family businesses face is transfer of ownership with succession described as the biggest challenge facing family businesses (Brockhaus, 2004; Sharma, 2004). For family businesses encountering succession difficulties, the transfer of ownership to a co-operative of employees may be an attractive option (Lingane and Rieger, 2015). Briscoe, Carroll and Hughes (2005) posit that employees know the existing family business, have established relationships with customers and suppliers and are financially and emotionally motivated to continue the business. CECOP-CICOPA Europe[4] (2013) found that the transition to employee-ownership tends to be gradual, allowing the firm to preserve its history and identity. The International Labour Organization (ILO, 2014: 16) states that is it hoped that businesses choose to convert to the co-operative model "because it embodies a more socially responsible way of owning and managing an economic operation, a fairer way of taking decisions and of distributing the results". The significance of the co-operative model in family firm transfer is also noted by CECOP-CICOPA Europe (2014), which states that the co-operativisation of firms that would otherwise close down is particularly important in the current economic and social context, given the economic importance of family businesses. The practice of business transfers to employees, however, is described as heterogeneous, as some countries, including France, Italy and Spain, are more engaged than others (CECOP-CICOPA Europe, 2013).

While empirical research on family businesses converting to co-operatives is not in abundance, it is certainly not novel. However, most of the existing research tends to focus on co-operation between family firms rather than within family firms (Hatak and Hyslop, 2015). Goel (2013) considered how co-operative principles can be applied to family businesses and highlights overlap in the *raison-d'être* of family businesses and co-operatives. We will now detail these.

2.1 Principles of co-operatives

- Voluntary and Open Membership

While family business membership cannot be described as open and voluntary as in some cases family members do not have a choice regarding involvement (Murphy and Lambrechts, 2015), Goel

[4] The European Confederation of co-operatives active in industry and service (http://www.cecop.coop/).

(2013) claims that the spirit of open membership can be applied to family businesses as the willingness to accept responsibilities of membership is relevant to family members. In the family business literature, while varying levels of family involvement has caught the attention of scholars (Chrisman et al., 2012), the membership of non-family employees has not received the same attention. Due to their heterogeneous nature (Chua, et al., 2012), membership of family businesses by family members varies. Some family members are active members of both family and business systems, while others are not.

- Democratic Member Control

Like workers' co-operatives, family businesses may engage family members and staff in participative management practices, according to their culture (Gibb Dyer, 1986). Depending on which stage the family business has reached, the level of family influence can vary, impacting the extent to which they operate on the principle of democratic control. Goel (2013), however, asserts that this principle can be applied to family businesses and may encourage more democratic decision making in family businesses. As family businesses involve the overlapping of family and business systems (Lansberg, 1983), members of the family quite often influence the business, regardless of whether they are formally involved in the business.

- Member Economic Participation

The principle of member economic participation could ensure a fairer system in family businesses as it may provide more equitable guidelines for family participation. Heras-Saizabritoria (2014), in his qualitative study of the Mondragón workers' co-operative system in the Basque Region, Spain, highlights how, in theory, the principle of member participation signals that ownership and decision-making capacity are in the hands of the members. According to CECOP-CICOPA (2013), the fact that each member is a shareholder in the co-operative ensures that each member is responsible for the success or otherwise of the business and therefore non-family employees who become members become more motivated to grow the business. Like co-operatives, family businesses are autonomous organisations with ownership and decision-making concentrated in the family. Family businesses may benefit from a more engrained principle of economic participation as in some cases, compensation of family members may not equate to their level of participation (Lansberg, 1983; Gibb Dyer, 2006).

- Autonomy and Independence

Donnelly (1964) refers to the benefits of family interest in family businesses and claims that many family businesses have been built on the tradition of minimum dividend and personal sacrifice. Family businesses are known to take the longer-term view due to their emotional attachment to the business and their responsibility to their communities. This is in line with workers' co-operatives, which are thought to promote greater job security than other firms; they are more likely to reduce hours or wages than to lay-off employees (Craig, et al., 1995; Navarra and Tortia, 2014). Similarly, they share an interest in promoting intergenerational survival of the business (Artz and Kim, 2011).

- Education, Training and Information

Goel (2013) alludes to the principles of education and training as fitting the sub-system very well as the transfer of knowledge is extremely important and relevant to the development of the next generation. The principle of education and training is also relevant as many family businesses recognise the need to learn from one another (Howorth et al., 2010; Goel, 2013). However, Roessl (2005) claims that the sustainability of fundamental beliefs in family businesses, engrained in their culture, can act as a barrier to the principle of co-operation. We explore this further in our discussion section.

- Co-operation between Co-operatives

Goel (2013) asserts that family businesses recognise the importance of networking with one another and with research communities to facilitate learning between them.

- Concern for Community

The final principle of co-operatives is concern for the community. Family businesses also demonstrate a strong concern for community (Donnelly, 1964; Niehm, Swinney and Miller, 2008) as do co-operatives as community-based organisations.

While Goel (2013) asserts that many of the co-operative principles are implicit foundations of family businesses, there are a number of reasons family businesses may choose to convert to a workers' co-operative. These reasons, as well as the challenges to conversion, will be outlined next.

2.2 Motivation and challenges to conversion

Hough (2005) states that the motivation of the original owners in a conversion scenario includes the lack of a successor, their own and their family's long-term financial security, the desire to see the business continue successfully, the contribution of the business to the local community, the future security of long-term employees and a recognition of the role of employees in the success of the business. In their review of the motivations behind conversions to workers' co-operative in the United States, Artz and Kim (2011) found that non-employee potential buyers may be more interested in the customer list and the firm's assets than in continuity of the business.

While Goel (2013) focuses on the applicability of co-operative research on family business, other strands of literature aim at the practice and policy domains and examine the factors aiding or hindering successful conversions of family firms to employee-owned businesses (Yates, 2004; DEON, 2005; Hough, 2005; CECOP-CICOPA Europe, 2013; ILO, 2014) or successful workers' co-operatives more generally (Rothschild and Whitt, 1986; Sauser, 2009; Birchall, 2011) as summarised in Table 1.

2.3 Challenges facing the workers' co-operative model

We now discuss the challenges facing workers' co-operatives more generally, in order to provide a fuller picture of the potential of workers' co-operatives as a viable option for family firm continuity. Research demonstrating the perceived tensions and inefficiencies of workers' co-operatives has cast a long shadow. Explaining the scarcity of workers' co-operatives, Gunn (2006) cites the perception that investor-owned firms are more profitable and efficient, the difficulties of raising start-up capital, cultural inertia and the heavy support for existing forms of enterprise.

Dow (2003) argues that workers may simply prefer higher wages or a simpler life than the workers' co-operative model might offer. Kalmi (2007) finds that co-operatives in general are almost absent from modern economics textbooks. Artz and Kim (2011) argue that workers' co-operatives may not be so rare but rather difficult to identify. On the other hand, Birchall (2011: 174) argues that there has "been a disappointing lack of empirical evidence of success. If it were not for the concentrations of workers' co-operatives in North Italy and the Mondragón system in Spain, there would be few examples to cite". More recent research challenges earlier findings. For example, Pérotin (2015) produces some evidence that research which concludes that workers' co-operatives are rare, small, specialised and undercapitalised needs to be re-visited. Table 1 provides a summary of factors that facilitate and hamper conversion, as described in the literature.

Table 1. Factors that facilitate or hamper successful conversions from family firms to employee ownership

Facilitating Factors	Hampering Factors
Shared aims of owner and employees (Hough, 2005)	Complexity and difficulty of the conversion process (Hough, 2005)
Shared values of co-operation and solidarity, common foundational values; committment to participatory/ democratic practices (Sauser, 2009)	Timing of process (Hough, 2005)
Changing organisational culture (Birchall, 2011)	Challenge to build understanding, committment and solidarity (Hough, 2005)
Trust and confidence among owners and employees (Hough, 2005)	Lack of awareness of the co-operative option (DEON, 2005; Artz and Kim, 2011)
Belief and confidence in the business (Hough, 2005)	Lack of advice/guidance/support systems (DEON, 2005)
Financial strength/support (Yates, 2004; DEON, 2005)	Lack of appropriate finance (DEON, 2005)
Goodwill of various stakeholders (Hough, 2005)	Lack of data guiding policies (DEON, 2005)
Gradual transfer – early planning (Hough, 2005)	Managers may fear it (DEON, 2005)
	Unions rarely consider it (DEON, 2005)
Building understanding and good relations through the transition process (Hough, 2005)	Slow progress of democracy (Rothschild and Whitt, 1986)

Table 1. Continued

Facilitating Factors	Hampering Factors
Institutional supports - policies, legislation, intermediaries, services (Yates, 2004; DEON, 2005)	Selection-Person-Organisation fit, individual attributes and values (Rothschild and Whitt, 1986)
Existence of co-operative federations (CECOP-CICOPA Europe, 2013)	
Family remaining active following the conversion (Hough, 2005: DEON, 2005)	Fear of loss of autonomy by owner (Gomez-Mejia et al., 2007)
Other contextual factors	Other contextual factors

Despite a widespread co-operative movement in Ireland, there are only nineteen co-operatives that can be classified as workers' co-operatives (Gavin et al., 2014). Reasons for the scarcity of workers' co-operatives in Ireland include lack of familiarity with successful models (Carroll, 2005) and lack of understanding of the model in general (Forfás, 2007).

Countries where workers' co-operatives are more widespread and the practice of conversion to workers' co-operatives is more commonplace, are more likely to have an existing legal framework that promotes workers' co-operatives, federations of workers' co-operatives, and policy measures which facilitate transfers (CECOP-CICOPA Europe, 2013). For example, in 2014 alone, there were 40 transfers of healthy, privately-owned businesses to workers and 23 workers' buyouts of enterprises in crisis in France, preserving over 700 jobs (Cottereau, 2015). Dovgan and Terrasi (2015) reported 57 conversions in Italy between 2008 and 2015. In France and Italy, specific legislation exists which promotes and protects workers' co-operatives and also facilitates the conversion of privately owned businesses into workers' co-operatives. Funding and a wide range of soft supports including training and legal advice are also available through workers' co-operative umbrella bodies. Supports are also in evidence in the United States. For example, the Ohio Employee-Ownership Center is a state-supported service that promotes and supports the conversion of businesses to co-operatives. It offers a "Business Owner Succession Planning Program". The situation is Ireland is much different, with few workers' co-operatives in existence to serve as models for transfer of ownership. The next section will outline our methodological approach for this study.

3. Methodology

There are two parts to this research. Using a qualitative case study methodology, our research establishes the current status of a sample of the family firm transfers to co-operatives in Ireland as a result of the government initiative in Ireland in the 1990s. We then examine the experiences of a sample of family firm transfers to co-operatives outside of Ireland. Through the case studies, we explore the motivations behind conversion, the supports that were needed, the barriers that were

faced and the benefits and experiences that were realised. This enables the discussion of the factors that appear to aid or hinder successful conversions in practice.

For the Irish case studies, we used a list drawn up by Hughes (2000) of co-operatives which intended to convert and identified five which appeared to be still operating. We then contacted each firm and conducted telephone interviews with a senior staff member, founder of the business or member of the co-operative. We also interviewed the former CEO of the CDU, who drove the initiative, to gain his insights into the process of conversion, including motivations, difficulties experienced and expected benefits of conversion.

Of our sample of five family businesses from the 1990s (see Table 2 for a profile of firms researched), four completed the transformation to the workers' co-operative model. One of the businesses in our sample did not transfer as originally intended. Our analysis consisted of within case analysis and cross-case analysis (Yin, 2009) from which our themes, outlined in our findings section, emerged. For the non-Irish case studies, we relied on desk research, examining a selection of five cases of family firms which converted to workers' co-operatives for which secondary data was readily available (see Table 3 for a profile of firms researched). All cases were located in countries where policy and other support measures which facilitate conversion are currently in place.

4. Findings

4.1 The Family Firm Transfer initiative and the experiences of conversion in Ireland

Underpinning the Family Firm Transfer policy initiative was the belief that small and medium-sized enterprises in Ireland needed strengthening, including the need to ensure the continuity of family businesses at risk due to succession problems (Carroll, 2005). A strategy was devised to influence those referred to as the "port of first call". This acknowledged and built on the recognition that many prospective entrepreneurs receive business advice from professionals such as accountants, solicitors, bank managers and so on. The port of first call strategy aimed at familiarising these professionals with the concept of the workers' co-operative and persuading them that workers' co-operatives could help solve problems that businesses were grappling with. Much energy was expended in promoting the CDU model of workers' co-operatives as "solutions" by getting information published in trade journals, addressing Chambers of Commerce and similar bodies (Carroll, 2005).

The CEO of the CDU gave presentations throughout the country on the conversion model and wrote widely in the business media, inviting interested companies to contact him. Approximately 200 family firms made contact, although the vast majority did not pursue the model.

One key barrier identified by the CDU to employees taking over a business was the availability of finance. In order to counteract this barrier, the Family Firm Transfer model involved splitting the business into two parts—a holding company and a trading company. The main assets were

transferred to the holding company which continued to be owned and controlled by the family. The trading company was structured as a workers' co-operative with the workers or non-family employees owning at least 51 per cent and the family owning the remainder. Each working member (including the family and non-family employees or worker shareholders) would hold one voting share, ensuring the democratic control of the business. This meant that the non-family employees had to raise 51 per cent capital as opposed to 100 per cent (Hughes, 2000; Briscoe, Carroll and Hughes, 2005). However, there was flexibility in the model. For example, in the case of one firm, each member invested a relatively minor sum in the co-operative in the form of personal loans, with an acknowledgement that this was as much as the new members could afford to invest and becoming members on the basis of trust. The CDU provided a grant package which included a feasibility study grant, commercial aid grants in the form of co-operative management grants, a start-up grant, wage subsidies and training grants. The funding and support available from the CDU was conditional on potential co-operatives meeting certain criteria—the CDU "expected them (the beneficiaries) to have other funds" along with a "proper financial structure" and a "proper management structure" (Carroll, 2005: 71).

Having followed the process of splitting the business as outlined above, the co-operative members purchased the business through phased payments. The members could claim tax refunds in respect of their investment under a seed capital scheme for new businesses. In addition, they qualified for tax relief in respect of any borrowings. The former employees, now member owners, began a process of gaining management skills and bridging the competence gap between themselves and the former owner. Table 2 below provides details of the five sampled Irish case studies for this research.

As can be seen, there is no typical sector within which the various firms are operating. Almost all of the firms can be categorised as small, having less than 10 employees. None of the firms continue to operate as workers' co-operatives today although all, with the exception of White Light Automation, are owned by the employees who engaged in the original FFT. The key motivation of our sampled firms to transfer to a workers' co-operative model was continuity. While all businesses were family businesses, none of the businesses sampled had a successor in place. One participant from the P. Barry Ltd. case claimed the transfer "*worked brilliantly. It secured them [the employees] to stay in the company and it secured the business for Paddy [the owner] but also allowed him to step back*". A second motivation was economic in nature. While for some of the family businesses the lack of a successor was the key motivation, the offer of grants by the CDU also enhanced the opportunity for participants. For one participant, his business in the tourism industry was suffering and he perceived the financial support as central to the survival of the business. One participant, who was an employee of the family business who took it over, claimed that "*only for FÁS we wouldn't have taken it over and we wouldn't have had the financial backing to do it*". Experiences of the transfer model as described by participants are interpreted as mixed. One participant described his experience of the model as "not good" but related this to inadequacies in the way in which the transfer project was managed. This participant ended up closing down the co-operative after less than two years and

paying redundancy to employees due to the lack of supports, both financial and soft in nature. This will be detailed further in our section on barriers to the workers' co-operative model.

Table 2. Profiles of sampled Irish firms

Firm name	Year of conversion	Current status	Business Activity	No of employees
Halliday Coaches	N/A	Private Limited Company	Transport	3 full-time (family members) 6 part-time
Glencar Nucare Nursing Home	1997	Still in existence – no longer a workers' co-operative	Care for elderly	8+
Millstream	1999	Private Limited Company	Fish wholesaling & retailing	3
Timolin Pewter	1996	Still in existence – no longer a workers' co-operative	Design & production of pewter	6/7
White Light Automation (formerly P. Barry Ltd)	1997	Still in existence – no longer a workers' co-operative	Manufacturing/ engineering	30

Another participant from the P. Barry Ltd. case claimed the FFT model was "*a brilliant scheme at the time*". He describes the model as having a "*100 per cent success rate in our case*" and perceives it as a viable model for other businesses. While one family business owner wanted to transfer to the model, this did not work out as planned due to the failure to attract staff to the idea. However, this business owner states he would explore the option again if the opportunity arose, as he really believed in the benefits of the transfer process.

Sharing the business with the employees allowed one former owner to spend more of his time on marketing, for which he had a flair. Following conversion, the co-operative extended its premises and leased new machinery. It diversified into a number of areas, including expansion of exports, and developed a number of patents. The CDU staff were reported as being extremely attentive to the business. This support was seen as crucial to success (Carroll, 2005).

Several barriers to the success of the workers' co-operative model transitions were highlighted by participants. One of the key barriers to success appears to be the difficulties in attracting like-minded employees. As one participant pointed out, it depends on individuals. Some employees just wanted their wages and not the additional ownership responsibilities. The owner of Halliday Coaches, which did not transfer to the model due to a lack of what he considered like-minded people in his organisation, stated, "*it all depends on the people involved and their motivation and frame of mind*". One participant claimed that one of the key factors in their success was "*the right combination of people".*

A second barrier referred to by participants was lack of supports—both hard and soft. While the owner of Halliday Coaches would consider the workers' co-operative model once again if a similar scheme was initiated, he stated "*the idea of the workers' co-operative is great but the time and motivation put in at the time was worn down by the hurdles*". The key hurdles referred to were economic and softer supports such as training and awareness of the responsibilities of employees in a workers' co-operative. One participant claims that he was not provided with the necessary supports and neither were the workers. While the owner of Timolin Pewter had business experience, the employees did not. The owner highlighted that while he needed support during the change to the workers' co-operative, the employees needed "*both hands held and courses in confidence*".

The former CEO of the CDU pointed to the broader culture in Ireland around co-operatives as having been a severely limiting factor in the 1990s. He asserted that, "*co-operatives were often thought of in terms of failure rather than success and the model was seen as having 'too many chiefs and not enough Indians'. Furthermore, solicitors and accountants, who could encourage and enable conversion, were not interested in or knowledgeable about the co-operative model*". He also noted that the process of conversion tended to "*slow the business down*" as it adjusted to new structures and processes, although the business would take off once the adjustment had been made. As we have already seen, there are few workers' co-operatives in Ireland to share experiences and no hard or soft supports to assist the formation of new workers' co-operatives.

4.2 The experiences of conversion outside Ireland

As discussed earlier, a number of countries have specific policy, legislative, funding and other support measures in place to encourage and enable the conversion of private businesses to workers' co-operatives, unlike Ireland. France, Italy and Spain have already been highlighted above but other countries include Mexico, parts of Canada, Argentina and Bolivia. International experience suggests that cases of owner retirement, where the owner has no successor, are among the easiest for conversion to a workers' co-operative in an ordered and organised way as there is more time to plan (ILO, 2014). This is described as a "proactive scenario" where both the business owner and the workers are willing to engage proactively in a conversion process (ILO, 2014). For consistency with the Irish cases, the non-Irish cases chosen for this study present examples of firms where the owner was retiring or selling/closing the business (rather than cases where the firm was in crisis or bankrupt). Table 3 provides details of our sampled cases outside of Ireland.

The chosen firms are all organised as workers' co-operatives except for Barnard & Westwood which uses an Employee Benefit Trust (EBT) model whereby shares are held in a trust on behalf of the employees of the business. The firms are engaged in a wide variety of activities. All firms are small with fewer than 50 worker-owners and represent a mix of recent and not so recent conversions.

Conversion to workers' co-operatives was motivated by a number of factors including a desire by the owners to promote the co-operative idea and to reward employees for their loyalty to the business. In the case of Rock City Coffee, motivations for the conversion were securing the owner's

financial security, survival of the business in the community and keeping the business in the hands of the employees who had contributed to its success (Tianga, 2016). The former owner took the position that "employees were family" (Tianga, 2016). There were similar motivations in the case of Select Machine, the heirs of the owners of which were not interested in taking over the business (Lingane and Rieger, 2015). For Bernard & Westwood, the former owners were inspired by the success of other conversions to employee-ownership in the United Kingdom such as the John Lewis Partnership. They saw the model as being more resilient, with more engaged workers and one which took a longer-term view of the business[5]. The former owners of Island Employee Cooperative believed selling to a corporate buyer "would result in large job losses" and they "wanted to leave a legacy" (Tianga, 2016: 5).

Table 3: Profile of the sampled firms outside Ireland

Firm name	Year of conversion	Current status	Business Activity	No of employees
Barnard & Westwood (UK)	2015	Employee Benefit Trust	Fine printing and bookbinding	20
Island Employee Cooperative (US)	2013/4	Workers' co-operative	Grocery/hardware/ pharmacy	40+
Rock City Coffee (US)	2016/2017	Workers' co-operative	Roastery/Café	10+
Select Machine (US)	2006	Workers' co-operative	Machine equipment	10
Yellowknife Glass Recyclers Co-operative (Canada)	2006	Workers' co-operative	Recycling	6

Sources: CoopZone (2015); Lingane and Rieger (2015); Tianga, 2016; Canadian Worker Co-op Federation (http://canadianworker.coop/); Employee Ownership Association (http://employeeownership.co.uk), Barnard & Westwood (http://barnardandwestwood.com).

The former owners of Bernard & Westwood found that the new structure allowed them to continue their involvement in the business, to protect employees and to protect the brand[6]. The "loyalty and historical knowledge of the business" by employees was retained in Island Employee Co-operative (Tianga, 2016: 6). The former owners of Bernard & Westwood thought that the employee-owned model might be particularly suited to niche businesses.

In several cases, the continued involvement of the previous owner/family was seen as an advantage to the continued success of the business. It would seem that the conversion process itself does not take that long (four months to a year) but that starting the process in good time is helpful. For

[5] See http://barnardandwestwood.com

[6] See http://barnardandwestwood.com

Select Machine, the continued involvement of the former owners enabled the workers' co-operative to benefit from their knowledge and expertise as well as to access loans, which were personally guaranteed by the former owners (Lingane and Rieger, 2015). The continued involvement of the former owner as general manager in Yellowknife Glass Recyclers Co-operative has helped to ensure continuity (CoopZone, 2015).

Dedicated supports played their part in several of the conversions. For example, the Co-operative Development Institute (CDI), Maine supported both Rock City Coffee and Island Employee Cooperative with regard to initial information, financial advice and gaining access to workforce development grants/training programmes. Grant aid from the "Cooperators' Co-operative Development Programme" and additional informal support and advice were crucial for Yellowknife Glass Recyclers Co-operative (CoopZone, 2015). The involvement of the Ohio Employee Ownership Center (OEOC) in supporting Select Machine's conversion "points to the critical role that expert advisors so often play in helping worker ownership transitions reach completion" (Lingane and Rieger, 2015: 46).

One of the main challenges seen across the sampled cases was confusion or uncertainty about the structures and decision-making process of the converted business, with time being needed for the workers to adjust to being owners. For Yellowknife Glass Recyclers Co-operative, the members are reported to be adjusting to a more collective style of decision-making to which they have not been accustomed (CoopZone, 2015). Similarly, in the case of Rock City Coffee, the owner felt that the employees needed help, training and support in learning and adjusting to running the business. As important, and quite time intensive, may be changing the organisational culture from hierarchical to an ownership culture (Tianga, 2016).

5. Discussion

Our research sought to address how the workers' co-operative model can assist family businesses in achieving succession. Our findings have demonstrated that conversion can ensure the continuation of family businesses in the hands of the workers. Internationally, there are many examples of lasting conversions. In Ireland, conversion has worked well to ensure that the family businesses survived over time although none of the businesses that completed the transfer continues to operate as workers' co-operatives (at least in legal structure). We can put forward a number of explanations for this. Sauser (2009) argues that a set of explicitly adopted common foundational values is necessary for sustaining employee-owned businesses. These include solidarity among workers and commitment to fostering democracy. Linked to this is the owner's personal values including the value they place on the potential role of employees in co-ownership. The motivation of workers to transfer to an employee-owned model may be problematic in this regard. Birchall (2011: 174) argues that it may require a "profound cultural adjustment on the part of workers" to get involved in workers' co-operatives. As evidenced by the findings, in an Irish context both

owners and employees are unlikely to be familiar with the concept of workers' co-operatives (in contrast to the UK case) and unlikely to have experience in participative decision-making in the workplace. Even in countries where there are far higher levels of support for and knowledge of the concept, employees may not quite understand the model and their role within it or may experience difficulties in adjusting from employee to owner, as was evidenced in some of the non-Irish cases. Hough (2005) argues that confidence and belief in the future of the business by the workers, and in their own ability to contribute to that success, is key to a successful transition. CoopZone (2015: 3) argues for more member education in one of our cases "to ensure that there is clarity over the different roles within the co-op".

In their study of success factors and lessons from workers' co-operatives movements in Italy, Spain and France, Corcoran and Wilson (2010) found that supportive technical assistance was provided to co-operatives in the start-up phase, either by government or by other worker co-operatives. CECOP-CICOPA Europe (2014) calls for direct financial mechanisms and training in co-operative management to be made available by the EU institutions and member states to enable business transfers to employees, particularly for businesses with no successor. Favourable fiscal policy and training for professionals such as accountants and lawyers who assist in the transfers, are also essential (CECOP-CICOPA Europe, 2014; Lingane and Rieger, 2015).

Spear and Thomas (1997) argue that the range, level, form and locus of support required for workers' co-operatives should differ to take into account different types, formation processes and strategies of co-operatives. This research supports that idea, as the Irish cases showed a lack of soft supports provided by the CDU, which might have enhanced the transfer process. Furthermore, specific skills and considerations are needed for guiding employee buy-outs. Spear and Thomas (1997) argue that state administration of supports may sometimes be inappropriate where novel policy initiatives administered through traditional (bureaucratic) procedures lead to short-term commitments and small amounts of resources allotted. Carroll (2005) highlighted similar possible deficiencies in the Irish FFT model. While generous grants were on offer, there was less time devoted to educating the participants on the co-operative approach and only one CDU staff member had co-operative experience. While finance was identified as a key barrier in business succession, the Irish FFT model was useful as it took into account employees' potential lack of resources, allowing them to make a relatively small initial investment (facilitated by trust among relevant actors) via phased payments and recognised the need for a smooth mechanism for the buy-out (Carroll, 2005). The fact that this smooth transition did not always happen does not mean that the model is not of value. Our research highlights the benefits of financial assistance for firms wishing to convert but also highlights the necessity for and value of soft supports such as information, shared experiences and awareness. None of our Irish cases currently operates as a workers' co-operative. While our research demonstrates the benefits of the model, it also suggests that the lack of soft supports available during the post conversion process impacted the number of businesses which continued as workers' co-operatives.

This is an area which needs to be addressed in Ireland if the workers' co-operative model is to be seen as a potential solution for family firm survival. Since the closure of the CDU in 2002, there is little information, support or representation for workers' co-operatives in Ireland (Gavin et al., 2014). This, along with the need to educate potential new members on the model, puts an unfair burden on the members of new workers' co-operatives relative to other business structures (Gavin et al., 2014). Furthermore, the small size of many family businesses can make it difficult for them to reach the required number of minimum members (seven) in a co-operative under Irish legislation. This needs consideration. The former CEO of the CDU asserted that the use of the term "workers' co-operative" was and will continue to be problematic. He recommended that any future initiatives aimed at assisting family firms in a conversion process would adopt the terms "employee participation" or "employee ownership" as these are better understood and more acceptable in modern times. This is in line with Birchall (2011) who advocates the term "employee-owned business".

It follows that introducing the concept of family firm transfer to employee-ownership, in a context where there are few successful workers' co-operatives already in existence, is problematic. Supportive environments are more prevalent in other countries where political advocacy, education of owners and employees, technical assistance and dissemination of information about the model are far more commonplace (Tianga, 2016). Some US states, including Iowa and New York City have tax incentives that support conversions. Dedicated support organisations, such as the CDI in Maine and the OEOC in Ohio, provide employees with information on the option of employee ownership (as recommended by Nuttall, 2012), as well as financial advice and help.

In addition to the lack of experience of non–family employees in participative decision making, family business owners may not be willing to relinquish control over the business. While in theory, the idea of passing the business to employees via the FFT model may be attractive, in practice, family business owners may equate the relinquishing of control and influence with a loss of socioemotional wealth, defined as "the non-financial aspects of the firm that meets the family's affective needs such as identity, the ability to exercise family influence and the perpetuation of the family dynasty" (Gomez-Mejia et al., 2007: 106). Gomez-Mejia et al. (2007), in their study of 1,237 family-owned olive oil firms, found loss of autonomy to be one of the reasons a family business would not join a producer co-operative. While the financial benefits of joining were detailed, including tax benefits and government subsidies, guaranteed prices and economies of scale, it was found that family-controlled firms may associate the decision to become a member of a co-operative with a loss of family control and socioemotional wealth. This was evidenced in some of our Irish cases where participants claimed the move required "like-minded people", which was identified as a barrier to successful transfer. While non-family employees may have been financially motivated, they may not have possessed the same emotional attachment to the business to drive it forward. Commitment has been identified by Hough (2005) as being key to successful transfer, as are open and trusting relations between the owner, employees and management.

The *Nuttall Review of Employee Ownership* (2012) conducted in the United Kingdom recommends that information be made available to employees to allow for consideration of employee buy-outs as an option. Hough (2005) argues that a well thought-out development and

implementation plan is required for the successful transition of firms to a workers' co-operative model. Workers' co-operatives are not homogenous, with some embracing ideas of collective ownership and others being more pragmatically focused. As family businesses are heterogeneous and may have family-centred non-economic goals (Chrisman et al., 2012), their behaviour may be influenced by these goals. Rothschild and Whitt (1986) found that the constraints on democratically controlled workplaces primarily relate to the time needed to learn the process of democratic decision-making, the emotional intensity involved in such workplaces and non-democratic habits and values. Job and family business retention are good reasons for government to make family business conversions to workers' co-operatives (or employee-owned businesses) more attractive in the case where the business is economically viable. Advisory support and education on co-operatives must be included.

6. Conclusions and future research

This research aimed to explore how the workers' co-operative model can assist family businesses in continuity. While we conclude that the workers' co-operative model may be an attractive solution for family businesses because it has worked well in some countries, we realise that given the lack of familiarity with the model in the Irish context, a number of challenges need to be addressed. Family business retention is an on-going challenge. The potential for workers' co-operatives as a solution to family business succession should not be overstated given the difficulties that workers' co-operatives traditionally face. While none of the businesses that transferred in Ireland continue to operate as workers' co-operatives, we conclude that the workers' co-operative, as a vehicle for resolving succession problems in family firms in Ireland, is worthy of further exploration. Given the right supports and more widespread information, the workers' co-operative model can continue to be a model for consideration by family businesses.

Underscoring the analysis is a lack of data both on the success/failure of workers' co-operatives in general and specifically on family business succession. Future research should consider ways in which to highlight the role of workers' co-operatives for business continuity, which may be particularly attractive to family businesses. While family business may not wish to risk a loss of their socioemotional wealth, the role the family can continue to play in the workers' co-operative, which can preserve socioemotional wealth, needs to be researched further.

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