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**Global value chains and the labour process in South African textile cooperatives: workplace democracy and gender (in)equality**

**By**

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# Abstract

Worker cooperatives are widely recognised as a promising device for the facilitation of workplace democracy and the promotion of gender equality. However, cooperatives can face the challenge of being socially progressive organisations embedded within capitalist economies, making them vulnerable to influences from the market and the supply chain. Further, the recent rise of global value chains has seemingly intensified commercial and competitive pressures on worker owned firms. This study addresses these concerns by exploring the extent to which South African worker cooperatives promote workplace democracy and gender equality, examining GVCs and worker cooperatives, the impact of emerging market institutions, the implications of a fragmented and gendered labour process, and the increased disintegration of work across supply networks.

Findings reveal that the worker-cooperatives had integrated into hybridised networks, comprising a social enterprise and several worker-owned organisations, in response to economic challenges previously inhibiting their access to global value chains. In terms of the labour process, the female-owned cooperatives were responsible for the lowest value aspects of production, with higher value activities retained by the social enterprise. As a result, female workers were forced to endure insecure jobs with limited social protection, while male production workers in the social enterprise experienced much better terms of employment. At the same time, the social enterprise was able to dictate decisions to the worker cooperatives, thereby undermining mechanisms of workplace democracy and undermining the influence of (female) production workers. Therefore, the main contribution of this study is to bring together new institutional theory, GVC analysis and gender in the workplace. It reveals how social enterprises can use their position in a GVC to dictate the labour process in worker cooperatives, fragmenting the gendered labour process and fracturing labour power at the point of production. It also highlights how social enterprises can cause non-congruent isomorphism, emboldening neoliberal assumptions relating to governance and management in worker cooperatives. Ultimately, the overall outcome was social downgrading in the form of limited workplace democracy and gender inequality.

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# Glossary of acronyms

|  |  |
| --- | --- |
| B2B | Business-to-business (used by the focal firms to delineate products sold to business customers) |
| B2C | Business-to-customer (acronym used by the focal firms to delineate products sold to individual consumers - i.e. retail) |
| BBBEE | Broad-Based Black Economic Empowerment - a form of affirmative action intended to redress historical inequalities in South Africa by granting some economic privileges to previously marginalised groups |
| BSC | Balanced scorecard |
| FT | Fairtrade |
| FTO | Fairtrade organisation |
| GVC | Global value chain |
| ILO | International Labour Organisation |
| INGO | International non-governmental organisation |
| LDR | Large domestic retailer |
| LPT | Labour process theory |
| MOM | Monthly operations meeting |
| NIS | New institutional theory |
| NGO | Non-governmental organisation (or a charity) |
| NPO | Non-profit organisation - the term for a registered charity under South African law. |
| Social enterprise | ‘The social enterprise’ refers to the collective management of two separate organisational entities, one of which was a private enterprise (TM Promotions) and the other, a charity (TM NGO). |
| SCM | Supply chain management |
| SLA | Service-level agreement |
| TM Cooperative | A pseudonym for the cooperative organisations in the case study (different cooperatives are denoted by the suffix A-F). |
| TM NGO | A pseudonym for the case NGO – one of two constituents of the ‘social enterprise’ |
| TM Promotions | A pseudonym for one of the organisations in this study – a privately owned company and one of two constituents of the ‘social enterprise’. |
| TM Group | A collective pseudonym for the group that includes TM Promotions, TM NGO and TM Cooperatives |
| WFTO | World Fairtrade Organisation (an accreditation body) |
| WLB | Work-life balance |
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# Chapter 1

# Introduction

## 1.1 Overview

Across the world more jobs are provided by worker cooperatives than multinational companies (ILO, [2012](http://www.ilo.org/wcmsp5/groups/public/@ed_emp/@emp_ent/documents/publication/wcms_101313.pdf)). Recent research suggests that worker-owned firms are as efficient and productive as other forms of enterprise (Kruse et al, 2010), and they often pay higher wages and offer better working conditions (Dobrusin, 2013). It is for these reasons that worker ownership is recognised as a ‘promising device’ for institutionalising workplace democracy (Paton, 1989; Kandathil and Varman, 2007), promoting 'decent work' (ILO, 2016a), and contributing to gender equality (Jones et al, 2012; ILO, 2015a). However, a wide body of literature reminds us that worker cooperatives are vulnerable to the pressures of capitalist markets, which means that they are regularly faced with a dilemma about whether to prioritise their commercial or socially progressive aims (Egan, 1990; Bager, 1994).

Gender equality (‘equality of the sexes’) was a founding principle of the cooperative movement (Rochdale Pioneers, 1893). It is also an issue that has particular relevance in South Africa where constitutional changes at the end of the Apartheid era have placed institutional pressures on firms to promote gender equality in the workplace, and cooperatives have been given a central role. Although gender relations in worker cooperatives are under-studied in the cooperative literature, it has been suggested that cooperatives tend to reflect the gendered division of labour of the industry, whilst relying on unpaid reproductive work to underpin the means of production (Hacker and Elcorobairutia, 1988). Meanwhile, gender relations in worker cooperatives can undermine mechanisms of workplace democracy by limiting the access of female workers to democratic governance processes (Croll, 1982; Swafford, 1978).

Workplace democracy was also a founding principle of the cooperative movement that emerged in the 19th century (Rochdale Pioneers, 1888) and remains closely associated with the practice of modern worker cooperatives (ILO, 2016). Debates about the emancipatory potential of workplace cooperation in the labour process are longstanding (see Marx, 1864; Webb and Webb, 1920) and, for many scholars, worker cooperatives embody a form of resistance within the history of class struggle (Egan, 1990; Atzeni and Ghigliani, 2007). Nevertheless, it has also been recognised for some time that cooperatives are vulnerable to capitalist imperatives, and more recently neoliberal economic policies. Erasti (2013), for example, articulates a widely held view in contemporary employment relations that worker cooperatives are no more than temporary distractions from class struggle that will ultimately succumb (or ‘degenerate’) to capitalist imperatives (see also Webb and Webb, 1920). More recently, the diffusion of neoliberal economic and social policy has arguably intensified these counter pressures, subjecting cooperatives to pressures that are non-congruent with their socially progressive aims (Bager, 1994). Subsumed within the neoliberal agenda is a belief that organisational democracy can and should be leveraged to extract greater levels of productivity from workers. This view, known as the business case’, has been responsible for the widespread adoption of ‘employee participation’ programmes that claim to ‘involve’ workers in decisions about production without giving up significant managerial authority (Egan, 1990; Marchington, 1995). Meanwhile, debates about the emancipatory value of workplace democracy, and the benefits of workplace cooperation have been side-tracked (Johnson, 2006).

In view of these counter pressures, worker cooperatives have tended to use governance arrangements to promote, preserve and protect workplace democracy (Cornforth et al, 1988). In an ‘ideal-type’ worker cooperative, workers control the means of production through democratic processes (e.g. one-person, one-vote ballots) (Burrows, 2008; Jossa, 2014; Wuisman and Mannan, 2016). In practice, however, the governance arrangements of many larger worker cooperatives can reflect a compromise in relation to their democratic ideals (Jossa, 2005; Bretos et al, 2016). Many cooperatives have limited the extent of worker involvement in decision-making in favour of representative forms of democracy that offer greater ‘efficiency’ and ‘continuity’ (Chaddad and Iliopoulos, 2013), including elected management committees or the employment of specialist managers on an indefinite basis (Spear, [2004](https://www.researchgate.net/profile/Roger_Spear/publication/4751025_Governance_in_Democratic_Member-Based_Organisations/links/0c96051b5b23332ee9000000.pdf); Storey et al, [2014](http://journals.sagepub.com/doi/abs/10.1177/1350508414537624)). Meanwhile, a wide body of literature reminds us that workplace democracy is, in fact, an ideal, with some cooperatives falling well short. Cooperatives can be characterised by managerial appropriation by a select group (Spear, 2004), informal institutions that inhibit some groups from participating in decisions (Cathcart, 2013), and ineffective information-sharing processes (Kandathil and Varman, 2007; Lima, 2008), which can all contribute toward weakened democratic systems in worker owned firms. The existing literature does, however, have a Western bias. Therefore, the study of workplace democracy warrants investigation in an emerging market context where worker cooperatives are regularly integrated into economic and social policies, and local cultural norms might reflect the communitarian values of cooperatives.

In order to better explain the tensions faced by worker cooperatives with regard to worker democracy and gender, this study draws on new institutional sociology (Di Maggio and Powell, 1983; Scott, 2001), GVC analysis (Gereffi et al, 2006; Newsome et al, 2015) and labour process theory (Freidman, 1977; Thompson and Smith, 2010). In relation to NIS, Bager’s (1994) concept of congruent and non-congruent isomorphism is used to assess the exposure of cooperatives to value systems (e.g. neoliberalism) that are incompatible with the socially progressive aims of the cooperative movement. The bringing together of these three theoretical approaches provides a useful lens for understanding the dynamics within cooperatives that are situated within global value chains. This study draws on data from a group of worker cooperatives located within an emerging market economy, and embedded within a global supply chain. Findings reveal that the worker-cooperatives had integrated into supply networks, comprising worker- and privately-owned organisations, in response to economic challenges previously inhibiting their access to global value chains. Economic upgrading occurred to some extent in the form of increased female ownership of the means of production and through their ability to access to a GVC. However, the employment status of (female) cooperative workers placed them in insecure jobs with limited social protection, while male production workers involved in other parts of the production process were granted greater security and more pay. Meanwhile, the inter-organisational governance structures of the supply chain enabled managers to influence the labour process in the cooperatives, having the effect of undermining mechanisms of workplace democracy.

## 1.2 Research aim and objectives

The principle aim of the study is to explore the factors affecting workplace democracy and gender equality in an emerging market economy, using the theoretical lenses of New Institutionalism, Global Value Chain analysis and Labour Process Theory. This broad aim is further broken down into the following objectives:

* To understand how congruent or non-congruent isomorphism within emerging markets plays out through GVCs
* To explore how the labour process in cooperatives is influenced by the configuration of the GVC
* To critically evaluate how the labour process within cooperatives influences social upgrading and/or downgrading in terms of worker democracy and gender relations
* To critically assess the impact of emerging market institutions on worker democracy and gender (in)equality

In addition to the above objectives, I will also reflect on the transferability of this study’s findings to other social contexts and consider the implications for practitioners, government ministries, trade unionists and NGOs. It is also worth noting that this research was undertaken as an ESRC-funded PhD thesis as part of a mixed-method project (SCA-Emp) with a broader aim: to explore the present role and future potential of supply chain accounting in monitoring and promoting better labour standards within the automotive and textile sectors in Brazil and South Africa. The broader project consists of a survey of businesses in Brazil and South Africa, as well as in-depth case studies in each country. This study focuses on one supply chain in the textiles industry and is the only study to include cooperatives.

## 1.3 Research methodology

A case study was used in order to conduct in-depth qualitative research of a global supply chain. The research was based on interpretivist philosophical assumptions, underpinned an inductive research design. During the early stages of the research, a review of the literature was carried out and 'sensitising concepts' were developed that steered the process of data gathering (Blumer, 1954). The methodology chapter provides more details about how these sensitising concepts were developed.

One of the intentions of this study was to explore inter-subjective decision-making processes of managers in order to investigate the factors that influenced the intra- and inter-organisational governance of the constituents of the supply chain. A further objective was to explore the factors that affected workplace democracy within this setting. As such, it was necessary to examine the behaviour and processes of managers and workers, which were assumed to vary according to the social and cultural context in which the study took place (Gill and Johnson, 2010). In order to achieve its objectives, the study needed to access the inter-subjective realities of social actors, which meant that the use of the case study method was ideally suited (Cassell and Symon, 2004). Accordingly, the study identified a supply network that included a group of worker cooperatives based in the South African textiles industry. After building relationships with the cooperatives' customer, I was able to gain access to the cooperatives and other supply chain partners. In addition, the research also included representatives from government bodies and other institutions that provided support to the cooperatives.

Semi-structured interviews provided the bulk of data; however, this was supplemented by documentary analysis of company policies, minutes of meetings and PowerPoint presentations, and by a reflective journal that I produced during the fieldwork. As Anderson (2004) points out, qualitative data collection can generate a large amount of data so data analysis began during the process of data collection and continued for some time afterwards. Data analysis was carried out using Nvivo software, which facilitated the development of a coding framework that helped to organise the data.

## 1.4 Key contributions

The main contribution of this thesis is to bring together New Institutional Sociology (NIS), GVC analysis and gender in the workplace. The study reveals how social enterprises can mediate interactions between worker cooperatives and external institutions, shape the configuration of local supply networks in GVCs, and dictate the labour process. The positioning of the cooperative within a GVC, a process of outsourcing that further fragmented the (gendered) labour process, and the presence of institutions that undermined cooperative identity (Bager, 1994) led to social downgrading in the form of illusory workplace democracy and gender inequality.

The worker cooperatives’ position within the GVC mean that they were dependent on a social enterprise. This study’s findings show how the social enterprise was integral to the economic survival of the worker cooperatives and their participation in a GVC since it acted as an intermediary between them and major domestic and international customers (e.g. economic upgrading). However, access to the GVC was made possible through the creation of an outsourced network of worker cooperatives that were responsible for undertaking the lowest value-added tasks. This meant that the aspect of the production process with the highest concentration of female workers was stripped out of the classical factory model, fragmenting the gendered labour process and creating a new tier of the supply chain with seemingly high levels of female business ownership.

This approach to outsourcing had important implications for the labour process in the cooperatives. Rather than outsourcing production to a single cooperative, the social enterprise created a ‘network’ of cooperative suppliers, thereby pitting cooperative against cooperative and fracturing (female) labour power at the point of production. Social enterprise managers also used inter-organisational managerial controls to spur competition between cooperatives, sanction underperforming cooperatives by expelling them from the network, and focus the attention of cooperative workers on productivity concerns. In other words, the presence of the social enterprise created dependent cooperatives, undermining the cooperatives’ autonomy by intervening in decision-making processes and limiting the scope of worker influence.

The dependency of the cooperatives on the social enterprise also exposed them to neoliberal institutions about what constitutes ‘good governance’ in manufacturing businesses (Bager, 1994). This had the effect of causing the cooperatives to adopt formal governance arrangements that undermined workplace democracy, emboldening managerial authority and inhibiting mechanisms of worker participation. In other words, the findings identified the presence of pernicious institutions that caused the cooperatives to adopt governance practices that undermined cooperative identity. This undermining included the social enterprise interpreting cooperative legislation in a way that implied term limits for cooperative directors were discretionary rather than mandatory, whilst also reinforcing industry norms regarding the need for autocratic management and direct supervision. Ultimately, this meant that substantive mechanisms of worker participation were absent from the worker cooperatives, with limited scope of worker influence over what work was done, and how it was done.

In relation to social up- and downgrading, the fragmentation of the labour process had different implications for male and female production workers (Kucera & Tejani, 2014). Female workers in the cooperatives were forced to endure insecure terms of employment, whilst the male dominated workforce in the social enterprise benefited from better paid, and relatively secure jobs. Furthermore, the (female) cooperative workers had fewer employment protections since they were not covered by collective bargaining and had limited union representation. Therefore, the overall outcome was social downgrading in the form of limited workplace democracy and gender inequality.

## 1.5 Research rationale and significance

The study is significant for four principal reasons. Firstly, it shows how supply chain governance contributes to the (dis)empowerment of workers through the supply chain. In recent decades, neoliberal socio-economic policies have weakened labour market regulation, whilst changes to the configuration of global production have put pressure on firms to reduce costs, often at the expense of work relations (Kalleberg, 2009). While the globalisation of production has brought significant employment and economic growth to many regions of the world, the political and exploitative nature of supply chain relationships often has implications upon working practices and labour standards (Scarborough, 2000). Media reports exposing disasters in the supply chain of major brands, such as the Rana Plaza disaster in Bangladesh (FT, [2014](https://www.ft.com/content/be1a194a-c9ab-11e3-89f8-00144feabdc0)) and the factory fire at Ali Enterprises in Pakistan (BBC, [2012](http://www.bbc.co.uk/news/world-asia-19566851)), have increased consumer pressure on lead firms, and forced them to take more responsibility for the activities of sub-contractors in their supply chain (Luetkenhorst, 2004). As a result, the link between supply chain management practices and labour standards is topical (see Fichter et al, 2011; ILO, 2016a), and it is recognised in the International Labour Organisation's (ILO) agenda on decent work as being an important factor affecting employment standards (Dejardin, 2008; 2009; ILO, 2016b).

Secondly, debates about the relationship between poor working practices and corporate governance are of contemporary relevance. In the UK, some firms (e.g. Sports Direct and Hermes) have been scrutinised by politicians, the media and the firms' own shareholders over exploitative working practices, such as the use of 'zero-hour contracts' (see Guardian, [2017](https://www.theguardian.com/uk-news/2017/may/11/number-of-zero-hours-contracts-stalls-at-staggering-1-7-million)). In the case of Sports Direct, senior management responded to political and consumer pressure by inserting worker-representation at board level (FT, [2017](https://www.ft.com/content/b1c6c02c-9b28-37f6-bace-19379174a549)). In the US, the recent corporate governance problems at Wells Fargo further highlighted the dysfunctional nature of neo-liberal forms of corporate governance that fails to hold directors accountable for financial mismanagement (The Economist, [2016](http://www.economist.com/news/finance-and-economics/21708696-what-scandal-says-about-americans-attitude-towards-banks-stumpfed?zid=300&ah=e7b9370e170850b88ef129fa625b13c4)). This study highlights the importance of integrating workers into corporate governance, showing how this changes the focus and scope of decision-making impacts on employment practice and has implications for communities and society more generally.

Thirdly, the study draws attention to the threats posed to the cooperative movement by exploitative business practices. Although this study does not deal with 'fake' cooperatives, which are central to the concerns of many scholars, it does show how the organisational commitment to workplace democracy can be diluted when worker cooperatives are subjected to hybridisation, or seek alliances with other organisational forms. The phenomenon of supply networks is commonplace in global value chains and in some instances these inter-organisational structures include, and facilitate the development of worker cooperatives (Laliberte, 2013). However, there is a lack of understanding about how new organisational forms can affect the governance and working practices of their constituents, which, in the case of worker cooperatives could undermine their commitment to workplace democracy (Lima, 2008).

Fourthly, the study provides a better understanding of the limited potential for collectivist organisations to contribute to more equitable gender outcomes. In doing so, it examines claims that worker cooperatives could form 'part of the social movement to alter fundamental gender and economic power dynamics in society' (Ng and Ng, [2009](http://journals.sagepub.com.sheffield.idm.oclc.org/doi/abs/10.1177/0143831X09102419): p.201). However, it has been shown that hidden masculinities embedded within management structures and 'professional' practices of worker-owned firms can reduce the likelihood that female workers will participate in governance processes (Hacker and Elcorobairutia, 1987; Sobering, 2016; Meyers et al, 2016). At the same time, numerous barriers exist that limit the potential for women to own, manage and expand small and medium enterprises targeted for export trade (Simavi et al, 2010; Brenton et al, 2013). Female workers are more likely to have to endure poor labour standards, partly because their employers are often 'vulnerable to exploitative trading practices and have weak bargaining positions with buyers' (Jones et al, 2012: p.14; see also Elson and Pearson, 1981; Barrientos, 2001). Thus, this study critically examines whether more equitable gender outcomes can be achieved through the integration of female-owned worker cooperatives into a GVC.

## 1.6 Structure of thesis

The thesis is presented in ten chapters. Following this introduction, Chapters 2 to 5 critically review the relevant literature. Chapter 2 critically explores how new institutional sociology, and particularly the concept of institutional isomorphism (Di Maggio and Powell, 1983), can be used as a critical lens through which to understand congruent and non-congruent pressures that act upon worker cooperatives in emerging market contexts. Chapter 3 then integrates two perspectives, global value chain (GVC) analysis and labour process theory, into the analysis, both of which comprise more critical features. Global value chain analysis is used to explore factors affecting the governance of the supply chain, whereas labour process theory is used to highlight mechanisms of managerial control and worker resistance. Chapter 4 situates these debates around the subjects of worker participation and gender equality, focusing on studies of worker cooperatives. Chapter 5 outlines relevant developments in the South African textiles industry which is the focus of this study, before explaining the conceptual framework that informs this study.

Chapter 6 critically examines the philosophical debates that informed the methodology, explains the research design, and how qualitative research was employed using a case study strategy, with interviews as the primary research method. It also discusses the data analysis process and explains how ethical concerns were addressed.

The findings are explained in Chapters 7 and 8. Chapter 7 situates the focal firms within a global value chain and the South African institutional setting. Chapter 8 links governance at the intra- and inter-organisational level with the labour process in cooperatives by focusing on the practice of workplace democracy and the promotion of gender equality.

Chapter 9 interprets the findings in the context of the existing literature, drawing on New Institutional theory, GVC analysis and labour process theory, and presents an enhanced conceptual framework that shows in simple terms how the study contributed to knowledge. Chapter 10 sets out the conclusions, further explaining the contributions to knowledge, explaining how the research objectives were achieved, and identifying implications for policy and practice. In doing so, it also considers some of the limitations of the study and points to directions for future research.

# Chapter 2

# Literature Review: new institutional theory and worker cooperatives

This chapter relates to two of the core objectives of this study: exploring how congruent or non-congruent isomorphism within emerging markets plays out through GVCs, and evaluating the impact of emerging market institutions on worker participation and gender equality. New institutional sociology, which considers the process of institutionalism within the broader environment of organisations (Di Maggio and Powell, 1991), is drawn upon to evaluate how social actors’ behaviour is shaped by: (1) normative values situated within a particular context, making it ideal for the analysis of an emerging market economy; and (2) symbols, meanings, routines, and ways of doing things (i.e. the ‘cultural-cognitive’ aspects of institutions), providing a more nuanced mainstream employment relations (Acker and Wilkinson, 2008).

Institutional theories have an intellectual heritage spanning academic fields, including economics, political science, and sociology, which contrasts with traditional (old) institutional theory where the focus was on rules and routines *within* the context of an individual organisation (Selznick, 1957). Whilst there are many forms of new institutionalism theory (NIS), this study is concerned with the sociological developments, pioneered by Meyer and Scott (1983) and Di Maggio and Powell (1983, 1991). Here, *institutions* are processes -referring to norms and meanings that are maintained or changed as a result of interactions between people and through engagement with organisations (Hallett and Ventresca, 2006). However, there is some debate around whether the behaviour of organisational actors is underpinned by rationality, or depends upon a broader social logic, highlighting irrationality and legitimacy-seeking behaviours. Typically, economic analyses have viewed organisations as rational actors. In contrast, Scott et al (2000) assert that organisations must do more than manage material resources and control technical information. They must also achieve legitimacy within their social environment. In other words, firms compete not only for resources and customers but also for political power and social credibility. When actions are construed as legitimate 'social facts' they subsequently 'diffuse' more freely to other contexts (Meyer and Rowan, 1977). This process is known as institutional isomorphism and is central to this study since it is these institutional pressures that have (re-)situated gender equality in mainstream political debate in recent years (Krook and Mackay, 2011). In terms of workplace democracy, these pressures are also instrumental in affecting the normative aspects of the worker cooperative movement (Johnson, 2006).

The first section of this chapter (2.1) explains in more detail the rationale for using new institutional theory for this study. Section 2.2 then highlights some of the foundations of new institutional theory. Section 2.3 critically assesses the concept of isomorphism, explaining how the concept of congruent and non-congruent isomorphism (Bager, 1994) has been used to critically explore how neoliberal institutions can affect the governance and management of worker cooperatives. Finally, sections 2.4 and 2.5 evaluate existing studies which have applied new institutional theory to cooperative organisations and to the concept of worker participation.

## 2.1 Rationale for using new institutional theory

From an organisational perspective, new institutionalism focuses on the 'taken-for-granted' and 'widely-accepted' norms that influence the decisions of managers, whilst also enabling analysis of actors at different levels of society (Boxenbaum and Jonsson, 2008). This study is concerned with the way cooperatives are influenced by procedural norms at both the national and global level and how practices are diffused between firms embedded within global supply chain networks, with particular attention paid to worker voice and gender equality. With supply chain networks becoming increasingly globalised, the environment in which firms operate is more complex and dynamic than ever before (Deloitte et al, 2003). At the same time, governments, national regulatory bodies, trade unions, and employees, continue to play a significant role in influencing labour markets and organisational practices (Selwyn, 2012). Notwithstanding the capability of national institutions to shape organisational practice, the processes of institutionalisation are influenced by the diffusion of norms at the global and local level. Neoliberal norms, for instance, can shape national economic and social policies (Selwyn, 2013), whilst local norms influence perceptions about what constitute ‘legitimate’ behaviour (Lane and Wood, 2012).

New institutionalism has been used to study both supply chain management (SCM) and employment relations, but rarely within the same study (Fisher et al, 2010). To some extent, it could be argued that the sociological strand of NIS tends to be descriptive, since it regularly ignores or overlooks power conflicts as a fundamental point of analysis, thereby failing to recognise that processes of interpretation are also processes of contention (Thelen, 1999). When NIS scholars do attend to power, they have tended to emphasise how powerful actors use their positions to further anchor their privilege, thereby undermining the potential for other groups of actors to challenge the existing ‘rules of the game’ (Pierson, 2004). A further criticism of NIS is that by emphasising legitimacy-seeking as a driver of human behaviour, it downplays the impact of economic factors, meaning that the framework fails to ‘reflect the economic context of labour and product markets’ (Acker and Wilkinson, 2008: p56). In this respect, NIS has been limited in the extent to which it has highlighted the diffusion of neoliberal assumptions throughout organisations and society. Nevertheless, employment relations scholars have argued that the NIS framework is compatible with more critical perspectives (Ackers, 2002; Ackers and Wilkinson, 2008), including traditional industrial relations, implying that the failure to address power relations relates to a gap in the literature rather than a theoretical contradiction. Arguably, the integration of NIS with a more critical perspective, such as labour process theory, may help to address many of the aforementioned concerns.

Gender scholars have also criticised NIS, arguing that institutions should be viewed as gendered structures (e.g. Krook and Mackay, 2011), underpinned by assumptions about what is considered acceptable masculine and feminine forms of behaviour for men and women. Similarly, organisational scholars, such as Acker (2006), have argued that informal norms maintain gender inequality through institutionalised behaviours. Therefore, new institutional theory provides an ideal framework for this study because it emphasises the co-constitutive nature of institutions - meaning that actors at different levels of society have a role in the reconstruction of societal norms (Mackay et al, 2010). Furthermore, it draws attention to the way in which barriers to greater gender equality are able to persist within the formal management policies and the informal day-to-day functions of an organisation (Koskinen-Sandberg et al, [2017](https://haris.hanken.fi/portal/en/publications/the-institutionalis(8e00e1f2-c21b-4863-8724-fb50f2d63ecb).html))

## 2.2 Foundations of new institutional theory

New Institutional Theory (NIS) emerged from old institutional economics (OIE) following disputes about the nature and location of institutions (Scott, 2014). In contrast to OIE, which tended to view institutions as rooted within the internal rules and routines of the firm, NIS was mainly concerned with the institutional pressures that stem from interactions with other organisations. Yet, there remain points of accord; for instance, both theories have been used to question dominant behavioural concepts that emphasise the economic rationality of actors and consider *institutionalisation* to be 'a state-dependent process that makes organisations less instrumentally rational by limiting the options they can pursue' (Di Maggio and Powell, 1991: p.12). For OIE scholars the focus has, however, tended to be on the 'shadowland of informal interaction' (Selznick, 1949: p.260) within the informal realm of the organisation - referring to the parochial influence of power imbalances between actors that impinge on rational decision-making processes. In old institutionalism, ‘informal structures’ relate to interpersonal relationships that affect the decisions of managers, such as workplace cliques influencing recruitment, but fail to adequately cover the external environment.

Since the aim of this study is to explore the relationship *between* organisations (i.e. the supply chain) and the impact of emerging market institutions on working practices and vice versa, NIS was deemed to be a more appropriate framework. NIS can be distinguished from the older model by its focus on 'cultural and constitutive processes, routines and schemas, legitimacy processes and formal structures' (Scott, 2012: p.52). Thus, irrationality exists within formal structures, affected by inter-organisational practices that in turn influence organisation structures and operational processes (Scott, 2014). Such a view on rationality/irrationality is particularly useful for exploring how national and local institutions intersect with, diffuse, or resist neoliberal economic and social policy (e.g. global-level institutions). In addition, by highlighting 'non-local' factors NIS implies that institutionalisation occurs within the external environment of the organisation, typically at the field level (Di Maggio and Powell, 1991), whereas the older framework focused on the internal workings of the firm or the ‘local communities’ in which they were located (Selznick 1957). As a result, NIS has tended to emphasise the impact of industry norms, professional bodies, and national societies on organisational practices, but ignored how legislative and regulatory frameworks within emerging market economies might be less well developed than in more advanced economies.

Scott (2001) extended the NIS framework around *three pillars of institutions* – referring to the influence of regulative, normative and cultural-cognitive forces on organisations. The regulative pillar relates to institutions that involve legal sanctions. The normative pillar is concerned with the obligatory assumptions - norms and values – that define the 'appropriateness' of behaviour. Finally, the cultural-cognitive pillar incorporates aspects of psychology by stressing the importance of belief systems and cultural frameworks from which actors construct their understandings of the world. Here, belief systems are not just subjective interpretations of the world, but characterised by objective symbolic systems - such as words, signs or gestures. For scholars drawing on sociological perspectives*, institutions* therefore comprise 'regulative, normative, and cultural-cognitive elements that, together with associated activities and resources, provide stability and meaning to social life' (Scott 2014, 56). In making this argument, NIS scholars draws attention to the failure of economic rationalists to explain human behaviour, but at the same time underestimate the effect of economic factors on structuring social (and labour) relations. Nevertheless, NIS scholars have highlighted aspects of institutions that are often overlooked in the employment relations literature, such as the way in which beliefs and values shape behaviour (Di Maggio and Powell, 1983; Scott et al, 2000; Ackers and Wilkinson, 2008).

As implied above, New Institutional Theory (NIS) has received criticism for its focus on homogeneity and persistence, whilst underplaying the heterogeneous influence of market forces (Hinings, 1996) and for failing to capture the processes that drive organisational struggle and change ([Alvesson, 1993](http://www.sciencedirect.com.sheffield.idm.oclc.org/science/article/pii/S089083891300084X#bib4); [Donaldson, 1995](http://www.sciencedirect.com.sheffield.idm.oclc.org/science/article/pii/S089083891300084X#bib43); [Green, 2004](http://www.sciencedirect.com.sheffield.idm.oclc.org/science/article/pii/S089083891300084X#bib51); [Lounsbury, 2008](http://www.sciencedirect.com.sheffield.idm.oclc.org/science/article/pii/S089083891300084X#bib109); [Suddaby, 2010)](http://www.sciencedirect.com.sheffield.idm.oclc.org/science/article/pii/S089083891300084X#bib144). However, more recent studies of organisations ([Powell, 1991](http://www.sciencedirect.com.eresources.shef.ac.uk/science/article/pii/S1044500506000278#bib70); [Goodstein et al, 1994](http://www.sciencedirect.com.eresources.shef.ac.uk/science/article/pii/S1044500506000278#bib35); [Kostova and Kendall, 2002](http://www.sciencedirect.com.eresources.shef.ac.uk/science/article/pii/S1044500506000278#bib49); Tsamenyi et al, 2006) have gone some way toward addressing this criticism by highlighting the role of organisational actors in affecting social actions and their impact on the external environment. Accordingly, different groups of actors (such as workers) are not viewed as passive recipients of institutional pressure, but as creators and resistors of institutional change. Subsequently, NIS has been used as a theoretical lens from which to analyse various phenomena within studies, including: intra-organisational power relations (Collier, 2001); inter-organisational relationships (Lui et al, 2013); management accounting change (Tsamenyi et al, 2006); HR practices in multinational companies (Paauwe and Boselie, 2003; Boselie et al, 2003); and the nature of industrial relations (Goddard, 2004).

## 2.3 Institutional isomorphism

An important aspect of NIS is isomorphism. Isomorphism relates to forces or constraints that influence one unit in a population and cause it to resemble other units under the same set of environmental conditions (Hawley, 1968). Initially, similarities in organisations were explained by firms engaging in rational behaviour in order to remain competitive in the market (Fennel, 1980). Meyer and Rowan (1977) used this rationale in their assertion that organisations are not only subject to *competitive* isomorphic forces, but must also conform to normative and regulative requirements of wider society. These institutional forces are driven by organisations seeking *social legitimacy,* which is defined as the perception or assumption that 'the actions of an entity are desirable, proper or appropriate' (Suchman, 1995: p.574). This institutional logic has been used to explain why organisations within the same field converge towards remarkably similar structures and processes (Meyer and Rowan, 1977). For example, this helps to explain why one school is very similar to another school, and why any hospital is much like any other. Importantly, institutional isomorphism is grounded within the concept of the organisational field. Yet, few studies have combined a *socially-constructed* notion of the *field* with an exploration of isomorphic forces (Boxenbaum and Jonsson, 2008). Instead, many empirical studies rely on broad, pre-defined industry definitions of the field that may not take into account the variety of institutional influences on organisations.

Di Maggio and Powell (1983) argued that there are three mechanisms by which institutional effects are diffused through an organisational field - coercive, mimetic and normative. *Coercive* isomorphism refers to the influence of external organisations upon which the organisation is dependent. Here, the primary institutional pressure comes from outside the organisational field - referring to the impact of government bodies, contract law, or financial reporting requirements (Edelman, 1992; Suchman and Edelman, 1996; Edelman et al, 1999). *Mimetic* isomorphism takes place within the field. Research suggests that firms are more inclined to copy practices from other organisations when they are faced with unfamiliar circumstances (Di Maggio and Powell, 1983; Haveman, 1993; Mizruchi and Fein, 1999). Thirdly, *normative* pressures are driven by education systems and professional bodies, through the professionalisation of management practice (Mizruchi and Fein, 1999). Meyer and Scott (1983) extended the concept of institutional isomorphism by proposing that some organisations would be more susceptible to institutional isomorphism than others. Similarly, Frumkin and Galaskiewicz (2004) asserted that public sector organisations are more likely to be influenced by institutional pressures than businesses or non-profits. Other authors have claimed that both public sector and non-for-profit organisations (NGOs) are more susceptible to isomorphic forces than conventional privately-owned businesses (Tolbert and Zucker 1983), with public bodies and NGOs being more likely to adopt good practice around HRM. In contrast, Anderson (1999) argued that businesses are more likely to experience institutional pressure from their customers or suppliers, often through the widespread use of ISO certification requirements in procurement decisions (Guillen, 2001; Guler et al, 2002); although more recent studies have shown that other forms of organisation, including public bodies, NGOs and social enterprises, also experience similar pressure from their supply chain (Hoffman, 2001; Lai et al, [2006](http://ira.lib.polyu.edu.hk/bitstream/10397/480/1/CI_Final.pdf); Sarkis et al, 2011; Zhu et al, 2013)

Despite extensive research into the three aspects of isomorphism, there remain several aspects of the theory that are under-researched. Firstly, it does not necessarily follow that all mimetic behaviour occurs as a result of firms seeking legitimacy; yet some studies have made this conceptual leap. Consequently, there is concern about the lack of empirical support for the causal relationships between isomorphism, diffusion and legitimacy (Boxenbaum and Jonsson, 2008) and calls for further research that avoids conflating the process of diffusion with the outcome of isomorphism. Secondly, the literature is vague on why organisations in the same organisational field homogenise some of their activities and not others (Boxenbaum and Jonsson, 2008). Here, there is a further question about why organisations choose to conform with some aspects of legislation but not others (i.e. coercive isomorphism). Thirdly, the concept of normative isomorphism is typically associated with the activities of professional bodies, academia and civil society, but rarely to the normative demands placed on firms by their workers. The latter is arguably important for understanding the two-way relationship between employment and society - the cornerstone of employment relations (Acker, 2002) - and is made more complex in the context of a worker cooperatives by the dual-status of members as workers and owners.

An underlying assumption of NIS theory is that there is an identifiable institutional environment within which an organisation is located and it experiences institutional pressure to homogenise aspects of its practice. Di Maggio and Powell's (1983) concept of the 'organisational field' became the most important unit of analysis in much empirical work. The *organisational field* is defined as 'a collection of diverse, independent organisations that participate in a common meaning system' (Scott, 2014: p.106). Hoffman (1999) identified four stages in the development of the *organisational field*: firstly, there is an increase in the amount of interaction among organisations; secondly, the relationships between members become established around patterns of hierarchy and coalition; thirdly, there is an upsurge in the informational load and transfer between organisations; fourthly, there is mutual awareness amongst actors that they are involved in a common enterprise. In many empirical studies, the organisational field is often used as a synonym for the industry or sector in which a firm operates since firms are expected to encounter similar characteristics (e.g. regulatory pressures) relating to their external environment. However, Powell (1999) observed the overlapping of different organisational fields and criticised earlier work for treating the *organisational field* as unitary and static. To some extent these criticisms have been dealt with in studies that characterise the organisational field as an open system where boundaries change over time (Scott and Davis, 2007). However, within the employment relations literature, institutions have tended to be viewed as ‘recognisable’ and ‘relatively static’ bodies. A broader view of institutions that takes account of value systems and beliefs (e.g. ‘cognitive-cultural’) could highlight important insights to the study of employment relations (Ackers, 2002), especially within the context of under-regulated emerging market economies.

Despite its emphasis on the *organisational field,* Scott (2012) informs us that new institutionalism is not restricted to one level of analysis. In fact, cross-level studies have the potential to highlight the impact of institutional forces at one level of analysis over institutions at another level (Schneiberg and Clemens, 2006). For NIS scholars, the relationship between a corporation and its constituent parts can only be understood through the analysis of the larger institutional framework in which they are embedded (Beaty and Zajac, 1994; Davis and Useem, 2002). In other words, the structures of governance arise from political processes (Cyert and March, [1963](https://books.google.co.uk/books?hl=en&lr=&id=qqZ_FDFoDcMC&oi=fnd&pg=PA60&dq=a+behavioural+theory+of+the+firm&ots=9V5MLjwu8M&sig=XwekV0H-UdykraThWh-TuQ5O9V4#v=onepage&q&f=false); Davis and Thompson, [1994](http://webuser.bus.umich.edu/gfdavis/Papers/A%20Social%20Movement.pdf)) and do not simply reflect the simplistic allocation of property rights.

## 2.4 Institutional isomorphism and worker cooperatives

Bager (1994: p53) was the first to apply NIS to the analysis of worker cooperatives by seeking to explain ‘the complete or partial transformation of cooperatives into other organisational forms or hybrid organisations’. The demutualisation of cooperatives, he concluded, had occurred with increasing regularity throughout the 1970s and 1980s as a result of market and state pressure, combined with the ‘weak internal reproduction of identity’ in larger, industrial cooperatives. Bager’s (1994: 1997) work led to him to develop the concept of *congruent* and *non-congruent* isomorphism. Congruent isomorphism relates to the homogenisation of practices between cooperatives, whereas non-congruent isomorphism occurs as result of cooperatives homogenising with non-cooperatives. Generally speaking, the use of new institutional theory in cooperatives has been focused on exploring the process of cooperative ‘degeneration’: the process whereby worker cooperatives increasingly adopt practices associated with private (capitalist) enterprises. In other words, these arguments are underpinned by an assumption that most institutional environments are configured to the capitalist mode of organisation, thus militating against cooperatives and supressing their ability to achieve their socially progressive aims (Rowthorn and Pagano, 2002). Yet, the literature on congruent and non-congruent isomorphism has arguably not given enough attention to the role of the supply chain as a potential transmitter of institutional pressure.

The concept of congruent and non-congruent isomorphism can also be applied to an exploration of the pervasive nature of, and resistance to, neoliberal economic policy, and individualistic values, which may undermine conventional forms of cooperative governance and management. Since Bager’s (1994) contribution, some empirical work has been conducted into the effect of institutional isomorphism on cooperative organisations. Some studies have focused on how different institutional frameworks lead to congruent isomorphism and considered the effectiveness of legislation and regulatory enforcement bodies (Henry, 2012), the role of apex organisations (e.g. Cooperatives UK) that encourage the sharing of practices (mimetic isomorphism) between cooperatives (Bager, 1997), and the influence of local cultural norms that reinforce communitarian values (Wood and Lane, 2012). However, in general studies have focused on the affect of mimetic and normative forces. For instance, Battilani and Bertagnoni (2009) assert that cooperative managers are increasingly drawing on personal experience of private sector work or formal university education. It is argued that these skills are underpinned by normative assumptions that prioritise market-orientated routines and practices. On a similar theme, Cazzuffi and Hunt (2009) argue that with the emergence of larger cooperatives, non-congruent isomorphism has legitimised heirarchical governance structures which prioritise the views of managers over members.

Bager (1994; 1997) argued that uncertainty in the external environment leads to non-congruent isomorphism. Globalisation and the adoption of neoliberal economic policy has intensified the pace of change in markets and in organisations, increasing uncertainty for all organisations, and causing individualistic values to diffuse throughout societies. For Battilani and Schroter (2012), globalisation gave rise to an intense level of competiveness, with which worker cooperatives were ill-equipped to cope. Faced with uncertain situations, cooperatives have looked to other industry actors, and imitated conventional (privately-owned) businesses from their own sector. In addition to copying industrial norms, many cooperatives have established alliances with private enterprises in order to ensure their survival (Vargas, 1999), but this process has had the effect of further legitimising the governance arrangements of conventional businesses, exposing cooperatives to neoliberal concepts of ‘good’ organisational governance that prioritise shareholder value (Hansmann and Kraakman, 2001; Ireland, 2009; Lazonick, 2014). At the same time, mechanisms of democratic governance, such as balloting and the use of term limits for governors, have been discredited because they are perceived to undermine managerial authority, which is associated with the implementation of an effective business strategy (Errasti et al, 2015). Notwithstanding empirical evidence showing that democratic governance can co-exist alongside high levels of productivity (Erdal, 2011), these non-congruent institutions have begun to shape governance arrangements in worker cooperatives, causing them to enact protocols that embolden management and stifle worker participation (Bretos et al, 2017).

As illustrated earlier, NIS has been used to explain similarities and differences between different types of organisations, particularly in the public and non-profit sectors. With regard to the study of cooperatives, there remain several unexplored areas of new institutional analysis. Firstly, Bager’s (1994) concept of congruent and non-congruent isomorphism establishes a dichotomy between cooperatives and non-cooperatives. By categorising all non-cooperatives in the same group, this may overlook the influence of other organisations on cooperative practices. For instance, there is the possibility that cooperative firms may experience mimetic and normative isomorphic pressure from trade unions, NGOs, or social enterprises, rather than solely from ‘market-orientated’ organisations. A second question relates to the practices and structures associated with congruent (and non-congruent) isomorphism, and whether congruent isomorphism leads to the diffusion of mechanisms of workplace democracy between worker cooperatives in all cases (Cazzuffi and Hunt, 2009). It is plausible, for instance, that a cooperative imitates a practice from another cooperative which nevertheless undermines worker participation. Third, cooperative governance practices have tended to homogenise within different regions, rather than just national boundaries (e.g. US, Northern Europe, Southern Europe) (Chaddad and Iliopoulos, 2013). This suggests that the changing nature of the organisational fields in which cooperatives operate requires further investigation. Rigsby and Vishwanath (2006) assert that with the increasing globalisation of markets, socially-embedded and locally-based organisations are more likely to be perceived as legitimate by their local communities. Furthermore, Tuominen et al (2006) claim that cooperatives are likely to benefit from their more legitimate positions as actors in local communities. However, this rationale characterises cooperatives as small local players dislocated from global markets and is inconsistent with the environment in which many cooperatives now operate. Studies of cooperatives indicate that they are capable of achieving significant industrialisation and growth. Thus, many cooperatives now operate both locally and globally - maintaining a connection with their local communities whilst also engaging with supply chain partners internationally.

## 2.5 Summary

This chapter has addressed some of the foundational concepts of NIS and demonstrated how institutional pressures are capable of both promoting and degrading cooperative identity. As a theoretical lens, new institutionalism provides a useful framework for understanding how institutions at the global and local level intersect within an emerging market economy. Broadly speaking, NIS draws attention to the interrelationship between an organisation (i.e. a cooperative) and its environment, with aspects of organisations becoming homogeneous through a process of isomorphism with their environment caused by their search for legitimacy. However, this study is also concerned with the broader political impact of worker cooperatives, their implications for workplace democracy, their impact on employment relations, and how (or whether) cooperatives influence the nature of inter-organisational relationships in global supply chains. Whilst NIS provides a useful starting point for this analysis, other theoretical frameworks can provide a more critical inquiry. Hence, the next chapter turns to global value chain (GVC) theory, which provides a lens through which to interpret the governance of supply chains, but also considers how GVC theory has been linked to what happens within the firm in terms of controlling the labour process.

# Chapter 3

# Literature review: Gendered global value chains and the labour process

More than ever, international supply chains link consumers and workers throughout the world, offering an opportunity for firms and workers in emerging and developing economies to integrate into the global economy (Gereffi et al, 2011; 2016). With this in mind, this chapter examines the relevant literature in relation to two objectives of this study. The first objective is to explore how the labour process in cooperatives might be influenced by the configuration of the GVC. The second objective is to critically evaluate how the labour process within cooperatives might influence social upgrading and down-grading in terms of worker democracy and gender relations. Global value chain theory (Gereffi et al, 2005; Gereffi and Fernandez-Stark, 2016) provides a useful approach for understanding the structure and dynamics of different actors in different industries. In doing so, it draws attention to the shifting patterns of global production with more recent developments focusing on workers as a factor in value chain analysis (Rainnie et al, 2011; Selwyn, 2013; Newsome et al, 2015). In this study, it is acknowledged that GVCs are gendered institutions (Fontana, 2011; Bamber and Staritz, 2015), and therefore the focus is on the gendered outcomes of economic and social upgrading. Section 3.2 considers the gendered labour process, focusing on how men and women are located in different segments of the production process and subjected to different types of managerial control.

Finally, section 3.3 explores existing knowledge around labour process in the textiles and apparel industries since labour process theory (Burawoy, 1976; Braverman, 1979) is used as a framework to understand the mechanisms of managerial control through which capital owners and managers attempt to exert power and influence over workers. However, since this study also considers the dynamics of the national supply chain, section 3.3 briefly considers how local or regional trends in supply chain management can affect labour outcomes. While this study is concerned with cooperative ownership of firms, which implies democratic control at the point of production, this section argues that managerial controls at the inter-organisational level can affect the internal governance of firms, influencing the strategic options for labour (and worker-owners) at the point of production.

## 3.1 National and global value chains

A global value chain is defined as ‘a set of inter-sectoral linkages between firms and other actors through which […] geographical and organisational reconfiguration has taken place’ (Gibbon et al, 2008: p.318). GVC theory can be used to explore 'the full range of possible chain activities and end products' (Gereffi et al, 2001: p.12), conceptualising shifts in global political economy (Palpacuer, 2008; Bair and Werner, 2011), and understanding the governance of dyadic linkages in a value chain (Bair, 2008). However, the narrow focus on customer-supplier dyads ‘hinders the development of an understanding of power asymmetries across chains’ (Taylor et al, 2015: p.4) and proponents of GVC theory initially tended to neglect the role of labour in GVC governance, including its role in value creation and as an object of value chain dynamics (Taylor et al, 2013).

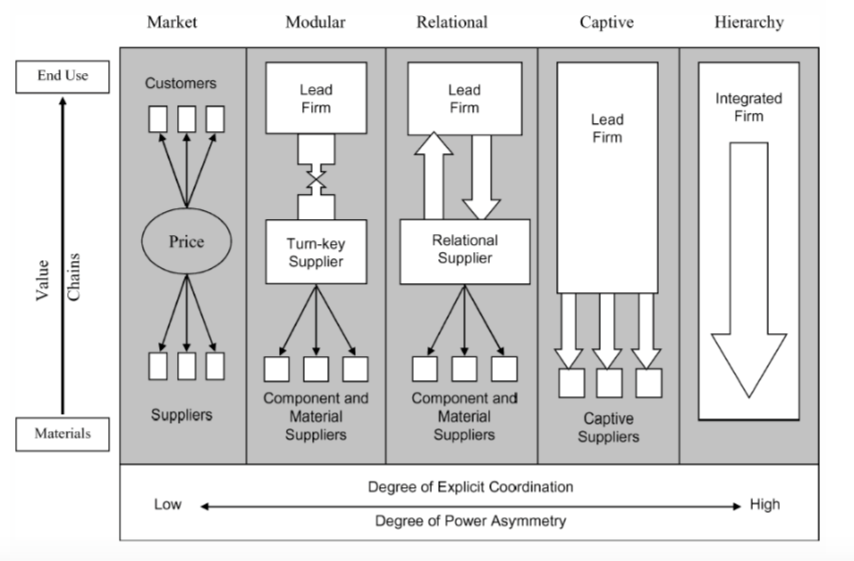
This study draws on contributions from scholars of global value chains (GVC) theory, global commodity chains (GCC) and global production networks (GPN). These three approaches can be viewed as loosely integrated theoretical positions (Gibbon et al, 2008) that seek to understand the expanding and increasingly interconnected transnational production systems (Dicken, 2011). There are arguable intellectual and theoretical problems involved in using these various terms interchangeably (Newsome et al, 2015) since they are based upon different sets of assumptions that influence the focus and scope of empirical work conducted in each area (Sturgeon et al, 2005). For instance, GPN theory arguably better encapsulates the complexity of power asymmetries at various levels of the supply chain, including horizontal and networked interactions (Henderson et al, 2002; Rainnie et al, 2011; Milberg and Winkler, 2011). However, it lacks coverage of the governance processes between firms. In contrast, GVC analysis provides a well-established framework for exploring the different configurations of inter-organisational governance (Gereffi et al, 2005), with recent contribution addressing the role of workers as a factor affecting the governance of the value chain (Riisgard and Hammer, 2010; Fernandez-Stark et al, 2011; Newsome et al, 2015; Gereffi and Lee, 2016). Although it is important to be aware of the distinctions, the term GVC will generally be used in this study.

There are three dimensions of GVC analysis, which are particularly pertinent to this study. These are: (1) the input-output structure of the chain, including the labour process; (2) the governance structure of the value chain, including its implications for gender (in)equality, and (3) the process of value chain upgrading.

The first strand of GVC theory with relevance to this study relates to the process by which a raw material is transformed into a final product (input-output structure). Whilst the process varies from industry to industry, the various aspects include research and design, sourcing raw materials, manufacturing, marketing, distribution and sales. The input-output structure is often presented as a visual diagram that shows the flow of goods and services between firms in the GVC. According to Gereffi (2011: p.5), a thorough understanding of this process is 'critical to mapping the value added at different stages in the chain, and to layering in information of particular interest to the researcher'. In addition, the input-output structure should take into account the intra-organisational dynamics such as company structures and management strategies that may impact on the process of production. These may include strategies involved in dealing with suppliers or issues of quality control that affect where materials are sourced or whether they make it to the consumer (Gereffi and Fernandez-Stark, 2016).

The second aspect of GVC theory covered in this study relates to the governance of the value chain. Early incarnations of GVC theory identified a simple binary: buyer-led and producer-led chains (Gereffi, 1994). Buyer-led chains were characterised by dominant retailers or global brands which used their relatively powerful bargaining positions to influence the configuration of the chain (e.g. apparel). Producer-led supply chains refer to those that are vertically-integrated, or whereby some suppliers are able to exert strong bargaining power over the end customer (e.g. the automotive industry). However, subsequent developments in GVC analysis (see Gereffi et al, 2005; Frederick and Gereffi, 2009) have established a more detailed taxonomy, arguing that value chain governance is influenced by three factors: the complexity of information exchanged between firms; the ease at which that information can be codified; and the competence of the supplier. These interacting factors, which infer different tradeoffs between the benefits and risks of outsourcing (Gereffi et al, 2005), underpin the five different governance models of GVCs, and are illustrated below in diagram 3.1.

###### **Diagram 3.1 - Five different governance models of GVCs**



(Gereffi, 2011: p.11)

Captive networks are formed by lead firms that seek to lock suppliers into the relationship. Relational networks usually occur when firms need to exchange complex information that cannot be codified, therefore face-to-face interaction is deemed necessary (Gereffi et al, 2005; Gibbon et al, 2008). Modular networks occur through ‘highly formalized link[s] at the inter-firm boundary' (Sturgeon, 2002, p. 468). These various forms of governance provide a useful approach for exploring the nature of complex supply chain relationships, their embedded power asymmetries, and the conflicting interests of value chain constituents (Gereffi et al, 2005; Gibbon et al, 2008; Staritz et al, 2013). However, studies have indicated that GVCs are characterised by multiple and interacting governance structures (Dolan and Humphrey, 2004; Gereffi et al, 2009), implying that governance models within a particular industry change as the industries and economies mature. For example, Galvin and Morkel's (2001) study of the bicycle industry shows how value chains evolve over time from vertically-integrated firms to more complex forms of inter-firm governance that rely on market mechanisms.

GVC governance has also been shown to have implications for gender equality (Kabeer, 2000; Barrientos, 2001; Barrientos and Evers, 2014). The global development literature informs us that the configuration of global value chains is structurally gendered because female workers are disproportionately represented in specific value chains, such as textiles, where workers are subjected to relatively poor labour standards (Kabeer, 2000; Barrientos and Evers, 2014). According to Barrientos and Evers (2014: p.792), GVC analysis facilitates a 'deeper exploration of the interaction between commercial firms and societal norms in which gendered patterns of consumption and production are embedded'. Barriers exist that limit the potential for women to own, manage and expand small and medium enterprises, especially in relation to firms wishing to trade in GVCs (Simavi et al, 2010; Brenton et al, 2013). Moreover, female workers are more likely to have to endure poor labour standards, partly because their employers are often 'vulnerable to exploitative trading practices and have weak bargaining positions with buyers' (Jones et al, 2012: p.14; see also Elson and Pearson, 1981; Barrientos, 2001).

Thirdly, the concept of value chain upgrading has particular relevance to this study. Initially, upgrading had an economic focus (e.g. Gereffi and Memedovic, 2003). It was defined as 'firms, countries or regions moving to higher value activities in GVCs in order to increase the benefits (e.g. security, profits, value-added, capabilities) from participating in global production' (Gereffi, 2005b, p. 171) and focused on ‘the process by which economic actors – firms and workers – move from low-value to relatively high-value activities in global production networks’ (Gereffi 2005: 171). Humphrey and Schmitz (2002) identified four types of upgrading: process, product, function and inter-sectoral. However, Fernandez-Stark et al (2014) refer to more challenging forms of upgrading, such as 'value chain entry', where firms seek to participate for the first time in a national, regional or global value chain. In doing so, they also draw attention to the 'backward linkages' that facilitate upgrading, whereby a local firm seeks to supply goods or services to another domestic firm which is already part of a GVC. It should be noted, however, that patterns of upgrading vary between industries and countries according to the input-output structure of the chain and the institutional setting of each country. In some cases, countries may need to acquire expertise in one aspect of a chain before upgrading to another stage (Fernandez-Stark et al, 2011)

Social upgrading refers to the aim to secure workers' ‘rights and entitlements and improve the quality of their employment’ (Barrientos et al, 2011: 324). This may include better pay and conditions, greater job security, and improved voice mechanisms. Initially, it was assumed that economic upgrading was a prerequisite for social upgrading; however, recent studies question the extent to which economic upgrading leads to social upgrading (Barrientos et al, 2011; Milberg and Winkler, 2011; Selwyn, 2013). Indeed, some studies have documented the failed attempts to achieve social upgrading (see Chan, 2013; Chan et al, 2013). However, the question of whether economic upgrading leads to social upgrading depends to some extent on how we define the labour process (Pegler, 2016). Whilst Bair and Werner (2015) equate social upgrading with the ILO’s promotion of 'decent work', the situation is more complex since some actions may lead to improvements in some labour standards while undermining others. Further, Selwyn (2013) argues that current understandings around social upgrading are focus on top-down interventions through interventions at firm level, via the state, or through international bodies (e.g. ILO), but do not give adequate attention to instances in which workers’ resist exploitation – a process he describes as ‘bottom-up social upgrading’. Meanwhile, Pegler (2015) argued that it is necessary to adjust current understandings about social upgrading to take account of institutional factors and worker demands in different contexts (e.g. rural settings).

Recent developments in the GVC literature draw attention to the process of upgrading in small and medium sized enterprises (Weinberger and Lumpkin, 2007; Fernandez-Stark et al, 2012; Staritz and Morris, 2013; Pegler, 2016). Empirical evidence suggests that SMEs encounter constraints that limit their ability to access GVCs as viable business partners (Fernandez-Stark et al, 2012; Anner, 2015). These constraints relate to their ability to access the market, access training, build strategic networks, and access financial capital. It is also worth noting that recent studies (Gereffi et al, 2011) have shown that horizontal and vertical collaborations between small-scale producers are crucial for chain performance and upgrading. However, these arguments are based on empirical studies of agro-food chains (Gereffi et al, 2011; Fernandez-Stark et al, 2012) and make no distinction between different forms of organisations. As a result, it is unclear how these constraints affect other types of organisation, such as employee-owned businesses or cooperatives, which are also involved in various tiers of GVCs. Given the institutional barriers faced by employee-owned firms (Bager, 1997; Battilani, 2012) and the threat posed by intense market pressure to the future of worker-owned enterprises ([Bretos and Errasti, 2016](http://journals.sagepub.com/doi/abs/10.1177/1350508416656788); [Errasti et al, 2016](http://onlinelibrary.wiley.com/doi/10.1111/apce.12137/full)), it is highly likely that there may be other factors that affect the way these firms are embedded within GVCs. Consequently, there are several avenues of theoretical exploration that still require attention, such as what a combined approach using GVC and LPT theory can inform us about gender equality and female economic empowerment. There is also the question of how worker democracy is affected by the control mechanisms, such as balanced scorecards or benchmarking systems, that are intended to govern at the inter-organisational level (i.e. between supply chain partners). The Balanced Scorecard (BSC) was developed by Kaplan et al (1996) in order to align the actions of all workers with the overall business strategy and it is now widely used as an internal management tool and as a means of influencing the practices of supply chain partners (Ax and Bjørnenak, 2005; Busco et al, 2007). However, it has been criticised in the academic literature for failing to overcome the difficulties of aligning strategy with operations, while Norreklit (2000) warns that the BSC is not a neutral performance measurement system but actually a strategic control system used to align the actions of management and workers with the interests of the owner(s).

### 3.1.1 GVCs, upgrading and gender equality

The expansion of GVCs has different effects on men and women. GVCs are shaped by social and gender norms because GVCs are affected by and interact with national institutions within which gendered norms and relations are embedded. At the institutional level, there are three main gendered structures that affect the composition of GVCs. These are the gendered composition of the workforce, women’s primary responsibility as homemaker, and women’s differential access to and control over resources (Benaria et al, 2010). In terms of the workforce, women tend to be concentrated in fewer sectors than men, and located in specific occupations within these sectors, leading to gendered job segregation that keeps women’s wages artificially low (Fontana, 2011). At home, women’s responsibility for reproductive, care and unpaid work imposes time constraints, limiting opportunities to participate in paid employment (Ferrant et al 2014). At the societal level, women also face gender-intensified constraints when attempting to access business resources, including land, credit, education, networks, which can particularly limit the capabilities of female entrepreneurs (Fontana, 2011).

Gendered institutions affect the composition of GVCs because they affect resource allocations and competitive advantages of different countries. In terms of trade, gendered institutions create a resource for GVCs to exploit, resulting in female labour being leveraged as a source of export competitiveness (Staritz and Bamber, 2016). Many GVCs take advantage of low paid female labour to produce low-cost (albeit often high quality) goods. Crucially, the current configuration of many GVCs can only be maintained alongside gendered job segregation that keeps female wages artificially low (Tejani and Milberg, 2010). Unsurprisingly, sectors such as textiles and apparel, where firms primarily compete on the basis of low labour costs, are most likely to take advantage of female labour in this way (Seguino, 1997; 2000).

Successful GVC upgrading was initially associated with improved labour standards for female workers in labour intensive, low-cost industries. However, as Staritz and Bamber (2015) note, upgrading processes can have the effect of altering, inhibiting, or reinforcing gender inequality (Staritz and Bamber; 2015). In general, GVC integration has occurred alongside a significant rise in demand for female labour, providing an important source of employment for many women in developing countries and emerging markets (Tejani and Milberg, 2010). However, women workers in GVCs are more likely than men to be found in low-value added and precarious forms of work (UNCTAD 2015). There is some evidence that upgrading processes can lead to improved working conditions for women workers as the firms move to higher-value added segments of the value chain (Tejani, 2011). However, upgrading strategies have generally led to women being displaced by men as work becomes higher-skilled or capital intensive (Tejani & Milberg 2010).

Gendered upgrading processes are also shaped by inequalities relating to the ability of entrepreneurs and producers to access GVCs (Fontana, 2011; Seguino, 2000). Here too, women are disadvantaged since female producers and entrepreneurs often encounter gendered resource constraints when attempting to access new export opportunities that require investment to achieve quality improvements, skills development, or increased productive capacity (Staritz and Bamber, 2016). As a result, firms run by female entrepreneurs tend to remain relatively small operations or be confined to the informal sector (Tejani, 2010; ODI, 2009).

## 3.2 The labour process

A variety of sectoral and institutional factors are responsible for shaping the outcomes of upgrading processes, including forms of managerial control (Anner, 2015). Labour process theory (LPT) is concerned with the nature and transformation of labour power under capitalism (Thompson and Smith, 2009) and draws our attention to the plight of workers by highlighting issues of control, consent and resistance at the point of production (Thompson and Smith, 2010). At the core of LPT is the assumption that capital requires systems of control in order to maximise productivity (Salaman and Thompson, 1973; Wood 1982). LPT has been used to show how changes to contemporary workplaces and trends in managerial practice have affected the division of labour (Smith and Thompson, 1998).

Harry Braverman is often credited with pioneering many of the key debates around LPT. His seminal work, ‘Labour and Monopoly Capitalism’ (1974) argued that capital’s mode of production subordinates, alienates and impoverishes workers by forcing them to undertake simple and repetitive tasks. At the heart of Braverman's (1974) critique was the assumption that three 'inherent' laws underpin the capitalist labour process. Firstly, he contended that labour is divided according to the intellectual or manual nature of the work, which was based on the assumption that capital maintains the knowledge and power to influence the design of production systems. Workers, therefore, are characterised as passive executors of the production process. Secondly, labour hierarchies arise due to the inherently hostile nature of the capitalist labour process and are used as a control mechanism (Friedman, 1977). Thirdly, labour becomes fragmented (and de-skilled) as a result of capital's objective to standardise and measure the labour process.

Since the early work on LPT, empirical studies have created a more complex understanding of the capitalist labour process. In doing so, they draw attention to the ways in which capital attempts to extract further value from labour by accessing the tacit knowledge or the emotional commitment of workers (Witz et al, 2003; Bolton, 2005; Thompson, 2010). The vast body of empirical work in this area raises questions about the assumptions made by Braverman about the 'inherent' laws that underpin the labour process (Thompson, 2010). As Weber and others have shown, the use of labour hierarchies is not limited to the capitalist labour process, but Thompson (2010: p.9) alerts us to the fact that 'capital may utilise delegated powers to teams and/or normative self-discipline'. Furthermore, some scholars question whether the legacy of scientific management was as pronounced as Braverman implied (see Edwards 1979; Littler 1982; Thompson 1989). Although standardisation is a common feature of the capitalist labour process, it is clearly not applicable to all forms of work. Thus, it can be concluded that Braverman's assumptions about 'inherent' laws fail to grasp the complex nature of the capitalist labour process (Thompson and McHugh, 2009).

Debates around LPT were developed further by Edwards' (1979) and Friedman's (1977) work on the mechanisms of control that underpin the capitalist labour process. Control systems are defined as ‘mechanisms by which employers direct work tasks, discipline and reward workers, and supervise and evaluate their performance in production’ (Thompson, 1989: p.xiv). Edwards (1979) argued that managerial control mechanisms responded to factors relating to market conditions and to the type of worker required to complete the task. In doing so, he argued that control mechanisms can be separated into three categories. Firstly, he argued that *simple* control mechanisms, such as direct or indirect supervision, tended to be used by firms in competitive industries that governed cheap and unskilled labour. Secondly, *technical* forms of control, such as assembly lines, that used mechanical processes to orientate worker behaviour were used by larger firms in place of direct forms of supervision. Finally, *bureaucratic* control is associated with formal rules, policies and protocols, and hierarchical lines of command (Du Gay, 2000). A central tenet of this type of control is the segregation of the work process and the establishment of routines for workers to follow. While Edwards has been criticised for presenting a rigid characterization of managerial control (Littler and Salaman, 1982), the development of a variety of control mechanisms helped correct Braverman’s overly simplistic view that Taylorism was almost solely responsible for the control of the workforce. Such a development is helpful in relation to the analysis of the labour process in worker cooperatives where variations in the technical and hierarchical division of labour (e.g. job rotation) are commonplace (Atzeni and Ghigliani, 2007).

A further criticism of Braverman's work relates to his decision to omit the subjective responses of workers from his analysis. The second wave of LPT reinserted the agency of employees by exploring issues of resistance, creativity and consent (Smith and Thompson, 2000). Thus, more recent debates around LPT have developed a more nuanced understanding of the processes of control. For instance, Ramsay et al (2000) highlighted flaws in the assumption that the success of high-performance work systems, such as TQM, were underpinned by the increased commitment of workers. Similarly, Smith and Thompson (2000: p.556) argue that some managerial concepts had naively attempted to (re)characterise organisations as moving 'from a model of control to one of commitment'. However, Ramsay et al (2000: p.51) found evidence that performance gains actually arose 'from work intensification, offloading of task controls and increased job strain’, all of which have since been observed in assembly line work in textiles factories (Jenkins, 2017; Anner, 2015).

Since the early incarnations of LPT theory, scholars have spent considerable time exploring alternative modes of control. For instance, proponents of new production concepts, such as lean production methods, have argued that firms' require 'smarter', more autonomous workers, capable of undertaking a variety of tasks (Womack et al, 1990: p.13). Moreover, these systems apparently rely on the replacement of the vertical hierarchies of control with more horizontal forms of coordination based on collaborative team working between different groups (Castells, 1996). However, Smith and Thompson (1998) inform us that these practices are more likely to produce sets of interchangeable tasks and substitutable workers, who are capable of undertaking a broader range of skills, but not higher ones (see also Boreham et al, 1992; Rinehart et al, 1997). In other words, modern management techniques that attempt to arouse high levels of commitment from workers, rarely grant them significantly more authority (Rinehart et al, 1997). In addition, the localised autonomy of managers is increasingly undermined by audits and assessments in publicly-owned organisations (Wilson, 1991), or by financial targets, tight deadlines, and outsourcing in the private sector (O’Riain, 2001; Coe et al, 2008). However, in the case of worker cooperatives, where management is effectively employed by labour, it is likely that these managerial techniques may be less effective (Egan, 1990).

Cultural controls represent more recent attempt by managers to influence the employee’s behaviour by establishing a collective set of attitudes and by subtly persuading them that they are being treated well (Kanter, 1989; Thompson, 2010). In other words, the modern managerial rhetoric can be recast as a subtler form of cultural or emotional control (Mintzberg, 1979; Bolton, 2005). This type of control, which is typically shrouded in the language of empowerment, engagement or involvement, works by establishing a common sense of purpose. Once rooted, this commitment is then supposedly activated by drawing on the workers’ emotional attachment to the organisation (Kanter, 1989; Bolton, 2005). According to this view, the sentimental link between the worker and the organisation makes the constant surveillance of employees redundant since workers will conform to managerial objectives through self-discipline, which is then re-enforced through peer surveillance of norms and outcomes around attendance and productivity (Sewell and Wilkinson, 1992; McKinley and Taylor, 1998).

Whilst the notion of cultural management is useful in understanding the way in which capital exerts control over workers' behaviour, Thompson (2010: p.11) reminds us that no form of control goes 'untested by labour'. In other words, recent contributions to LPT emphasise the role played by labour in consenting to and resisting attempts to control their behaviour, whilst also considering their ability to (re)shape outcomes (Smith and Thompson, 1998). Notably, these perspectives assume that workers are complex social actors who respond in a variety of ways to attempts by management to control their behaviour (Hyman and Mason, 2005; Edwards et al, 2010).

Despite a wide body of literature mapping changes to the labour process, LPT has been criticised for failing to explain why and how these changes took place (Thompson, 2010). In other words, LPT has generally failed to take adequate account of the broader economic and political trends that have (re)shaped the nature of contemporary production (Smith and Thompson, 2009; Thompson and Smith, 2010). For Thompson & Newsome (2004: p.133), this 'connectivity problem' occurred because too many empirical studies placed too strong a focus on the labour process within the traditional boundaries of the organisation and failed to link work and employment relations to a broader context. While the firm remains the main site of employment, it is necessary to explore broader frameworks in order to understand how the labour process is integrated into a framework of change at the global socio-economic level. Scholars from the varieties of capitalism literature (Soskice and Hall, 2001; Coates, 2005) have addressed this issue to some extent; however, as Thompson (2010) notes the focus on institutional factors only marginally improves the explanatory power of LPT.

According to Thompson (2010), GVC theory potentially offers a more appropriate framework for understanding the way in which changes to the configuration of global production affects the labour process. More recently, there have been attempts to integrate aspects of LPT with GVC analysis in order to better understand the implications of internationalised forms of production for labour at various segments of the chain (Newsome et al, 2015). This addresses concerns of scholars from both GVC and LPT traditions who have found their respective frameworks unable to explain the nature of employment in modern capitalism in the context of global linkages and networked organisations (e.g. Flecker and Meil, 2010; Newsome, 2010). As a result, they have begun to explore the intersections of GVC theory and labour process analysis with far more vigour (Rainnie et al, 2011; Newsome et al, 2015). With respect to GVC theory, the objective was to redress the 'labour deficit' within its theoretical framework, which refers to the aim of bringing the social relations of production into its analysis. For Newsome et al (2015) the concept of social upgrading is one way of integrating GVC and LPT analyses since it is capable of highlighting opportunities for solidarity in internationalised supply chains, and it is for this reason that GVC upgrading processes form the basis of this study.

### 3.2.1 The Labour process and gender equality

Labour process theory has also been applied to gender (in)equality. For example, Pollert (1996), asserts that gender inequality and patriarchal values are inherent in the capitalist labour process (see also West, 1990), and it is the imposition of these values in firms that leads to the gendered division of labour (Phillips and Taylor, 1980), and to divergent control systems for men and women (Tilly, 1998; Crowley, 2013). These patriarchal values guide organisational practices, facilitating men’s entry into professions offering better employment terms and more advantageous control structures, whereas women are channelled into jobs characterised by low pay, insecurity, supervision and constraints (Crowley, 2013).

There are three principle ways in which patriarchal values are imposed on the labour process and, in particular on workplace control systems. Firstly, women tend to be excluded from jobs associated with skill, autonomy, higher pay, and career progression, with their exclusion being justified on the grounds of a perceived deficit of skill or aptitude, such as intelligence, emotional fortitude, commitment, or physical strength (Cockburn, 1983; Tomaskovic-Devey and Skaggs, 2002). Recruitment decisions are heavily influenced by these gender stereotypes, causing employers to select new workers that correspond to these assumptions, and enabling men to monopolise the most economically and intrinsically rewarding and jobs (Reskin and Roos, 1990). Gender stereotypes are then reinforced post recruitment by men who seek out ‘male’ jobs and scrutinise and target female ‘interlopers’ (Bergmann, 2011: 51).

Secondly, organisational efforts to promote inclusion (such as work-life balance policies) instead steer women into roles that complement their external responsibilities (or the perception of what they are or should be). Jobs are built around the gendered expectations and stereotypes about men and women’s lives, leading to the creation of masculinisation and feminisation of different job roles (Phillips, 1983). Once job expectations are established, organisations recruit on the basis of whose external responsibilities are perceived to align to the firm’s requirements, resulting in women being recruited to jobs that are part-time, subordinated and routine (Collinson et al, 1990). These practices can also be reinforced by supply-side factors, including men’s tendency to avoid jobs that are assumed to be ‘female jobs’, and women’s self-selection into jobs that fit with caregiving roles (Hartman, 1976; Webber and Williams, 2008).

Third, work is subjected to gendering processes that influence what activities are undertaken by men and women (Cockburn, 1983). Over time, jobs typically occupied by women take on a gendered character, which leads to the labelling of ‘women’s jobs’ and the assumption that workers in these jobs (regardless of their gender) should be treated according to societal norms and stereotypes about women (Lee, 1998). In line with women’s sub-ordinated status in society, this type of work becomes associated with low status work, relatively low pay, and limited options for career progression (Davies, 1982; Levanon et al, 2009). In terms of control processes, evidence suggests that female work groups are often patronised and demeaned by managers, leading to the imposition of constraints that further reinforces the idea that high levels of supervision and control are necessary (Acker and Van Houten, 1974; Cockburn, 1983).

The forms of worker control that were covered in the previous section are often perceived by employers to be differentially suited to men and women. Coercive controls, such as direct supervision are often presumed to be more suited to women, who are perceived to have been socialised to subservient roles (Kanter, 1977; Williams, 1995). Many men are also subjected to this form of control, however employers demonstrate a clear tendency to recruit women into roles with direct supervision, whilst excluding them from supervisory roles (Cockburn, 1983; Smith, 2002).

Task segmentation – the process of dividing complex jobs into simple sub-tasks – and automation are also a common form of control used in occupations dominated by women (Davies, 1982; Kanter, 1977). Whereas men are associated with jobs involving the maintenance of technological automation, women’s roles are typically subjected to it. Both task segmentation and automation are intended to boost speed and efficiency through repetitive action, and women are touted by managers as being particularly suited to such activities, owing to their nimble fingers, attention to detail, patience and heightened concentration levels vis-a-vis men (Wolf, 1992; Wright, 2001).

In contrast to the research on supervision and task segmentation, less is known about the gender differences in rule-based control systems or how participatory-based schemes are able to extract heightened commitment from workers. There are, however, some exceptions. Wolf’s (1992) study of working groups in Indian factories found that rules used to govern groups of female workers were not applied to male working groups. In addition, frontline services, where women are heavily concentrated, are often subjected to rule-based constraints, covering appropriate use of time, accuracy of service, demeanour, behaviour and appearance (Austrin, 1991). In terms of participation in workplace decisions, the broader literature on the labour process informs us that many constraint-based forms of control undermine the attempts to promote engagement and participation (Vallas, 2003). Since women are concentrated in jobs with extensive forms of supervision and control, it follows that they will face more constraints when engaging in workplace decision-making processes. Employers’ stereotyping is also likely to undermine women’s participation because women are often perceived to be ‘lacking interest, ambition, or general fit with the requirements of flexible production’ (Crowley, 2013: p1216: see also Wright, 2001; Zanoni, 2011).

## 3.3 SCM, GVCs and the labour process in the textile industry

Supply chain managers undertake strategic and operational decisions that affect the nature of customer and supplier relations (Christopher, 2016) which infers that they are likely to affect the governance structure of GVCs (Gereffi and Lee, 2012; Golini et al, 2016). Supply chain management refers to a form of governance that extends beyond the legal limits of the firm (Riggs & Robbins, 1998). Despite the substantial literature on SCM, the term 'supply chain' remains contentious. Mentzer et al (2001) define a supply chain as 'a set of three or more entities' (organisations or individuals) directly involved in the upstream and downstream flow of products, services, finances, and/or information from a source to a customer' (Mentzer, et al., 2001, p. 4). In practice, however, linear connections between organisations are relatively rare. For Christopher (2005), the *supply chain* refers to an inter-connected network of companies involved in activities that create value in the form of products and services. Berry et al (2005) provide a more complex definition, by asserting that the more appropriate term is 'supply network' because it accommodates the variety of multi-directional connections between firms.

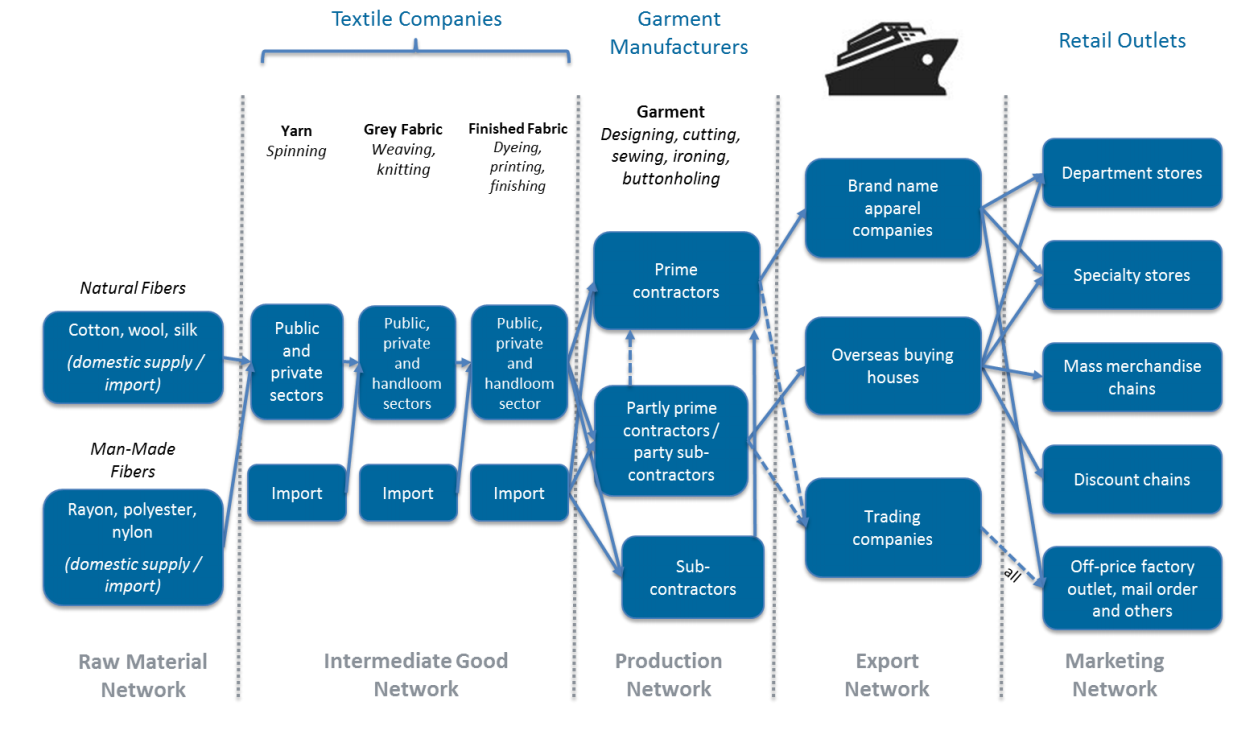
Firms can exploit competitive advantage not only between individual firms, but also throughout their supply chain. By establishing new inter-organisational forms - such as strategic alliances, collaborations, partnerships, and networks – firms can harness more responsive supply chains, which are capable of increasing customer value and reducing costs (Christopher, 2005). The collaborative environment increases the flow of information between supply chain partners, allowing firms to identify potential risks to supply (Juttner et al, 2003) or to eliminate the duplication of activities (e.g. Harland et al, 2001).

A supply chain may operate differently depending on its maturity (Harland et al, 2001; Van der Meer-Kooistra and Scapens, 2008; Varoutsa and Scapens, 2015), inferring that supply chains have 'life cycles' or developmental stages that can be managed and controlled (CIPS, 2017). Berry et al (2000) identified four phases: namely the autonomous firm phase, the serial dependence phase, the reciprocal dependence phase, and the mutual dependence phase. At the autonomous phase, which is considered to be the least mature, firms seek the lowest cost approach that provides the requisite quality – meaning they are likely to engage in arm’s length transactions with suppliers. Serial dependence is likely to be driven by attempts to reduce costs through the management of suppliers. Reciprocal and mutual dependency refers to relationships that are collaborative, whereby firms engage in supply chain techniques that rely on high levels of trust between actors.

The textiles industry, which is the focus of this study, has received attention from GVC and LPT scholars (Abernathy et al, 1999; Gereffi and Memedovic, 2003; Gereffi and Frederick, 2010; Staritz, 2011; Anner, 2015). This literature can be separated into three sub-sectors: apparel, home textiles, and industrial textiles. Each sub-sector is characterised by different market pressures that influence supply chain relationships, management decisions and labour outcomes. Industrial textiles often involve higher value-added processes and automated production functions. In contrast, apparel supply chains are characterised by long production lead times, shorter product life cycles for fashion items and errors in forecasting product demand (Lam & Postle, 2006). Generally speaking, textiles and apparel GVCs are comprised of firms of varying size, although there are significant numbers of small and medium size firms located at the manufacturing and primary stages of the production process (Martin, 2013; Anner 2015). Meanwhile, lead firms, in the form of large retailers and brands, possess significant bargaining power over upstream segments.

The various aspects of a clothing supply chain are illustrated in figure 3.2.

###### **Figure 3.2 – A typical textiles/apparel supply chain**

 Source: Martin, M (2013: p.6)

For clothing retailers and brands, the shift towards globalised forms of production has opened up a vast number of new markets - meaning that companies will often maintain a portfolio of suppliers from various countries. For firms exposed to the intense pressure of the global markets, the diversification of suppliers has the potential to reduce costs and reduce the risks by limiting the detrimental impact of exchange rate fluctuations, supply shortages or local political developments. The latter is particularly pertinent as textiles companies are extremely quick to adapt to new opportunities. Similarly, scholars from the field of international development have drawn attention to the relationship between supply chain management practices, such as fast-fashion and just-in-time production methods, and the exploitation of workers in the upstream segments of the chain (Green, 2016). These studies alert us to the plight of garment and textiles workers, most of whom are located in hard-to-find, sub-contracted nodes of the supply chain, and are exposed to poor labour standards, including long, inflexible working hours, lack of freedom of association, poor pay, and insecure work (Yimprasert and Hveem, 2005; Ferrigno, 2008; Martin, 2013).

The governance structure of textile and apparel value chains can vary between countries and regions. For Gereffi et al (2005), changes to the pattern of global production in recent decades had a significant impact on the apparel value chains, initiating a trend away from captive value chains towards more relational (modular) forms of governance. This characterisation, however, is based partly on the example of several East Asian economies (Japan, China, Taiwan, South Korea) that successfully transitioned from undertaking simple forms of manufacturing (e.g. assembly) to becoming 'world class textile and apparel exporters' (Gereffi et al, 2005: p.91; see also Bonacich et al, 1994). In contrast, apparel industries in other parts of the world, such as Africa, continue to focus on the assembly of imported inputs or producing raw materials (Vlok, 2006; Truett and Truett, 2010), retaining aspects of captive value chain governance.

For SCM scholars, their interest in textiles supply chains has tended to focus on commercial and operational concerns, such as how to satisfy consumer demands for fast-fashion (Barnes and Lea-Greenwood, 2006) through the use of lean and agile manufacturing techniques (Bruce et al, 2004; Hallgren and Olhager, 2009). Holland (1995) claimed that textile firms were showing signs of moving to more collaborative strategies of SCM by implementing systems designed to share information at the inter-organisational level. However, the textiles industry has endured significant changes since 1995 resulting in increased competiveness, reduced global prices for fabrics and applied pressure on firms to reduce costs. Locke et al's (2007) research into Nike's supply chain offers a more recent insight into the trends in management practice in apparel supply chains. The study found that the company's supply network consists of more than 500 factories in 23 different countries, yet Nike does not have a direct relationship with most of these suppliers. Instead, it employs an intermediary organisation to monitor suppliers using management controls and supplier selection methods designed to ensure that orders are delivered on-time, at the agreed price, and at the required quality. The study found that productivity had increased most significantly in the few factories where Nike's management had established a direct relationship with managers in the supplier firm (Locke et al, 2007).

Despite pressure from consumer groups and civil society organisations for better traceability and transparency of garment supply chains, the industry has been reluctant to embrace technologies that are used in other industries to monitor supply chain practices. These technologies are not only used in high-value added industries where capital investment is easier to access; they have also been used in organic and Fairtrade supply chains in the food industry where cost pressures are comparably intense. In contrast, many textiles buyers, brands and retailers possess little knowledge about where their clothes are made. This may indicate a lack of will on the part of the lead firm. However, it also reflects the intense pressure and challenges facing firms throughout the supply chain. For instance, textiles manufacturers, who are faced with intensely competitive market pressures, often agree to undertake orders that exceed their capabilities. As a result, they are forced to sub-contract aspects of production to third-party suppliers. These sub-contracted firms have been shown to over-state their own capabilities, which results in further sub-contracting. Ultimately, this means that textiles value chains have become increasingly elongated and hard-to-trace.

Managers in textiles and apparel firms have been shown to adopt various control mechanisms in an attempt to govern labour (Roberts and Thoburn, 2004; Collins, 2009; Anner, 2011; 2015). Probably the most notorious and contested system of control used in the apparel industry is the piece rate system (Anner, 2015). Although its application varies in different contexts, the basic premise of piece rates is that workers are paid by what they produce rather than by how long they work. Although minimum wage legislation makes such schemes less common, many unscrupulous employers have found ways to circumvent labour laws. For instance, Anner (2015) notes that some employers require workers to complete a certain number of operations in a specified period in order to keep their job. In other circumstances, some textiles firms have chosen to outsource production to sub-contractors or homeworkers in the informal sector where labour regulations are less effective and piece rate systems endure.

Other forms of labour control are also particularly associated with the textiles industry. According to Collins ([2009](https://books.google.co.uk/books?hl=en&lr=&id=s_r3ukFs2VIC&oi=fnd&pg=PR7&dq=labour+management+in+apparel+and+textiles&ots=9Vqw6JN8k4&sig=w3l_LcG0xVebQfkyN2cnUH1vRyE#v=onepage&q=labour%20management%20in%20apparel%20and%20textiles&f=false)), the prescriptions of Taylorism are still felt within textiles factories throughout the world. Technical forms of control are present in the guise of basic assembly lines, which are commonplace even in small firms (Abernathy et al, [1999](https://global.oup.com/academic/product/a-stitch-in-time-9780195126150?cc=us&lang=en&)). Various studies have shown how authoritarian management structures and direct forms of supervision are often used to ensure that workers comply with strict rules around working hours and breaks (Baylies and Wright, 1993; Anner, 2011). In some cases, managers position their office as a panoptic balcony overlooking the shop floor, which allows them to covertly monitor the activities of employees (Baylies and Wright, 1993). Some of the most pernicious forms of labour control in the textiles industry extend beyond the shop floor (Jenkins, 2013; Anner, 2015). Evidence from the textiles industry in Latin America and India have documented coercive managerial strategies that seek to limit labour power, undermining governance processes in ‘company unions’ and using violence to prevent freedom of association (Anner, 2015; Jenkins, 2017)

### 3.3.1 Women’s work in apparel and textiles factories

Since the 1960s, manufacturing industries have increasingly shifted production to factories that are based in developing countries and emerging markets, giving rise to a new type of waged employment (Elson and Pearson, 1981; Pearson, 2006). This type of work has particular implications for gender relations since it is associated with a marked rise in the employment of women around the world, leading to an assumption that the rise in women’s work in factories represents a positive move into the formal, regulated economy - coupled with the associated employment benefits and access to social security. Although this may be true in some instances, the integration of women into global production networks has occurred alongside the introduction of neoliberal economic and social policies that have undermined labour power, which has meant female workers are often the subject of poor labour standards. Indeed, as Pearson (2004: p3) argues, ‘it would be more sensible to reconceptualise women’s work in most areas of the developing world as being by definition unregulated and unprotected, regardless of whether it takes place in large-scale workplaces, small or family-based workshops or within women’s own houses or compounds’.

Women’s work in factories is concentrated in particular roles in the labour process. Generally speaking, women are likely to be found in roles that are lower status, lower paid, and involve monotonous tasks (Cowley, 2013). In the textiles industry, where women comprise around 75% of the global labour force, women are concentrated in roles on production lines where tasks have been reduced down to simple repetitive activities (Jenkins and Blyton, 2017); their perceived ‘nimble fingers’ making them better suited to the role (Elson and Pearson, 1981; Wolf, 1992). In contrast, positions that carry greater responsibility or authority, such as management, ownership, logistics, cutting, and quality assurance, are dominated by men, and notably these roles tend to carry higher pay, greater job security, and better employment perks (Pearson, [1998](https://books.google.co.uk/books?hl=en&lr=&id=uYaFAgAAQBAJ&oi=fnd&pg=PA171&dq=ruth+pearson+gendered+labour+market&ots=LC7fOOG3mV&sig=2mlyfLsrEXMcBiRoEfABgSMp04I#v=onepage&q=ruth%20pearson%20gendered%20labour%20market&f=false); Barrientos, 2001; Raworth, 2004). It should be noted, however, that there are variations in how gendered roles play out in different countries. Studies of Morrocan and Turkish textiles industries, for instance, have shown that men dominate all segments of the production process; although it should be noted that these jobs are generally relatively well paid, and institutional differences mean that these jobs are perceived to be high status, highly-skilled ‘male’ occupations (Cairoli, 1998).

The vast majority of empirical studies of textiles factories in emerging markets and developing economies have documented how workers are forced to endure relatively poor labour standards, notwithstanding exceptions in parts of North Africa and the Middle East. Low pay and job insecurity are commonplace in many countries (Raworth, 2004). Studies of factories in Lesotho and India, for instance, have shown that factory workers, who were predominantly female, were forced to endure long, inflexible working hours and pressures from managers to work unplanned overtime prevented women from being able to care for their children (Chen et al, 2005; Jenkins and Blyton, 2017). Similar studies have also demonstrated how textiles workers avoid taking time off because they fear that it may result in them being dismissed by unscrupulous managers who perceive them to be unreliable (Chen, 2008; Forson, 2013).

Labour standards in textiles factories have also been driven down by supply chain relations. Consumer and organisational trends, such as fast-fashion, and modern supply chain management practices, such as just-in-time production (Green, 2016) or total quality management, demand organisational and productive flexibility, which in turn requires flexibility on the part of production line workers. Whilst flexibility can prove beneficial for some individual workers, the increasing demand for flexibility has had the effect of trapping some workers into poverty by restricting their access to social protection and a stable income (Chen et al, 2001). Workers have sometimes been subjected to financial penalties in exchange for increased flexibility, particularly if they were unable to make up time later (Chant and Pedwell, 2009; Bolton et al, 2012). In such cases, the (predominantly female) workforce was forced to endure long, inflexible shift patterns that often included the enforcement of unscheduled overtime (Chen et al, 2001; Green, 2016).

The above discussion has set out how the dynamics of economies, workplaces and communities can contrive to reinforce gender inequalities. Similarly, evidence from the global development literature suggests that factory work may not necessarily lead to the broader empowerment of female workers. Since Wolf’s (1992) study of ‘factory daughters’ in Indian textiles factories, there has been relatively little research into the implications of factory work for women’s status and power in their household and their local communities. More generally, Sen (2001) has argued that increasing women’s earning capacity does not automatically increase empowerment or autonomy. Whilst earning money may increase women’s economic options, it also increases their workload without increasing their autonomy (Kabeer, 2000).

## 3.4 Summary

In summary, GVC analysis provides a critical view of the power asymmetries that are embedded within the supply chain by situating these debates within a broader economic and political context. In particular, the concept of economic and social upgrading provides a useful framework for exploring the challenges facing worker owned enterprises that operate within, or wish to access, international supply chains. On the one hand, the concept of economic upgrading provides a lens for assessing a problem that faces many small cooperatives: namely, how to overcome barriers that prevent them from accessing larger customers, which often confines them to small cottage industries. On the other hand, social upgrading refers to the provision of better jobs and rights for workers or smallholders located within GVCs and does not necessarily go hand-in-hand with economic upgrading. The outcomes of social upgrading can, however, be gendered, with male workers often displacing incumbent female workers in industries when employment terms and rights improve. Meanwhile, the gendered labour process can confine women to low paid, low status roles, limiting their opportunities to express their interests. For worker cooperatives operating in GVCs, there is a need to understand how their position within the value chain affects the autonomy of the firm, the extent to which they are able to promote social upgrading and gender equality, and the strategies available to worker-owners to advance their own interests or resist exploitation. This raises two questions: firstly, whether these value chain dynamics undermine worker participation and the practice of workplace democracy in the cooperative; and secondly, do they influence whether and how managers attempt to discipline and control workers, with specific implications for gender equality. With this in mind, the next chapter turns to the issue of workplace democracy, and in particular the way it is promoted through the internal governance practices of the firm and its association with the promotion of gender equality and female empowerment.

# Chapter 4

# Literature review: worker democracy and gender equality in cooperatives

This chapter examines the relevant literature on workplace democracy and gender equality within cooperatives. The participation of workers is central to socially progressive aims of worker cooperatives (Cornforth et al, 1988). For cooperatives that have experienced a growth in membership, there is a need to establish formal governance arrangements to facilitate decision-making and worker participation. Section 4.1 explores the literature around workplace democracy, which shows that the governance protocols in worker cooperatives are an important mechanism for institutionalising the processes that promote workplace democracy (Cornforth et al, 1988; Cornforth, 2004; Erdal, 2011). The focus then turns to the issue of gender equality, the promotion of which is one of the seven founding principles of the cooperative movement (ILO, 2015a). Section 4.2 explores the intersections of workplace democracy and gender equality by focusing on the way in which cooperatives, and other alternative forms of enterprise have become associated with promoting more equitable outcomes. However, section 4.3 also identifies how gendered institutions can inhibit these egalitarian aims. The equitable participation of women in the economy, and in worker cooperatives is inhibited by a number of factors relating to the gendered composition of labour markets (Kabeer, 2000; Barrientos, 2014; Hacker, 2017); the gendered structure of organisations (Acker, 1990); and the restrictive nature of patriarchal cultures. Meanwhile, women carry the 'double-burden' of balancing productive and reproductive work, undertake the majority of (unpaid) domestic work (Hein, 2005), and provide a greater proportion of care for dependent relatives (ILO, 2011). Section 4.4 provides a summary of this chapter and brings together the various aspects of this study within a single conceptual framework.

## 4.1 Worker cooperatives and workplace democracy

There are many alternative forms of business structure, such as employee owned businesses whose principle aims imply a more active role for workers at the governance tier of the firm. Employee ownership 'refers to the ownership of a company, directly or indirectly, in part or in whole by some or all of its employees' (NCEO, [2017](http://www.nceo.org/employee-ownership/id/12/)) and there is a growing interest in employee ownership from policy makers and researchers globally (Erdal, 2011; Brown et al, 2014).

Different models of employee ownership are underpinned by different rationales that inform their purpose. Moreover, each model also has important implications for the distribution of ownership and the degree of worker participation. There are three broad forms of employee ownership: employee-share ownership schemes (ESOPs), co-ownership, and worker-cooperatives (Pendleton, 2001). ESOPs involve firms offering incentives and discounts for existing employees to purchase shares in the firm. Co-ownership involves employees owning a significant shareholding in a company - usually around half of the firm's equity. Firms such as John Lewis in the UK have adopted this model in which employees own their shares collectively through a trust. Finally, cooperatives are businesses that are owned and run by members, each having an equal role in decision-making and share of the profits.

The primary focus in this study is on worker cooperatives. The International Cooperative Alliance (2011) defines a cooperative as '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'. The global cooperative movement is underpinned by seven internationally recognised principles of cooperation. These are: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; provision of education, training and information; cooperation among cooperatives; and concern for the community (ICA, 2011). It is for this reason that the ICA claims that cooperatives promote ethical values of honesty, openness, social responsibility and caring for others. These values translate into tangible measures that may make working in cooperatives very different from employment in other types of businesses. For example, cooperative workers distribute profits equally between members with each member receiving an equal vote on issues of governance.

Generally speaking, the academic interest in employee ownership has tended to come from two different perspectives: (1) assessing the 'business case' for employee ownership, and (2) the degree to which it promotes workplace democracy. The ‘business case’ for worker ownership links employee participation to firm performance by arguing that employee owned firms (including worker cooperatives) achieve higher productivity and generate more employment opportunities than is the case in other types of firm ( Kruse et al, 2010; Matrix Evidence, 2010; Employee Ownership Association, 2013). According to this view, a business owned by its employees is more profitable and productive, with happier staff and customers, and more likely to be innovative than conventionally structured businesses (Erdal, 2011). At this stage, these claims are not substantiated by a wealth of empirical support. However, there is some evidence that employee ownership improves morale, resulting in higher motivation levels and lower absenteeism amongst workers (Trimming, 2012; Brown et al, 2014). In addition, the values underpinning employee ownership can lead to a greater concern with employee welfare beyond the boundaries of the organisation (Wilkinson and Pickett, 2011). Consequently, many cooperatives adopt educational programmes and employee wellbeing initiatives that have been shown to have a positive impact on the health of workers (Landsbergis, 2009).

Cooperative ownership is also justified on the grounds that it promotes workplace democracy (Hansmann, 1999; Cazzuffi and Hunt, 2009; Buehring, 2012; Cheney et al, 2014; Cathcart, 2014). According to this view, worker cooperatives challenge the dominant discourses about how organisations should be structured and how business should be conducted (Spear, 2004; Storey et al, [2014](http://journals.sagepub.com/doi/abs/10.1177/1350508414537624)). For Cloke and Goldsmith (2002), labour-management can lead to the removal of hierarchy and direct forms of control, the de-layering of managerial tiers, and the opening up of a new space for workers’ intervention (see also Atzeni and Ghigliani, 2007). In other words, workers are represented at various levels of the firm and empowered within internal decision-making structures through various forms of representative and direct democracy.

Empirical studies of worker owned firms have highlighted the importance of formal, legal and structural aspects of governance for institutionalising workplace democracy. Numerous studies have highlighted the different approaches taken by worker cooperatives to governance and management practice (Hammer et al, 1980; Cornforth et al, 1988; Pencavel, 2002). In some cases, these cooperative management systems are comprised of elected governance teams, serving limited terms of up to four years (Surroca et al, 2006). Generally speaking, term limits for cooperative managers is viewed as a form of good practice since it limits the likelihood of managerial appropriation (Cornforth et al, 1988). However, there is an increasing tendency for employee-owned firms to adopt executive boards because they are associated with a more efficient form of decision-making, a practice that has been criticised for lacking democratic legitimacy given the low levels of member participation (Cornforth, 2004).

Cooperative governance arrangements may also vary according to external factors, such as the institutional pressures (Varman et al, 2004; Kandathil et al, 2007; Laliberte, 2013), industry or sectoral constraints ([Cornforth and Thomas, 1990](http://journals.sagepub.com/doi/abs/10.1177/0143831X9001100401?journalCode=eida); [Smith, 1994](http://www.hajarian.com/mosharekati/1-s2.0-0167268194900043-main.pdf)), or the coercive actions of unscrupulous quasi-employers ([Lima, 2007](http://natlex.ilo.ch/wcmsp5/groups/public/---ed_dialogue/---actrav/documents/meetingdocument/wcms_161329.pdf)). For instance, Blasi et al ([2003](https://www.researchgate.net/profile/Douglas_Kruse/publication/241155619_An_Assessment_of_Employee_Ownership_in_the_United_States_with_Implications_for_the_EU/links/5563d0b908ae9963a11ef52f/An-Assessment-of-Employee-Ownership-in-the-United-States-with-Impl)) study found that workers in US employee-owned businesses were less likely to be formally integrated into decision-making processes in comparison to those in Europe, which they attribute to difference in legal structures and the fact that worker ownership was widely promoted in the US as a means of increasing productivity rather than advancing workplace democracy (Kruse et al, 2004; Marchington, 2005).

There have been numerous critiques of worker cooperatives, although the two most significant debates have taken place the rationalist-economics and employment relations literatures. Traditional economic perspectives that take the view that cooperative ownership is founded upon an unviable business model (see Jensen and Meckling, 1976). For example, in relation to the governance of worker cooperatives, Legros and Newman (1996) argue that laboured decision-making practices restrict opportunities for organisational growth. This view, which draws on the principal-agency theory, asserts that cooperatives have unclear ownership structures as individual members do not have unrestricted rights to withdraw their share of a firm’s capital (Jensen and Meckling, 1976). As a result, members are believed to have weak incentives to control management (Fahlbeck, 2007). Thus, it is argued that cooperatives are likely to be constricted by slower, poor quality decision-making and the inefficient risk bearing of investors with wealth and credit constraints (Legros and Newman, 1996). By extension, these criticisms imply that cooperatives suffer from a 'horizon problem' - meaning that employee-owners prefer to consume rather than invest for future returns, thus restricting their opportunities for growth.

In response to these criticisms, cooperative scholars cite the examples of larger cooperatives that have sustained over time, such as the Mondragon group in northern Spain. The existence of the established cooperatives, such as Mondragon, shows that under some institutional arrangements, employee-owned organisations can grow substantially and thrive over long periods. In their study of the governance arrangements at Mondragon, Surroca et al (2006) illustrate how incentive systems and committee-based decision-making protocols have been used to sustain the cooperative business model. In doing so, they also highlight the complexities of managing integrating managers who exhibit more individualistic behaviours. Moreover, a recent study by Basterretxea and Albizu (2011) highlighted Mondragon’s commitment to the development, training and retrenchment of ‘cooperative managers’, helping to overcome the issue of managers leaving to seek more financially-rewarding employment in the private sector.

A more contentious debate about the emancipatory potential of worker cooperatives – and the virtues of workplace democracy therein - has raged in the employment relations literature (see Webb and Webb, 1920; Egan, 1990). Mandel (1979), for instance, has argued that because cooperatives are forced to operate within the logic of capitalism, they are incapable of overcoming the political, legal and financial dominance of the capitalist mode of production. In other words, cooperatives must produce for a market, which subjects them to commercial imperatives and forces them to compete with one another. According to Mandel (1975), such competition causes worker cooperatives to operate no differently to a conventional business, replicating the capitalist labour process and driving down wages through self-exploitation. In addition to the long held scepticism about worker cooperatives, employment relations scholars have also been critical of recent attempts by managers to leverage worker participation, in return for higher levels of productivity (Marchington, 1995).

Despite this widely held scepticism in the employment relations literature, many national worker cooperative movements have emerged as a mechanism of solidarity, formed through class struggle (Egan, 1990), and it is for this reason that many scholars view cooperatives as ‘experiments’ in, or ‘pathways’ to socialism (Marx, 1864; Atzeni and Ghigliani, 2007). However, empirical studies of cooperative forms of production have not given adequate attention to how the capitalist division of labour affects the processes of power and control within cooperatives: a deficiency that labour process analysis is arguably well equipped to overcome (Egan, 1990). In terms of workplace democracy, the form of work participation promoted by worker cooperatives is based on ethical and political values that contrast markedly with the ‘business-case’ arguments that underpin employee engagement (see also Johnson, 2006). Nevertheless, given the prominence of the ‘business case’ for organisational democracy, there is a particular need to understand the cooperative labour process, within the context of advanced stages of capitalism (i.e. neoliberalism). This includes the extent to which the working practices of cooperatives are shaped by neoliberal assumptions (Egan, 1990; Atzeni and Ghigliani, 2007).

Cooperative scholars have also questioned the extent to which the governance arrangements of worker cooperatives promote workplace democracy (Laliberte, 2013). Cathcart ([2013](https://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=4&cad=rja&uact=8&ved=0ahUKEwiKr8ib_qPUAhWEKcAKHTO-Ae4QFgg_MAM&url=http%3A%2F%2Feprints.lse.ac.uk%2F53032%2F1%2FAbby%2520Cathcart-democraticaudit.com-The_John_Lewis_model_reveals_the_tensions_a)) argues that management and workers have different visions of what ‘partnership’ means, which results in an ongoing struggle taking place within the organisation’s democratic structures. As a result, EO firms with less robust democratic functions are liable to exhibit less employee involvement and more autocratic managerial behaviours. Meanwhile, Chaddad and Iliopoulos (2013) argued that worker cooperatives rarely grant members full control of the organisations because decision-making becomes unworkable as membership increases. The separation of ownership and control, which is central to the analysis of democracy in worker cooperatives, can be understood through a continuum of cooperative governance (see figure 4.1).

###### **Figure 4.1 - Continuum of cooperative governance**Governance of Cooperatives.JPG

(Chaddad and Iliopoulos, 2013: p.12)

Most cooperatives tend to adopt three broad governance models: quasi-integration, separation and delegation. In other words, most worker cooperatives tend to adopt governance structures that to some extent limit worker owners' control of the firm. For Cornforth et al (1988), the promotion of workplace democracy in worker cooperatives is undermined by three processes relating to the firms’ internal governance protocols. These are: (1) ‘constitutional degeneration’ which occurs when decision-making power shifts from the members to a restricted group; (2) ‘capitalist degeneration’ which occurs when employee-owned firms adopt financial control mechanisms of privately-owned firms; (3) ‘internal pressures’ when individual opportunism increases the use of management controls at the expense of democratic governance (Spear, 2004; Lima, 2008; Chimbanda et al, [2009](https://pdfs.semanticscholar.org/3e2d/0951a7c236d2b375c8b298593cc37cd51649.pdf); Schwartz, [2012](http://moritzlaw.osu.edu/students/groups/oslj/files/2012/05/73.2.Schwartz.pdf)). However, the focus in this literature has been on how institutions shape the internal working of cooperatives, rather than on how external organisations, such as supply chain partners, can intervene in cooperatives decision-making processes. As a result, these studies fail to adequately account for the way worker participation in cooperatives is affected by their involvement in GVCs, and the fragmentation of production caused by the increased use of outsourcing (Coe et al, 2008).

Within the cooperative literature, a limited number of studies have examined the interaction between employee owned businesses and supply chain governance. Hansmann's (1996) study of agricultural cooperatives found that produce suppliers exerted a powerful influence over the internal workings of the cooperative. The supply chains of industrial cooperatives have also received some attention. Coad and Cullen ([2006](http://www.sciencedirect.com/science/article/pii/S1044500506000266)) have argued that employee owned firms can adopt different strategies towards their supply chain partners that results in better outcomes for workers. Their study of an employee owned business found that managers had chosen to work with supply chain partners in order to reduce costs and avoid having to make redundancies. However, Errasti’s (2015) study of Mondragon found that the employment conditions and democratic rights offered to ‘core’ workers were not being extended to workers in its Chinese subsidiaries. Whilst these studies are indicative of a need to extend cooperative analysis through the supply chain, the extant literature remains sparse, limited to a small number of industries and dominated by studies of cooperatives in Europe and the US.

### 4.1.1 Cooperatives and employee voice

Worker democracy refers to the extent to which workers are able to influence decisions relating to their place of work. This concept is covered by several inter-related literatures, including worker participation (Hyman and Thompson, 2004) and employee voice. Employee voice refers to mechanisms that provide workers with 'the ability to have a meaningful input into decisions' about their work and working conditions (Budd, 2004: p.23) and has been approached from a variety of perspectives, which has arguably led to the lack of a clear definition of the subject matter (Marchington, 2005). However, this problem has largely been addressed in recent studies (see Townsend et al, 2013; Wilkinson et al, 2014; Marchington, 2015a). Employee voice can take one of two forms: indirect voice and direct voice. Indirect voice occurs through employee representation, such as through a trade union or collective bargaining agreements, which involves direct participation of workers in the decision-making structure of the firm. In contrast, direct voice, which usually takes place by integrating workers into the internal governance of the firm, may be more appropriate for communicating local concerns. Within these two categories, voice may be expressed through formal and informal interactions (Townsend et al, 2013). While informal voice is often seen as beyond the scope of studies of voice in the ER/HRM literature (Wilkinson et al, 2014), there are several exceptions (e.g. Purcell and Georgiadis, 2007; Marchington and Suter, 2013; Ravenswood and Markey, 2017) and it is also widely covered in the organisational behaviour literature (see for example Morrison, 2011; Godard, 2014)

Recent contributions to the literature alert us to the impact of institutional factors over employee voice (Kaine, 2012; Ravenswood and Markey, 2017). Marchington ([2015](http://onlinelibrary.wiley.com/doi/10.1111/1748-8583.12065/abstract)a), for example, identifies three institutional factors that shape employee voice that he refers to as hard, soft and intermediary. 'Hard' institutional forces relate to legislation, whereas 'soft' refers to government programmes and voluntary initiatives that attempt to encourage employers to engage in 'best practice'. These two institutional pressures are then influenced by the actions of intermediaries, such as trade union federations, professional bodies and employer federations, which can play an important role in shaping mechanisms of voice in de-regulated markets (Marchington, 2015b), or arguably in emerging markets where legislative frameworks are less well developed. However, Ravenswood and Markey (2017) argue that current approaches to understanding the institutional pressures that influence employee voice put too strong a focus on the role of government and regulatory frameworks. Instead, these authors draw on the work of Poole et al (2002: p.25) in order to argue that 'culture and prevailing ideologies within given nations [can] promote or constrain industrial democracy’.

In terms of industrial democracy, there remains a contentious debate about whether workplace cooperatives represent a socially progressive movement capable of producing broader improvements in employee voice, or simply a temporary distraction from conventional capital-labour relations (Atzeni and Ghigliani, 2007). Historical collaborations between employee-owned firms and labour unions have achieved mixed results (Ellerman, 1980; 1999), but cooperative associations have engaged with labour unions in pursuit of economic and social goals relating to employment, education, social inclusion, and equality (Laliberté, 2013). Examples from EU countries suggest, moreover, that tripartite arrangements between public bodies, unions and cooperative associations are crucial in order to facilitate social dialogue and improve labour conditions (Monaco and Pastorelli, 2013). In South Africa in the 1980s, some labour unions helped to establish cooperative firms whilst retaining an ongoing interest in the business – a form of employee-owned business known as a ‘unionised cooperative’. For instance, the South African clothing and textile worker union (SACTWU) played an active role in setting up the Zenzeleni textile cooperative in Durban in the late 1980s, but this venture proved commercially unviable (Torres, 1994). Generally speaking, it seems that in recent decades, there has been relatively little interest in developing further union-cooperative relations in any part of the world, with perhaps the only exception being the emergence of a ‘new union-cooperative model’ in the US. Here, the United Steelworkers union enlisted the help of the Mondragon cooperative in Northern Spain to oversee the transition of several firms to labour-management. Interestingly, this model, which excludes union involvement in the day-to-day running of the cooperative, provides union representatives with a significant degree of influence in the governance of the cooperatives, reflecting a deliberate attempt to embed a collective bargaining function into cooperative governance (Schlachter, 2017). The model, however, is at an early stage of development and it currently remains a fledgling experiment in industrial democracy.

### 4.1.2 Worker participation in cooperatives

Worker participation has been viewed as a central feature of cooperatives (Defourney et al, 1985; Craig et al, 1995; Cheney, 2002; Nippierd, 2012). It refers to the organisational processes and institutions that provide employees with opportunities to influence and take part in organisational decision-making (Salamon, 2000). As noted above, the fuller involvement of employees in decision-making has been described as industrial democracy. Pateman's (1970) pioneering work on industrial democracy suggests that there are three variants of participation: pseudo, partial and full. Pseudo participation refers to attempts to deceive employees into believing that participation is present, or even possible. Partial participation involves a shared process of decision-making between two or more parties, which might include information sharing and consultation, but where the ultimate decision-making power is maintained by one side (e.g. managers). Finally, full participation is only possible if both sides (management and workers) have equal power to influence decisions (Pateman, 1970). Since the existence of a pure form of power equality is unlikely, workers must rely on the effectiveness of governance arrangements or wait for managers to provide them with opportunities that enable them to participate (i.e. partial participation). Since managerial goodwill is often absent, trade unions are often seen as the best mechanism to enhance industrial democracy. Unions have been shown to adapt their strategies and practices when dealing with different types of firms that display a commitment to enhanced participation, such as worker-cooperatives (Monaco and Pastorelli, 2013) or NGOs (Baines et al, 2014). It should be noted, however, that market-embracing norms and recent managerial trends are driving the erosion of workplace participation, even in organisations where it has often been seen as aspirational (Cunningham et al, 2017; Bretos and Errasti, 2017). Another critical view of participation asserts that worker empowerment is a method of control (Strauss, 2006), and some forms of worker participation have been promoted in order to undermine other forms of labour power (Freeman and Medoff, 1984; Marchington, 2005). In Marchington's (2005) study on workers' financial participation, for example, the use of employee share ownership schemes (ESOPs) were used to align the interests of workers with those of managers (and owners), which in turn undermined the influence of trade unions in these organisations.

Employee ownership has been referred to as an effective mechanism of democratic participation (Russell et al, 1979; Paton, 1989; Burrows, 2008; Jossa, 2014; Wuisman and Mannan, 2016). However, while governance arrangements are one way in which workers can participate in workplace decisions, there remain many barriers to institutionalising workplace democracy in firms (Pateman, 1970; Rhodes and Steers, 1981). As Kandathil and Varman note (2007: p.141), 'Worker ownership can at best be described as a favorable pre-condition [of workplace democracy], but worker involvement and commitment require specific mechanisms, structures and institutions through which employees can participate.'

Long's (1982) longitudinal study of an electronics firm that transitioned to partial employee-ownership casts doubt on the degree to which employee-ownership leads to worker involvement. He found that the introduction of formal employee participatory arrangements had little effect on the extent of worker involvement in decisions at any level. Despite the introduction of employee representation at board-level, an employee council, and quarterly stakeholder meetings, there was no evidence that managers or workers were more committed to enhancing worker involvement in decision-making. Numerous other case studies of employee-owned firms have arrived at similar conclusions (Lammers, 1967; Long, 1982; Varman et al, 2004). However, these tend to focus on firms which have incorporated employee-ownership after being originally set up as conventional privately-owned businesses. In contrast, studies of firms that were originally setup by workers, such as Mondragon (Whyte and Whyte, 1991), have highlighted more active participation from workers.

Internal and external institutions may promote or inhibit democratic processes of worker cooperatives (Cornforth et al, 1988; Cloke and Goldsmith, 2002; Harley et al, 2005). At the internal level, worker participation is influenced by workers' perceived trustworthiness of managers (Melman, 2001); the process and scope of information sharing (Bernstein, 1982; Kandathil and Varman, 2007); and the extent to which they are able to de-codify the language of financial instruments and professions (Batstone, 1979; Cornforth et al, 1988). For workers, their willingness to get involved in participatory schemes can be limited by their expectations about participation (Long, 1982) and the extent to which they consider themselves to be owners (Gunderson et al, 1995). Furthermore, workers may resist aspects of workplace democracy provided by employee ownership because of the associated costs, such as the psychological burden of ownership, the increased likelihood of inter-personal tensions with colleagues and 'never-ending' meetings (Cornforth et al, 1988). External institutions can also affect participatory processes by influencing what behaviours and practices are deemed politically and socially acceptable (Bager, 1997). Yet, the impact of external institutions remains relatively under-researched in the literature on worker participation, particularly in the context of emerging market economies. NIS, as used in this study, may therefore provide a useful framework for understanding the way in which the external institutional environment, including regulatory frameworks and industrial norms, affect the working practices of the firm (Ackers and Wilkinson, 2008). In addition, the normative and 'cultural-cognitive' aspects of NIS provide a space for exploring how the value systems of workers affect firm structure and strategy. Culture has been used to explain different approaches to the governance of organisations between countries (Thornton et al, 2012), including its influence on decision-making processes in worker cooperatives (Hogeland, 2004; Mazzarol et al, [2014](http://www.e-elgar.com/shop/research-handbook-on-sustainable-co-operative-enterprise)). Within Africa, West (2014) has argued that Ubuntu has been influential in providing a more 'compassionate' approach to business ethics (see also Venter, 2004; Msila, 2015), whilst Ndiweni (2008) has asserted that it can affect corporate governance practices by challenging Anglo-American assumptions regarding 'good' governance.

## 4.2 Cooperatives and gender equality

Although gender issues are relatively underexplored in relation to worker ownership, cooperatives have been shown to empower women by placing a proportionate number of female staff in leadership roles and by giving greater attention to gender issues in women-owned cooperatives (Kabeer, 2013; McMurtry and McMurtry, 2015). According to Rao (1996) cooperatives do more than provide employment for women. They also improve their leadership qualities and self-confidence, leading to increased status of women in the household and in the broader community. Furthermore, other studies have found that the greater representation of women in decision-making roles is likely to lead to more appropriate and effective managerial policies that take account of women workers’ unique role in the production process (McMurtry and McMurtry, 2015).

There has been a concerted effort by the International Labour Organisation (ILO) and its partners to support the use of worker cooperatives through policies that are intended to promote decent work (ILO, 2016a; 2016b) and alleviate gender inequality (ILO, 2015a). Perhaps because of these imperatives, and the fact that cooperatives have been viewed as a tool for poverty alleviation and female empowerment in parts of Africa and Asia, much of the recent literature on worker cooperatives has come from the global development literature. In Africa, cooperatives have been cited as an effective means through which many women can challenge issues such as sexual violence and unpaid work (Majurin, 2012), increase the economic options available to them, and increase their decision-making capabilities (Nippierd, 2012).

Elsewhere, Meera and Gowda’s (2013) study of a group of Indian dairy cooperatives compared the circumstances of women workers before and after they joined the firm, finding that the women significantly increased their economic autonomy through their participation in the cooperatives. In particular, female cooperative workers were found to have better access to credit, greater knowledge of husband’s income, more confidence in financial transactions, and raised aspirations for financial independence. Similarly, Datta and Gailey (2012) found that participation in worker cooperatives resulted in enhanced entrepreneurial skills, leading to improved economic circumstances. More broadly, it has been argued that the social empowerment of female cooperative workers can occur through their elevated social status and greater voice and influence in the home, the community and wider society (Dash, 2011; Ferguson and Kepe, 2011). Cooperative workers tend to be paid more than workers employed in private enterprises in the same sector (Hacker, 2017). However, not all studies have had positive findings. Some empirical studies have shown that economic circumstances of female cooperative workers are often no better when compared to workers undertaking conventional market activities (Pandolfelli et al, 2008; Msonganzila, 1994). Meanwhile, Sharma and Vanjani’s (1993) study of Indian cooperatives found that cooperative membership increased the workload of women workers without providing them with greater influence in their household, and Mayoux (1995) found that cooperative membership involved significant costs for female members in balancing commitments.

In larger industrial cooperatives in Europe, it has been found that women in cooperatives are unable to challenge the gendered nature of production, traditional gender roles and the gendered division of labour (Majurin, 2012; Hacker, 2017). Gender equality has been undermined by homework and childcare remaining the responsibility of women, and the gendering of technical and scientific knowledge. Although Hacker and Elcorobairutia’s (1987) study of the Mondragon industrial cooperatives found that women generally ‘fare somewhat better in cooperatives than in private firms in employment, earnings and job security’ (p.358), it should be noted that this observation could be made of all workers within the cooperative. Moreover, women were concentrated in low-status administrative roles and men dominated engineering and management. The gendered division of labour has also been observed in other cooperatives. Women workers in the Israeli Kibbutz were given less prestigious roles and lower pay (Blumberg, 1976), with similar outcomes observed in Cuba (Nazzari, 1983) and the Soviet Union (Croll, 1982; Swafford, 1978). In almost all cases, it was women’s responsibility for home and children that seemingly precluded them from accessing prestigious work, or from participating in mechanisms of workplace democracy (Blumberg, 1976)

Gender inequality has also undermined workplace democracy in worker cooperatives. For instance, Hacker and Elcorobairutia (1987) aforementioned study of Mondragon found that positions on governance committees were almost exclusively drawn from workers in higher paid, higher status jobs, meaning women workers were effectively excluded from serving in key decision-making positions. Female participation in cooperative governance, more generally, seems to have remained low, with women under-represented in important decision-making roles (Nippierd, 2012). Furthermore, some cooperatives have even enacted by-laws that discriminate against women (Majurin, 2012). For instance, agricultural cooperatives often stipulate that ownership of land is a precondition of membership, but in many countries women have lacked these resources, have been (legally) prevented from doing so, or have not possessed the means to acquire them (e.g. access to credit). In other cases, by-laws have only permitted one-member per household, a position commonly taken by the man.

### 4.2.1 Cooperatives, gender and voice

In terms of employee voice, Ravenswood and Markey (2017) argue that there is a pressing need to understand the role of gender in voice mechanisms, particularly in industries where women comprise a dominant share of the workforce. In doing so, they also argue that 'gender regimes' - the way in which gender inequality is woven into the fabric of society (Durbin and Fleetwood, 2010) - assign roles and expectations over men and women in the workplace. These gendered norms and hidden masculinities are then embedded within the decision-making structure of workplaces at the organisational level (Acker, 2006), the structural level (Pascall and Lewis, 2004; Tomlinson, 2007), and the institutional level, through legislation, societal expectations and norms (Ravenswood and Harris, 2016). Furthermore, Acker (2006: p.441) argues that organisational and institutional factors interact to sustain ‘relations of inequality’, which are embedded within the function of employee voice (see also West and Zimmerman, 2009).

Other literature on female empowerment informs us that 'voice, decision-making and leadership are understood as elements of women’s empowerment' (Domingo et al, 2015: p.1). Generally speaking, women’s empowerment occurs through three processes: political participation; social activism; and economic empowerment. The focus in this study is on women's economic empowerment (Eyben, 2008; Kabeer, 2011; Cornwall and Edwards, 2014; Oxfam, 2017), which relates to the ability of female workers to take actions that improve their economic circumstances, through employment or business ownership, and is viewed as both an end in itself and a means to social and political forms of empowerment (O'Neil et al, 2014). Economic empowerment, therefore, can lead to greater voice through representative forms of industrial democracy (e.g. collective action); greater ability to make decisions; greater bargaining power; financial independence; and control and ownership of resources.

Women’s empowerment is, however, inhibited by gendered institutions (Molyneux, 1985; Jackson, 1999; Cornwall and Edwards, 2014). This literature, which has been led by scholars from the field of global development (see Kabeer, 1999; 2011; 2013; Cornwall, 2007; Cornwall and Edwards, 2014), draws attention to the barriers that thwart female involvement and participation at various levels of society. These include institutional barriers that deny equal access to resources; gendered structures within labour markets that limit women's access to specific jobs; gendered practices in organisations that inhibit the voice of female workers in key decision-making roles (Acker, 1990; Meyers et al, 2016); and patriarchal cultures that prevent women from participating in productive work (Sobering, 2016). Notably, these gendered institutions have also been observed in worker owned firms, where hidden masculinities embedded within management structures and 'professional' practices reduce the likelihood that female workers will participate in governance processes (Hacker and Elcorobairutia, 1987; Sobering, 2016; Meyers et al, 2016).

A primary concern of the global development and gender equality literature is the extent to which women are able to access and gain ownership of financial and productive resources that enable them to engage in productive activities (Domingo et al, 2015). In practice, engagement may take the form of self-employment or participation in formal and informal labour markets. There has been a strong focus on the impact of microfinance initiatives on women’s economic participation, which possibly reflects the interest from scholars in the field of global development. In emerging markets and developing economies, women (and men) producers have sought to overcome these challenges by forming collective enterprises such as cooperatives, or social enterprises (Swafford, 1978; Croll, 1983; Jones et al, 2012). The structure and management of these organisations have implications for employee voice and participation since worker ownership implies that some workers will be directly involved at the governance tier of the firm.

Further contributions have been made from those interested in how women’s voice can be promoted through collective mechanisms, such as union representation. Kabeer (2012) alerts us to the rise of ‘new unions’, which have had some success in mobilizing informal sector workers and challenging the traditional male-dominance of existing unions. These unions sought to recognise the multiple roles of their members as workers, mothers and women and they address the 'practical gender concerns such as safety of travel at night and support for childcare along with the more traditional trade union concerns such as wages and working conditions' (Domingo et al, 2015: p.78).

## 4.3 Gender equality in non-western contexts

Over recent decades, gender relations have arguably shifted from the margins to the mainstream of global and national public policy debates. In terms of economic policy, gender equality is viewed as highly relevant to the sustainable growth of economies, and is therefore a major concern for emerging markets (World Economic Forum, 2015). As noted in the previous section, worker cooperatives have been integrated into the policies of international agencies (ILO, 2015) and the governments of many developing countries (SA, 2015) with the express intention of promoting gender equality and promoting economic development. It is therefore necessary to consider how gender and social relations are shaped by the institutional architecture of developing countries and emerging markets.

It has been suggested that there is no country in which women and men share equal rights in legal, social or economic terms (World Bank, 2001). However, gender differences in health, education, and workforce participation have tended to be higher in countries with lower GDP per capita (Hein, 2005). Some regions such as the Middle East and North Africa stand out for especially low levels of female employment in the formal economy (World Bank, 2012). Women in developing countries are also more likely to encounter patriarchal norms that affects expectations of a woman’s role in society, whilst also encountering institutional constraints that limit access to resources such as land, property and credit (Fontana, 2011).

The diverse literature around gender equality has exposed a broad range of issues where women have tended to face discrimination in the workplace. This includes issues of recruitment, pay, and representation across the jobs bands (ILO, 2009). The causes of gender inequality are maintained through formal structures *and* informal norms that underpin labour markets and organisations (Krook and Mackay, 2011). These issues can be intensified in emerging economies where legal frameworks and regulatory systems are less developed, providing fewer protections and means of challenging unscrupulous practices. In South Africa, the study of gender equality is particularly relevant, given that women have continued to experience discrimination in various aspects of life (CGE, 2008), and in the workplace, women have encountered discrimination in relation to pay, recruitment, and representation across job bands (Acker, 2006).

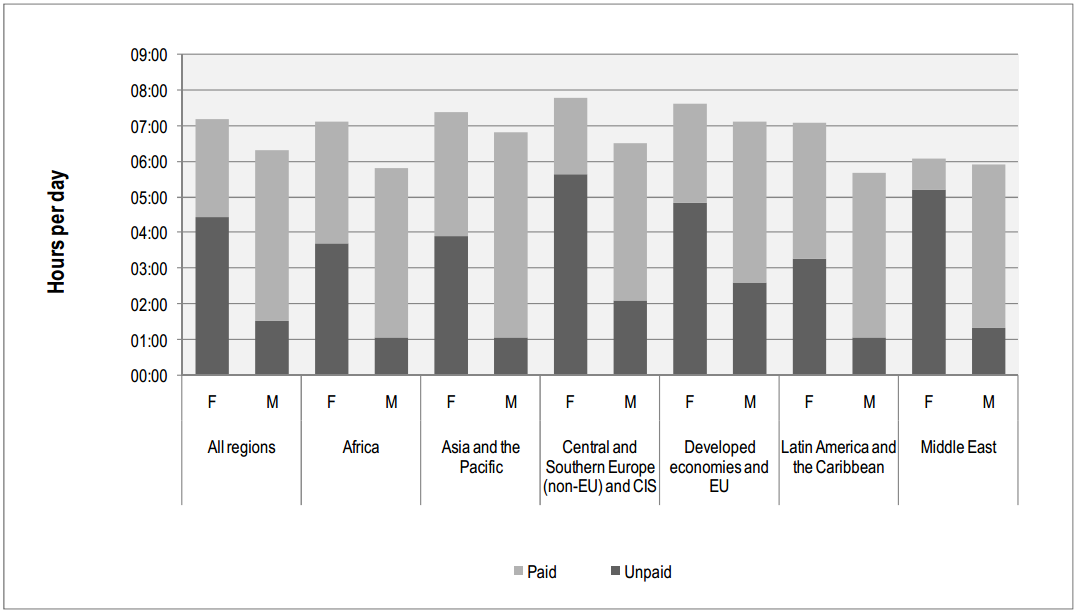
Since Acker’s (1990) seminal work on gendered organisations, many feminist and organisational scholars have taken a stronger interest in how firms contribute to gender inequality, challenging the traditional view that organisations were non-gendered, or gender neutral sites, and generating a significant amount of further research in the area. However, Rao and Kelleher (2003) argue that the new institutional literature has failed to give adequate attention to the role of institutions in reproducing gender inequalities. In addition, Barrientos (2003) claims that women have been overlooked in the analysis of global supply chains, despite dominating the workforce in some industries. For instance, in the global textiles industry, large numbers of women are employed in factories, making products for large multinational companies. The management practices adopted in these factories are likely to have implications for gender equality.

One of the focal points of this study is how management practices in organisations impact on gender equality issues in the workforce. The structure of labour markets is a key factor in the persistence of gender inequality, serving to marginalise women from the workplace. Yet, over the past 30 years more women than ever before have moved into paid employment (Chant and Pedwell, 2009), driven by a surge in female employment in developing countries. This increase in female labour force participation is a result of both supply-side and demand-side factors. On the supply side, the increasing trend towards later marriage, single motherhood, and marriage breakdown means many women have sought an independent income stream (Hein, 2005). Even in countries characterised by strong patriarchal values, the traditional male-breadwinner role has been challenged as families face financial pressures or aspire to improved quality of life. On the demand-side, there has being a significant level of growth of industries such as textiles, where female labour has tended to dominate. Generally speaking, the employment practices in these industries are characterised by low pay, job insecurity and poor working conditions (Elson, 1999).

### 4.3.1 Gendered institutions: work and family

Women’s participation in mechanisms of workplace democracy has been limited by gendered institutions, including perceptions about their roles at work and home, and their primary responsibility for reproductive work (Hacker, 2017). Time constraints and a lack of status relating to their primary responsibility for care and unpaid work, childcare, and caring for the sick and elderly (Fontana, 2011) has also inhibited women workers’ ability to be elected to governance committees, or take part in consultation processes. At the same time, the gendered configuration of labour markets and division of labour, which contributes to reaffirming male and female roles both at work and at home, can vary between countries. Figure 4.2 highlights the extent of this imbalance in different parts of the world. This graph shows significant regional differences in the extent to which women's time is spent undertaking paid *or* unpaid responsibilities. It also highlights the global trend for women to spend more time than men on their work *and* familial responsibilities.

###### **Figure 4.2 - Chart showing the gender disparities in time spent on paid work and unpaid (reproductive) tasks by region**



Source: cited in ILO (2011)

In developing countries, work and family conflict is arguably intensified (Bardoel, 2016), owing to the increased challenges of low-income families (Hein, 2005). Institutional and cultural constraints can also reinforce traditional assumptions about women’s role in society and in the home, burdening women with intense time pressures. In Africa, many governments have viewed the issue of work and family conflict as a major constraint on economic development. Although not widely addressed in the academic literature, WLB has been considered by governments in Africa, with numerous African governments integrating family-related policies into their social development agendas (Neyer, 2003; Smit, 2010).

Poorly developed public infrastructure can also exacerbate work and family conflict in developing countries. In South Africa, public transport systems have generally been underdeveloped, unsafe and expensive, making commuting a major problem for commuters (Mail and Guardian, [2015](https://mg.co.za/article/2015-11-15-commuting-costs-the-poor-dearly)b). The problem is worsened for female workers, with sexual assaults relatively commonplace on public transport. In addition, there is evidence that some women have been put off from taking up more lucrative employment opportunities in order to avoid lengthy commutes that could impinge on their familial responsibilities. The South African government's national travel surveys (NTS) have highlighted the problem, demonstrating that commutes in South Africa were longer and more costly than most other countries (Statistics SA, 2003; 2013b). Furthermore, problems with commuting has disproportionately affected some groups more than others: black South Africans spend on average 88 minutes per day commuting to work, compared to 55 minutes for white workers (Statistics SA, 2013b).

Faced with intense time and financial constraints, many women in developing countries have sought out alternative economic opportunities, such as setting up their own businesses. Operating mainly in artisan or cottage industries, the relatively small scale of these businesses means they have often been ignored in the business literature; however, this form of female entrepreneurship can have important implications for gendered relations as women’s newly acquired status as business owners can give them increased control over their working hours and boost their self-confidence (Hein, 2005). Furthermore, their increased financial contribution to their homes and families (World Bank, [2009](http://siteresources.worldbank.org/INTGENAGRLIVSOUBOOK/Resources/CompleteBook.pdf)) has enabled some women to challenge traditional patriarchal institutions at home and in the wider community.

Work life balance policies have become more common in developed economies over the past 20 years, partly due to the increase in women's participation in the labour market, the political mainstreaming of gender issues at work, and questions about how familial responsibilities (e.g. care of dependents) should be divided between parents. Consequently, the majority of the literature on work-life balance (WLB) policies is centred on advanced economies,

Organisational attempts to implement family friendly policies have generally failed to promote more equal gender relations (Lewis and Roper, 2008). In some cases, these policies have been promoted on ethical grounds as well as being 'good for business' but commercial imperatives remain the primary reason for their implementation (Roper et al, 2003; Lewis and Roper, 2008). In organisational studies, WLB policies are associated with flexible working arrangements and dependent care initiatives (Lewis & Roper, 2008; Bardoel, 2016) and these practices have been shown to contribute to reduced absenteeism and staff turnover, successful recruitment and retention, increased productivity and customer satisfaction (Morgan, 2009). However, the focus on *flexibility* can be confusing. Flexibility is seen as important strategic priority for the responsiveness of production and to cope with the 'exigencies in customer demand' (Hadjisolomou et al, 2017: p.1). However, it is also central to the needs of employees for maintaining a balance between commitments at home and at work. There may be a resulting conflict between the requirements of businesses and the personal requirements of staff (Lewis & Roper, 2008).

The discussion about the contribution of WLB policies to gender equality has therefore proved to be contentious. According to Kossek (1994) WLB policies promote diversity in the workplace by enabling access for those who had previously struggled to balance the responsibilities of work and home but they have also been critiqued for taking a universalist approach to employment relations (Metcalfe, 2006). Indeed, the dichotomy of work and life has been described as ‘myth’ with the potential to increase gender inequities (Gambles, 2006). By separating work from life, policies tend to focus on the individual 'choices' of employees rather than on organisational issues.

The 'work-life culture' of organisations can affect the uptake WLB opportunities and cause managers to make gendered assumptions when implementing policies (Daverth et al, 2015: p.1710). Although WLB policies are often promoted to both men and women, in practice, men rarely take up the opportunity to access work-life or flexible working policies to the same extent as women (Daverth et al, 2015; Bardoel, 2016). As a result, 'these policies often act to marginalise those workers - mainly women – who take up opportunities to work non-standard working time' (Lewis and Roper, 2008, p. 434). By accessing opportunities for flexible-working, the 'non-standard' worker encounters barriers to career progression for not behaving like (traditional) men who are regarded as ideal workers (Lewis, 2001). As discussed in the previous section, the dilemma for WLB initiatives is that women take on more responsibility for the care of dependents than men, implying that women require ‘special treatment’ in order to access work. In other words, gendered institutions may be reaffirmed, rather than challenged by WLB policies.

## 4.4 Summary

In summary, this chapter has focused on issues of workplace democracy and gender equality, while situating these debates within the context of the textiles industry and an emerging market economy. Worker-cooperatives are often assumed to contribute to more equitable gender outcomes (ILO, 2015a), partly because gender equality is rooted in the foundational commitments of the cooperative movement, while democratic decision-making structures open up internal governance to a broader range of voices. However, the literature informs us that the institutions and cultural barriers that inhibit women in everyday life, by hindering their access to and exercising of opportunities, also exist within the realm of the worker cooperative, including their involvement in worker participation. Meanwhile, there has not been adequate attention paid to how worker cooperatives operate in GVCs: in what segments are they located, how does their situation affect upgrading processes, and to what extent has it impacted on gender relations?

# Chapter 5

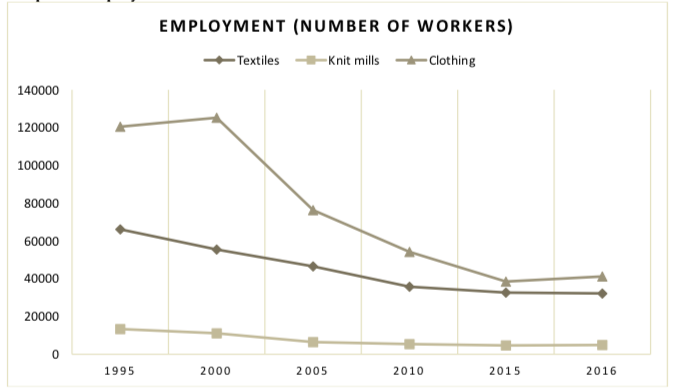
# The Country Context: the textiles industry, worker cooperatives and gender equality in South Africa

This chapter provides an overview of the South Africa institutional setting, summarising: (1) the structure of the domestic textile industry and where it sits within the South African economy; (2) the state of the South African cooperative sector; and (3) the way in which institutional factors affect gender (in)equality.

## 5.1 The textiles industry and the institutional environment in South Africa

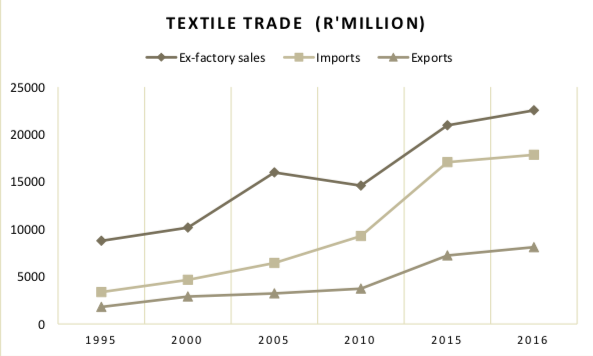
The clothing, textiles, footwear and leather (CTFL) industry in South Africa accounts for 14% of manufacturing employment (around 80,000 jobs), and contributes around 8% of GDP (IDC, 2017). These figures reflect a sustained period of ‘re-structuring’, lasting from 2002-2013, that resulted in the industry contracting in size and shedding more than 100,000 jobs (IDC, 2017). The change in employment is depicted in Figure 5.1. During the period covered in the graph, domestic demand for both textiles and clothing increased, as indicated in Figure 5.2, but consumption was sustained mainly through cheap imports from Asia. At the same time, South African clothing manufacturers struggled to access global markets as relatively high labour costs vis-à-vis Asian suppliers left them unable to compete (Truett and Truett, 2010). In recent years, the industry has shown signs of stabilising; however, economic uncertainty and a fluctuating exchange rate might mean this stability might be short-lived. It is also possible that the stability reflects the enactment of a new industrial policy that views the industry as a significant source of competitive advantage in the global market place and an important source of employment for many South Africans, including many women (RSA, 2017).

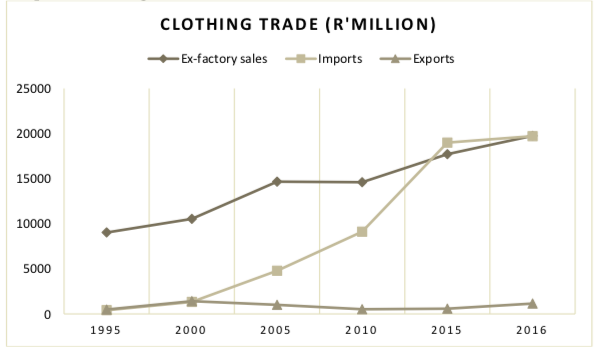
###### **Figure 5.1 – Graph showing employment in clothing, textiles, footwear and leather (CLFT) industry in South Africa (1995 -2016)**



**(Source: Claasens, 2017)**

###### **Figure 5.2 – Two graphs showing increases in textile and clothing trade in South Africa (1995 -2016)**





(Source: Claasens, 2017)

Textile production in South Africa has a long history. The first factories emerged in 1891 (Maree, 1995) although the industry only experienced significant growth after the Second World War. Thereafter, the industry diversified and a number of sub-sectors formed, including: apparel, household textiles and industrial textiles (Roberts and Thoburn, 2004). Typically, South African textiles supply chains were vertically integrated. Often single factories were responsible for manufacturing various types of fibre, from raw material to the finished product (Bonnin, 2011). During the Apartheid era, the industry had flourished, mainly due to government investment, protectionist tariffs and favourable subsidies (Morris and Barnes, 2014). Historically, South African textiles firms were large bureaucratic, vertically-integrated factories. However, the dependency of textiles firms on government meant that it was unlikely that the industry was 'economically efficient or internationally competitive' (Maree, 1995, p. 25). Furthermore, the industry was almost exclusively orientated towards the domestic market, which had caused low levels of market specialisation (van der Westhuizen and Kok, 2006).

With the end of Apartheid, South Africa joined the WTO and tariffs on textiles-related imports were reduced from 100% in 1993 to 40% in 2004 (van der Westhuizen and Kok, 2006). During this time, the domestic industry was forced to cope with numerous challenges, including: the rise of China as a major actor in global textiles production; rapid currency fluctuations; the implementation of new technologies; and changes to macro-economic policy (Bonnin, 2011). The result was a fundamental reconfiguration of the industry which meant the loss of many thousands of jobs and higher skilled job roles (e.g. designers, colourists etc.). Despite the industry's contraction, Truett and Truett (2010) argue that there remain opportunities for textiles firms to gain economies of scale that would make the industry sustainable and competitive. However, this argument was contingent on increasing automated capital investment and reducing labour costs, which would have clear ramifications for those employed in the industry.

The reconfiguration of the domestic clothing and textiles industry caused many high value-added operations to relocate overseas (Bonnin, 2011). Producers who were faced by limited domestic demand and had looked to export markets for increased profits left South African retailers in a desperate position with low levels of stock. In turn, these retailers looked to China as a reliable source of production (Reed, 2012). The changes to the composition of the South African textiles industry are illustrated in Figure 5.1. Today, the majority of primary phase textile production (shaded blue) is undertaken in low-income countries, such as India, China and Bangladesh, where labour costs are lower (Barrientos, Gereffi, and Rossi, 2011). In contrast, retailers and brands (shaded orange) are concentrated in industrialised countries.

###### **Figure 5.3 - Example of a South African apparel supply chain**

Spinning

Weaving

Dyeing and Finishing

Design House

Retailers

Yarns

Knitting

Intermediary

Other customers (e.g. government, corporate)

Cotton Sewing

Clothing Manufacturers (including CMTs)

Fibres

Embellishments (zips, buttons etc.)

(Source: adapted from Vlok, 2006; Bonnin, 2011)

The previously flourishing design component has almost entirely disappeared, taking with it a significant number of jobs (Bonnin, 2011). The manufacturing stages have contracted but remain a significant part of the South African economy. In apparel, there are some large retailers who maintain a direct control over manufacturing, often using local factories - known as cut-make-and-trim enterprises (CMTs) - to cater for fluctuations in demand. For instance, Woolworths SA outsources the majority of clothing production, adopting a supply chain management strategy that includes a 'managed network' of local and international firms (Woolworths Holdings Limited, 2013). Further downstream, some aspects of production, such as the cotton-sewing and embellishment phases are then outsourced further by CMTs to smaller firms, or the informal sector (Roberts and Thoburn, 2004). Historically, the textiles workforce in South Africa has been dominated by women, but female workers have been concentrated in the lower job bands (OECD, 2012). Despite recent struggles, the South African textiles industry remains an important source of employment for many South Africans, particularly for women (Vlok, 2006). Furthermore, the textiles and clothing sector continues to employ more people than any other in the manufacturing sector in South Africa, although the number of workers employed in the industry has declined significantly since the early 1990s (Morris and Reed, 2008). In the last ten years the clothing sector has experienced a significant decline in employment – down from 200,000 to 19,000 in 2017 (StatsSA, 2017). This decline in employment has occurred in parallel with a reduction in output, however the broader textiles sector has remained robust.

Recent developments in the clothing and textiles industry must be understood within the broader institutional context. During Apartheid, workers were segregated along racial grounds, but in democratic South Africa, successive governments have introduced and refined a raft of labour market legislation, including the Basic Conditions of Employment Act of 1997; the Labour Relations Act of 1995, and the Employment Equity Act of 1998 (RSA, 1995; 1998). Existing research acknowledges South Africa’s comprehensive regulations around employment rights and equal opportunities (Donnelly and Dunn, 2006), although there are questions about the extent to which these rights have resulted in improved employment conditions for workers (Pons-Vignon and Anseeuw, 2009). Nevertheless, it was this legislation set the legal basis for the Broad Based Black Economic Empowerment (BBBEE) scheme that was introduced to encourage businesses to employ more non-white workers who had previously been excluded by the apartheid government. Yet, many workers from these groups remain unemployed - partly due to the persistently high levels of unemployment across South Africa. According to Festus et al ([2016](http://www-tandfonline-com.sheffield.idm.oclc.org/doi/abs/10.1080/0376835X.2016.1203759): p.580), persistent unemployment 'stem[s] from various issues including the low level of education and poor quality of education of the previously disadvantaged groups'.

## 5.2 Worker cooperatives in South Africa

Worker ownership also has a long history in South Africa. Like many aspects of South African society, the history of the cooperative movement is contentious and politically charged (Satgar, 2007). During Apartheid, cooperatives were used by white elites in order to exert control and dominate agricultural supply chains as restrictions were placed on membership that prevented other groups from benefiting from the firms’ activities (Wessels and Nel, 2016; Theron, 2008). In many cases, agricultural firms remain owned and managed by white owners. Having said that, there is evidence that informal cooperative structures were widely used in township communities during Apartheid for a variety of business practices (Theron, 2010; Van Der Walt, 2013).

In contemporary South Africa, cooperatives form a central component of South African industrial and social policy (Van Der Walt, 2013). Over the last twenty years, the South African government has promoted cooperatives as a tool for poverty alleviation and as a mechanism for integrating new groups of people into business and trade, particularly for those who were marginalised under the apartheid system (DTI, 2004; 2012; NCASA, 2002), which has been supported by the provision of substantial state support in the form of financial and institutional resources (Okbandrias and Okem, 2016). In 2002, the now defunct National Co-operative Association of South Africa (NCASA) claimed that cooperatives were a solution to persistent social ills such as inequality and unemployment or underemployment:

|  |  |  |
| --- | --- | --- |
|  | '…millions of South Africans are discovering the potential of the workers co-operativethat provides decent and sustainable employment and a democratic workplace' (NCASA, 2002: p.3) |  |

During the mid-2000s, a range of schemes were established to support this agenda, mainly concerned with supporting the setup and development of cooperatives (Theron, 2010; 2007). One such scheme awarded cooperatives ‘preferential supplier status’ when tendering for public contracts. In addition, employment equity legislation (BBBEE) offers financial incentives to firms that use worker cooperatives in their supply chain. Despite these policy initiatives, worker cooperatives, many of which are based in township communities where public infrastructure is underdeveloped and the workforce is relatively unskilled (Mahajan, 2014), have reported that it was extremely difficult to access customers in mainstream businesses. With this in mind, the South African government has recently published its ‘Township Economy Revitalisation Strategy’, aka TERS, (RSA, 2017), which places worker-cooperatives at the centre of its policy commitments. The strategy commits to helping ‘township enterprises’ gain access to new markets and build relationships with mainstream businesses.

The TERS identified effective governance and management as a factor constraining the growth of both township organisations and worker cooperatives. Yet, the SA cooperative sector is underpinned by legislation that directly attempts to influence the governance and management of cooperatives (Theron, 2008). The Cooperative Act 2005 was the first significant piece of legislation that underpinned the SA government's cooperative policy, although it was subjected to amendments during the course of this study (RSA, 2013). The original act enforced many of the global cooperative principles (Henry, 2012) and it reinforced the legal distinction between conventional firms and cooperative enterprises - meaning that cooperatives were not subjected to the broader raft of legislation to which other businesses were held accountable (e.g. basic conditions of employment act). Consequently, basic employment legislation did not apply to cooperative workers, however the legislation was amended in 2013 in order to grant cooperatives workers the same employment rights as conventional workers.

Despite the aims of these legislative and public policy interventions, there is reason to be cautious about the contribution that South African worker cooperatives make to economic development and the extent to which they create ‘decent work’. For Philips, (2005), South African worker cooperatives are ‘bleak’ places to work and often represent ‘a pushback into poverty’. In part, this pessimistic view is based on the fact that they tend to remain relatively small operations and most are based in township or rural communities where infrastructure is not well developed. In addition, a study by the Cooperative Policy and Alternative Centre (COPAC, 2005) found that more than three-quarters of cooperatives in the Gauteng province did not pay their members any wages. Meanwhile Wessels and Nel's (2016: p.187) study investigated the extent of economic and community development achieved by South African cooperatives and found that 'the well-intentioned objectives of state interventions are not being realised due to poor business planning, lack of training, poor market links and the seeming prioritisation of political over economic considerations'.

Despite the barriers faced by South African worker cooperatives, they remain an integral part of the state's economic and social policies. In part, this is due to the fact that collective organisations have been seen by policymaker and workers as means of coping with the informalisation of work in South Africa (Theron, 2010), an issue to which trade unions have not been able (or equipped) to respond effectively (Birchall, 2001; 2003). Conversely, there has also been criticism of cooperatives in South Africa (Phillip, 2005), which is founded on two principal concerns: firstly, that worker cooperatives in South Africa have a high failure rate (Okbandrias and Okem, 2016); and secondly, that cooperatives, rather than promoting more ethical business practices, are being appropriated by unscrupulous business owners (SACTWU, 2015). Labour unions, for instance, warn that 'bogus' cooperatives are being used in order to undermine worker's rights, conduct wage theft and avoid tax obligations (Mail & Guardian 2013). However, there has been significant changes to legal and regulatory frameworks around cooperatives in recent years, which has closed loopholes that left cooperative workers exposed to poor labour standards, and industrial strategies have been enacted that were designed to stimulate organisational growth. As a result, the picture on the ground is likely to have changed in recent years.

## 5.3 Gender equality in South Africa

Gender (in)equality is topical in South Africa (HRPulse, 2014; Mail and Guardian, 2015a; Fajardo and Erasmus, 2017) and there has been some progress towards improving gender related outcomes in many aspects of society (World Economic Forum, 2016; CGE, 2017). The Global Gender Gap index (World Economic Forum, 2016), which compares countries against various factors such as economic participation, education attainment, health, survival and political participation, has ranked South Africa at 14, ahead of many countries in Europe. In addition, women account for 42% of parliamentary positions which is far greater than the comparable figure in many advanced economies. In part, this progress has been made due to the introduction of new legislation and a variety of public policy interventions (CGE, 2015). For instance, gender equality is a central tenet of the 1998 Employment Equity Act (RSA, 1998) under which firms are required report on the numbers of female workers that they employ. This legislation is underpinned by the work of the Commission for Gender Equality (CGE) whose mission is to ‘promote and protect gender equality through undertaking public education, policy development, legislative initiatives, effective monitoring and litigation' (CGE, 2017: p.1)

Despite the progress around some aspects of gender equality, numerous studies and recent media reports have raised concerns about the unequal treatment of women in the workplace (CGE, 2008; Seekings, [2008](http://www.tandfonline.com/doi/abs/10.1080/02589000701782612); Bosch, 2015). Women are less likely to occupy management positions and more likely to receive less pay than men, even for those working in the similar job roles (Bosch, 2015). An employment equity report (Department for Labour, 2015) showed that more than 80% of management positions in private companies were occupied by men, while the situation was even more unequal in the public sector. In terms of pay, the gender wage gap was 30%, which increased significantly for women who have children (CGE, 2008). Women have also tended to face discrimination with regard to other employment practices, including recruitment, access to training, and representation across job bands (CGE, 2008).

According to Budlender (2011), progress around employment equity has been hindered by persistently high levels of poverty, inequality and unemployment. High levels of unemployment has inhibited gender equality because female employment has been concentrated within traditional 'female' occupations, where employment is typically low-paid, unskilled and insecure. However, the fact that female labour force participation has only increased by 38% since the mid-1990s (OECD, 2012), which is low by international comparisons (the average is 46%), implies that there is a more fundamental problem underlining the gendered nature of South African workplaces. A report published by the CGE (2012) found that several factors impeded employment equity around gender, including a lack of knowledge amongst employers about their obligations under the Employment Equity Act; a lack of commitment towards promoting gender equality in the workplace; a lack of accountability for firms that are non-compliant with employment equity targets; and inadequate institutional support to encourage good practice by managers.

Cultural factors, social systems, and religious norms have also impeded the promotion of gender equality in South Africa (Seekings, [2008](http://www.tandfonline.com/doi/abs/10.1080/02589000701782612)). A report published by the government of South Africa (RSA, 2015) claimed that assumptions about what constitutes a woman's role in society have reinforced patriarchal institutions and promoted the oppression of women. As a result, many women have been expected to focus on tradition roles as caregivers rather than accessing the world of work.

There have been numerous attempts to promote better labour standards for women workers in South Africa through government interventions and collective action (Theron, 2010; Eaton, 2015). However, Theron (2010) has argued that the influence of South African trade unions have been undermined by two inter-related processes: firstly, 'informalisation from above', which refers to the tendency for work to be outsourced to small suppliers, 'resulting in a layer of workers ostensibly located in the formal economy to whom labour standards increasingly do not apply' (Theron, 2010: p.87); and secondly, 'informalisation from below', which is characterised by the increase in self-employment and survivalist strategies. With this in mind, traditional trade unions have often been concerned with issues about their own survival, brought on by the growth in informal sector and a decline in membership (Ryklief, 2013). Moreover, the absence of women in union leadership roles has led to criticisms that trade unions are yet another ‘centre of male power’ (Ledwith and Munakamwe, 2015: p.425). It was within this context that the Self-Employed Women’s Union (SEWU) was established to promote better conditions for female workers in the informal sector, especially those working as street traders and home-workers. This innovative form of union attempted to mobilise the self-employed and those on low-incomes to promote gender-related issues that were not accounted for in the policy arena (Devenish and Skinner, 2004). According to Theron (2010), SEWU had some initial success in affecting local government strategies which resulted in improved services for street traders, however it was not able to maintain momentum. As a result, SEWU turned its attention to other initiative such as upskilling workers around business and leadership, and creating better access to financial capital, before it disbanded in 2004. Since then, there has been some instances in which unions have achieved improved employment standards for informal sector workers (see Ryklief, 2013; Eaton, 2015), although attempts by leaders at the Congress of South African Trade Unions (COSATU) to take over the role of SEWU have proved relatively unsuccessful (Theron, 2007). In 2009, the South African Self-Employed Women's Association (SASEWA) was founded with similar aims to SEWU, however the scope of its activities has been limited and it has not been able to achieve the same level influence over government policy (Ordor, 2014).

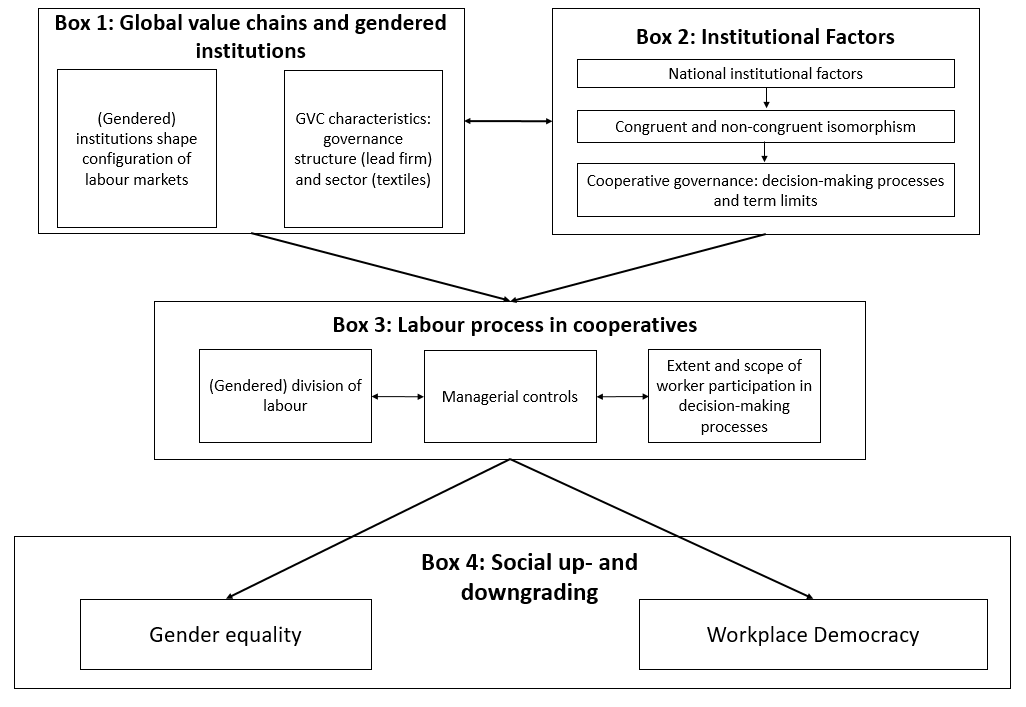
## 5.4 Summary

In summary, the South African context provides an intriguing and underexplored environment for the study of workplace democracy and gender equality. In South Africa, the number of worker cooperatives has grown significantly in recent years; yet, most cooperatives remain small-scale operations. Furthermore, the relatively high failure rate of cooperatives had led to a substantial body of literature investigating the economic viability of worker-ownership in South Africa. However, it is necessary to understand how worker cooperatives are affected when they make the transition into larger scale forms of production and are integrated into global value chains.

## 5.5 Theoretical Framework

As indicated in the preceding chapters, there are several unanswered questions in the literature relating to the contribution of worker cooperatives to workplace democracy and gender equality, including: what factors make cooperatives more/less likely to challenge pernicious institutions that undermine their core principles; how do external institutions affect the structure and practice of worker cooperatives; and, how are the normative commitments of worker cooperatives affected by being embedded within a global value chain? In order to answer these questions, this study draws on NIS, GVC analysis and labour process theory. However, in order to better explain the complexity of interlinkages between relevant concepts, the theoretical framework is presented as a diagram in Figure 5.4, with the theoretical lenses (NIS, GVC analysis and LPT) in boxes 1-3, and in box 4, the outcomes of social and economic up/downgrading in terms of workplace democracy and gender equality.

###### **Figure 5.4 - Conceptual Framework**



Box 1 represents aspects of the literature on GVCs and gender that are pertinent to the thesis’ objectives. GVCs in the textiles sector are generally considered to be buyer driven. This means that lead firms shape the governance structure of the value chain whilst capturing a significant and disproportionate share of value (Barrientos et al, 2011). This, in turn, places pressure on firms upstream, which are concentrated in developing countries, to minimise costs, driving down labour standards (Gereffi, et al, 1999). At the national level, institutional factors, including labour market characteristics, influence the local configuration of GVCs (Bair et al, 2002), shape employment outcomes, and affect the options available to labour within specific segments of the GVC (Riisgaard and Hammer, 2011). In South Africa, strong labour laws, collective bargaining agreements, and relatively strong trade union protect employment rights and reinforce labour standards. Meanwhile, worker cooperatives have been at the centre of economic and social policy with public resources in place to support their growth and smooth their integration into major supply chains. In terms of gender, government policies since the fall of Apartheid have attempted to address unequal gender relations at work. With regard to the textiles industry, where the workforce is dominated by female labour, a shift towards worker ownership over the means of production could reconfigure the options available to labour within the productive segment of the GVC, especially by providing more opportunities for female workers to express their voice.

Box 2 covers the institutional factors that are used to inform this thesis, focusing on the way that institutions shape organisational governance and management practices that affect worker participation. In terms of worker cooperatives, Bager’s (1994) concept of congruent and non-congruent isomorphism is used, which refers to the adoption of organisational practices that promote or undermine the socially progressive principles of the cooperative movement. In this study, the focus is on two formal aspects of cooperative governance that relate to workplace democracy: the form and scope of decisions taken by democratic ballot, and term limits for directive staff. The former, when implemented effectively, has been shown to promote workplace democracy, whereas the latter protects against autocracy and managerial appropriation (Cornforth et al, 1988).

Box 3 refers to the way in which the labour process in worker cooperatives influences worker participation. Institutional factors, such as legal frameworks, policy initiatives, and labour market characteristics, can provide a platform for workers to form collectives that reorganise the labour process (Egan, 1990; Atzeni and Ghigliani, 2007). After taking ownership of the means of production, worker-owned firms can reconfigure the tradition labour process by, for instance, implementing job rotation strategies that challenge the conventional technical division of labour (Atzeni and Ghigliani, 2007; Burrows, 2008). Yet, empirical evidence shows that market imperatives continue to override democratic processes in cooperatives, centralising power and creating factions between directive and productive workers (Lima, 2007; Atzeni and Ghigliani, 2007). In such cases, cooperative governance protocols, rather than promoting workplace democracy, may be used to limit participation of some workers in decision-making process, restricting the degree and scope of influence afforded to workers (Bernstein, 1982). Whilst this implies that economic factors are an important inhibitor of workplace democracy in cooperatives, institutional factors can also influence the form of cooperative governance, particularly when there is a perceived absence of a successful cooperative model to imitate (Bataliani & Schroter, 2012). In some instances, labour-owned firms have copied industry norms (Bager, 1994), particularly in relation to managerial structures and forms of worker control, resulting in the reproduction of the labour process in privately-owned firms (Bataliani & Schroter, 2012).

The arrows between boxes 1-3 reflect the intersections between NIS, GVC analysis and LPT. The rise of GVCs has arguably contributed to the intensification of market pressures and accelerated the fragmentation of the production process (Lee and Gereffi, 2015). This process has implications for the employment workers in GVCs; their employment terms and conditions are shaped by the characteristics of the GVC. However, GVCs are gendered institutions. Generally speaking, men and women are located in different sectors, and professions, and female labour is concentrated in segments where jobs are characterised by low pay, poor working conditions, and limited opportunities to express voice. The gendered division of labour in industries and firms means that women workers are not in an equal position vis-à-vis men to benefit from their involvement in GVCs (Bamber and Startitz, 2015). Upgrading processes and outcomes, therefore, reflect unequal gender relations. When social upgrading has occurred in industries with a high concentration of female labour, the benefits do not necessarily improve the situation for incumbent female workers (Tejani and Milberg, 2010). Instead, higher pay, better conditions, demands for higher skills, and more capital intensive forms of production cause men to replace women. Evidence from the global development literature suggests that the use of worker cooperatives have been beneficial for women in developing countries, helping them to establish business and overcome gendered constraints (Swafford, 1978; Croll, 1983; Jones et al, 2012), but it is unclear whether any of these businesses are embedded into GVCs and, if they are, what the implications might be for social upgrading and gender equality.

Finally, box 4 relates to social up- and downgrading in terms of workplace democracy and gender equality. ‘Social upgrading’ has generally been used to refer to improvements to the terms or employment, increase rights and worker voice in GVCs (Fernandez-Stark, 2011). The focus in this study is on two related outcomes of social upgrading: workplace democracy and gender equality - both of which are stated aims of worker cooperatives. As previously noted, cooperative governance protocols underpin and preserve workplace democracy, enabling workers to access collective decision-making processes (Kokkinidis, 2015; Atzeni and Ghigliani, 2007), but numerous factors relating to the labour process can inhibit processes of worker participation. In terms of gender equality, women workers are thought to benefit from their involvement in cooperatives since it provides them with some ownership over the means of production, increased pay, and more opportunities to express their interests (Jones et al, 2012). However, female workers in cooperatives can reportedly encounter gendered barriers that limit their ability to participate in mechanisms of workplace democracy (Hacker and Elcorobairutia, 1989). Because cooperatives tend to reproduce the gendered division of labour of the institutional setting in which they operate (Blumberg, 1976), female labour is typically concentrated in lower pay bands (Navarro, 1983). These bands are afforded differential access to information on technological developments and the organisation of work, limiting (female) workers’ ability to make informed decisions (Pateman, 1983).

This theoretical framework will be used to inform the research questions and the methodology, as explained in chapter six.

# Chapter 6

# Methodology

This chapter explains the study’s methodological choices and the methods adopted during data collection and analysis, drawing on the conceptual framework in Chapter 5.

In recent years, management researchers have adopted a diverse range of methodological paradigms, each potentially justifiable within the context of different sets of fundamental assumptions (Johnson and Duberley, 2015). However, each particular approach has both philosophical and practical implications – including the way in which research can be justified, how it is conducted, and how it should be evaluated. This chapter outlines the ontological and epistemological approach that informs this study (Section 6.2); justifies the use of a critical case study approach (Section 6.3); and explains the methods used for data collection and analysis (6.4 and 6.5). Section 6.6 then sets out the ethical considerations of the study.

## 6.1 Aim, objectives and research questions

The principle aim of the study is to explore the factors affecting workplace democracy and gender equality in an emerging market economy, using the theoretical lenses of New Institutionalism, Global Value Chain analysis and Labour Process Theory. Based on the research objectives and the gaps in the literature review that were identified in the preceding chapters, the following research questions and sub-research questions (SRQ) were identified:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Objective(s)** | **RQs** | | **Sub RQs** | |
| OBJ1:  To understand how congruent or non-congruent isomorphism within emerging markets plays out through GVCs | **RQ1** | What are the key institutions involved in shaping the governance practices of worker cooperatives, and what is the nature of their impact? | 1.1 | To what extent are governance practices of worker cooperatives shaped by conventions stemming from other organisational forms? |
| 1.2 | How do regulatory pressures affect the organisation's structure, SCM and employment practices? |
| 1.3 | To what extent do firms copy organisational structures and management practices from other firms? |
| 1.4 | Which normative pressures influence organisational structures and management practices in relation to workplace democracy and gender equality? |
| OBJ2:  To explore how the labour process in cooperatives is influenced by the configuration of the GVC | **RQ2** | How is the labour process in worker cooperatives affected by the manner in which they are embedded into a global value chain? | 2.1 | What aspects of production are undertaken by worker cooperatives in GVCs? |
| 2.2 | To what extent is workplace democracy and gender equality in worker cooperatives affected by the power asymmetries in supply networks? |
| 2.3 | How do mechanisms of managerial control affect the organisation of work in worker cooperatives, and to what extent do they impact differently on men and women in the production process? |
| OBJ3:  To critically evaluate how the labour process within cooperatives influences social upgrading and/or downgrading in terms of worker democracy and gender relations | **RQ3** | How does the labour process in worker cooperatives affect upgrading processes? | 3.1 | To what extent is social upgrading/downgrading affected by the gendered division of labour? |
| 3.2 | How does the gendered division of labour affect men and women’s ability to benefit from workplace democracy? |
| 3.3 | To what extent do male and female workers benefit differently from social upgrading? |
| OBJ4:  To critically assess the impact of emerging market institutions on worker democracy and gender equality | **RQ4** | How do emerging market institutions affect mechanisms of worker participation and gender equality in the workplace? | 4.1 | Which factors affect the structure of decision-making arrangements in worker cooperatives? |
| 4.2 | To what extent are mechanisms of workplace democracy in cooperatives gendered? |

## 

## 6.2 Methodology

This section outlines the methodological choices and the methods adopted during data collection and analysis. In doing so, it explains why the chosen methods were appropriate for the research objectives and questions outlined above.

### 6.2.1 Methodological position

My position is similar to that of Alvesson and Skoldberg (2009) who argue that human activity produces knowledge about a social phenomenon. In ontological terms, it assumes that the behaviour and actions of managers and workers result from their subjective interpretation and response to the context in which they work and live (i.e. their organisations and the institutional environment). However, it also assumes that social phenomena exist independently of the researcher and it is possible that this knowledge can be accessed, which is consistent with realist assumptions. In other words, this study is founded upon interpretivist ontological and epistemological assumptions, which draws on aspects of realism. In terms of epistemology, I am also taking a reflexive interpretation (Johnson and Duberley, 2003), which assumes that it is not possible to completely eliminate my influence on the research process, but attempts can be made to minimise the impact through academic rigour (Maanem, 1995).

#### 6.2.1.1 Ontology

Ontology relates to questions about what we believe to exist. Saunders et al (2009) identified two diametrically positioned ontological stances: objectivism and subjectivism, with objectivism implying that social structures are distinct entities, separate from human actors. In other words, studies formed around an objectivist position explicitly accept the existence of an external 'truth', which is aligned with methodological assumptions made in the natural sciences. In contrast, they suggest that subjectivism assumes that 'social phenomena are created from the perceptions and consequent actions of actors' (Saunders, et al, 2009, p. 110).

Johnson and Duberley (2015), however, explain that ontological considerations can rarely be established around such a neat dichotomy because ontological decisions are based on two principle considerations (Lincoln and Guba, 1994). The first relates to those relating to the 'nature of our reality'. This raises a question about whether the research assumes the existence of an independent social reality. The second relates to assumptions about how social action occurs, which includes the question of whether an actor's behaviour is affected by their understanding of the context in which they operate. This study was conducted on the basis that the actions and behaviours of informants to this study existed independently from them and that they could be discovered, which is consistent with a realist ontology. However, these actions occurred as a result of social influences and the actors' subjective interpretation of their environment, which is aligned to an interpretivist approach.

#### 6.2.1.2 Epistemology

Epistemology relates to the way in which knowledge can be obtained and understood. The researcher's epistemological stance has profound implications for the study since it affects:

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| --- | --- | --- |
|  | *...how we come to ask particular questions, how we assess the relevance and value of different research methodologies so that we can investigate those questions, how we evaluate the outputs of research, all express and vary according to our underlying epistemological commitments* (*Johnson and Duberley (2000, p. 1).* |  |

In management studies, positivism has been (and remains) the most dominant epistemological stance (Easterby-Smith, et al, 2012; Johnson and Duberley, 2000). The positivist philosophy, which is associated with an objectivist (or a realist) stance, assumes a singular observable external reality, where social actors are distinct from social structures. In other words, there is an external truth *and* it can be accessed. For positivist researchers (e.g. Ross, 1991; Abel, 1958), social science research should reject any attempts to access the inter-subjective realities of actors because such studies are unscientific and lack objectivity. Thus, this stance implies an approach to research akin to a natural scientist, formulated around hypotheses which are tested and either confirmed or refuted. However, the exclusion of inter-subjectivity in positivism means that the researcher is also characterised as objective - unaffected by interference from personal feelings or value judgements.

Although positivist approaches still dominate management research, there is a long established and growing interest in studies that are underpinned by different philosophical assumptions (see Johnson and Duberley, 2015). Saunders et al (2009) identify two epistemological stances often adopted in management and organisational studies: realism and interpretivism. Realism stems from a neo-positivist tradition in that it is founded on the existence of an independent reality. Typically, realists accept the notion of an objective truth, however they may differ with regard to whether it can be known. For instance, c*ritical realists* argue that whilst our sensory experiences enable us to encounter the real world our understanding of reality is perceived through social conditioning and tempered by the limitations of our senses. In other words, a real world exists but it is subjectively encountered and interpreted while research should be dedicated not only to understanding reality, but also to the social structures from which it is perceived. To some extent, it could therefore be argued that this study was informed by a critical realist approach.

Interpretivism is primarily concerned with understanding the world from the point of view of those who live it (Saunders et aI, 2007). This paradigm, which derives from the intellectual traditions of *phenomenology* and *symbolic interactionism*, focuses on forming an in-depth understanding of the roles of particular actors and the way in which they derive meaning out of events and phenomena. By better understanding the inter-subjective processes, differences and interactions *between* social actors, interpretivists argue that we can make sense of the world around us (Saunders et aI, 2007). In relation to the research process, the researcher is required to immerse him- or herself in the world of those being studied in order to access their inter-subjective interpretations of history, language and action. The focus and underlying assumptions of interpretivism are therefore closely aligned to the objectives of this study.

Interpretivism ‘is grounded in the behaviours, languages, definitions, attitudes, and feelings of those studied’ (Denzin, 1971, p.166) and is well-suited to the study of institutionalised behaviours, global value chain theory, and labour process analysis. In each case, these theories require investigation of social structures, behaviours and meaning-making systems, which can only be accessed through the memory traces of individual actors (Scapens, 1992). In the same way, the aim and objectives in this study can only be achieved by understanding the world from the perspective of business owners, supply chain managers, HR practitioners, and workers. The subsequent sections of this chapter explain the research design that was informed by my ontological and epistemological approach.

### 6.2.2 Research design

Saunders et al (2009) assert that at the outset of any study the researcher has a choice between two approaches to research design: deduction, referring to the identification of an existing theory, or induction, whereby the process begins by collecting data and a theory is built from those observations. Drawing on traditional scientific principles, proponents of the deductive method (e.g. Abel, 1958; Laing, 1967) argue that it involves a more systematic research process because it not only builds on existing intellectual frameworks, but because it treats each stage as a linear series of logical steps. Thus, deduction is associated with a positivist stance because it involves drawing hypothetical assumptions from an existing theory and using them to identify a set of causal variables that can be scientifically measured and rigorously tested. For Laing (1967), the deductive approach was seen as the only legitimate method of inquiry, since it removed any ontological differences between the natural and social sciences. Meanwhile, inductive methodologies were seen to be characterised by uncertainty, bias and a lack of empirical rigour (Bryman and Bell, 2007), caused by attempts to interpret human inter-subjectivity.

Although inductive methodologies have a significant intellectual heritage (see Hume, 1739; Mill, 1874), they only began to gain prominence in sociological research after Glaser and Strauss's (1967) seminal work on Grounded Theory (GT) questioned the presumption that the primary purpose of research was to verify existing theories. They argued instead that inductive approaches were preferable because they allowed conceptual propositions to emerge from the data. In the intervening years, inductive methods have been adopted in relation to a variety of forms of naturalistic and interpretive inquiry (see Denzin, 1971; Lincoln and Guba, 1985; Van Maanen, 1979). According to Blaxter et al (2006), inductive reasoning is likely to lead to a greater depth of understanding that reveals alternative interpretations about the data. In practice, this means that the most important aspects of a study, including the substantive focus and theoretical contributions, should emerge from the data through a iterative approach to fieldwork and data analysis (Glaser and Strauss, 1967; Suddaby, 2006).

One area of contention in debates about inductive enquiry concerns how to deal with potential interference from the researcher’s pre-conceived knowledge. Johnson and Duberley (2015) identify two specific challenges faced by researchers at the formative stages of inductive research. The first concerns the researcher’s inability to completely detach themselves from their existing knowledge or understandings of the world. There are a variety of approaches taken by researchers to avoid such interference. From a Glaserian perspective, the researcher should avoid any initial engagement with the literature and any limit the interference of prior knowledge through a process known as theoretical ‘bracketing’. In contrast, Blumer (1957) permits the researcher to access their existing theoretical knowledge, instead, arguing that the issue can be overcome by explicitly stating any initial knowledge or preconceptions. In making this argument, he created the notion of ‘sensitising concepts’ that allows the researcher to use their pre-existing understandings as a preliminary guide. In this study, the literature was used to develop sensitising concepts, but further themes emerged during the fieldwork.

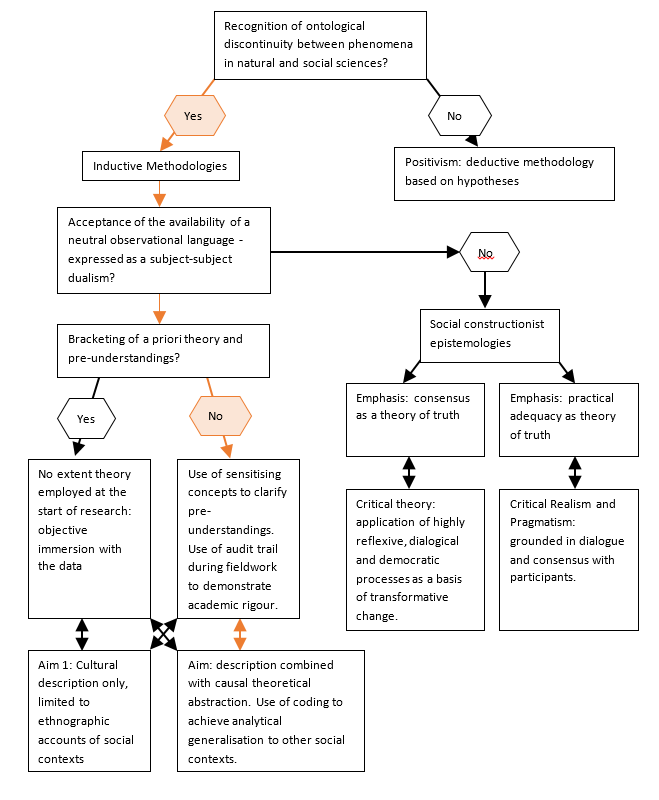
The above discussion raises the issue about how qualitative research should be evaluated in management research. Johnson et al ([2006](http://onlinelibrary.wiley.com/doi/10.1111/j.1468-2370.2006.00124.x/abstract)) advocate the use of different methodologies and perspectives in the study of organisations by adopting a 'contingent criteriology' based on their respective philosophical position and a priori assumptions. In this study, evaluative terms that are associated with the positivist stance, such as reliability and validity, were deemed inappropriate for evaluating qualitative inquiry (Lincoln and Guba, 1984). Instead, it is argued that academic rigour can be attained by ensuring ‘trustworthiness'. However, Lincoln and Guba (1985) inform us that a study is only considered to be trustworthy if the reader deems it so. Thus, this new terminology infers a fundamental shift in responsibility for judging the quality of research – from the producer to the consumer.

Guba (1981) was the first to identify the various elements of trustworthiness and it is these criteria that were used to inform the research design and process in this study. Credibility, which is central to the notion of trustworthiness, refers to the extent to which the reader has confidence that the findings reflect an authentic account of the fieldwork and that the explanations offered can be considered plausible (Golden-Biddle and Locke, 1993). In this study, issues of credibility were addressed through the use of iterative questioning, asking informants to check the accuracy and interpretations of the data at various stages of the study, and establishing a ‘prolonged engagement’ with the focal organisations (Lincoln and Guba, 1985: p.301; see also Seale, 1999). A flexible and dynamic approach to data collection allowed for an iterative approach. Although I was not based in the focal country, the data was gathered via two principal field trips that were conducted over a two-year period. In addition, I conducted interviews over Skype and maintained contact with many of the participants by email throughout the course of the study. This maintained contact was enabled by my role as researcher, and in particular, my ability to relate well to those being interviewed even though we were often from quite different cultural and social backgrounds.

Lincoln and Guba's (1984) evaluative criteria also alerts us to the issues of dependability and confirmability. Dependability shows that the findings are consistent and can be repeated, whereas confirmability refers to a process that is intended to ensure as far as possible that the study’s findings are the result of the contribution of the informants, rather than the preconceptions of the researcher. For Miles and Hubermann (1994), the most important determinant of confirmability is the extent to which the researchers expose their own pre-dispositions and preferences in their work. In addition, they recommend that the study also references other theoretical frameworks that were discounted during the course of the data analysis. In this study, I used a reflective journal throughout the course of data collection and analysis (Ortlipp, 2008), which provides evidence of empirical robustness (Lincoln and Guba, 1984). I also used a database to track the technical details (reference, date, time, location, duration) and procedural aspects (consent form received; date of transcription). The intention here was to create an ‘audit trail’ that allows the reader to track the research process step-by-step – including the acquisition of data and its theoretical abstraction.

Diagram 6.1 (see following page) summarises the most important methodological assumptions made in this study (see orange arrows). In doing so, it also highlights where the study departs from other approaches that also use inductive methodologies, such as critical realism and critical theory (see black arrows).

**6.1 - Diagram of ontological and epistemological assumptions**



(Diagram adapted from Johnson and Duberley, 2015: p771)

## 6.3 Case study approach

The case study method is defined as 'an empirical inquiry about a contemporary phenomenon set within its real-world context' (Yin, 2009, p. 18). The case study approach is particularly suited to answering *how and why* a phenomenon occurs, particularly when studying contemporary events that require a significant depth of data (Yin, 2012). As a methodological tool it can be used for exploratory, descriptive and explanatory purposes. Adams and Schvaneveldt (1991) inform us that exploratory studies involve starting with broad areas of focus which are refined and progressively narrowed as the research ensues. For Robson (2002: p.59), this approach is particularly useful when attempting to find out 'what is happening; to seek new insights; to ask questions and assess phenomena in a new light'. This study is structured around an exploratory approach since it seeks to gain insights into management practices in an under-researched field of study.

Critics of the case study method argue that findings based on a limited number of examples cannot be generalised to wider populations. In response, Yin argues that 'a fatal flaw in doing cases studies is to conceive statistical generalization as the method of generalizing the results' (Yin, 2009, p. 38). Instead, case studies should be used for the purposes of ‘analytical generalisation’ through the process of theoretical development. As indicated above, this study conforms to the logic of analytical generalisation through a process of inductive theory development. Moreover, as Yin (2009) advises, the methods used in this study involved the implementation of a robust design process to support the transferability of conclusions; although the findings are not strictly generalisable, there will potentially be opportunities for the findings to be of value to other settings.

### 6.3.1 Case study selection and access

According to Yin (2009), the case study design should be formed around a clear unit of analysis from which the various means of data collection are appropriated. Gill and Johnson (2010: p.226) assert that the case-study researcher should identify cases that 'maximise the utility and richness of the information content'. Therefore, case study research should be underpinned by a coherent rationale that supports the selection of a particular case. In this study, a suitable case was identified around several broad areas of focus - similar to what Blumer (1957) calls 'sensitizing concepts'. In this case, these areas related to broadly defined fields of study, such as the governance of worker-owned firms, employment relations and gender equality.

In this study the *unit of analysis* relates to worker cooperatives, with the focus being on how institutional dynamics and their location in the local and global supply chain affects working practices in these firms. Cooperative members (managers and workers), managers and workers in the social enterprise (the cooperatives main customer), external managerial consultants, officials of related institutional bodies (such as regulatory bodies, employer associations, trade unions and civil society organisations) were the most significant informants. In the early stages of this study, I began investigating some suitable case organisations that aligned with the objectives of the study. This process was informed by meetings with several people working in and around the textiles industry in the UK and South Africa. Whilst these meetings did not result in finding the case studies and their supply chain, they informed aspects of the case selection process and also provided some contextual basis for understanding some of the factors affecting the industry. For instance, a meeting with the founder of an employee-owned textiles manufacturer in the UK was instrumental because it highlighted the lack of research relating to how employee-owned firms approach the governance of their supply chains. In addition, I visited two further companies at the formative stages of the study, both operating in the UK textiles industry. The purpose of these visits was to gain some knowledge about the process of textiles manufacturing and gain some knowledge about inter-firm relationships from practitioners working in the industry. The first company, a design house, included a tour of the factory which helped to familiarise me with the technical processes of apparel design and manufacturing. In addition, informal discussions with management provided some insights regarding firm priorities around monitoring quality issues and labour standards in their supply chains.

The case selection process was also informed by undertaking a review of the South African textiles industry, using online searches and by contacting organisations that may have links to potential case organisations. The latter involved contacting organisations whose role included supporting employee-owned businesses (e.g. the Small Enterprise Development Agency and Cooperative and Policy Alternative Center) and organisations in the UK with international partners (e.g. the Employee-Ownership Association in the UK). Initial online searches identified a small number of employee-owned organisations that fitted the principal criteria which were organisations that employed more than 20 workers and traded internationally. The investigation identified several potential cooperative organisations, however many of these firms were small and employed very few workers. In addition, the majority of these organisations appeared to be only operating in the domestic market.

The investigations identified a supply chain of organisations that fulfilled all of the above criteria for a potential case study. The TM Group is a group of organisations consisting of a social enterprise and several worker cooperatives that were based in townships around one of South Africa’s major cities. The group produces bags, scarves and clothing for the domestic and international market. As well as fulfilling the above criteria relating to the objectives of the study, there were two additional reasons for selecting the TM Group for this study. Firstly, in terms of gender relations, this case was likely to represent a critical test of theory since the cooperatives were almost exclusively owned and managed by women. In an industry where men typically dominate the management and ownership of firms, this case provided an opportunity to investigate firms whose key decision makers are women. Given the gendered structure of the textile industry, both globally and in South Africa, the opportunity to investigate firms whose dominant decision-makers are women could be seen as highly unusual. Initial enquiries about the firm led to a claim made on the organisation’s website that the firm promoted gender equality by 'bringing economic development and opportunity to women in their own communities' through the use of 'family-friendly' policies (Township Group, 2014). In other words, if this organisation failed to exhibit good gender relations then it was unlikely that such practices would be found within this institutional context.

A second reason for selecting this case study relates to the prospect of investigating the under-researched emerging market of South Africa. The diverse demography of South Africa, constituting a mix of ethnicities, religions and cultures, is an institutional setting that requires further investigation. For instance, the Southern African concept of Ubuntu is a communitarian philosophy that is thought to influence various aspects of business (Ndweni, 2008). The cooperatives in this study were located in townships communities where Ubuntu is thought to be a prevalent part of people's everyday lives (Okbandrias and Okem, 2016). Consequently, this case study potentially provided access to a new ‘space’ from which to explore the impact of institutions and cultures on organisational structures and practices.

The organisations were first contacted by email in February 2014. Johnson (1975) suggests negotiating access to organisations by incremental stages in order to avoid time-consuming, multiple requests. Initially, a request to conduct interviews was sent to the social enterprise. A synopsis of the research objectives was sent to the CEO, as well as an outline of the interview process and how this study would be accommodated within the larger SCA-Emp research project. Official confirmation was received by email in April 2014 which gave permission to visit the social enterprise and their cooperative suppliers. Yet, the planning process for data collection proved far from straight-forward. In the intervening weeks between receiving official confirmation and embarking on the first round of data collection, I made several attempts to contact the TM Group. The intention had been to organise interviews with the manager and workers and to obtain further information about additional interview participants – including those in buyer/supplier firms. Numerous phone calls and emails were exchanged with members of staff in order to identify the appropriate people to speak to in the organisation. Although time-consuming, this process helped to establish trusting relationships with staff members and contributed to the ease of discussion during the face-to-face interviews.

## 6.4 Methods

Crotty (1998: p.3) defines research methods as 'the techniques or procedures used to gather or analyse data related to some research question'. A range of research methods have been used within the interpretivist paradigm, however some techniques are better suited to its underlying philosophical assumptions. One of the most widely used methods in case study research is interviews (Yin, 2012). Saunders et al (2009) identify three forms of interview: structured, semi-structured and in-depth. According to Yin (2009: p.107), case study interviews normally take the form of a 'guided conversation rather than a structured series of questions'. A similar approach was taken in this study, however it also used other forms of data, including reflective field notes and internal company documents.

### 6.4.1 Interviews

The *in-depth interview* enables the researcher to guide the conversation whilst responding to potentially new lines of inquiry. In contrast, a more structured interview tendsfollow a more rigid structure, however this format may limit the potential for generating new and unexpected insights. The interview questions were prepared using the sub-RQs as a guide (see section 6.1) to ensure that the content of the interviews remained consistent with the aims of the study. It is worth noting again that this research contributes to a mixed-method project (SCA-Emp) with a broader aim: to investigate supply chain accounting and employment practices in the textile and automotive industries of Brazil and South Africa. The interview questions that I designed were therefore then integrated into interview schedules for the wider project, which had been developed by the SCA-Emp project team (see Appendix 1). This led to the production of a comprehensive set of interview questions for this case study supply chain that reflected the goals of the individual study as well of those of the SCA-Emp project.

The data collection process took place over two principal rounds. The first round took place in May 2014, spanning three weeks and resulted in 12 interviews across seven different organisations. Each of these organisations were involved in a supply chain relationship. The interviews conducted at this stage of the research were mostly with managers working in and between firms leading the TM Group – the social enterprise – TM Promotions and TM NGO. In practice, the interviews took a conversational form, with the formal schedules acting as a prompt rather than as a strict guide to the discussions. In some cases, the interview schedule was sent in advance in order to give the informant time to familiarise themselves with the issues and consider how to verbalise their thoughts. This was done where it was felt that prior consideration may improve the depth of the data because, as Mason (2002) informs us, qualitative interviews rely on the participant's capacity to verbalise, conceptualise and remember.

The interviews ranged from 15 minutes to two and a half hours. Those conducted with managers were significantly longer than those with workers. In most cases, the face-to-face interviews took place in the premises of the respective businesses and were recorded using a Dictaphone - with the exception of two participants who requested that they were not recorded. In these cases, I took notes during the interview and reserved time immediately afterwards in order to expand on the notes and preserve as much detail as possible. During the first visit, I was shown around the business premises and introduced to members of staff. Although unplanned, the tour proved extremely helpful for three reasons. Firstly, it provided an opportunity for me to identify the appropriate managers and workers with whom to involve in the study. Secondly, it presented on opportunity to introduce myself and build a rapport with the intended informants of the study. In doing so, it helped to establish my credibility, which is associated with increased cooperation from informants (Robson, 2002), and contributed to a more open discussion during the interviews. Thirdly, I was able to gain an insight into the business functions, including the organisational culture and production processes, which was useful in providing prompts and extension during discussions. Following the factory tour, a list of potential informants was identified, which led to the interview timetable. At this stage, it became clear that the managers in the focal firm had very busy schedules and I would have to remain flexible to gain access to some informants. As a result, I was given permission to work from a desk in the business premises of the focal firm, which enabled a more responsive and flexible approach.

In contrast, it proved more challenging to obtain access to the social enterprise’s cooperative suppliers because they were based in township communities where it was deemed unsafe for me to venture alone. As a result, I was required to accompany the logistics assistant during his regular visits to the supplier factories. This presented several challenges. Firstly, the time spent in each factory was determined by the schedule of the logistics assistant, which in-turn limited the length of interviews conducted in these supplier firms. In addition, the interviews were conducted with the logistics assistant present, and occasionally other staff from the social enterprise (i.e. the customer) in close attendance, which could have caused the informants to be more hesitant to discuss certain issues.

The limitations highlighted above were one of a number of reasons why a second round of interviews was undertaken in January 2015, which resulted in a further 17 interviews. Notably, during the second round I was able to gain further access to managers and workers in the worker cooperatives. There were, however, several other reasons for embarking on a further round of data collection. Firstly, several themes emerged from the first round that were not adequately covered during the initial discussions. One such area was the issue of employee engagement/voice, which was mentioned by several informants because it was claimed that workers' voice had an impact on the firms' work-life balance policies. Secondly, it provided an opportunity for re-interviewing some participants in order to explore areas of emerging areas of interest and clarify some inconsistencies that arose from the first round of data collection. According to Potter and Weatherell (1995), inconsistencies are not uncommon in interview data because people socially construct events and post-rationalise in order to make sense of the past. For instance, it became clear that different managers had conflicting perceptions about the structure of the supply chain and how different firms related to one another. Thirdly, the contacts made during the first round presented opportunities to extend the research to other organisations. These organisations included other firms within the supply chain as well as supporting bodies (e.g. trade unions) that constituted the wider institutional environment. Fourthly, there was an opportunity to involve the participants in the process of data analysis by asking them to critically comment on some of the emerging themes. Many of the interviews at this stage involved in-depth discussion of a number of visual aids that depicted my interpretation of various aspects of the business and its value chain, including a supply chain 'map', a chart showing managerial hierarchies, and another illustrating inter-organisational decision-making processes. Participants were asked whether the interpretation in the diagrams reflected their own understanding of their business or the supply chain.

A small number of additional interviews were conducted with informants whose views could potentially provide an insight into an aspect of the institutional environment, including an officer from a local government agency and a representative from a South African trade union. The government official was identified by informants as having a significant impact on their governance practices and employment practices. In contrast, the trade union was not identified as having any significant impact on the focal firms, which led me to question whether the absence of the union was a particular aspect of this institutional setting.

In this study, there were 32 interviews conducted, with the vast majority (29) taking place face-to-face during the two rounds of data collection. This number is above the average number of interviews used in qualitative studies published by key employment relations journals, such as Industrial Relations (10.3) and Human Resource Management (28.2) (Saunders and Townsend, 2016). However, in management and organisational research, the number of interviews required to justify the robustness of qualitative research varies between research domains. Generally speaking, most studies use between 15 and 60, but ‘the actual number depends upon research purpose, saliency of data and the researcher’s epistemological and ontological positions’ (Saunders and Townsend, 2016: p849). The selection and number of informants were based on the extent to which they enabled the research aims to be met and the extent to which they gave a good representativeness of the core companies (Alvesson and Ashcraft, 2009). New informants were sourced until it was felt that the quality of responses provided sufficient information (Alvesson and Ashcraft, 2009) and where the inclusion of additional informants resulted in data (and themes) being replicated. In other words, it was considered that further interviews were unlikely to result in new or additional insights. The quality of data was also underpinned by lengthy discussions with informants, several of whom were interviewed on more than one occasion. In addition, the quantity of interviews in this study is consistent with studies that have been based on similar epistemological underpinnings (see, for instance, Thompson et al, 2013).

Since the focus of this study was worker cooperatives, my aim was to include interviews with a range of cooperative workers. However, I prioritised speaking to individuals who held specific responsibility, such as chairpersons and those with day-to-day responsibility for overseeing production and people management. These discussions proved particularly fruitful in generating insights into the democratic (or non-democratic) processes of governance. Ideally, I would have preferred to have conducted more interviews with cooperative members, but language difficulties and resource constraints prevented me from doing so. Instead, I identified informants from other organisations, such as a charity and a government agency that had worked with all 7 cooperatives and provided insights into supply chain dynamics. These included a cooperative development officer from an NGO, a HR manager, and a government official responsible for cooperative development. In addition to providing information on the cooperative working practices and the supply chain within which they were situated, these interviews provided a rich source of data for understanding the different approaches to governance taken by the cooperatives, and for gaining insights into why these varied. In addition to interviews with people who worked directly with worker cooperatives, I also conducted a range of interviews with a social enterprise – their main customer - and with other institutional actors that might have provided support to cooperatives (e.g. a union official). The purpose of these interviews was to provide further insights into the way that institutional and supply chain dynamics affected cooperative governance and gender relations, which were key aims of this study.

The final total of interviews includes some carried out between and after the two principle rounds of data collection. The details of the interviews are set out in table 6.2 below, where COOP refers to the worker cooperatives, TM Promotions to the marketing firm, and NGO to the charity. (nb. TM Promotions and the NGO together formed the social enterprise)

###### **Table 6.2 - interviews conducted during data gathering**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **No** | **Ref** | **Data Type** | **Pseudonym Organisation** | **F2F or Phone** | **Date** | **Location** | **Length** |
| 1 | COOPA\_EMP1\_01 | Interview - Recorded | TMCoopA | F2F | 15.5.14 | Cape Town | 0:15:41 |
| 2 | COOPB\_EMP1\_01 | Interview - Recorded | TMCoopB | F2F | 15.5.14 | Cape Town | 0:14:17 |
| 3 | COOPC\_EMP1\_01 | Interview - Noted | TMCoopC | F2F | 15.5.14 | Cape Town | 0:13:49 |
| 4 | COOPC\_EMP2\_01 | Interview - Recorded | TMCoopC | F2F | 31.1.15 | Cape Town | 0:34:04 |
| 5 | COOPD\_EMP1\_01 | Interview - Noted | TMCoopD | F2F | 15.5.14 | Cape Town | 0:14:10 |
| 6 | COOPE\_EMP1\_01 | Interview - Recorded | TMCoopE | F2F | 15.5.14 | Cape Town | 0:21:49 |
| 7 | COOPF\_EMP1\_01 | Interview - Recorded | TMCoopF | F2F | 29.1.15 | Cape Town | 0:21:05 |
| 8 | COOPF\_EMP2\_01 | Interview - Recorded | TMCoopF | F2F | 29.1.15 | Cape Town | 0:27:20 |
| 9 | TMPromotions\_Founder\_01 | Interview - Recorded | TM Promotions | F2F | 22.5.14 | Cape Town | 1:13:00 |
| 10 | TMPromotions\_Founder\_02 | Interview - Recorded | TM Promotions | F2F | 29.1.15 | Cape Town | 0:39:49 |
| 11 | TMPromotions\_CEO1\_01 | Interview - Recorded | TM Promotions | F2F | 13.5.14 | Cape Town | 1:05:00 |
| 12 | TMPromotions\_CEO1\_02 | Interview - Recorded | TM Promotions | F2F | 15.5.14 | Cape Town | 1:45:00 |
| 13 | TMPromotions\_EMP1\_01 | Interview - Noted | TM Promotions | F2F | 20.5.14 | Cape Town | 0:50:00 |
| 14 | TMPromotions\_EMP2\_01 | Interview - Recorded | TM Promotions | F2F | 27.1.15 | Cape Town | 0:18:14 |
| 15 | TMPromotions\_EMP3\_01 | Interview - Recorded | TM Promotions | F2F | 27.1.15 | Cape Town | 0:32:06 |
| 16 | TMPromotions\_EMP4\_01 | Interview - Recorded | TM Promotions | F2F | 28.1.15 | Cape Town | 0:23:38 |
| 17 | TMPromotions\_EMP5\_01 | Interview - Recorded | TM Promotions | F2F | 29.1.15 | Cape Town | 0:17:28 |
| 18 | TMPromotions\_HR1\_01 | Interview - Recorded | TM Promotions | F2F | 25.5.14 | Cape Town | 0:54:00 |
| 19 | TMPromotions\_HR1\_02 | Interview - Recorded | TM Promotions | F2F | 30.1.15 | Cape Town | 1:31:32 |
| 20 | TMPromotions\_SCM1\_01 | Interview - Recorded | TM Promotions | F2F | 13.5.14 | Cape Town | 1:23:00 |
| 21 | TMPromotions\_SCM1\_02 | Interview - Recorded | TM Promotions | F2F | 27.1.15 | Cape Town | 0:50:50 |
| 22 | TMNGO\_EMP1\_01 | Interview - Recorded | TM NGO | F2F | 27.1.15 | Cape Town | 0:21:52 |
| 23 | TMNGO\_EMP2\_01 | Interview - Recorded | TM NGO | F2F | 28.1.15 | Cape Town | 0:36:00 |
| 24 | TMNGO\_EMP3\_01 | Interview - Recorded | TM NGO | F2F | 29.1.15 | Cape Town | 0:50:05 |
| 25 | TMNGO\_CDO\_01 (Cooperative Development Officer - HR) | Interview - Noted | TM NGO | F2F | 15.5.14 | Cape Town | 1:00:00 |
| 26 | TMNGO\_CDO\_02 (Cooperative Development Officer - HR) | Interview - Noted | TM NGO | F2F | 28.1.15 | Cape Town | 0:55:00 |
| 27 | TMNGO\_SCM1\_01 | Interview - Recorded | TM NGO | F2F | 13.5.14 | Cape Town | 1:57:00 |
| 28 | TMNGO\_SCM1\_02 | Interview - Recorded | TM NGO | F2F | 26.1.15 | Cape Town | 0:44:41 |
| 29 | TMNGO\_SCM1\_03 | Interview - Noted | TM NGO | Skype | 17.2.15 | Cape Town | 0:46:17 |
| 30 | FirmUK\_CEO1\_01 | Interview - Recorded | UK employee-owned business | F2F | 4.6.15 | Sheffield | 0:55:52 |
| 31 | Gov1\_LGO1\_01 | Interview - Noted | Local Gov Agency | Skype | 7.5.15 | Skype | 0:52:32 |
| 32 | UnionA\_Rep1\_01 | Interview - Recorded | Union | F2F | 11.9.15 | Cape Town | 1:22:03 |

The majority of interviews were conducted with owners, managers and workers of firms in the cooperatives and the social enterprise, many of whom were members and managers in worker cooperatives. An opportunity arose to speak to the TM Group’s founding director which helped to give an idea about how the group’s priorities had shifted over time. As noted earlier, initial access was granted by the social enterprise: a term that refers to the collective activities of a private enterprise and its affiliated charity (TM Promotions and TM NGO). The longer interviews with staff from these organisations was indicative of their interest and commitment to the research, but this was also indicative of their influence over the working practices and governance arrangements in the worker cooperatives. The database also indicates the job title of the informant. Here, the informants from the cooperative organisations were usually serving managerial roles at the time of the research; however, these roles often had specific terms that limited the amount of time any one worker could serve in a particular position. As a result, it was sometimes preferable to speak to other members of staff, particularly when roles had only recently changed.

### 6.4.2 Other data sources

Although interviews were the main data source, the study also draws on several other sources including researcher reflections recorded in a journal and documentation provided by the case companies. Other forms of data are useful in qualitative studies because they provide an opportunity to check interview data for inconsistencies that arise because of the ability of individuals to socially construct events ([Potter and Wetherell, 1995)](http://www.sciencedirect.com.eresources.shef.ac.uk/science/article/pii/S1044500506000278#bib69). A reflective internet blog was updated daily in order to reflect on the interviews and experiences of data collection. These blog entries, akin to what Esterberg (2002) calls ‘memos’, were predominantly *analytical* in nature, as opposed to *procedural*, in that they encouraged interaction with the data as it was being gathered. Structured as a series of chronological entries, it provided an opportunity to reflect on some emerging themes from the data collection process, which in turn provided an opportunity to adapt future interviews and explore emerging concepts. The journal was informed by the experiential nature of research that is common when undertaking in-depth interviews. In particular, they provided an insight into the day-to-day functions of the company, as well as a general understanding of the production process, and a useful means by which to identify relevant (and additional) members of staff with whom to conduct further interviews. In addition, the additional time spent with the companies’ workers allowed time to build rapport which may have contributed to the depth of the data.

Another source of data was internal company documents. According to Bowen (2009), documentary evidence can enhance the case study findings by creating opportunities for further analysis as well as providing a historical perspective on events. During the course of the study, TM NGO offered to make available various sources of documentation including policy documents, an employee handbook and minutes of meetings with suppliers. Table 6.3 below shows the main documents that were obtained.

###### **Table 6.3 - table of documentary evidence**

|  |  |  |  |
| --- | --- | --- | --- |
| **No.** | **Ref.** | **Description** | **Organisation** |
| 1 | TMNGO\_Doc1 | Supplier meeting notes | TM NGO |
| 2 | TMNGO\_Doc2 | Employee Handbook | TM NGO |
| 3 | TMNGO\_Doc3 | Supplier Service Level Agreement | TM NGO |
| 4 | TMNGO\_Doc4 | MandE Benchmarking Tool | TM NGO |

### 6.4.3 Reflections on conducting research in South Africa

As noted above, reflections were captured on an ongoing basis within a research journal. Conducting research in South Africa was not easy, particularly when interviewing people in communities that were previously marginalised under previous political regimes. Various characteristics of the participants, as well as my own personality, potentially influenced the way in which research participants responded during interviews, and affected my behaviour during interviews.

Given South Africa’s socio-economic history, it was highly likely that respondents were to some extent influenced by perceptions about race and wealth. For example, in one interview, a research participant revealed that, in her opinion, cooperative workers had become accustomed to ‘telling white people what they want to hear’. She explained that this affected workplace interactions on a day-to-day basis. To some extent, this may also have influenced how she responded to me since I am a white male. However, given that research participants freely gave insights into how they were feeling and thinking, my ability to build trust may have counteracted this tendency to a large extent. More generally, most of the research participants were female, over the age of 50, and from ethnic groups that were previously marginalised under the Apartheid regime, and were asked to discuss issues relating to their work and family with a man of white ethnicity. I attempted to overcome this challenge in four ways. First, access to informants was achieved through colleagues that they trusted. Second, I spent time building relationships with informants prior to undertaking interviews and over several rounds of data collection. Third, I maintained a degree a flexibility regarding the time and location of interviews, which enabled the informants to determine where and when interviews should take place. By giving the informants control over the process, it made them feel more comfortable and receptive to the research. Fourth, during data analysis, I regularly reflected on how issues around race and ethnicity could have influenced the data and took this into account in considering the plausibility of my explanations.

The educational background of the participants vis-à-vis my own background may also have influenced the responses of participants. The educational background of cooperative workers was limited due to restrictions that were in place under the Apartheid government (Bhorat, 2001) and this presented challenges during the data collection. Specifically, some workers lacked basic literacy and numeracy skills, which meant that it was necessary to change the wording of questions to take on a more comprehensible form. My experience of teaching English as a second language proved useful when it was necessary to express complex issues in a straight forward manner. This experience also helped with building rapport with participants from other cultural backgrounds.

Language also presented a challenge during data collection and analysis. All interviews were conducted in English since it is one of South Africa’s official languages and the common tongue used in business. Despite English being the lingua franca of TM Group interactions, it was not the first language of many of the participants in this study. In the social enterprise, most participants were non-English native speakers, although they had developed good English language skills from their business activities and from previously working in English speaking countries. In the cooperatives, workers tended to speak Afrikaans or Xhosa on a daily basis. Generally speaking, managers in the cooperatives had good English language skills, but some workers struggled to articulate their thoughts in English. For instance, some workers struggled to pick up on the difference between being informed or consulted on decisions. Again, I was able to overcome these difficulties by drawing on the skills gained in my previous experience of being an English language teacher, finding simpler ways of communicating complex ideas.

In addition to differences between the economic, political and linguistic characteristics of the informants and my own, environmental factors, such as concerns about security, may have influenced both my own actions and those of the informants. The perception of vulnerability can create challenges when conducting research in unfamiliar environments (Byram and Feng, 2006). Social discourse in South Africa perpetuates fear about different groups, and despite my feeling that the risks were not particularly significant, concerns for safety were never far from my mind. As a newcomer to South Africa, I felt that fear was perpetuated in two ways. First, it was not uncommon to encounter stories about people (locals and tourists) being robbed, assaulted or hijacked. Since crime levels in South Africa are high by international comparisons, it is possible that these stories reflected current problems in South African society. However, more often than not, these stories carried racial undertones. It was for this reason that I concluded that these stories were at least partly fuelled by hearsay and paranoid assumptions about ‘others’. Whilst I remained vigilant to anything that might threaten my personal safety, I also felt that my awareness of the tendency for research participants to emphasise ‘otherness’ may have alerted me to the need to avoid my own stereotyping to influence the research process. Despite what I regarded to be my open minded approach, there were one or two events that took place during data gathering that caused me to consider my own safety. While conducting interviews in township communities, some youths passing by shouted derogatory (racist) language during interviews, creating a rather hostile environment. I did my best to prevent the situation from affecting my demeanour by remaining calm, focused, and professional.

Finally, institutional and cultural differences between South African society and the UK created practical challenges. Although South African business and labour market institutions are comparatively developed when considered in the broader African context, informal interactions strongly influence working practices (Webster, 2004). Research participants’ preference for face-to-face communication meant that they were often hesitant to arrange meetings with a researcher who was still in the UK. The first stages of field trips were often spent scheduling interviews, while interviews were regularly re-scheduled at short notice, and I had to be ready to conduct interviews whenever an opportunity arose. This created a relatively fluid environment whereby it was not always possible to review notes before conducting interviews. For this reason, the various stages of the case study were documented in my reflective journal, which also helped me to critically explore my own reasoning, thoughts and feelings during data gathering and analysis. The journal was a methodological tool through which I could explore and expose how my presuppositions might impact on the research process and make my experiences, opinions, and feelings visible (Ortlipp, 2008).

## 6.5 Data analysis

In qualitative studies, data analysis refers to the process by which data is reduced, displayed and used to draw conclusions (Miles and Huberman, 1994). Yin (2009) advises that a general analytical strategy should be developed early when undertaking case study research because qualitative data analysis is likely to occur alongside data collection and it is more likely to result in studies underpinned by empirical rigour. With this in mind, this section sets out the approach taken to manage the data, including data preparation, coding and display, and it ends by outlining the data analysis techniques used during the course of this study.

An effective data management strategy is an important aspect of data analysis because it allows the reader to judge the degree of rigour applied throughout the course of the study via a traceable and self-critical audit trail (Lincoln and Guba, 1985). Similarly, Yin (2009) suggests creating a ‘chain of evidence’ that allows the data to be tracked from the interview questions to the case study report. In this study, a database was developed using Microsoft Excel. The table below sets out the data held on each interview:

###### **Table 6.4 - list of information held on interviews**

|  |  |
| --- | --- |
| **Data** | **Description** |
| Ref | Unique reference used to anonymise data sources |
| Type | Form of data collection (e.g. interview, document, reflection) |
| Pseudonym | Pseudonym created to anonymise the organisations |
| Actual Name | The real name of the participating firm |
| Role | Job title of the interviewee |
| Name | Personal details of participant |
| Contact |
| Interview Type | Face-to-face or by phone |
| Number of Recordings | Number of recordings for this interview |
| Audio Location | The file name and link to the original audio file |
| Date | Date interview took place |
| Location | Location of interview |
| Length | Total length of interview |
| Transcribed? | Date transcribed and link to file |
| Consent Form | Link to file containing original consent form |
| Coded into Nvivo? | Date interview was coded in Nvivo |

The database was used to keep track of various stages of the data analysis process, including details about when the interview took place, or whether it had been transcribed and coded. Each entry, or interview, was given a unique reference in order to anonymise the data (e.g. TMPromotions\_HRM1\_01). The reference consisted of three pieces of information about the data: firstly, the firm in which the manager/worker was employed; secondly, their role within the firm (e.g. CEO, SCM, HRM); thirdly, the sequence of interview with that particular individual – given that some participants had more than one interview.

After the data were collected, transcribed and checked, they were coded in order to achieve theoretical abstractions. Coding involved separating ‘chunks’ of data and assigning them a category that related to what I understood it to mean or represent. The term category refers to a systematic grouping of concepts, which ‘are more abstract than the concepts that they represent’ (Strauss and Corbin, 1990: p.7). In the field of management studies, several approaches have been used to inform the coding process: each based on their own criteria relating to how codes should be formulated, assigned and, in some cases, discarded (see Strauss and Corbin, 1990; Miles and Hubermann, 1994). During the initial stages of analysis, the categories usually reflected the data rather than any pre-existing conceptions (Strauss and Corbin, 1990). Having said that, I started the coding process drawing on some pre-existing concepts in order to avoid deviating from the principle focus of the study. As the data were organised into these foundational categories, further codes emerge from the process, thus establishing a more complex coding framework. Notably, during this process some categories needed to be changed or removed entirely if they were no longer aligned to the emerging themes of the study. Finally, it is also worth noting that the process did not generally involve quantification of any coding category, as Krane *et al* (1997, p.214) argue:

|  |  |  |
| --- | --- | --- |
|  | *'Placing a frequency count after a category of experiences is tantamount to saying how important it is; thus value is derived by number. In many cases, rare experiences are no less meaningful, useful, or important than common ones. In some cases, the rare experience may be the most enlightening one.'* |  |

Finally, Miles and Hubermann (2002) alert us to the variety of techniques available for displaying research findings. I used charts, matrixes, and networks to provide an alternative means of presenting complex findings and displaying their relational aspects. Furthermore, the development of alternative forms of data display happened in a continual process and facilitated the coding and categorisation process by providing an alternative method of examining relationships.

In relation to this study, the general analytical strategy employed was therefore informed by the work of Yin (2012; 2009) and Miles and Hubermann (2002). The procedures relating to data collection and analysis occurred simultaneously, involving several iterations with the data. These iterations occurred as I explored emergent themes, contributing to the study in three ways: firstly, by indicating new conceptual avenues to explore; secondly, by ensuring that these avenues remained consistent with the broader themes of this study; and thirdly, by providing an opportunity for participants to critically comment on some aspects of the analysis. The data analysis was facilitated by Nvivo9, which enabled the coding process. This involved first inputting whole transcripts into Nvivo.

The transcription process itself provided an opportunity for me to immerse myself in the data, since I transcribed all of the data myself. Before embarking on data analysis, a broad set of categories were identified, partly informed by notes made during the transcription process and engaging with the extant literature, which were refined as the analysis progressed. During the course of the analysis phase, the coding framework grew considerably as further themes emerged from the data. In some cases, additional nodes were created but latterly reviewed and removed from the framework because they deviated from the core objectives of the study. Despite not being central to this study, the rejected nodes were noted in my reflection as they could point to directions for future research. These developments were tracked in several ways. Firstly, memos were used to provide a log of the emerging, and discounted, conceptual developments. Secondly, during both rounds of data collection I used a reflective journal that dealt with some of the experiences of data collection and documented some emerging themes. Thirdly, a 'project journal' was created in Nvivo, which tracked my reflections during the data analysis phase. Finally, I experimented with several alternative forms of data display during the analysis phase. For instance, the structure of the supply chain lent itself to a visual (network) diagram, which possessed the potential to highlight various flows of information, finance or material. This type of diagram was particularly useful when seeking 'member checks' on my interpretations of the interview data because it further highlighted the inconsistencies between different informants' accounts of the supply chain, as will be explained later in the findings chapter.

## 6.6 Ethics

Research ethics relates to questions about how to design and conduct research in a moral and responsible way (Saunders et al, 2009). Prior to commencing the data collection phase, I had completed a module on research ethics and was granted ethical approval through the University of Sheffield's Ethical Procedures. During this process, consideration was given to a number of related issues, including: my personal safety; the factors considered for identifying and recruiting participants; gaining informed consent; and ensuring confidentiality. At this stage, the risk of physical or psychological harm to participants was deemed to be low. However, discussions around employment practices could potentially lead into emotive areas, where participants consider that they do not comply with labour standards or ethical practices, such as regarding job security, discrimination, pay, or child labour. Here, I had experience in working in related areas that required a sensitive approach to personal issues, during my Master’s degree in Development Studies. In addition, members of the wider project team had previously conducted research in related areas and locations, and therefore were aware of potential issues that may arise.

The majority of informants in this study were employed by the cooperatives or the social enterprise. The issue of confidentiality is pertinent to this study because the nature of supply chain relationships might be commercially sensitive. Although research participants played down the competitive pressures within the TM Group, the cooperatives in the study were in competition with each other, therefore there was a need to remain vigilant and avoid unintentionally passing confidential information between firms. Throughout the course of the study all participant data was anonymised and stored in a password protected Microsoft Excel document, in accordance with the Data Protection Act 1998. Throughout the data collection phase the concept of 'informed consent' was used. Before beginning an interview, I informed the participant about the overall objectives of the study, explained how the data was going to be used, and advised that they could withdraw from the study at any time. They were also asked whether they consented to being recorded or if they preferred that I took notes. All participants were asked to sign a combined information and consent form, in which they agreed to their data being held for research purposes.

The risks to personal welfare were deemed to be relatively low. There was a slight risk to personal safety given that the research took place in South Africa where crime rates are relatively high. This issue was mitigated by seeking trusted local advice, planning ahead for visits, and using personal transport and taxis. South Africa is generally politically stable, and there were no anticipated problems of social unrest. However, there were some instances of protests taking place before and during the data collection stages. As a result, I consulted the Foreign and Commonwealth web pages and complied with University guidance on foreign travel.

## 6.7 Summary

In summary, my philosophical stance assumed that the actions and subjective interpretations of managers and workers were key to understanding the way in which the firms operated on a day-to-day basis; the words, actions and behaviours of these actors were integral to understanding the phenomena of (democratic) governance and managerial control. Furthermore, I assumed that the meanings that they placed upon events were influenced by cultural and contextual factors. These philosophical assumptions informed my decision to adopt a qualitative, inductive and iterative research design. The primary sources of data included in-depth interviews, documents, and a reflective journal. These data were then analysed by developing a coding framework, which was to some extent defined by initial sensitising concepts that was refined during the course of analysis. This process was used to guide the interpretation and analysis of the findings, which are set out in the following chapters.

# Chapter 7

# The cooperatives, their supply chain, and the institutional environment

This chapter is the first of two findings chapters. Section 7.1 introduces the focal firms within the TM Group by focusing on the historical developments that led to the formation of a network of inter-connected business entities. In doing so, it outlines some of the characteristics of the focal firms, including their legal structures, the gendered division of labour, and the power dynamics between firms within the network. The following sections then look at the organisational structures and employment relationships (section 7.2) and the roles of professional staff (Section 7.3). Section 7.4 explores the value chain in more detail. Personal relationships, production flows and the direction of financial transactions are analysed to explain the various connections that link supply chain partners. A visual 'map' of the supply chain emerged from the analysis which sets out the 'input-output structure' of the chain and highlights the non-linear nature of inter-organisational relationships between the focal firms. Section 7.5 then situates the organisations within the South African institutional context. Here, the focus is on how the institutional environment affected the nature of the supply chain and the governance structure of the focal firms, while its influence on employment relations and the labour process is explored in the next chapter (Chapter 8).

## 7.1 The focal organisations

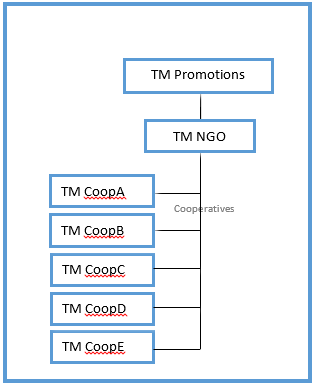
The main focus of the study was a group of textiles manufacturing businesses in South Africa. For reasons of confidentiality, the real name of the companies has been changed. In addition, any references to the precise location of the businesses and their products have been altered in order to avoid the organisations being easily identified. The early parts of this section provide an introduction to the focal organisations and their market. The structure of the group, referred to hereon as the TM Group, was explained by the production manager of one of the businesses:

|  |  |  |
| --- | --- | --- |
|  | *We are three entities. Three main entities. Basically, we have [TM Promotions], which is a social enterprise, which is a profitable company. It is [a business that] …focuses on marketing, sales and design. Then we have [TM NGO] …which focus on production and cooperative development. Then we have the cooperatives [TM Cooperative A-E]. We have, at the moment, 5 of them. All of those three entities are independent from each other but also we work altogether. All the contracts that [TM Promotions] get go through [TM NGO] and all the contracts we get goes through the cooperatives.* |  |

*(TMNGO\_SCM1\_01)*

Since its inception in 1997, the TM Group had restructured its governance arrangements on several occasions. The current configuration of the group had established particular roles for each organisation in the production and marketing processes. In their current form, which had existed since 2005, TM NGO and TM Cooperatives undertook the majority of production, TM Promotions focused on developing relationships with customers, and TM Promotions and TM NGO shared responsibility for managing supplier relationships. The basic supply chain is presented in Figure 7.1.

**Figure 7.1: the supply chain within the TM Group**



Collectively, the organisations within the TM Group identified themselves as a ‘social enterprise’. Together, they employed around 80 people, with the majority of workers based in the cooperatives. Although the relationships between TM Group members were not linear, figure 7.1 depicts the most common points of interaction between each of the organisations.

The first organisation to be founded was TM NGO in 1997. The organisation was registered under South African law as a non-profit organisation (NPO) – which is also known as an NGO or a charity. Initially, the NPO was set up in order to provide economic opportunities for women from marginalised communities, who were usually based in townships. At that stage, the organisation focused on providing business support and training to female entrepreneurs. In 2004, TM Promotions was created in order to identify new markets and provide work for the NGOs beneficiaries. The current CEO explained why the founder of the group decided to incorporate a marketing firm into the model:

|  |  |  |
| --- | --- | --- |
|  | *[The founding director] worked with a group of women and they decided that they wanted their own [sewing workshop] in the township. Then she started to create the NPO to gather some friends and some finances to support [them]. And then she realised [that] without this marketing, you know, without this access to market it isn’t going to go anywhere, so then she decided to build up [TM Promotions] on top of it.* |  |

*(TMPromotions\_CEO2\_01)*

Since 2009, the group had expanded significantly by building relationships with key clients, accessing new markets and integrating new cooperatives into its network. The CEO explained how he felt the TM Group promoted its value proposition to customers:

|  |  |  |
| --- | --- | --- |
|  | *We play on the eco-friendly side of things. We play obviously on the Fairtrade side of things, and the fact that we operate through the cooperatives, and we play on the fact that we are African. This is our position.* |  |

*(TMPromotions\_CEO2\_01)*

Initially, TM NGO focussed on training workers as many of them had limited technical sewing skills and few had experience of working in the textiles industry. As a result, TM Promotion's managers identified markets that involved manufacturing low-value added products in high quantities which could be made by relatively low-skilled workers. At the time of the fieldwork, the TM Group had begun to diversify its activities by manufacturing more complex garments, approximately two-thirds of its work still involved manufacturing low-value added products. The group received much higher margins for its other work, but these orders required lower quantities and relied on higher-skilled workers – something that posed a challenge for the group since few workers had the requisite skills. At the time of the second period of field research (January 2015), these higher-value added products were being manufactured on a sub-contracted basis by cooperative workers who were felt to possess the necessary skills. Notably, these higher-skilled workers were being paid directly for this work rather than through the cooperative.

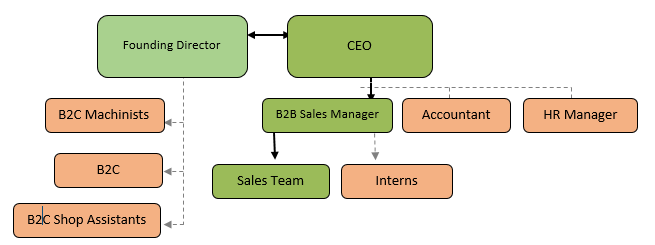
### 7.1.1 Management structure and employment in the supply network

In this case study, the organisational forms and management structures used by the focal firms had important implications for the nature of the employment relationship throughout the group.

### 7.1.2 TM Promotions management structure and employment contracts

The diagram below (figure 7.2) shows the management structure at TM Promotions at the time of research. The bold lines show employment relationships that were underpinned by a standard employment contract, including both fixed and permanent terms. The grey dotted line highlights employment relationships that operated on sub-contracted terms, short-term internships and fixed-term temporary staff.

###### **Figure 7.2 - TM Promotions management structure**



In total, TM Promotions employed a small team of staff - which varied between 12 and 15 people during the course of this study, although only four staff were employed on a full-time permanent basis, who are represented by the green boxes in figure 7.2. The staff employed on temporary or sub-contracted terms are represented by orange boxes. The CEO acted as the line-manager for three senior managers, of whom the accountant and the HR Manager were employed on a sub-contracted basis. The business-to-business ('B2B') sales manager was employed and acted as line-manager for the eight workers employed as part of the sales team - most of whom had been recruited as ‘interns’ on temporary contracts. On the retail side of the business, which was known as business-to-customer sales (or B2C), the founder managed a small team of designers, seamstresses and retail assistants. Due to the low level of production in this area, there were no more than six members of staff operating in this part of the business, all of whom were employed on a sub-contracted, part-time basis. In relation to the production process, this type of work placed higher demands on the skills of the seamstress when compared to the other work undertaken by the TM Cooperatives. As a result, the founder claimed that she ‘cherry-picked’ the best workers from the TM Cooperatives to undertake the work ‘on-the-side’. In practice, the workers in question took time away from their responsibilities at their cooperative in order to undertake this 'additional work', which created a potential conflict of interest between the individual and their cooperative.

The findings therefore imply that non-standard employment relationships, which are commonplace in the South African textiles industry, were used in TM Promotions. The founder justified the use of temporary contracts on two grounds. Firstly, the firm's retail activities had recently been re-established after a previous attempt had proved unprofitable. Whilst there was confidence that the recent venture would prove successful, the founder was hesitant about making firm commitments, thus permanent contracts were seen as 'risky'. Secondly, although the research and development function was more established than the retail operations, the demand for this type of work was seasonal, short-term and sporadic. The founder claimed that the firm would seek to employ permanent staff if the firm became a more established clothing manufacturer (i.e. developed its B2C operations). However, evidence from its more established B2B operations suggests that non-standard terms had become the norm in TM Promotions, where a variety of non-standard employment relationships had enabled the firm to reduce the risks of demand fluctuations or unexpected cash-flow problems by employing a flexible workforce.

### 7.1.3 TM NGO management structure and employment contracts

The NGO had a different management structure, as shown below in figure 7.3.

###### **Figure 7.3 - TM NGO management structure**

**The Founder** (Trustee)

**The CEO**

(Trustee)

**Operations Manager** Production, Procurement, Supply Chain

**Logistics Assistant**

**Factory Supervisor**

**Administrator**

**Coop Development Officer**

Focus on charitable remit - training and capacity building in TM Cooperatives

**Factory Workers** Production - Quality Checks

Regular contact with TM Cooperatives

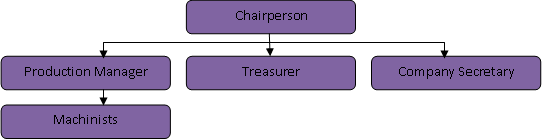
The founder and the CEO also ran the NGO arm of the organisation, in that they were the two trustees. TM NGO's organisational structure involved permanent forms of employment only. Although regulations typically require that a charity has three or more trustees, the CEO claimed that the rules were often relaxed because of the difficulties of recruiting suitably qualified people on a voluntary basis. In this case, two trustees had recently stepped down leaving the organisation short of governors, however the founder claimed that she was keen to appoint new trustees in the near future. At the managerial level, the Operations Manager was supported by the CEO of TM Promotions on a day-to-day basis. Principally, her primary responsibility was to ensure that the TM Cooperatives maintained the required levels of production and to redistribute work where necessary. She also managed a small team of six staff who were involved in quality control and administration.

The formal and permanent employment relationships found at TM NGO were markedly different to those observed in TM Promotions, an interesting feature since both organisations shared important staff members, including the CEO, the founder and the HR manager. It is possible that the contrasting approaches reflected the relative importance of these staff to the TM Group – at least from the perspective of their managers. For instance, the founder identified quality control as a critical factor affecting the long-term success and development of the TM Group. This had led her to encourage the Operations Manager to invest a significant amount of time in training new members of staff in order to spot defects and errors as early as possible. The level of staff training was not echoed in the training of sales interns, who were expected to ‘learn on the job’. The quality control staff were also deemed to be serving the social objectives of the charity, which were seen as a priority by managers throughout the TM Group.

### 7.1.4 TM Cooperatives management structure and employment contracts

Each of the various TM Cooperatives operated with remarkably similar internal managerial structures. Figure 7.4 sets out the formal hierarchies of each of the firms.

###### **Figure 7.4 - TM Cooperatives management structure**



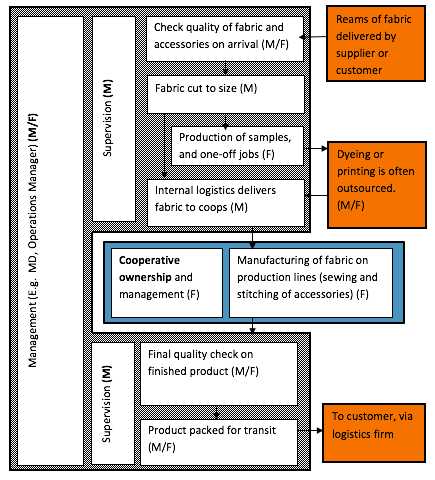
In South Africa, the terms of the Cooperative Act 2005 (Republic of South Africa, 2005) permits three forms of employment status for cooperative workers. Firstly, workers may be granted owner and employee status with full membership rights, referring to those who are registered as owners and employees for legal purposes and granted a vote in decision-making processes. Secondly, workers may be self-employed owners with full membership rights. Thirdly, they may be granted employee status with no ownership or membership rights. An amendment to SA cooperative law in 2013 extended the provision of labour market legislation to cooperative workers, meaning that all cooperative workers should be registered as employees and owners. The findings in this study suggest that the TM cooperatives were non-compliant with this legislation because the managers were not informed about the changes.

One of the reasons for non-compliance may have been that the TM Cooperatives were established prior to these legal changes, and all of their workers had opted for self-employed owner status. Interestingly, the TM Cooperative managers did not appear to be aware of the changes to the law and still continued to operate as self-employed owners at the final stage of data collection (January 2015). The workers’ status was important since their self-employment meant that they were not protected by labour market regulations such as the Basic Conditions of Employment Act 2002. Thus, the workers were effectively engaged in precarious forms of employment with limited job security. At the same time, the workers benefitted from their self-employed status in another way, and hence had chosen to remain self-employed. This was because they were able to benefit from government grants aimed at female entrepreneurs, for which they would not have qualified if they were registered as workers. Thus, paradoxically, the findings suggest that the TM Cooperatives had opted for a precarious form of employment in order to improve their immediate economic circumstances.

## 7.2 Men and women in the production process

Men and women were concentrated in different organisations and production roles undertaken by the TM Group. Figure 7.5 outlines these different roles. The dominant gender is denoted in parentheses, with an ‘M’ for male workers, ‘F’ for female workers, and ‘M/F’ is used for activities that are undertaken by men and women. The largest box (shaded grey) refers to activities undertaken by the social enterprise[[1]](#footnote-1), the blue box denotes tasks done by the TM Cooperatives, and the orange boxes signify upstream and downstream elements of the supply chain as well as outsourced elements of the production process.

###### **Figure 7.5 – Roles of men and women in the TM Group labour process**



At the time of this research, TM Cooperative membership was an exclusively female domain, however this was not an overt policy to restrict recruitment to women, as indicated by the CEO of TM Promotions:

|  |  |  |
| --- | --- | --- |
|  | *We had one man in one of the cooperatives and he lasted a few years […]. It is a women thing. There is no restriction. It is just the case that in South Africa and in Africa in general - but it is not the case in Eastern Africa, you have a lot of Tailors and a lot of men involved in the textile sector- [that] you have a lot of women interested. But I think that [in our case it was] because everything was started by [the Founder]; it became de facto very emblematic company for women.* |  |
|  | *(TMPromotions\_CEO2\_01)* |  |

For workers located in the TM Cooperatives, their primary activity was stitching pre-cut fabric and returning it to TM NGO. Although this involved undertaking monotonous, repetitive tasks, there was a relatively high degree of skill involved in producing high quality goods at speed. Nevertheless, these activities were generally viewed as being relatively low skilled by the social enterprise. In terms of the working environment, the female cooperative workers were based in relatively small factory units in ‘business parks’ which appeared to have a high concentration of informal sector businesses, and these were in township communities close to where they lived. Facilities were basic: sewing machines were the only form of technology used in the production process. However, the premises tended to be bright, clean and health and safety standards appeared to be maintained. The demeanour of staff was also noticeably positive: workers could be heard laughing and singing whilst undertaking their work.

The female cooperative workers were responsible for the day-to-day ‘management’ of their cooperatives. The use of a cooperative structure, therefore, had the effect of placing a number of women into management and supervisory positions, although in practice their management responsibility meant doing basic supervisory duties (e.g. ensuring that work was being done at an appropriate speed, quality checking, troubleshooting). In contrast, their responsibility increased when undertaking work for a customer other than the social enterprise as they were then required to source fabric, prepare samples, conduct quality checks, etc. In other words, they assumed some of the responsibility typically taken on by TM NGO (shaded grey). However, their responsibilities differed from one customer to the next. Some customers, for instance, would provide fabric in much the same way as the social enterprise, whereas others expected the cooperatives to supply the fabric. Generally speaking, the female cooperatives would have a greater responsibility for quality control when working with an external customer, and they would be paid higher margins for doing so. The experience gained from taking on more tasks was seen by social enterprise managers as an important aspect of cooperative development – part of a process that enabled them to mature as organisations and obtain more independence and autonomy. It should be noted, however, that the TM Cooperatives rarely took on external work. The only exception to this was TM CooperativeF, which had operated as a business prior to their involvement with the TM Group. In other words, the group structure appeared to lead to greater dependency rather than autonomous cooperatives.

Beyond the TM cooperatives, job roles were either dominated by men or had a more balanced gender distribution. Many of these roles involved undertaking tasks that were directly related to the manufacturing process, including quality control, and cutting of fabric and logistics, production of sampling and one-offs. Generally speaking, these roles were undertaken by men, and traditional stereotypes were used to justify their involvement in this part of the production process, as illustrated by the (female) operations managers at TM NGO:

|  |  |  |
| --- | --- | --- |
|  | *The workers [under my supervision] are more men because it is boxes to carry or rolls to carry, but on the other side [middle-management and administration] there are women like me and [the cooperative development officer]. I think on this we are very good.* |  |
|  | *(TMNGO\_SCM1\_01)* |  |

The activities undertaken by the (male) factory staff at TM NGO were generally considered by social enterprise managers to add significant value to the TM Group’s ‘value proposition’: a term used by TM Promotions’ CEO to refer to their appeal to customers. In particular, quality control was considered important. As noted earlier, TM Group management felt that this was the main reason that customers chose to contract the TM Group rather than go to the cooperatives directly. In terms of the working environment, these (male) workers were based in a large factory that was located on a relatively modern industrial park with good quality infrastructure, including good public transport links. The factory, which also had several office spaces located at a mezzanine level overlooking the shop floor, was airy and spacious, and production was organised around modern cutting machines capable of cutting industrial quantities of fabric. Staff had access to kitchen facilities and a shared communal space. However, the demeanour of staff was melancholy, particularly when compared to the cooperatives, which perhaps was influenced by the fact that workers were spatially dispersed.

The same factory was also used for sampling and specialist clothing jobs. Subcontracted female workers were employed to do this work, which required a high level of sewing skills since samples would be sent to prospective clients or displayed at trade shows. Although this work was paid at a higher rate than the work undertaken by the cooperatives, it was also infrequent, temporally concentrated, and contracted, meaning that there was limited job security for these workers. Yet despite some reservations over pay, workers undertaking these tasks felt their jobs provided good terms and conditions, even around job security, as indicated in the quotes below:

|  |  |  |
| --- | --- | --- |
|  | *[…] I love doing the [work]. I am up to do it and I love doing it. Here we are more relaxed because sometimes I work for other people - still on the sewing or something. But here it is like the home. We feel we are all relaxed. That is the good thing here at [TM Promotions], except the wages are not good, but the environment is nice.* |  |
|  | *(TMPromotions\_Emp4\_01)* |  |
|  | *I feel secure in my job. [pause] I don’t know for others but for me I feel safe in Township. I even say that everyday to [the founder of TM Promotions]. I feel safe. I feel like a new person.* |  |
|  | *(TMPromotions\_Emp5\_01)* |  |

The above quotes above reflect the positive sentiments that these workers expressed towards their jobs. Generally speaking, they were held in high esteem by social enterprise managers, partly because their refined skills were hard to replace. Accordingly, they were considered to be an asset for obtaining new customers, which was considered a value-added activity.

There was a more balanced concentration of men and women at the social enterprise in other job roles, such as management, administration, finance, sales, HR and marketing. Since the organisation was set up by a woman with the expressed intention of supporting female economic empowerment, it might be unsurprising that there was a significant proportion of women employed at the senior management level. However, the founder had since stepped back from her day-to-day involvement with the group and the most powerful individual in the TM Group - the CEO of TM Promotions – was a man. Nevertheless, the operations manager, the cooperative development officer, and the HR manager, were female and these managers were found to have a significant influence over policy and day-to-day decisions.

## 7.3 Management expertise and experience

Research participants were asked if they had used any form of 'best practice' or had drawn on previous work experience that informed their work with the TM Group. Their responses imply that relatively few managers looked to the textiles industry for examples of best practice; instead, they claimed to draw on experience gained in other industries. The CEO of TM Promotions, for instance, claimed that the SCM strategy had been informed by his previous experience of working in a large multi-national firm in the information technology sector. Several other TM Group managers, including the HR Manager and the B2B sales manager, also claimed that their past experience had informed some aspects of their practice in the TM Group.

Given that this case study focuses on a group of cooperatives involved in manufacturing textiles, remarkably few TM Group managers and workers had previous experience of working in the textiles industry or with worker-owned firms. Several participants claimed that their lack of textiles industry experience was an advantage since it enabled them to cast a critical eye over industry norms. The founder and the CEO had spent the majority of their careers as executives in multinational companies, mainly based in Europe. Neither had previously worked in the textiles industry. The HR manager also had significant international experience having worked in MNCs in the US, Europe and South Africa. In the social enterprise, no managers had previously worked in any form of employee-owned business and only one, the B2B Sales Manager, had previous experience of working in the textiles industry.

### 7.3.1 Role of SCM in the TM Group

The discipline of supply chain management had informed many of the changes to the TM Group's structure, partly because the CEO had significant training and experience in this area. The group's structure had been designed around a notion of interdependency within a synchronised network of suppliers, which alludes to the influence of supply chain management (SCM) concepts on the TM Group. The CEO of TM Promotions explained how he framed the relationships with the group:

|  |  |  |
| --- | --- | --- |
|  | *I tell the women when they meet every month: 'we are strong because we are together. We are supporting each other'. If the cooperatives decide to go another way the whole commercial enterprise will disappear, just like the reverse is true. So there is inter-dependency between each other, between the different groups.* |  |
|  | *(TMPromotions\_CEO2\_01)* |  |

Other managers and workers confirmed that the TM Group structure involved a high degree of mutual trust and coordination between members. Yet, it was also apparent that there were significant power asymmetries between TM Group members. For instance, the TM Cooperatives were highly dependent on the social enterprise since they relied on them for the majority of their custom. The above quote implies that the social enterprise relied on the TM Cooperatives for all of their productive activities. Although this had been the case, there were some suggestions that social enterprise could outsource some future work to firms other than the TM Cooperatives.

The educational background and industry experiences of staff could have had an influence on the SCM strategies adopted by the TM Group, particularly in relation to practices that are enacted for normative reasons rather than purely economic gain. Several TM Group managers claimed that their experience from previous jobs had had a significant influence on their current approach to SCM. In particular, the SCM strategy was driven by the CEO of TM Promotions, who also mentored staff in TM NGO on SCM policy and practice. Other managers confirmed that the CEO had been influential in affecting SCM strategy and he had guided them towards establishing 'long-term relationships' with suppliers that were based on 'loyalty' and 'trust'.

The CEO of TM Promotions also felt that his experience of working in global supply chains had caused him to favour a relational approach when working with customers and suppliers. In particular, his previous work experience had been influential in setting up the management systems of the TM Group. As he explained:

|  |  |  |
| --- | --- | --- |
|  | *We think of different ways to solidify [the] network [i.e. the TM Group] and to create loyalty at the same time - just like at [the European MNC] with our concessionaires. We created loyalty through that points system etc. In a way you need to, you have to create that. Network management for me is very important.* |  |
|  | *(TMPromotions\_CEO2\_01)* |  |

To some extent both the GVC and NIS literatures assume that institutionalised practices are likely to pass between firms within the same industry, however in this case the CEO had no previous experience of the textiles industry prior to joining TM Promotions. Instead, he had spent the majority of his professional life working in the technology industry, where he could have been exposed to a different 'industrial architecture' and a different set of institutionalised behaviours.

### 7.3.2 Role of HR in the TM Group

The TM Group operated with the support of a HR professional who had previously held membership of a professional body (CIPD) and gained HR-related qualifications. In addition, she had extensive experience of working in MNCs across three continents. Her current role, which was financed by TM Promotions, was described as ‘self-directed’ and involved providing HR support to firms throughout the TM Group – meaning that the duties extended beyond the conventional boundaries of the firm to cover employment practices in supply chain partners. The CEO claimed that HR support for the cooperatives was required to support the group’s business and social objectives; however, the Operations Manager felt that HR support was required to prevent disruptions to production caused by internal disagreement between cooperative workers. As a result, the HR manager spent a significant amount of time resolving tensions, or attempting to stop them arising. In other words, her role seemed to be predominantly in the area of employment relations rather than HR strategy. In the social enterprise, the HR manager had consequently focused on making procedural improvements to several HR practices, including: ensuring that recruitment processes conformed to equal opportunities legislation; developing communication channels between management and the workforce; and improving employee documentation, such as formal contracts and employee handbooks.

This focus may have been partly due to the founder and CEO's view of the HR role. Despite the founder identifying HR as a weakness, they did not view specialist HRM knowledge as a particularly valuable contributor to the firm's strategic objectives. Furthermore, the HR manager felt that several of her intended interventions had been overruled by the founder and the CEO. On an operational level, the role of HR manager was outsourced, and delivered on a part-time basis, one to two days per week. Initially, the HR manager argued that the outsourcing agreement was preferable to both parties; however, further explanation found the relationship to be more complex:

|  |  |  |  |
| --- | --- | --- | --- |
|  | *Interviewer:* | *...how do you see your own role as a consultant? Do you consider yourself to be outsourced?* |  |
|  | *HRM1:* | *Interesting. No, I don't. They probably do, but I don't.* |  |

*(TMPromotions\_HRM1\_01)*

The above quote suggests ambiguity around the role of HR within the TM Group and infers a possible site of tension regarding the role of the HR manager. This issue was noted in my reflective journal during the fieldwork:

|  |  |  |
| --- | --- | --- |
|  | *[The HR manager] inferred to me that she is happy with the [sub-contracted] arrangement but I sensed some tension when she spoke about her role and her relationship with [the founder] and the [CEO] [...] This leads me to ponder the level of importance placed on HR [in the TM Group]. Why not make the role permanent, which would also give continuity to the role? None of the other significant management positions are filled by part-time consultants. My feeling is that [TM Group] managers see a HR professional as a bit of a luxury.* |  |
|  | *(GC\_Reflections\_23-MAY-2014)* |  |

Following the first round of data collection, the HR manager resigned from her role after a disagreement with the founder over the lack of personal development opportunities for a member of staff. During her second interview, which was conducted after leaving the TM Group, she explained her concern that the HR function had not influenced the TM Group's strategy as it was seen as primarily operational.

## 7.4 The local and global supply chain

In this case study, the TM Group was a supply chain network consisting of a social enterprise (comprised of a private enterprise and a charity) and several cooperatives. This model was presented in the company's internal company documents (TM NGO\_MOM) and a service-level agreement (TM NGO\_SLA), which outlined a simple supply chain structure with clearly defined roles for the individual organisations. At the point of research, there was no formal agreement between TM Promotions and TM NGO. However, both organisations operated under the assumption that they would rely on each other exclusively for custom and production respectively.

### 7.4.1 The supply chain, production process and financial flows

On a day-to-day basis, supply chain partners interacted with each other about aspects of the production process, such as relaying technical specifications and discussing logistical arrangements. In the case of the TM Group, the production process started in TM NGO. Stocks of fabrics and other materials were kept in a factory and office building, which was shared by TM Promotions and TM NGO. Although these stocks were technically owned by TM Promotions, it was TM NGO staff who conducted an initial quality check on the fabric. If the quality of the fabric was deemed acceptable, the material was then cut to the required shape and, if necessary, sent away for printing. When the printed fabric was returned, it was distributed along with any other materials (zips, barcodes, etc.) by TM NGO to the cooperatives. The cooperatives then sewed the products, conducted their own quality check, and returned the product to TM NGO. A logistics assistant, employed by TM NGO, took responsibility for delivering materials to the cooperatives and collected the manufactured goods. TM NGO then provided a final quality check on the goods before packing and shipping them to the customer. Throughout this process, TM Promotions maintained the relationship with the final customers. The production process is shown by the green dotted lines in the following diagram:

###### **Figure 7.6 - chart showing the production and financial flows between TM Group constituents**

TM Promotions

**CoopA**

CoopC

CoopE

CoopD

**CoopB**

TMNGO

The flow of finance could also influence relational ties between organisations. TM Promotions took responsibility for sourcing a client's order and initially received payment. TM Promotions then paid each of the cooperatives directly - rather than via TM NGO. However, TM NGO received a fee from TM Promotions for its role in managing the production process. Whilst TM NGO was a registered charity and received some money from donations and external funders, the majority of its income came from its relationship with TM Promotions. The financial flows are illustrated in figure 7.5 by the orange-dotted lines.

The above supply chain provides a ‘snapshot’ of the TM group. Since its inception in 1997, the TM Group had been restructured on several occasions. The illustration of the supply chain given above was constructed over several rounds of data collection and there were some changes during this time. For instance, during the first round of data collection there were five cooperatives within the group. By the second round, one cooperative had left the group and two had joined, making six in total. Notably, during the three years prior to this study the group had consisted of the same five cooperatives. The recent changes to the supply chain were explained by the CEO of TM Promotions (TMPromotions\_CEO2\_02) as a response to increasing demand and accessing new markets.

The case findings also highlight that supply chains are not only complex and dynamic but also open to interpretation. Such complexity can lead to different understandings of the supply chain by managers within the same organisation. The founder of TM Promotions gave a contrasting account of organisational roles and challenged the way in which the supply chain should be presented. Given the ongoing influence of the founder on the TM Group, it is necessary to examine this version in further detail. Figure 7.6 illustrates the founder's understanding of the relationship between the various constituents of the TM Group.

**Figure 7.7 - the founder's interpretation of the relationships in the TM Group**

**TM NGO**

TM Promotions

**CoopA**

CoopC

CoopE

CoopD

**CoopB**

Cooperatives

According to the founder's interpretation, the NGO is removed from the supply chain structure. Instead, TM NGO is viewed as an 'umbrella' organisation that provides a support service to TM Cooperatives. The support service includes access to training, finance and social networks. However, there are two significant observations that are missing from this model. Firstly, it fails to account for the most common day-to-day interactions between managers and workers in the TM Group. In particular, it implies regular ongoing contact between cooperative workers and TM Promotions staff, which was not supported by empirical evidence. In addition, each of the TM Cooperatives had a Service Level Agreement (SLA) with TM NGO, implying a buyer-supplier relationship between the two organisations. The founder's model therefore over-simplifies the production process and financial flows within the TM Group and does not provide an adequate description of the varying degrees of independence and inter-dependence between actors and organisations. It may, however, provide an insight into how the TM Group was originally conceived, especially given that it was the interpretation of the group's founder.

Different managers in the TM Group also disagreed about what the term 'social enterprise' meant in respect to their group. In this case, the term was used by TM Group managers, including the HR Manager, the Operations Manager and the B2B Sales Manager, to describe the collective practices of the marketing firms (TM Promotions) and the charity (TM NGO). The following quote explains how the CEO of TM Promotions management understood the term:

|  |  |  |  |
| --- | --- | --- | --- |
|  | *'We use the word social enterprise a bit like I use the word organic food: we don’t really want to mention that it is organic but then on today's world you have to mention that it is organic so that people know you are eating the right type of food. It is the same thing for enterprise. I wish we could say, you know, that I work in an enterprise and everyone would understand that it is fair, you know, and it is socially conscious etcetera, but in today’s terms you have to add that adjective to actually qualify the enterprise as being social, as if any business wouldn't be social. But in today’s comprehension of things it is common language now to say social enterprise to really integrate the fact that it is really putting back the workers at the centre of your model.'* |  |  |

*(TMPromotions\_CEO2\_01)*

The above quote raises a question about which entities of the TM Group comprised the *social enterprise*? The findings identified some disagreement between managers about its precise structure. For instance, the Operations Manager of TM NGO felt that the marketing company (TM Promotions) was the social enterprise despite it being constituted as a conventional small business. The CEO of TM Promotions had a different interpretation, highlighted by the following discussion:

|  |  |  |  |
| --- | --- | --- | --- |
|  | *I:* | *I am wondering where does the social enterprise part of this start and stop?* |  |
|  | *CEO2:* | *I think it is the whole business model. It is the whole group. We call it the [TM Group] from time to time, with no legal meaning to the word ‘group’ but more as the way we work together. It is the fact that the cooperatives work under the umbrella of the NGO and that the commercial part of the business is supporting the whole structure by providing access to markets and therefore the majority of the business flow. It is because of the commitment of the commercial company towards the cooperatives and the NGO being supportive arm. The whole thing, for me, is the social enterprise.* |  |

*(TMPromotions\_CEO2\_01)*

According to the quote above, the 'social enterprise' refers to all of the relationships within the TM Group, relationships that were formed around a supply network. In this case, the CEO of TM Promotions applied the term 'social enterprise' to a set of circumstances that does not yet appear to be covered by the literature on social enterprise by referring to a series of integrated and coordinated supply chain relationships.

The CEO of TM Promotions felt that the involvement of the cooperatives in their social enterprise distinguished the group from conventional textiles supply chains:

|  |  |  |  |
| --- | --- | --- | --- |
|  | *We wouldn't accept the CMT [cut, make and trim] model where the classic business model with the boss and the employees because it would be too difficult to regulate, and we want to promote the cooperative model [...] we would be very wary about that, so as of today we promote the cooperative model and we think this is also a model that is very much in line with what the women want.* |  |  |

*(TMPromotions\_CEO2\_02)*

However, in a previous discussion, the CEO acknowledged that it could be possible for other forms of businesses to integrate into the TM Group:

|  |  |  |  |
| --- | --- | --- | --- |
|  | I: | *[...] would you be interested if another type of organisation came along and said we want to be part of [the TM Group], but we are not a cooperative?* |  |
|  | CEO2: | *No, I don’t think at this stage we would accept that because we are promoting that model. But, if that was a CC or a normal business, if then we would certainly make them sign a service-level agreement and check the Fairtrade principles and in particular check the income and how the fruits are being shared.* |  |
|  |  | *(TMPromotions\_CEO2\_01)* |  |

The above quote indicates a commitment to cooperation, which is highlighted by the fact that the majority of TM Cooperatives were incorporated with the help of TM Promotions managers. However, the recent integration of TM CooperativeF is particularly intriguing because it had been previously operating as a privately-owned CMT and had converted to a worker cooperative in order to gain access to the TM Group network. The production manager for TM CooperativeF, who had owned the business under its previous governance arrangements, explained the implications of having TM NGO and TM Promotions as its main customer:

|  |  |  |
| --- | --- | --- |
|  | *When working for the TM Group we have to meet the requirements, like whatever, the ten principles, the guidelines [set out in the SLA]. It is understandable because in the same time it can teach you to run your business very effectively. That is one of the things that I have learnt at the TM Group.* |  |
|  | *TMCoopF\_Emp2\_01* |  |

Despite being a relatively recent member to the TM Group, TM CooperativeF had significantly changed its governance arrangements in order to access the group structure. Notably, TM Promotions managers had insisted that the previous owner did not act as a chairperson during its formative years as a cooperative in order to support the transition to more democratic working practices. Although there were signs that the previous owner was exerting informal pressure on the new cooperative, TM NGO managers had threatened to withdraw its membership to the group unless it maintained its commitment to ‘cooperative leadership’.

An alternative interpretation of the social enterprise was suggested by the Operations Manager of TM NGO. This consisted of the marketing company (TM Promotions) and the charity (TM NGO), but excluded the TM Cooperatives. Under this interpretation, the governance and management of the TM Cooperatives would be assessed separately because they are independent organisations. There are several factors that support this alternative interpretation of the social enterprise functions in the TM Group. For instance, there was a high degree of inter-dependency and cooperation between TM Promotions and TM NGO. Staff interacted between organisations on a daily basis and some managers, such as the HR manager, regularly worked throughout the TM Group, including in the TM Cooperatives. TM Promotions and TM NGO were set up by the same founding director, shared many resources and relied on each other for several key business functions. Yet, there were numerous reasons why TM Promotions and TM NGO should be considered as separate organisations, which are particularly pertinent when investigating differences in employment practice. Firstly, TM Promotions and TM NGO were constituted differently and had separate objectives and responsibilities. Secondly, the organisational objectives were translated into detailed job specifications with line managers identified. Managers in each organisation were clear on their focus and which employees were under their supervision. Managers and employees were directly employed by either of the organisations and specific roles were clearly defined. To summarise, employees in TM Promotions and TM NGO had different responsibilities, reported to different line-managers, and undertook different activities.

Several research participants argued that the current configuration of the TM Group was at a formative stage within the TM Group’s development. Both the founder and the CEO claimed that the group was likely to be restructured as the organisations matured and became more (economically) sustainable. The CEO of TM Promotions explained the long term plan to re-structure these parts of the TM Group:

|  |  |  |  |
| --- | --- | --- | --- |
|  | *There is an idea - I don’t think we are ready yet but [...] the idea is to open up the capital at some point to the management but also to the cooperatives. So that maybe we form a separate cooperative which would be a cooperative of cooperatives - like a [TM] Cooperative Trust or whatever, the [TM] second level. It could become a shareholder of the TM Group.* |  |  |

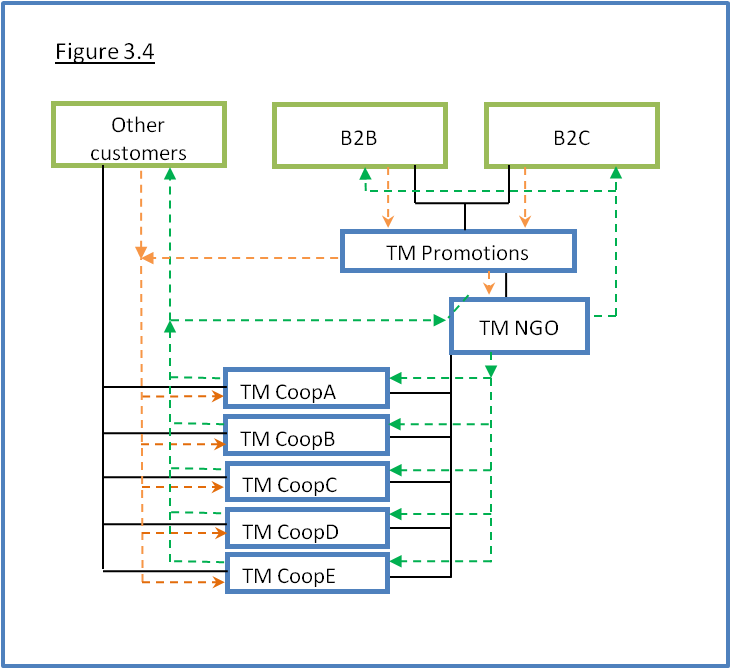
*(TMPromotions\_CEO2\_02)*

The above quote suggests that the organisation was still maturing both as a group and as individual entities.

### 7.4.2 Customers

TM Group's managers categorised their customers in three ways: (1) business-to-customer (B2C) clients where the relationship was managed by TM Promotions; (2) business-to-business (B2B) clients where the relationship was managed by TM Promotions; and, (3) other clients where the relationship was managed by the cooperatives. It is worth noting that B2C refers to products sold through retailers rather than directly to the final customer. Figure 7.7 illustrates these inter-organisational relationships (black lines), the flow of production (green-dotted lines) and the financial flows (orange-dotted lines)

###### **Figure 7.8 - TM Group's relationships with its customers, including production and financial flows**



The CEO explained how the workload differed between B2C and B2B clients:

|  |  |  |
| --- | --- | --- |
|  | *At the end of 2009, 2010 [...] we had the [large domestic retailer] business as the volume business - simple; then the B2B; then the fashion - more added-value at each level, less volume, but more value.* |  |

*(TMPromotions\_CEO2\_01)*

B2C refers to products that were ultimately purchased by individual customers, although the immediate customer was often a business. In this case, B2C refers to products sold through retail. B2C clients constituted around 70% of the TM Group’s total production, and the main client was a large domestic retailer. This one client provided TM Promotions with approximately '300 selling points' across South Africa. TM Promotions also traded in higher value-added products with B2C clients, albeit on a smaller scale. This group of customers was comprised of approximately 30 small retailers and boutique fashion shops based in South Africa and Europe. In addition, TM Promotions had opened its own fashion boutique, giving it a direct link to its B2C customers. However, at the time of research, B2B custom was the group’s fastest growing area of business – measured by the number of customers and the proportion of production dedicated to those customers. B2B required TM Promotions to maintain relationships with many clients, often at the international level. The CEO of TM Promotions explained:

|  |  |  |
| --- | --- | --- |
|  | *...on the B2B side, well we export a lot. We have a lot of Swiss customers [...] So, we export quite a lot to Europe - mainly to Europe, but also to Australia, Dubai. We are exploring different markets. We were just establishing a contact with [an organisation in Europe] You know, we work a lot for the South African government, for the Universities here, so this has quite a wide spectrum of corporate associations, public institutions that we work with.* |  |

*(TMPromotions\_CEO2\_01)*

B2B and B2C customers had a direct relationship with TM Promotions. In each case, financial transactions flowed from the B2B or B2C customer to TM Promotions. However, TM Promotions played no role in the process of production or logistics. Instead, products were shipped directly to the customers after the final quality check.

The third group refers to customers with whom the cooperatives had a direct relationship. From the perspective of the TM Cooperatives, these customers formed part of a more diverse portfolio that reduced their dependency on the TM Group. Financial transactions and production processes also flowed directly between the customer and the respective TM Cooperative - meaning that the cooperative was responsible for sourcing its own materials and conducting quality checks. During their formative years, the TM Cooperatives tended to rely on the TM Group for all of their work, but as they became more established the cooperatives began to diversify their customer portfolios. At the time of data collection, two cooperatives had reached a stage where they could maintain operations as businesses without relying on the TM Group. The findings, however, identified cultural factors that inhibited cooperative firms from competing with other forms of business, as explained by a local government officer. When asked what type of support was given to cooperatives, he replied:

|  |  |  |  |
| --- | --- | --- | --- |
|  | *LGO:* | *The biggest problem for cooperatives is finding a market - new customers. There is a perception problem here in South Africa. It is about gaining trust. People do not trust them to do business because they are often seen as part of poverty alleviation schemes. Because of that people think they are not very good at what they do. A big part of what we do is to develop that trust from people in business communities. It is strange now because the same things they used to use for themselves is now thought to be not business-like.* |  |
|  |  | *(Gov1\_LGO1\_01)* |  |

Although the local government officer attributed the ‘perception problem’ to issues of poverty and an assumed lack of ability, there may be other explanations. Other research participants, such as the CEO and the HR manager, argued that the same assumptions were often made about any firm that was located in parts of towns and cities (i.e. township communities) where business activities were restricted during the Apartheid regime. In other words, these areas were considered to be lacking the basic requirements of business, such as public infrastructure and skilled-workers with business acumen. Thus, the ‘perception problem’ highlights the complexity of the South African institutional environment, where communities continued to define themselves along racial lines.

For the founder of the TM Group, the problem was real rather than perceived. As she saw it, there was a skills deficit in the TM Cooperatives, relating to a lack of business acumen and attention to detail in production, which meant they would be unable to produce the level of quality required for their customers. She felt that the sales skills of TM Promotions and the quality control processes of TM NGO acted as a mechanism through which the TM Cooperatives could access large domestic and international customers, as shown in the following quote:

|  |  |  |
| --- | --- | --- |
|  | [...] if a designer [approaches TM Promotions and] say[s] ‘you guys, we want to use the cooperatives to do our own range of bags’. Here, we say you have two ways to go. One way is to say you go straight to the [cooperative] and so we give them the name of the cooperative and they go straight to the cooperative. Err, relax because nobody wants to do that. Or they pay a premium to [TM NGO] and then [TM NGO] is doing the whole thing, the fabric, the cutting, they go to the cooperatives and [we] distribute work [...] and then the designer can come and pick it up from here. |  |

*(TMPromotions\_FOUNDER\_01)*

The above quote also demonstrates the confidence of TM Promotions managers in their contribution to customer value, despite the fact that they played a direct role in the production process. It is also worth noting that there were very few instances when the TM Cooperatives had tendered to the same customers as TM Promotions: it is possible that this is because the supply chain had not yet matured to the stage where the TM Cooperatives actively competed for clients on a regular basis. It is also possible that TM Promotions was able to benefit from increased production capability, giving the firm access to a different group of customers. For example, the TM Group was able to supply bulk orders to its customers because it was able to coordinate the TM Cooperatives. In contrast, a TM Cooperative working alone would be unable to produce the necessary quantities in order to fulfil large orders.

There were signs, however, that the TM Group supply chain was maturing, with possible ramifications for the relationships between group members. For instance, a manager for TM CooperativeC explained that the other TM Cooperatives had begun to share work with each other after realising that they were restrained by their inability to undertake large orders from external customers. In addition, there was some indication of tensions arising between TM Group organisations. Specifically, the TM Cooperatives expressed their frustration with the margin that they received from work with the group's dominant customer, as illustrated in the following discussion with a cooperative worker:

|  |  |  |  |
| --- | --- | --- | --- |
|  | *CW:* | *To be honest, we are not happy with what we are paid by them [referring to TM Promotions]* |  |
|  | *I:* | *So do you think you should get more [referring to a higher profit margin]?* |  |
|  | *CW:* | *Yes. I think we should get paid more. [...]This is when you [need to] go straight to the [customer]; for instance, they do the bags for [the large domestic retailer (LDR)] so we don’t want [TM Promotions] to go to [the LDR]. We want to go straight to [LDR].* |  |
|  |  | *(CoopC\_Emp2\_01)* |  |

### 7.4.3 Suppliers

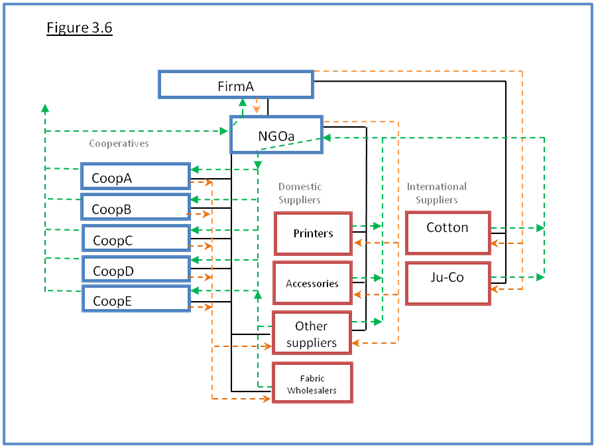
The TM Group had around 20-25 first tier suppliers, including fabric suppliers, printers, accessory suppliers, logistics companies and IT support. In addition, the accounting and HRM functions were outsourced to external consultants. At the time of research there were only three or four firms at a time supplying fabric to the TM Group, but they changed suppliers regularly due to reliability issues, quality concerns and the supplier's ability to provide the requisite quantity. Discussions with TM Promotions managers were dominated by concerns about their fabric suppliers, possibly because fabric costs comprised a substantial proportion of total costs of production, second to labour. Having initially sourced their fabric domestically, TM Promotions had been forced to explore international markets after the principal supplier experienced financial difficulties. The CEO explained how the structure of the supply chain had changed owing to a variety of factors:

|  |  |
| --- | --- |
|  | *We started to supply our cotton. Prior to 2008, I guess we were buying through local distributors here because we don’t have so much volume and we certainly didn't have the purchasing power to buy directly through big factories. In 2009, we started to grow our business quite substantially [and] we were sourcing our materials from a company in [South Africa], which went bankrupt [...] At the same time we went to [another African country] to get all our printed fabrics there because only [that country] could provide us with light fabric [...]South African suppliers wouldn't have that kind of quality. So already we could see the difficulties we had in dealing with local industry.* |

*(TMPromotions\_CEO1\_01)*

The above quote highlights the difficulties faced when prioritising local suppliers since there were significant costs associated with identifying and establishing relationships with new suppliers. The quote also highlights management concerns with the quality of fabric. However, TM Promotions management delegated responsibility for quality checking the fabric to its supply chain partner: TM NGO. Although TM Promotions staff placed fabric orders with suppliers, it was TM NGO staff who received the delivery and performed a quality check. Notably, the financial transaction took place between TM Promotions and the supplier, but the production process was managed by TM NGO. In other words, the fabric suppliers had a direct relationship with TM Promotions (denoted in Figure 7.8 by the orange-dotted lines), yet TM Promotions would only receive the final product after the manufacturing processes had already been completed by TM NGO and TM Cooperatives (green-dotted line). These relationships are illustrated in figure 7.8.

###### **Figure 7.9 - TM Group's relationships with its suppliers, including production and financial flows**



The relationships with suppliers took various forms, ranging from coordinated approaches with local suppliers (e.g. the designers) to international arms-length transactions (e.g. fabric suppliers). The responsibility for managing these relationships was not only split between different managers, but between different organisations, as the CEO of TM Promotions explained:

|  |  |  |  |
| --- | --- | --- | --- |
|  | *I:* | *To what extent do you get involved in decisions about suppliers* |  |
|  | *CEO2:* | *I certainly get involved on the cotton side of things, to source the materials [...] and also on the logistics side of things that we use. And then [the Operations Manager] on the [TM NGO] side is driving the whole supplier base management for printing, accessories, small high intense training, cartons, boxes. So she manages that and decides to go from one to the other depending on their ability to supply.* |  |

*(TMPromotions\_CEO\_02)*

The above quote illustrates how personal relationships between supply chain partners were not necessarily aligned with the flow of money or production. For instance, TM Promotions took responsibility for managing the relationship with the fabric supplier and made payment for the goods, yet it did not actually receive the products directly. Instead, the fabric went through several processes before arriving at TM Promotions – a process that involved quality checks at TM NGO, manufacturing by the TM Cooperatives, and final error checking and packaging by TM NGO (see figure 3.6 above). The final product was then shipped directly to the customer; thus, it could be argued that TM Promotions did not have any involvement in the production process. However, this ignores the highly coordinated arrangements, both formal and informal, that existed between TM Promotions and TM NGO management. These relationships were formed due to daily contact between managers and staff, meaning that both organisations were immediately aware of developments that could affect production, such as new customer orders or delays to deliveries. To further complicate matters, TM Cooperatives also sourced fabric directly when dealing with customers from outside of the TM Group. In these cases, the fabric would either be provided by the customer or the cooperative managers would source the it directly. Despite being sourced from local wholesalers, the cooperative staff did not obtain any information on the fabric other than price and, in some cases, quality indicators. In these circumstances, production and finance flowed directly between an individual TM Cooperative and its supplier with no other member of the TM Group involved in the production process or in any financial transaction.

Although fabric supply was managed by the CEO of TM Promotions, the majority of supplier relationships were managed by the TM NGO staff. These suppliers included manufacturers of accessories, printers and packaging. In most cases these relationships were not viewed as crucial to the functioning of the business for two reasons: (1) because they represented a relatively small cost in comparison to fabric; and (2) because these products/services were more standardised and alternative suppliers were abundant. When TM NGO took responsibility for supplier relationships, the financial transactions and production flowed in a linear fashion between TM NGO and the supplier. Products were sourced and paid for by TM NGO managers. When the product arrived, they were quality checked by TM NGO staff before being sent to TM Cooperatives.

In general, TM Promotions staff had no knowledge of the suppliers of its domestic 'principal suppliers' (i.e. second tier suppliers). However, there were some cases where further information had been sought from its supply chain partners:

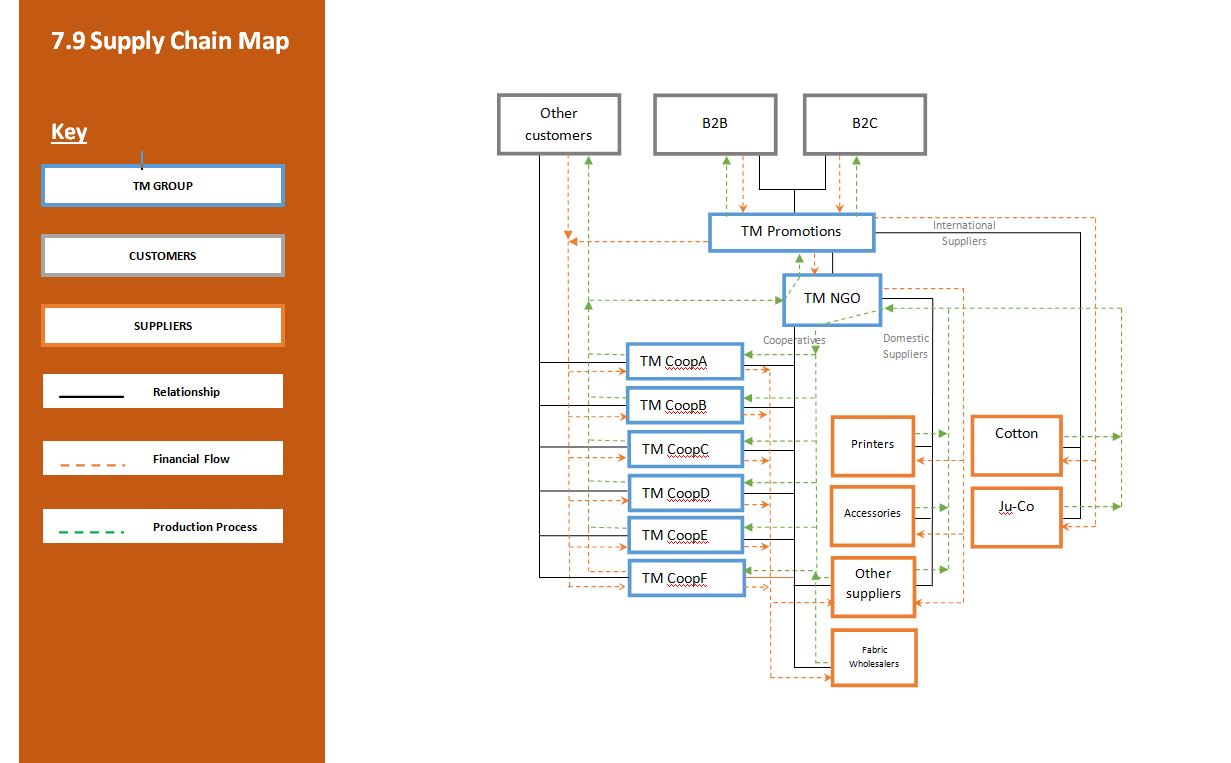
|  |  |  |  |
| --- | --- | --- | --- |
|  | *I:* | *...do you share any information with your second tier suppliers - so that would be your second tier suppliers?* |  |
|  | *CEO2:* | *[\*interviewee shakes head indicating no\*]* |  |
|  | *I:* | *Are you aware of them?* |  |
|  | *CEO2:* | *I am not aware of them, no. I am not sure that we have so much but there are, on the cotton side we are a little bit careful. When we were dealing with [a domestic fabric supplier] up until last year, err, I put them in touch with the Yarn producer so they could weave the right cotton for us. So I did check and I actually went to that particular yarn manufacturer because they were certified made in ‘cotton made in Africa’ - that is the term. So the most strategic thing, that is the cotton. Now we also ask our printers to give us certification and origin of their inks.* |  |

*(TMPromotions\_CEO\_02)*

Although the CEO argued that there were relatively few second tier suppliers, it was likely that the cotton mills would purchase raw materials from cotton plantations, and there were likely to have been many supplying a single mill. In addition, the production manager admitted that they occasionally used local wholesalers to source fabric when lead times were tight, adding another tier to the supply chain. Printing suppliers were also unlikely to have been at the ‘bottom’ of the supply chain, given that most printers source ink from chemical suppliers.

This section has explored the various characteristics of the TM Group and situated them within a wider global supply chain. The findings separate the personal, financial and productive connections between firms, which challenges the notion that power flows in a linear fashion through the supply chain. These observations are set out in the 'supply chain map' on the following page (Figure 7.9). The diagram highlights the multi-directional, non-linear nature of supply chain relationships. For instance, TM Promotions was found to have a direct financial relationship with suppliers, which did not correspond to the flow of production.

###### Figure 7.9: supply chain map



**7.10 Supply chain map**

### 7.4.4 Supply chain relationships beyond the TM Group

This section examines in more detail the aspects of the supply chain that extended beyond the boundaries of the TM Group. These ‘external’ relationships took four principle forms. These were: (1) those between TM Promotions and its customers; (2) those between TM Promotions/TM NGO and their suppliers; (3) those between TM Cooperatives and its customers/suppliers; (4) those between TM Cooperatives and its customers/suppliers.

The relationship between TM Promotions and its customers was described by the CEO in positive terms:

|  |  |  |  |
| --- | --- | --- | --- |
|  | *CEO2:* | *I think we have an excellent relationship with most of our customers [...] We have repeat orders from most of our customers. [...] on the B2B side, as well with [the large domestic retailer] we have quite an excellent relationship. The [large domestic retailer discusses us] in their annual report because that is one of the things they need to tick.* |  |
|  |  | *(TMPromotions\_CEO2\_01)* |  |

The large domestic retailer (LDR) comprised around two-thirds of TM Promotions' total turnover. According to its annual report, the LDR claimed to support 'small business development in the manufacturing and retail sector[s] – particularly by empowering black- and women-owned businesses'. Although the LDR included the TM Group within its CSR activities, their motives for engaging in such relationships were also influenced by regulatory factors, in this case through the Broad-Based Black Economic Empowerment (BBBEE) scheme. BBBEE was a government-led programme that offered commercial incentives to firms who took affirmative action by using suppliers predominantly owned or staffed by under-represented ethnic groups. In this case, the LDR was able to achieve a higher 'score' on its BBBEE scorecard through association with the TM Cooperatives, its second tier supplier.

The relationship between the LDR and the TM Group involved sharing a great deal of accounting data, as explained by the CEO of TM Promotions:

|  |  |  |
| --- | --- | --- |
|  | *I:* | *In terms of sharing information particularly accounting information with people in your supply chain, so say your customers, the cooperatives, or anyone. Well, I suppose first of all, do you share...* |
|  | *CEO2:* | *We have always been extremely transparent with the cooperatives to explain what is the price - the break-up of the price - all the way from the [retailer's] shelf all the way to what they get. So they understand how the price is made up. And we share the exact same information with [the LDR]. So they know exactly how much a seamstress in the cooperative is getting out of the bag that they are selling [...]* |

Although the TM Group was not a registered BBBEE supplier, details about the TM Cooperatives' activities were included in the section of the LDRs annual report that set out its 'BBBEE progress'. The LDR had attempted to find other ways of proving that the group's involvement in the supply chain contributed to their BBBEE obligations. They did so by requesting accounting information on the TM Group's activities, including data relating to its second and third tier suppliers (TM NGO and TM Cooperatives). The relationship between TM Promotions and the LDR developed over time from information exchange to strong personal ties, and these produced several competitive advantages for the TM Group, as explained by the CEO of TM Promotions:

|  |  |  |
| --- | --- | --- |
|  | *Usually when I go to [the LDR] I don’t get into a purchaser-client type of discussion. I go there and say ‘the price of cotton has gone up so I want to increase the price by 2 rand’ and that is the end of the discussion. So we collectively define what the price is going to be. Obviously, it is in our interest to make sure that the price doesn’t go too high and get totally out of the market and then we don’t sell anymore or we sell less volume, but at the same time we want to make sure we make a bit of a margin out of it. It is a very responsible type of discussion and that is clear.* |  |
|  | *(TMPromotions\_CEO2\_01)* |  |

The above quote shows how the long-term relationship between the TM Group and its dominant customer had produced significant commercial benefits, particularly in relation to coping with cost increases caused by global market fluctuations in the price of fabric. It should be noted that this relationship was established due to regulatory pressures on the buyer firm, which over time caused the firms to develop closer relations, proving to be mutually beneficial to both buyer and the supplier.

The CEO of TM Promotions also claimed to have an 'excellent' relationship with its B2B customers, despite the majority of these customers being based in Europe and the US. There was reason to believe that these customers were motivated by the 'social objectives' of the TM Group, as explained by the CEO:

|  |  |  |
| --- | --- | --- |
|  | *We have very good support from our customers: the [B2B customers that] we have been dealing with. [Several B2B customers have been] recommending us to [other B2B customers and that] is going to be a huge help. [Another customer came] back the following year giving us a donation for the NGO and they keep doing that since then.* |  |
|  | *(TMPromotions\_CEO1\_01)* |  |

The CEO also claimed that the charitable activities of TM NGO and its FT status was a strong draw for its B2B customers, implying that normative factors played a role in the sourcing decisions of these customers. However, these relationships were largely transactional in nature since they involved limited personal interaction, and information exchanges were limited to technical specifications. Similar relationships were observed between the TM Group and its B2C clients. These relationships were important to the TM Group since they present an opportunity to undertake higher-skilled and higher value added work. However, the findings identified some challenges for the TM Group with regard to growing this area of the business, as explained by the CEO of TM Promotions:

|  |  |  |
| --- | --- | --- |
|  | *I think at the moment what is probably a weakness is the way we treat and support our small shops on the B2C side of things because we don’t have the staff or the process to do that. So we are behind on that and we are very careful actually not to engage with too many people until we can really put the investment and the effort in to it.* |  |
|  | *(TMPromotions\_CEO2\_01)* |  |

The above quotes highlight the challenges faced by small firms when attempting to develop relationships with multiple customers. Engaging with these ‘small shops’ was a risk for the TM Group not only because it took up a significant amount of time managing these relationships, but also because it was a relatively inefficient way to produce small quantities of garments. However, managers were tempted by this type of custom because it involved producing higher value added products that were also more interesting for production staff to make. Despite this, the group preferred to focus on its ‘core’ operation, which provided a more consistent workload, and therefore more secure work.

The final group of customer relationships is that between the TM Cooperatives and its 'external' clients. Although most TM Cooperatives relied on the TM Group for the majority of its productive work, some had formed a small portfolio of other customers. In most cases, these relationships were transactional in nature, often taking a form typically associated with the conventional textiles industry.

The long term relationships between TM Promotions and its customers were in marked contrast to those of its suppliers.

|  |  |  |
| --- | --- | --- |
|  | *We have difficulties trying to establish long-term relationships with our suppliers* |  |
|  | *(TMPromotions\_CEO2\_01)* |  |

Several TM Promotions managers expressed frustration with their suppliers. Poor communication, unreliable lead times and quality concerns were common. As noted earlier in this chapter, fabric supply was affected by the TM Group's objective to source locally-sourced, 'African', FT cotton. These objectives limited the number of suppliers available to the TM Group. In addition, these suppliers often suffered from supply disruptions, including challenges caused by a shortage of African cotton, which in turn caused them to change suppliers regularly. Initially, the TM Group had sourced fabric from a domestic supplier, however these relationships were beset by problems, as explained by the CEO of TM Promotions:

|  |  |  |  |
| --- | --- | --- | --- |
|  | *I:* | *What was your experience with your local suppliers?* |  |
|  | *CEO2:* | *Err, a very bad experience. Absolutely no ability to really work on a plan, on a sourcing plan. I wanted to establish a three to six-month sort of plan so they would know what I would purchase and what I needed. But they were never interested in engaging in that. It was just ‘place your PO and we will tell you how much lead time you have’.* |  |
|  |  | *(TMPromotions\_CEO2\_01)* |  |

In response to its domestic supply concerns, TM Promotions managers began to source fabric from international suppliers. Having initially attempted to maintain their commitment to sourcing 'African' cotton, TM Promotions managers encountered similar issues with other African suppliers, as illustrated by the following quote,

|  |  |  |  |
| --- | --- | --- | --- |
|  | *I:* | *Have you noticed any differences in dealing with suppliers from different countries?* |  |
|  | *CEO:* | *Sure. [Our African supplier] is not responsive. We have called them twenty times to get them to do business with you. While in India you call and five minutes later you have an answer, you have a price, you have a quantity, you have a delay, you have. So, Indians are ten times more responsive than in Africa, that is very clear.* |  |
|  |  | *(TMPromotions\_CEO2\_02)* |  |

The above quote shows how cultural factors - specifically the interpretation of cultural differences - play a role in determining supply chain decisions. In this case, TM Promotions' managers associated particular traits with a specific nationality. The CEO of TM Promotions and the Production Manager of TM NGO felt there were aspects of ‘South African’ - and in some cases ‘African’ – society that meant informal relationships with customers and suppliers were more crucial than in other parts of the world. For instance, the CEO claimed that it was particularly important to establish informal ties with suppliers in South Africa because it could significantly improve the reliability of supply and increase access to important information about products.

## 7.5 The institutional environment

This section explores the South African institutional environment from the perspective of the focal firms. In doing so, it contributes to the aims of the study in two ways: firstly, by building a picture of the institutional actors with whom the focal firms interacted on a regular basis, and; secondly, by exploring the other institutional influences that indirectly affected the TM Group's regular activities. The analysis in this section begins by exploring how the TM Group was shaped by the gendered composition of the South African textiles industry. It then examines other influential institutions including national-level legislation, academia, and civil society. As the data analysis process progressed, an increasingly complex picture of institutional actors began to emerge. Notably, there are several actors missing from the emerging narrative - such as trade unions and employer associations - whose absence will be considered in later chapters.

### 7.5.1 Women’s work in South African textile industry and the TM Group

In this case study, it was initially assumed that the focal firms were situated within the textiles industry; yet, during the process of data gathering it became clear that some managers in the focal firms disagreed. The following quote is taken from an interview with the founder of the TM Group:

|  |  |
| --- | --- |
| *I:* | *How [do]you compare to others in your industry. So maybe other textiles businesses. So which of those [referring to list of employment practices in Q.24] do you think you do better?* |
| *Founder:* | *So the reference is the textile industry?* |
| *I:* | *Normally that is what I would mean.* |
| *Founder:* | *I don’t really think about us as being part of the textile industry. I don’t really have a name either. We have to find a name.* |

The above discussion took place towards the end of the first round of data collection and led to a period of reflection on my part. Particular consideration was given to this interpretation since it was the view of the founder of the TM Group, someone who had a significant influence on its formative structure. Following the discussion, my reflective notes read:

|  |  |  |
| --- | --- | --- |
|  | *The issue of the industry arose in today's interview. [The founding director] questioned whether they were actually part of the textiles industry. I don't think anyone else has raised this in any discussion. [...] Having just listened to the recording again, she actually challenges it because I clarify that I am referring to the textiles industry, however the question itself leaves the 'industry' open to interpretation. I need to think about whether others would have questioned it if I had structured the question in the same way.* |  |

*(GC Reflections 22-MAY-2014)*

On reflection, the wording of the interview question allowed some room for interpretation on behalf of the research participants since it required them to reflect on various employment practices ‘in your industry’. In most cases, participants did not clarify which industry they were talking about. Initially, it was assumed that they were referring to the textiles industry, however this assumption was no longer sound. The issue was considered following the first round of data collection and to some extent informed the second stage of data collection. After re-examining the data from both rounds of data collection, the above quote was the only example that questioned the TM Group's involvement in the textiles industry. Moreover, the CEO of TM Promotions, whose role involved a day-to-day role in the organisation, cited the textiles industry directly when he compared the governance structures. At the cooperative level, several workers discussed their previous experience in the textiles industry unprompted. Yet, the comment above is intriguing since it was made by the organisation's founding director who remained influential in decision-making across all functions of business.

One explanation for the founder's interpretation may lie in the broad range of activities in which she was engaged when compared to other members of staff at the TM Group. TM Promotions, she explained, was involved in a number other projects that she considered to be beyond the realm of the textiles industry. These projects included work in the creative industries, advocacy, environmental lobbying. In addition, she acknowledged that her role within the TM Group had changed over time. Having initially been the main link between TM Group organisations, she acknowledged that her current role involved no direct input into the production process. In other words, her current role retained some input at a strategic level, through her position as director, but she was no longer making decisions about operational issues or working practices. These observations imply that the founder of the TM Group was immersed in a very different institutional environment to those of other managers and workers.

Despite the Founders’ contention that the group did not operate in the textiles industry, TM Promotions managers argued that employment in the TM Cooperatives was preferable to work in other textiles factories, as indicated by the quotes from the CEO and HR manager at TM Promotions:

|  |  |  |  |
| --- | --- | --- | --- |
|  | *We see ourselves as different to the CMT [cut, make and trim] business model […] clearly in that particular environment, business environment there is a lot of exploitation, a lot of sweatshops, you know, a lot of ‘I am the boss’ and the workers behind. Our model is about empowering these women.* |  |  |

*(TMPromotions\_CEO2\_02)*

|  |  |  |
| --- | --- | --- |
|  | *HRM:* | *[...] a lot of [the TM Cooperative workers] worked in those textiles factories [but] walked away from that because they hated [...] the rigour of it.* |
|  | *I:* | *So how is the experience different [in the cooperative]?* |
|  | *HRM::* | *Completely different. That is why they [TM Cooperative workers] find it so attractive. They can organise their hours as they want, which is very valuable. They can bring their kids to school and then start working or they can cook or visit their mother or do whatever they want to do in their community.*  *(TMPromotions\_HRM1\_01)* |

The claim that TM Cooperative employment contributed to female economic empowerment and contributed to better labour standards than the industry norm was difficult to substantiate. However, given that the textiles industry is not generally celebrated as a domain of decent work, the claim cannot be considered to be an especially high accolade. Several of the (female) TM Cooperative workers felt that their employment conditions were preferable to previous work that they had undertaken. Many of these workers drew on their experience of working in other textiles factories to explain why they liked or disliked aspects of their current job. In general, cooperative workers used these comparisons to explain why they felt cooperative employment was preferable to previous work on issues such as control over their working hours and job security, but pay was reported to be similar. Notably, cooperative workers were not members of any form of trade union representation, nor was the TM Group subjected to bargaining council agreements on pay that covered most other industry actors. In other words, the TM Cooperative employment provided workers with similar conditions to workers in conventional textiles factories at least in the short term. However, over a longer period it arguably undermined the collective political voice of (female) workers by placing them beyond the reach of trade unions.

### 7.5.2 Legislation and policy: employment, gender and worker democracy

From a legal perspective, the South African context is particularly interesting for research in the area of employment relations and supply chains since it contains approaches to legislation that are unusual and arguably pioneering by international comparison. For instance, the affirmative action contained within the Broad-Based Black Economic Empowerment (BBBEE) legislation encourages the use of domestic suppliers whose ownership, management or workforce is comprised of marginalised ethnic minorities.

As set out earlier in this chapter, the legislative environment was found to play an important role in influencing the structural arrangements of the TM Group, particularly in relation to the governance practices of individual organisations. More specifically, the Cooperative Act (RSA, 2005); the Basic Conditions of Employment Act (RSA, 2002); the Employment Equity Act (1998); and the Promotion of Equal Opportunity and Prevention of Unfair Discrimination Act (2000) were identified by managers as directly affecting their practices. The CEO of TM Promotions, who had been involved in supporting each cooperative through the registration process, explained the influence of the legislative environment on the cooperatives:

|  |  |
| --- | --- |
| *I:* | *What were the influences behind the design of the [TM cooperatives'] constitution?* |
| *CEO2:* | *Well the most influential bit is obviously the Cooperative Act. You have a model of a constitution. If you want to register [under] the [terms of] Cooperative Act then you need to abide by that model, if you want your constitution to be accepted by the DTI [Department for Trade and Industry] when you register. So if you decide to change something that is not anymore in- line with the Cooperative Act you have no chance to get that constitution.* |

*(TMPromotions\_CEO2\_02)*

The above quote supports the notion that regulatory forces played an important role at the inception of the TM Cooperatives, causing some aspects of structural governance to become isomorphic. It is worth noting, however, that there was no evidence of any monitoring processes being undertaken by the regulators to ensure that the cooperatives were conforming. In addition, the TM Cooperatives were not required to contact or file regular documents with the regulator. The lack of ongoing contact between the TM Cooperatives and the regulator could have implications for corporate governance. For instance, the findings identified at least one cooperative that was in contravention of the Cooperative Act in relation to its governance arrangements. Moreover, none of the TM Group's management were aware of changes to cooperative law that took place during the course of the research – meaning all of the TM Cooperatives were arguably not providing workers with their constitutional right to be regarded as an employee.

The HR manager at TM Promotions (who also worked with the TM Cooperatives) discussed a much wider range of legislation during her interviews, particularly relating to legislation around equal opportunities and employment equity. These legal instruments contained elements that outlawed ‘unfair treatment on the grounds of gender’, whilst employment equity regulations encouraged employers to adopt ‘good practice’, including the setting of numerical targets around gender to promote the equitable representation of men and women in their workforce. It is worthy of note, however, that none of the informants in this study felt that this aspect of the legislation had driven their practice. Instead most managers argued that they were ‘good on gender because of the cooperatives’.

More generally, employment conditions were considered by the operations managers at TM NGO to be influenced by legislation, although she was unable to provide details on which particular practices were shaped by legal instruments. Technically speaking, employment law was not applicable to the TM Cooperatives since the cooperatives workers were registered as self-employed, which might explain why cooperative managers did not refer to this aspect of legislation. However, the HR manager, who was employed by TM Promotions, explained that it still influenced aspects of her practice when dealing with them:

|  |  |
| --- | --- |
| *I:* | *What about national legislation between suppliers?* |
| *HRM:* | *Same thing. We have situations where one or two of the women [cooperative workers] have felt that they haven't been given sufficient explanation on their wages, for example, and we will immediately swoop in on that because it is a complete contravention of employment legislation.* |
|  |  |
| *I:* | *So you are almost enforcing that on them then?* |
| *HRM:* | *Yeah, yeah. But we say it is about fair treatment and its included in your constitution so you therefore must do it. We don't talk about employment law because they are not employees even of one-another. They are all commonly self-employed, but it is still too big a deal to let it go.* |

*(TMPromotions\_HRM1\_01)*

The above quote clearly shows that TM Promotions managers were aware that cooperative workers were not registered as employees. However, it also suggests that the Employment Act had *some* effect on working practices in the TM Cooperatives because the HR Manager felt compelled to ensure that her own practice did not contravene the law, despite her understanding that it did not apply to the TM Cooperatives. Since the HR Manager was enacting employment law of her own volition, it could be argued that the impact of the Employment Act in this case was driven by (normative) principle, rather than legal force.

The South African government’s promotion of cooperatives had caused them to divert public funds to support their development. This support was delivered through various mechanisms. The Preferential Procurement Policy Framework Act (RSA, 2000) gave cooperatives priority when tendering for government contracts. Meanwhile, the establishment of local government agencies provided advice, support and training for new cooperative workers. The findings suggest that despite operating under the auspices of local government, this support did not always serve a regulatory function. Instead, it was driven by competitive concerns and normative judgments. A local government official, who participated in this study, had recently begun to provide advice and support to the TM Cooperatives. During the following discussion about cooperative governance, he explained the nature of his role:

|  |  |
| --- | --- |
| *I:* | *When working with cooperatives do you advocate a particular form of governance process?* |
| *LGO:* | *I think in the more established cooperatives you can think about these issues of corporate governance. There are many of these types of cooperatives in South Africa. For us, we need to get them operating as businesses before we start to think about the other things.* |

*(Gov1\_LGO1\_01)*

The local government official also claimed that several factors relating to income inequality and low levels of education, including poor financial literacy, had contributed to a lack of ‘business acumen’ in the communities where cooperatives were being promoted.

The research participants did not identify any specific legislative influence on their SCM practices. This finding is slightly surprising in the South African context since the aforementioned BBBEE regulations were in place. In this case study, the TM Group’s dominant customer would have been able to improve its BBBEE scorecard through its association with the TM Cooperatives. Yet they were unable to do so, because the TM Group was not registered under the scheme, individually or collectively. The TM Group managers explained that the relatively small size of the TM Group’s various entities meant they were not obliged to register under the BBBEE scheme and doing so would introduce significant costs. However, TM Promotions management was aware that the LDR would have preferred them to register under the scheme as soon as financially possible.

### 7.5.3 Fairtrade

The TM Group was obliged to ensure that it abide by its obligations as a Fairtrade Organisation (FTO). In recent years, Fairtrade certification bodies have extended their focus on primary producers and the certification of single organisations to the supply chain. In other words, the focus of FT certification is increasingly moving towards assessing groups, chains and networks; this case study is an example of these recent trends, since FT certification referred to the TM Group as a whole. In this respect, the findings suggest that FT obligations, which were enforced through membership agreements and ongoing monitoring of certified firms, influenced the governance structure of the TM Group.

The TM Group was registered with the World Fairtrade Organisation (WFTO) - one of several transnational bodies that certifies FTOs. Under WFTO requirements, the TM Group was required to commit to the practice of 'Fairtrade Supply Chain Management' (WFTO, 2014), which meant 'developing an internal monitoring system to monitor the application of Fairtrade standards in its [the TM Group's] operation'. Secondly, FTOs were required to only source raw materials from FT suppliers, in this case referring to the procurement of fabric and ink.

The FT certification of firms throughout the value chain is a relatively recent development and presents new challenges for certification bodies who wish to monitor firms at multiple levels of the supply chain. In order to achieve (and maintain) their FT status, the TM Group was required to comply with ten 'core principles', relating to the manner in which they treated their own workers and those of their suppliers (TMNGO\_Doc3). The CEO of the TM Group explained how the TM Group had attempted to ensure that their FT commitments were being enforced:

|  |  |  |  |
| --- | --- | --- | --- |
|  | I: | *[Referring to the list on Q. 24], to what extent is [the TM Group's] framework influenced by any of those things [e.g. national legislation, codes of conduct, ILO standards, etc.]?* |  |
|  | CEO2: | *I think our framework is absolutely influenced by the world Fairtrade organisations principles [...] The [service level agreement] that we sign between the cooperatives and TM NGO, it is basically the Fairtrade principles and therefore it links to some international standards; and obviously, the way the TM Group has structured and adapted the working process between the cooperatives and TM Promotions and TM NGO. Our aim was really to be in line with the key Fairtrade principles so being fair treatment, open communication, transparency, fair wages.* |  |
|  |  | *(TMPromotions\_CEO1\_01)* |  |

The above quote also highlights the areas of FT obligations that the CEO felt were most important: communication, transparency, fair wages.

These objectives were reflected in the WFTO's principles. FTO status also had implications for the TM Group's engagement with its other suppliers, including its dealings with second and third tier suppliers. The TM Group was not required to monitor these suppliers directly as monitoring processes were undertaken by specialist FT bodies in the host country. However, the FT guidelines required that the TM Group pursue a purchasing strategy of sourcing raw materials from other FT-certified firms, although these restrictions were contingent on the 'availability' of supply. Here, 'availability' is defined as supplies that are 'readily available in the required quality, quantity, technical specification and provenance.' This definition permits FTOs to use non-FT suppliers when confronted with supply disruptions; however, there was some ambiguity about the circumstances under which firms could be excused from the FT purchasing strategy. For instance, the founder gave an example that shows how the 'availability' of fabric were open to interpretation:

|  |  |  |
| --- | --- | --- |
|  | *People from the [US] ask us to [sell our products in ] their Boutique in New York; we can’t because we cannot [fulfil] the order due to problems sourcing fairtrade fabric. We had the case with [the American MNC].* |  |
|  | *(TMPromotions\_Founder\_01)* |  |

The founder explained that they were unable to fulfil the order because the FT fabric market did not have a supplier who could provide the necessary quantities in time to complete the order. Under FT rules, the TM Group would presumably be entitled to source non-FT fabric, although this could undermine their FT credentials[[2]](#footnote-2). In another example, the founder explained that they had ended a relationship with a large American MNC due to a lack of availability over FT fabric.

### 7.5.4 Trade unions

In this study, there was very little evidence of any interaction between trade unions and the TM Group. The findings suggest two factors that may explain the ineffective relationship between the TM Group and the trade union. Firstly, the focal firms were classified as small businesses, meaning that they did not employ enough workers to mandate them to register with the trade union. It is worth noting, however, that collectively the TM Group employed far more than the minimum requirement, thus highlighting a potential problem for trade unions as alternative forms of group structure limit their membership. A second explanation concerns the way in which cooperatives were perceived by organisations in South Africa. For instance, the union official interviewed in this study claimed that ‘there is not a great deal of positive sentiments towards cooperatives at the moment’ (UnionA\_Rep1\_01), whilst a union website warned of ‘bogus’ cooperatives that had been setup to circumvent employment regulations (SACTWU, 2015).

The case of the TM Group may, however, highlight some important considerations for employment relations in South Africa, particularly in relation to the mobilisation of informal sector workers. The following discussion explains how the union had attempted to engage with workers in the communities in which many of the TM Cooperatives were located:

|  |  |  |  |
| --- | --- | --- | --- |
|  | *I:* | *[...] do you try to organise those informal sector workers? Do your union try to mobilise those informal sector workers?* |  |
|  | *Union Rep:* | *In the kind of backyard operations that I have described here in [this province], we have not been very successful. In the early 2000s it was something that we tried to do. We had several projects, even in the mid-2000s. It was very tough.* |  |

Although the TM Cooperatives operated in the formal sector, many of the workers interviewed in this study had previously worked in the informal sector. These workers claimed that they had set up their TM Cooperative because it enabled them to gain formal sector work whilst being able to live and work in their own communities. Although constrained by a lack of infrastructure and poor business support services, these communities represented a place in which the cooperative workers had great pride and commitment to improve. In doing so, workers also claimed that they benefited from much shorter, safer commutes when compared to their previous formal sector jobs in out of town industrial estates. Several workers claimed that they and their colleagues were prepared to make financial sacrifices, in terms of lower pay, in order to work closer to home.

### 7.5.5 Academia

Whilst there was no evidence that the cooperatives had directly engaged with higher education, social enterprise managers had actively engaged with academic actors, many of whom were from based in universities abroad. These interactions had caused them to adapt their approach to SCM and changed their inter-organisational governance structures. To some extent, academic collaboration had formalised processes that had already been in place. The CEO of TM Promotions explained:

|  |  |  |
| --- | --- | --- |
|  | *We had 10 days when we had three students come over from Yale University and helped us to kind of formalise what we were doing naturally, which was to push one [cooperative supplier to capacity] and to get another one in.* |  |

*(TMPromotions\_CEO2\_01)*

The above quote refers to the process by which TM Promotions used financial incentives to encourage the TM Cooperatives to increase their productivity. In other words, it implies that the reasons for engaging with academia in this instance was driven by efficiency concerns rather than institutional legitimacy-seeking objectives. However, there was evidence that institutional factors had also played a role in its collaborations with academic researchers. For instance, another collaboration with a group of international researchers resulted in the development of a balanced scorecard (BSC) that was adapted specifically for monitoring the TM Group's ‘social impact’. The BSC was then used by TM Group managers to reinforce its claim to be an ethical business when promoting their business to prospective clients and undertaking audits from its Fairtrade certification body.

It was also found that in some instances cooperation with academia had not proven as successful, particularly when the researchers adopted an approach deemed ‘too corporate’ by TM Group managers. For instance, it was felt that some business students were unable to apply knowledge gained from a corporate environment to broader socially-orientated objectives of the TM Group, as explained by the HR manager:

|  |
| --- |
| *Around October time a group of six or seven from the London School of Economics came up - did you hear about these guys? [...] They were six individuals who had been given this project to come. Three of them were bankers, yep. So they arrived out in the township, obviously promising bankers in their industry to be doing this MBA in the LSE. And yeah, their briefcases and everything else. They just had no concept of what was going on. They had no starting point it was almost impossible to explain anything to them.* |

*(TMPromotions\_HRM1\_01)*

The above quote reflects several experiences that TM Group managers claimed to have had with researchers from overseas business schools. In most cases, the researchers had produced a report with recommendations for making improvements in a particular area, but these were rarely acted upon by TM Group managers. The CEO of TM Promotions felt that the different life experiences and industry knowledge of some researchers was not particularly relevant to what they experienced in the TM Group.

### 7.5.6 Civil society organisations and female economic empowerment

Civil society is a collective term used to describe organisations and wider institutions that represent a community. A wide range of civil society organisations, including NGOs, community groups, and faith-based organisations, were present in the township communities where the TM Cooperatives were based, and regularly offered their skills to help develop the entrepreneurial and ‘business’ aspects of the cooperatives.

Several civil society organisationss were active in the communities in the townships where the TM Cooperatives were located and had provided funding, training and advice to managers and workers across the TM Group. Many of these civil society organisationss orientated their activities towards supporting female entrepreneurs – meaning that their aims were closely linked to the stated objectives of the social enterprise. This type of support, which appeared to be tied to the priorities of the national government and global development funders focused on providing ‘business’ training to female managers, which was intended to improve the economic sustainability of the firm. Several cooperative workers had attended training sessions run by these organisations, which had encouraged them to diversify their business, target new markets, and taught them how to gain capital investment. In some cases, cooperative workers had successfully applied for grants that supported them as individual entrepreneurs. However, generally speaking, the involvement of civil society organisationss did not attempt to influence mechanisms of workplace democracy in the cooperatives, and they only appeared to have had limited impact on the management of the TM Cooperatives.

### 7.5.7 Global institutional actors

Institutional actors also operate at the global level. In this case, as noted in section 7.4.4, the Fairtrade movement was found to exert normative pressures on the TM Group. The previous chapter outlined how FT standards had influenced the TM Promotion’s SCM strategy, which in turn was found to have implications for governance issues in supplier organisations, affecting decision-making processes in the TM Cooperatives. The following chapter will also examine the extent to which FT standards affected employment practices in these organisations. The South African labour union that took part in this study had also been consulted by the WFTO in relation to managing labour standards in supply chains, as explained in the following quote:

|  |  |  |  |
| --- | --- | --- | --- |
|  | *I:* | *And have you had discussions with Fairtrade people?* |  |
|  | *UR:* | *Yes, extensive. They are struggling a bit […] they have got good standards for agricultural products, so for coffee, for cotton, but they don’t have a standard for something that goes through a value chain. So you don’t get Fairtrade clothing. You get a garment with Fairtrade cotton in it. […] So probably about four, five years ago we had a big research project that we ran for them in trying to talk about how to do that and so on. […]* |  |
|  | *I1* | *That’s interesting. At which level were you dealing with Fairtrade? Was this locally or internationally?* |  |
|  | *UR* | *No, no. It started off locally but then it went international.* |  |
|  |  | *(UnionA\_Rep1\_01)* |  |

Although it was noted earlier that the trade union had no direct relationship with the TM Group, it is possible that in some way the union had indirectly influenced their practice through its association with the WFTO. Whilst it was not possible to draw a direct link between the role of the trade union and the TM Cooperative, the finding demonstrates how trade unions can indirectly affect practices in firms through collaboration with international bodies.

### 7.5.8 The South African cultural context: Ubuntu and patriarchy

The findings of this study should be understood within the context of the socio-economic and political history of South African society. Although issues around racial inequality and ethnic segregation are not unique to the South African context, the apartheid regime stands as one of the most prominent examples of a national government seeking to explicitly organise a society around racial factions, and although officially ending in 1994, many aspects of South African society remained affected by definitions of race. For instance, the suburbs and townships that surrounded South Africa’s major towns and cities were almost always described using words relating to the ethnicity of the people who lived in these areas (e.g. 'white', 'black' or 'coloured'). The ramifications of Apartheid, however, are not limited to semantics. The local government official (LGO) interviewed in this study identified a split in the cooperative movement in South Africa, caused by different uses of these organisations during and after 1994 the Apartheid regime (Gov1\_LGO1\_01). Prior to 1994, cooperatives were common in agriculture, and some other industries, however non-white workers were either excluded from cooperative membership or prevented from undertaking any work at all. Since 1994, the LGO claimed that successive governments had promoted cooperatives as a preferred business model as part of poverty alleviation strategies, underpinned by a belief that cooperatives result in more ethical business practices.

Expectations about the role of men and women in township communities also affected the working practices of the cooperatives. Patriarchal assumptions are often difficult to identify because they influence decision-making processes without being made explicit. In this case study, however, several female cooperative workers had encountered resistance from their families, typically their husband, when their role in the cooperative started to affect their responsibilities at home, which is reflected in the following quote from the Cooperative Development Officer at TM NGO:

|  |  |  |
| --- | --- | --- |
| *I:* | *I understand that the cooperatives have a high drop out rate early on. Why do you think that is the case?* |  |
| *HR:* | *[..] some of the ladies change their roles at home and it can cause problems. Sometimes their husbands tell them to stop.* |  |
| *I:* | *Why do you think that is?* |  |
| *HR:* | *Erm, I don’t think they like to be challenged. In some cases, the women might be earning more than the man. It can cause problems. We have had problems with domestic violence and things like that. It is not great but we try to support them the best we can.* |  |
|  | *NGOa\_HR1\_01* |  |

Several informants in this study mentioned the issue of domestic violence during their interviews and they felt the problem was probably being understated as people tended not to discuss it as it was considered taboo. However, there was some evidence that for some cooperative workers their involvement with the TM Group also enabled them to challenge patriarchal institutions, as indicated in the following quote:

|  |  |  |
| --- | --- | --- |
| *I:* | *Does [your employment in the cooperative] change anything at home?* |  |
| *CW:* | *[pause] Well, sometimes our husbands have to adjust. It is not the same for everyone but some of them are not used to having wives who earn all the money [laughing].* |  |
| *I:* | *Does that cause a problem?* |  |
| *CW:* | *[laughing] Sometimes yes. But they have to get used to it. We are business women now.* |  |
|  | *COOPC\_CW1\_01* |  |

Generally speaking, the cooperative workers, who were all female, benefited from the confidence and skills that they gained in their roles as owners and managers of their cooperative. The HR manager at TM Promotions, who worked directly with the cooperatives, felt that their position as business owners, their new leadership skills, and their status as primary breadwinner had enabled them to challenge the conventional gender roles at home. The cooperative workers' status vis-a-vis male family members grew alongside work commitments, which forced the latter to take on a greater share of care responsibilities and household chores. Furthermore, as awareness of the cooperatives grew and they became established businesses, they began to challenge patriarchal institutions in the wider community, including challenging perceptions about female owned businesses.

Racial issues were also found to affect perceptions about who to trust, often in a more multi-faceted way than might be assumed. In some cases, misguided assumptions around who to trust resulted in significant financial losses. For instance, the HR manager explained how one of the TM Cooperatives were persuaded to undertake work for a firm led by two white businessmen, for which they never paid. According to the HR manager, the TM Cooperative managers had not taken any form of pre-payment or deposit for the work because they assumed that the managers' ('white') ethnicity confirmed their legitimacy as honest businessmen. The research participants also explained the behaviour and decisions made by different cooperatives, attributing it to ethnic or religious factors. The HR manager claimed that the 'Afrikaans cooperatives', which were also described as the 'Muslim cooperatives', referring to cooperatives located in so-called 'colored' communities, were apparently far less likely to discuss problems openly, but when problems were aired their response would be disproportionate to the issue at hand. In contrast, the 'black cooperatives' were characterised as openly discursive - preferring to spend time discussing issues but relatively pragmatic in response.

A communitarian philosophy, known as Ubuntu that is thought to represent a challenge to the individualistic traits promoted by neoliberalism, was also found to influence the behaviour of cooperative members. In South Africa, Ubuntu is most closely associated with Bantu communities – typically referring to those whose ethnicity is referred to as ‘black’ under the definitions set by the South African government. In this case study, several TM Cooperatives (A, B, C and D) were located in township communities that identified with Ubuntu values. The CEO of TM Promotions explained how Ubuntu had been an important factor in influencing the TM Group's use of the cooperative model, particularly in those communities:

|  |  |  |  |
| --- | --- | --- | --- |
|  | CEO: | *As of today we promote the cooperative model and we think this is also a model that is very much in line with what the women want, particularly in [Township A]. Maybe less so in [Township B] - the colored area - where people are being more exposed to the normal business model and the CMT type of organisations and it is probably where the degree of acceptance of the cooperative model is less pervasive. Whilst, in the black communities that natural way of working together - the Ubuntu type of spirit etcetera - is much more in-line with the cooperative […] There are lots of pros and cons both ways but as a result of that the cooperative model here matches how the community functions and the way the community is organised in [the township]* |  |
|  |  | *(TMPromotions\_CEO1\_01)* |  |

The above quote supports the notion that Ubuntu values were believed to be consistent with those of the TM Cooperatives. In general, TM Promotions and TM NGO managers felt that Ubuntu values caused the workers to take into account the views of a wider group of stakeholders when undertaking business decisions. However, the Founder of the TM Group felt that there were ‘pros and cons’ of Ubuntu, as indicated below:

|  |  |  |  |
| --- | --- | --- | --- |
|  | *I:* | *How do you describe the effect of Ubuntu culture? Let's say to someone back in Europe.* |  |
|  | *Founder:* | *Err, Ubuntu is great and Ubuntu is a burden. It is great because they have the sense of community, sharing things helping each other, very spontaneously. At the same time, we had the case in a cooperative, because one mama is older she [believes that she] has the right not to pay for something and to take advantage because she is the oldest one. And then the youngest one, because of Ubuntu, they have to give away their money to their father or whoever. And then they don’t have any income then. So Ubuntu has two sides.* |  |
|  |  | *(TMPromotions\_Founder\_01)* |  |

It is worth noting that the cooperatives that had left the TM Group, either because they demutualised or were found to be exhibiting ‘non-cooperative leadership’, were not based in the communities associated with Ubuntu values. This might suggest that Ubuntu values are capable of preserving the principles of cooperation; however, other participants in this study were more sceptical about the role of Ubuntu. For instance, a local government officer questioned the impact of Ubuntu on the cooperatives:

|  |  |  |
| --- | --- | --- |
|  | *I:* | *What role does the Ubuntu culture play in the cooperatives?* |
|  | *LGO:* | *Well, I think this is overplayed. We like to go on about this but I am not convinced it has as much as an effect as some people think. For most people it is about them and their family. Most people want to make sure they are ok. The Ubuntu culture is supposed to be about supporting people beyond that group. I don't know. I think it has an effect but if it was as strong as some people think then why do cooperatives struggle to grow and why do they have such internal conflicts? It is probably not as much as people believe.* |
|  |  | *(Gov1\_Off1\_01)* |

Interestingly, the cooperative development officer and some cooperative workers also expressed scepticism about the influence of Ubuntu in their workplace. The local government officer further argued that tensions often arose in worker cooperatives when individuals were accused of not conforming to the values of Ubuntu.

## 7.6 Summary

This chapter has examined the relational ties between the social enterprise and the cooperatives (within the TM Group) and situated them within a broader supply chain and institutional setting. It also outlined the heterogeneous use of employment contracts for workers across the TM Group, which implies that the CEO's claims that workers were 'at the centre of the model' was questionable. It also highlighted a gendered divide in terms of what roles were undertaken by men and women workers. Most importantly, it showed that the roles occupied by men tended to be granted better employment terms and protections than those undertaken by women workers. However, the structure of the group had at the least provided the cooperative workers with access to a global value chain (economic upgrading), which would otherwise have been inaccessible for firms with such limited resources and capabilities. In the next chapter, the focus is on the extent to which the TM Group contributed to the social upgrading of the value chain, particularly in terms of worker participation (e.g. workplace democracy) and gender equality. In doing so, it considers the labour process within the TM Group, and considers how the SCM practices of the TM Group may have acted as a mechanism of managerial control.

# Chapter 8

# Worker democracy and gender equality

This chapter explains the intra- and inter-organisational governance of the TM Group and how this impacted on workplace democracy and gender equality. Section 8.1 covers the internal governance arrangements of the cooperatives and focuses on two elements of worker democracy in employee-owned firms: board structure and executive term limits. Section 8.2 focuses on the inter-organisational governance of the TM Group. Within this section, it is necessary to explore the term ‘social enterprise’ since many of the research participants used the term to describe aspects of the group’s activities. It then explores how managers approached inter-organisational governance and how this affected the gendered labour process across the TM Group. Section 8.3 examines the issue of workplace democracy in terms of employee voice and participation and further examines the way in which TM Group managers used supply chain relationships in order to empower, and potentially dis-empower, workers in the cooperative supplier firms. Finally, section 8.4 turns to the issues of gender equality by outlining how HR practices and supply chain factors affected the work-life balance of workers.

## 8.1 Governance arrangements in the TM Cooperatives

Despite being relatively small organisations, the TM Cooperatives had already begun to adopt formalised governance systems in relation to their board structures and constitutional arrangements. Notably, the cooperative's constitutional arrangements were remarkably similar, despite having no direct contact with other TM Cooperatives before incorporation. The TM cooperatives were supported through the registration process by managers at TM Promotions, as explained by the CEO of TM Promotions:

|  |
| --- |
| *On incubation […] we help them to register the cooperative with the DTI, making sure they are formalised so we assist them on the legal side. We set up their first AGM [and] open a bank account.* |

*(TMPromotions\_CEO2\_02)*

The above quote implied that the role of TM Promotions managers was passive and facilitatory. In other words, their involvement did not have a significant influence on the formal constitutional arrangements of the cooperative. However, TM Promotions managers provided 'advice and support' to the cooperative workers when they were required to make important decisions about decision-making structures and term-limits for directors. Thus, the involvement of TM Promotions management may help to explain why the cooperative governance models were so similar. In addition, the manager of TM Promotions claimed he encouraged cooperative suppliers to adopt board structures because he felt that it avoided the internal conflicts he associated with committee-based decision-making structures.

The constitutional documents for all TM Cooperatives were developed using a publicly available template provided by the Companies and Intellectual Properties Registration Office (CIPRO), under the authority of the Department for Trade and Investment (DTI). In South Africa, all new cooperatives were required to file their constitutional documents with CIPRO before they were formally incorporated. The CIPRO template, referred to hereon as the *regulated model*, set out various aspects of corporate governance in the cooperatives that were mandatory under the Cooperative Act 2005/2013. In addition, it also included elements that involved the cooperative workers making choices about how they wanted to be governed, as explained by the CEO of TM Promotions:

|  |  |
| --- | --- |
| *I:* | *[...] what were the influences behind the design of the constitution[of the cooperatives]?* |
| *CEO2:* | *Well the most influential bit is obviously the cooperative act. You have a model of a constitution [i.e. the regulated model] I think there are two or three things that are critical that can be amended: the way you recruit; the way you retrench - terminate people; and then the way you make decisions. Is it collectively altogether at an AGM? Is it more of a board that have the power to take those decisions?* |

*(TMPromotions\_CEO2\_02)*

### 8.1.1 Worker democracy in the TM Cooperatives

The *regulated model* contained several mandatory elements related to decision-making protocols, such as a commitment to ‘one-person, one vote’ on all ballots. Generally speaking, it is common practice for cooperatives to provide workers with an opportunity to participate in decision-making processes, which usually take place at the AGM. Workers are expected to express their (dis)satisfaction with current arrangements by appointing, or re-appointing new directors/managers to sit on work committees for a defined term. Although balloting is associated with workplace democracy, the terms that define who stands for election can have implications for the democratic process. In some cases, workers can nominate themselves. In others, candidates must be nominated by one or more of their colleagues. This issue arose during an interview with the former CEO of a UK-based employee-owned textiles business. During the discussions, the CEO explained that he regretted not implementing a system that obliged workers to stand for managerial positions. He claimed that by expecting workers to self-nominate, or nominate colleagues, some workers might be hesitant to put themselves forward or be put off by 'workplace politics'. In other words, the informal power structures of the workplace could undermine the democratic process by limiting the shortlist of candidates. In South Africa, the TM Cooperatives had not enacted any such policy about the short listing of governance/management positions. In effect, this meant that all workers stood for election annually; however, in practice the same individuals were re-elected.

The scope of board-level responsibility and authority may also influence decision-making in cooperatives. The *regulated model* did not explicitly set out the full scope of executive power - meaning that the extent of executive influence over day-to-day decisions was to some extent open to interpretation. In this case, each of the TM Cooperatives had opted for a board structure under the advice of the TM Promotions management. However, the *regulated model* still played a role in determining the configuration of their respective boards. For instance, the DTI placed limits on the number of board members serving at any time: between 3 and 7. In this study, all of the TM Cooperatives had adopted a board consisting of a chairperson, treasurer, secretary and a production manager. Of these four roles, the first three were mandatory under law, whereas the appointment of a production manager was encouraged by TM NGO.

### 8.1.2 Executive tenure in the TM Cooperatives

Generally speaking, debates around term limits are concerned with balancing two aspects of the executive function: its independence and continuity. However, in worker-owned firms, the use of executive term limits is seen as restricting the threat of managerial appropriation, which refers to the over-reliance on a single member of staff and, ultimately, the demutualisation of the firm. Therefore, the term limits served by directors and managers in EO firms are typically much shorter than those in conventional businesses. In relation to South Africa, the *regulated model* placed mandatory term limits on cooperative directors, limiting them to a maximum tenure of four years. In the case of the TM Group, the findings suggest that these term limits were not always enforced and it was unclear if cooperative members were even aware that a term limit was in place. Several of the sitting directors of TM Cooperatives (C and E) had been re-elected on numerous occasions and had remained in position longer than the maximum term. In the other TM Cooperatives (B and D) some changes to directorships had occurred but there was no evidence that regulated term limits had been influential.

In contrast, TM CooperativeA had recently begun to enforce term limits on its governance and managerial positions. Despite having been run by the same chairperson for more than eight years, her recent departure had caused retained workers to reassess their governance practices. In doing so, they enacted one-year limits on all governance positions. TM CooperativeF, the most recent cooperative to join the group, had also decided to impose limits on the tenure of directors, as explained by their current chairperson:

|  |  |
| --- | --- |
| *Interviewer:* | *How long can you be in a [management] position for? Is it permanent?* |
| *Coop Worker:* | *No, six months and then we vote again. We have our AGM next month and we will elect new people.* |
| *I:* | *OK, so is that for every position, chairperson and treasurer?* |
| *CW:* | *Yes, every position, yes. [...] it is better like that because then everybody gets to feel what it is like to do this and do that.* |
| *I:* | *Where did you get that idea from?* |
| *CW:* | *[The Cooperative Development Officer at TM NGO], because we are all just new to this coop thing. She suggested it to us and we thought it would be good for us.* |

*(CoopF\_Emp2\_01)*

As was noted earlier, debates around director tenure involve the balancing of conflicting concerns about continuity and independence. In cooperatives, the debate extends to considering the democratic implications of relying heavily on one individual. In the cases of TM CooperativeA and TM CooperativeF, the term limits on directorships were relatively short, even when compared to other employee-owned firms. This raises questions about the practicality of imposing such short term limits and the extent to which it promoted democratic principles over continuity and experience. The above quote also highlights the influence that the social enterprise’s Cooperative Development Officer had on the term limits imposed in TM CooperativeF. This demonstrates how a supply chain partner can shape the governance practices of a worker cooperative by virtue of their respective positions in the supply chain.

The size of a cooperative's membership can also be an important factor affecting the corporate governance mechanisms are put in place. There was some evidence that the governance of TM Cooperatives was affected by external influences, as implied by the following discussion with the CEO of TM Promotions:

|  |  |
| --- | --- |
| *I:* | *[...] has there been any challenges to establishing [cooperative working practices]…* |
| *CEO:* | *Yes, like any group, you get into leadership issues and management issues. We had a few issues in [pause]. Over time, it is clear that if you go beyond a certain number [of cooperative workers], which we have defined as twelve for now but that can be challenged, it could be revised.* |

*(TMPromotions\_CEO1\_01)*

The CEO explained that internal conflicts between cooperative workers had occasionally caused production to be halted, which resulted in delays to customer deliveries. In such circumstances, the HR manager from TM Promotions had worked with the TM Cooperative in question to resolve any disputes. Although the CEO later reiterated that the limits placed on TM Cooperative membership were not fixed, the above quote implies that the CEO of TM Promotions felt he had the authority to 'define' limits to the membership of the TM Cooperatives; thus implying that the cooperatives' members did not have complete autonomy over such decisions. That said, under South African law, the responsibility for recruiting new members and determining the size of its membership lies with cooperative members only. In practice, all of the TM Cooperatives operated around the limit set by the CEO, although the CEO suggested that cooperative growth was also limited by infrastructure in the townships, such as the size of buildings, in which the TM Cooperatives were located. Nevertheless, the quote highlights the power asymmetries within the TM Group network and points to one of several contradictions relating to the group’s objectives. For instance, the previous chapter showed how TM Promotions' SCM strategy sought to incentivise TM Cooperatives to grow and develop external customers, yet they simultaneously sought to ‘limit’ TM Cooperative membership in order to avoid internal conflicts that affected production. If the TM Cooperatives sought to grow their businesses by employing more workers, they would be acting against the wishes of their dominant customer and, potentially, risk expulsion from the TM Group.

## 8.2 Inter-organisational governance and the gendered labour process

This section examines the governance and managerial tools that were used to coordinate the relationship between different members of the TM Group and impacted on the labour process. The first relates to a service level agreement (SLA) that the cooperatives were required to sign upon joining the TM Group. The second relates to a balanced scorecard that was developed by a group of academic researchers in an attempt to embed the conditions of the SLA into a managerial toolkit.

### 8.2.1 Service level agreement

The relationship between TM NGO and the TM Cooperatives was underpinned by a service level agreement (TMNGO\_SLA) that set out the conditions by which all of the TM Group’s manufacturing suppliers must abide. As its name suggests, Service Level Agreements (SLAs) are most commonly used in service-orientated industries, such as IT, in order to manage relationships with outsourced providers. In the TM Group, the conditions of the SLA covered various business functions relating to the supplier firm, including corporate governance practices, financial management, and employment practices. An abridged version of SLA containing the conditions deemed relevant to this study are set out in table 8.1.

###### **Table 8.1 - Conditions of the TM Group's service level agreement**

|  |  |
| --- | --- |
| Area of relevance | SLA conditions: |
| Corporate Governance | *1.1 Co-operative management is elected by Co-operative members on a one person – one vote rule as per the Co-operative Act requirements.*  *1.2 Co-operative meetings are held on a regular basis; meeting minutes must be kept and made available upon request*  *1.3 Co-operative Membership file with member’s details to be up to date and available at all times. All co-operative must ensure that they do not fall below six members. If on occasion this number drops, immediate action must be taken to ensure that the membership roll remains at a level which makes economic sense.* |
| Working Practices | *2.1 Fair salary policy: every member of the Co-operative receives a salary which is fair based on each member’s attendance [including the] use of attendance log book for salary calculation purposes*  *a monthly salary payment sheet is available for external social audits*  *2.2 No child labour allowed (under the age of 16 years old) – no forced labour*  *2.3 Health and Safety policy:*   * + *a first aid kit is available at all times, filled up with appropriate supplies*   + *at least one person is trained on first aid (certificate available)*   + *an emergency first aid process is in place*   + *a fire extinguisher is available and in working condition*   + *an equipment maintenance log book is being used*   + *a cleanliness policy is operational* |
| Operations Management | *3.1 Quality – the Co-operative agrees to deliver items with a consistent quality standard similar to the sample provided*  *3.2 Quality Control – the co-operative is in charge of their own quality control. TM NGO is to make sure a quality control process is in place. All items rejected by TM NGO Quality Control process are returned to the Co-operative for rework and therefore not paid; cost of the items which cannot be reworked are charged back to the Co-operative.*  *3.3 Lead time – once production lead time has been agreed by the Co-operative, TM NGO reserves the right to cancel part of the production order and redistribute the work to another supplier if lead time objective is not going to be met*  *3.4 Logistics – outside agreed regular, planned materials deliveries or finished goods collections, extra delivery charges will be charged to the Co-operative*  *3.5 Skills assessment – from time to time, TM NGO may ask an external company to assess the Cooperative members’ technical skills.* |
| Financial Management | *4.1 At least two members of the Co-operative are to approve any bank transaction*  *4.2 The Co-operative financials are communicated on a regular basis to all Co-operative members*  *4.3 TM NGO is authorised to audit the financials of the Co-operative once a year for evaluation purpose only* |

*(adapted from internal document: TMNGO\_SLA)*

The conditions of the SLA are especially relevant to this study because they outline TM NGOs priorities in relation to their dealings with a significant group of suppliers (i.e. the TM Cooperatives) and were found to influence the behaviour of the managers who were involved in making important decisions about the supply chain. For instance, the Operations Manager at TM NGO explained that a cooperative had recently had their SLA terminated because some workers had raised concerns about financial mismanagement. In a different case, there were concerns that a cooperative was eschewing democratic decision-making process. In this case, the cooperative in question had agreed to make changes to its governance arrangements. Notably, the Operations Manager at TM NGO claimed that no cooperative membership had been suspended or removed on the grounds of poor productivity.

The conditions set out in the SLA explain the priorities of the instigating party (TM NGO) and suggest the motivating factors behind the inclusion of these particular conditions. For instance, several conditions confirm that the TM Group's focus on quality control may have been driven by competitive pressures rather than institutional forces. However, some of the conditions set out in the SLA are unlikely to have provided any competitive advantage, implying that TM NGO managers were also driven by non-competitive factors. For example, the customer (TM NGO) was unlikely to make any competitive gains by stipulating that its suppliers (TM Cooperatives) conformed to the ‘one-person, one-vote’ rule set out in the Cooperative Act. There was evidence, however, that the conditions relating to the suppliers' financial management were motivated by competitive and institutional factors: competitive, since managers associated robust financial management with the economic sustainability of the supplier; institutional, because managers wanted to be associated only with suppliers who were distributing earnings equally to all workers, as per their legal obligations and normative principles. It is interesting, however, that the SLA did not contain any conditions relating to the executive tenure of cooperative board members or the employment status of cooperative workers, despite the fact that the TM Cooperatives were non-compliant with legislation on both counts.

### 8.2.2 The gendered balanced scorecard

In 2010, the TM Group invited a team of researchers from an American business school to review the group’s intra- and inter-firm governance arrangements. Based on their findings, the researchers developed a management toolkit founded on the principles of the balanced scorecard that was intended to 'align the group’s activities with its business and social objectives'. Since ‘female economic empowerment’ was one of the TM Group’s stated aims, it might be assumed that the BSC would have contained some features, or even targets that deal specifically with roles of men and women in the group, but this was not the case. Intriguingly, the Operations manager at TM NGO explained that it had been implemented in order to monitor the activities of the TM Cooperatives and ensure they were conforming to their commitments set out in the SLA, which implies a more coercive motivation.

According to internal company documents (TMNGO\_BSC), the researchers set out to design a 'cooperative balanced scorecard' that was intended to ‘measure[s] how the co-operatives and [the TM Group] are doing as businesses’. Furthermore, the documents promoted ‘a KAIZEN approach’ to production and management by encouraging the TM Group to ‘continuously learn, move forward, become more relevant’. The BSC was structured around five functions of business, four of which were consistent with the BSC model suggested by Kaplan and Norton (1996). These business functions were financial management, customer relations, internal processes, and learning and growth. An additional category, labelled 'community impact', was included in order to ‘measure the impact [...] on all stakeholders - employees, co-operatives members, families, communities’. For each of the five areas of focus, the BSC also set out the way in which they were to be measured. These assessment mechanisms are set out in the table below:

###### **Table 8.2 - The TM Group's cooperative balanced scorecard**

|  |  |
| --- | --- |
| Cooperative Balanced Scorecard | |
| FOCUS | **MEASUREMENT** |
| Financial strength | * Gross Income growth * Savings |
| Customer Satisfaction Focus | * Product quality * Respect of deadlines * Interaction with TM Promotions' customers |
| Internal Process Efficiency | * Management decision-making process * Financial reporting |
| Personal Leadership and Growth | * Business Fundamental * Technical Skills * Personal Development |
| Community Impact | * Social Impact Survey |

*(TMNGO\_doc4)*

The BSC set out four stages of development for cooperative suppliers: (1) incubation, (2) learner, (3) leadership, and (4) sustainability. Each stage was linked to a training programme and underpinned by a set of 'incentives' and disciplinary measures. The Operations Manager of TM NGO explained the process:

|  |  |  |  |
| --- | --- | --- | --- |
|  | *I:* | *You said you were concerned about developing the cooperatives. What does that mean from your point of view?* |  |
|  | *SCM:* | *We are working through different areas for the cooperatives. As I said, we have a full monitoring and evaluation in place. They need to develop personal and business aspects. [The aim is to make them...] sustainable: they need to have external clients. Basically, [at the incubation stage] the main thing when they start is [improving] quality. It is to make sure that is in place before anything else before the coop before the productivity even if they do five bags a day they need to make sure those bags are perfect. [...]Once they are fine with the quality they move to productivity. That is when they move to the learner stage - to become more productive. [...] And then [the third stage is] group dynamic. [...]We have lots of issues working in groups [...] so we [make] sure that there is management in place and everyone respects each other and that it is working well together.* |  |
|  |  | *(TMNGO\_SCM1\_01)* |  |

The monitoring process was undertaken by the Operations Manager at TM NGO, supported by the logistics assistant. The data was obtained by: (1) gathering information on invoices from the TM Cooperatives; (2) monitoring quality control when manufactured goods were returned to TM NGO; (3) requesting information from TM Cooperative managers during the monthly TM Group meeting; (4) conducting annual reviews of the TM Cooperatives; (5) liaising with cooperative workers on an informal basis. The data varied depending on the maturity of the cooperative. The final stage of the BSC's development model refers to sustainability indicators, which mainly consisted of economic factors, as shown list in figure 8.3.

###### **Figure 8.3 - The sustainability checklist of the balanced scorecard**

|  |
| --- |
| Sustainability checklist: |
| * Co-op completes all orders with 2% reworks or less * Co-op completes all orders within deadline * Co-op member/employee turnover rate is below 12% * Co-op is reactive, flexible, very assertive in their commitments * Co-op is able to mentor/train other co-operatives in terms of production, leadership, operations / leadership role in monthly operations meeting * Co-op has no signs of conflict, absenteeism * Co-op generates at least 20% of its income with external customers * Co-op has ongoing savings plan * Co-op has leadership succession plan in place |
| *(adapted from: TMNGO\_BSC - emphasis in original)* |

The sustainability checklist shows that TM NGO incentivised suppliers to broaden their customer portfolio rather than rely exclusively on the TM Group for its business. Intriguingly, if this objective was implemented successfully it could weaken TM Promotions bargaining position in relation to its suppliers because they would be in direct competition for work. There are several possible explanations that might explain this approach. The CEO of TM Promotions explained that they wanted to reduce the risk that their cooperative suppliers might go out of business: by protecting less established members of the TM Group, other members were protecting their own businesses because customer value was produced in the relationships between and the survival of each firm. Alternatively, the Operations Manager of TM NGO offered a more paternalistic explanation, arguing that it was the responsibility of TM Promotions and TM NGO, as a social enterprise, to 'take care' of the cooperative members of the group.

Although gender relations were not explicitly referenced in the BSC, the successful implementation of its objectives could arguably have increased the voice of female workers in the TM Group. As previously noted, the monthly operational meetings tended to be dominated by managers at the social enterprise, with only a passive input from the female cooperative workers. Furthermore, cooperative workers reported that the flow of discussion in these meetings was dictated by male managers, such as the CEO, who set the agenda and dominated the discussion. However, the aims of the BSC imply that over time female cooperative members were expected to take on a ‘leadership role in monthly operations meeting’, which would potentially increase their ability to influence the scope of discussions at these meetings, and it is also possible that their bargaining position would increase as a result. Increased involvement in these meetings, however, was subject to managerial permission; thus it was equally likely that this objective was being used as a motivational tool rather than a genuine attempt to boost the voice of female workers. This view is arguably supported by the fact that TM Promotions managers had previously asked some TM Cooperative members to lead a MOM, but this experiment was not implemented as a strategy because the cooperative workers were deemed not to be ‘ready’ for such a role.

In practice, there were numerous differences between how the BSC was presented and how it was used in practice. Although the TM Group's BSC stated that it incorporated the views of a broader group of stakeholders, there were aspects of its design and implementation that may have limited its ability to do so. Firstly, the 'social impact survey', which was the only mechanism used for assessing the group's 'community impact', had only been conducted on one occasion during the course of a five-year period. Notably, on that occasion the report found that the cooperative employees favoured being part of the TM Group to other jobs because it gave them more control over their work-life balance. Secondly, the design of the BSC and its subsequent implementation suggests that employees of TM Promotions and TM NGO, as well as TM Cooperative workers were treated as passive recipients of the toolkit rather than being involved in its design and implementation. At the design stage, the academics who created the BSC had made only a short trip to visit a few of the cooperatives and the rest of the design was completed by the CEO of TM Promotions. In other words, the dominant influences on the BSC were a small group of male academics and TM Promotion’s male CEO. There was no evidence that the (female) cooperative workers were consulted on the design of the toolkit or given the opportunity to participate in the monitoring process, which perhaps explains why it appeared to lack a gender angle.

The lack of involvement in the design process was highlighted in the following discussion with the cooperative development officer, who questioned whether the cooperative workers were even aware of the BSC:

|  |  |  |  |
| --- | --- | --- | --- |
|  | *I:* | *How aware are the cooperative workers of the various stages of development?* |  |
|  | *HRM:* | *I am not sure they know about it. I mean, maybe they were told about it when they started, but I'm not sure they would be able to tell you what the stages are if you asked them now. That is for us, really. I'm not sure they care very much about it.* |  |
|  |  | *(TMNGO\_HRM1\_01)* |  |

The fact that the cooperative members were unaware of the BSC could raise questions about the effectiveness of the tool, particularly as it had been designed to serve as guideline for their organisation’s development and appraisal. However, the cooperative members’ lack of awareness of the BSC does not mean that they were unaffected by it. For instance, its effect appeared to have been to influence social enterprise strategy and the behaviour of social enterprise managers during their interactions with the cooperatives, implying that the BSC may have affected how the cooperatives were treated by their major customer.

## 8.3 Gender dynamics of voice and participation in the TM Group

This section begins by examining the relationship between trade unions and worker cooperatives. In this case study, there was no apparent relationship between the TM Group and the textiles trade union. Secondly, it explores non-union employee voice in the employee-owned (TM Cooperatives) and the social enterprise (TM Promotions and TM NGO) contexts. Thirdly, the section broadens the scope of the analysis to how voice was affected by characteristics of the supply chain.

### 8.3.1 Indirect voice: the (lack of) union presence in the TM Group

The employee-owned firms in this study did not seem to see much benefit from engaging with trade unions since workplace democracy was regarded as central to the way in which the cooperatives operated. There was no evidence that the TM Group had attempted to establish a relationship with the trade union or that they saw any potential benefits of doing so. This notion was also reflected within an interview conducted with the founder of an EO business in the UK:

|  |  |  |  |
| --- | --- | --- | --- |
|  | *I:* | *Can you tell me a bit about your relationship with trade unions? Were your workers unionised?* |  |
|  | *CEO2:* | *To be honest, we didn't have a relationship with them. I would almost feel like we'd failed if the workers wanted to be in the union. It would be a sign that we were doing something very wrong.* |  |
|  |  | *(FirmUK\_CEO1\_01)* |  |

TM Group managers were asked about the relevance of industrial relations to their work, whilst workers were asked if they were a member of a union. In addition, a union representative was interviewed to ascertain a different perspective on cooperative organisations. The findings suggest that managers and workers involved in this study did not see many benefits from union involvement. For TM Cooperative workers, union membership was unlikely to lead to an improvement in their financial situation, as explained by the HR manager:

|  |  |  |  |
| --- | --- | --- | --- |
|  | I: | *Is there a reason why trade unions don’t get involved with [the TM Group]?* |  |
|  | HRM: | *The coops would see themselves as being self-employed so organising themselves through a trade union, I don’t think they would see a benefit in that.* |  |
|  |  | *(TM Promotions\_HRM1\_02)* |  |

Interviews with the workers suggested that the high cost of union membership was a factor affecting union involvement across all focal organisations. In addition, the quote also implies that the nature of the employment relationships (e.g. self-employment) in the TM Cooperatives reduced the benefits of union membership. Since cooperative workers were obliged to pay workers equitably and shared all profits equally, there was no perceived benefit in paying for collective representation. Arguably, workers could have benefited from union membership in other ways, such as through advice or representation during disciplinary or redundancy procedures, but this type of support was often provided by the HR manager from the social enterprise. Indeed, there was an instance in which a worker had sought union support during an internal disciplinary process, suggesting they saw some value in union representation.

Knowledge about the role of trade unions varied significantly between managers at TM Promotions and TM NGO. For instance, the production manager was unsure about the role of trade unions and queried whether they were 'the ones that represent the workers?' The CEO initially avoided answering questions about industrial relations but when pushed further claimed that engaging with unions 'wasn't worth the hassle'. There was evidence, however, that the HR manager perceived a more important role for trade unions:

|  |  |  |
| --- | --- | --- |
|  | *[...] across South Africa membership of trade union [membership] isn’t as high as it might be because it costs money. You know, that is why there is a lot of bad management because there is no sobering trade unionists saying, you know, you can’t do that.* |  |
|  | *(TMPromotions\_HRM1\_02)* |  |

Despite her belief that unions could improve management practices in firms, she argued that it was unlikely that the TM Cooperative workers would embrace the support of trade unions because they were seen as 'external' actors, by which she meant that organisations based outside of the townships were generally treated with suspicion. In place of union support, the cooperative workers often chose to rely on services provided within their own communities, even when they were costlier:

|  |  |  |
| --- | --- | --- |
|  | *I know a couple of years ago - 4 or 5 years ago - we tried to come up with a structured set of benefits for the coops. […] but it was all too suspicious, too much paperwork, too blue collar. So I think there might be a bit of that with trade unions as well. I think they’d just be cynical.* |  |
|  | *(TM Promotions\_HRM1\_02)* |  |

The ‘structured set of benefits’ referred to in the above quote relates to social insurance benefits, such as home and funeral insurance, that TM Cooperative workers were already paying for through informal businesses located in the townships. The HR manager claimed that the workers would have been able to reduce these costs significantly by pooling their resources via the TM Group.

### 8.3.2 Direct voice: the role of female workers in TM Group development

There was evidence that worker participation had been an important determinant in the formation and development of the TM Group. The formative structure of the TM Group emerged from the activities of TM NGO, the TM Group's first formal entity and a charity whose aim was to empower female workers in under-privileged communities through advice and training. During the formative years, TM NGO was structured around informal relations between the founder and the charity's beneficiaries, who were encouraged to help to guide the organisation's work by participating in decision-making processes. However, the founder claimed that socio-economic and cultural factors meant that the first group of beneficiaries found it difficult to advance their own interests:

|  |  |  |
| --- | --- | --- |
|  | *So [when I setup TM NGO I had to] just listen to the women and what they want, not from my point of view, but what do* ***they*** *[emphasis using inflection] want? Let them talk. Now it is easy to say that but it is very, very difficult to achieve in South Africa because during the Apartheid, the white women [would tell] the black what [they] want. So everything that I could have said they would say ‘yes, mam’, ‘yes, boss’. It was exactly what I didn't want to hear... I was just two ears, just listening to them [the future cooperative workers] and what they wanted... so now we trust each other and I can see they trust us, the company, because we give them room to say ‘no’, to say anything if they want to. They are allowed to do that.* |  |
|  | *(TMPromotions\_Founder\_01)* |  |

There are two salient points emerging from the above quote. Firstly, the implication that the founder's actions were underpinned by a set of normative values. Secondly, the quote highlights some of the complexities of introducing aspects of democratic participation in South African organisations. The beneficiaries of TM NGO had become accustomed to operating in an institutional environment characterised by hierarchical, often segregated social structures. Typically, they were restricted from having any power or influence in formal organisations, particularly in the business community. In this case, the founder appeared to take a highly reflective approach. She appeared to be aware that her position in both the organisation and wider society gave her a significant amount of power over the charity's beneficiaries. Yet, she claimed that she was keen for her views not to 'contaminate' the future direction of the TM NGO. As a result, the founder spent five years working in TM NGO in order to build a rapport with the women and determine how TM NGO could be used to support them. During this time, she attempted to overcome some of the barriers that made the women less likely to express their views and participate in decision-making. Drawing on support from other NGOs, she used a variety of techniques that were intended to encourage the beneficiaries to express their views. In the following passage, she gave an example of one such technique that she felt had been particularly successful:

|  |  |  |
| --- | --- | --- |
|  | *I really needed to hear their point of view [...] So the only way I could make them is to make them draw [their hopes for future] When drawing people cannot lie, because people they draw from here [gesture indicates from the heart]. So from the drawing, I know it was about sewing and they were used to sewing anyway because sewing is something that they have. If they don’t have themselves, they know somebody who has a domestic sewing machine and they all do bits and pieces. They fix things for other people in the township. Some of them had been working in the textile industry recently. Now, when they asked me for that I went into there and I said to them we are going to try something together and if it does work, it works and if it doesn't’t work, it doesn't’t work.* |  |
|  | *(TMPromotions\_Founder\_01)* |  |

The use of ‘participatory’ techniques described above might reflect the activities of TM NGO at that time, since its operational duties were likely to involve regular interaction with other NGOs, local community groups and funding bodies. However, the above quote also shows the extent to which the founder explored alternative forms of communication in order to encourage the women to advance their interests and to determine how the organisation would develop, implying that the charity's beneficiaries played a central role in determining the TM Group's decision to enter the textiles industry[[3]](#footnote-3). At the same time, the founder also claimed that they had exerted some influence over the emerging structure of the TM Group:

|  |  |  |  |
| --- | --- | --- | --- |
|  | *I:* | *What was it about their lives that they [the TM NGO clients] wanted to change?* |  |
|  | *Founder:* | *It's because they get bored [when unemployed]. They [didn't used to] learn anything. They are not exposed to the world. You could tell they wanted just to get out of their home. Another thing, they wanted to stay by their homes. They wanted to work [near to] where they live [because] they wanted to avoid transport because of security and cost. And they wanted to have nights with the children. That is why they didn’t want to come to the city. So it affects their life because it gives them a meaning of life and a meaning of living. It gives them a goal.* |  |
|  |  | *(TMPromotions\_Founder\_01)* |  |

This implies that the founder was aware of workers' desire for work-life balance (e.g. location of business, costs and security of commuting) and being able to spend time with family and relatives. Several other managers, moreover, argued that the TM Group contributed to gender equality because it placed decision-making responsibility in the hands of women workers who would otherwise typically be employed in textiles factories where decision-making roles were dominated by men.

### 8.3.2 Direct voice: mechanisms in the focal organisations

The findings suggest that the internal 'voice climate' of the different parts of TM Group varied significantly. Although the cooperatives adopted some formal mechanisms of voice, most relied on informal processes for involving workers in day-to-day decisions, which perhaps reflected the close proximity of which all members worked on a daily basis. For instance, cooperative managers and workers generally worked together on the same production line, meaning informal discussions about workplace activities and policies were common. In the TM Cooperatives decisions were typically agreed in advance of formal procedures, as indicated by the Cooperative Development Officer:

|  |  |  |  |
| --- | --- | --- | --- |
|  | *I:* | *Do [the cooperative workers] tend to make decisions through formal meetings or informal means?* |  |
|  | *CDO:* | *Well, they all have an AGM; we make sure of it. In terms of the discussions, well, it varies quite a bit but it is quite informal. We usually know in advance what the [the cooperative workers] are going to decide because they have so many chats before. They work so closely everyday so I suppose that is going to happen.* |  |
|  |  | *(TMNGO\_CDO1\_01)* |  |

The way in which cooperative members voiced their concerns may have been related to the leadership style employed by cooperative leaders. In TM CooperativeA, the chairwoman of the cooperative had been one of its founding members, and workers tended to defer to her on the assumption that she was, ‘trustworthy’, ‘intelligent’, and a ‘natural leader’. As a result, other workers avoided attending important meetings and placed fewer demands on access to information. Following her recent departure, the cooperative workers had decided to enforce term limits on managerial positions and regular formal meetings were undertaken between managers and employees to ensure that information was shared between members. In contrast, at TM CooperativeC and TM CooperativeE, managerial decisions were dominated by individual managers who had adopted an authoritarian style and workers were also found to play a passive role in day-to-day decision making processes, but apparently for different reasons. In these cases, the authority of the chairwomen stemmed from their previous experience of working and managing in the textiles industry.

In the social enterprise (TM Promotions and TM NGO), the decision-making processes were dominated by the founder and the CEO and there were no formal mechanisms for integrating employees’ voice into the governance of the firms. However, workers employed in these two organisations felt that they were given a substantial amount of autonomy in terms of the operational side of their jobs - referring to their ability to define what they did on a day to day basis and make changes to their working environment. In most cases, workers felt that their managers provided them with enough information to do their jobs and kept them abreast of new developments affecting the business; generally, they did not feel that they would benefit from receiving more information from their managers. In contrast, these workers were rarely consulted or allowed to negotiate on important strategic decisions. Even senior managers, such as the production manager at TM NGO and the B2B sales manager at TM Promotions felt that the strategic direction of the TM Group was beyond their remit, as highlighted below:

|  |  |  |  |
| --- | --- | --- | --- |
|  | *I:* | *So, what provisions are in place to involve employees to influence important decisions about the future of the TM Group?* |  |
|  | *SCM:* | *[...] Erm, look decisions: if we look at the bigger picture as [the TM Group] as a group - that includes [TM Promotions], [TM NGO] and the coops. That is really, I would say between [the founder] and [the CEO]; more [the founder] because obviously [she] is the one who founded the company in the first place. So a lot of the vision is driven by her because that was her dream so she is the one driving that. Obviously [CEO] inputs on that but it is really drive from her, you know. So, let’s say that is the first layer. Then you have the second layer where you have the operations - that would be [the production manager of TM NGO] and myself.* |  |
|  |  | *(TMPromotions\_SCM1\_02)* |  |

The above implies that the strategic decisions of the social enterprise (TM Promotions and TM NGO) were taken at executive level without much input from the staff. Indeed, the founder had embarked on *ad hoc* projects that involved consulting with workers, which included her recent attempt to understand the 'DNA of the [TM Group]'. Yet, it was evident that there was no regular way in which workers could become engaged in the decision-making processes of the firms. There were also signs that the failure to consult with staff had caused tensions to emerge between managers. During the course of the study, the HR manager resigned from her position, citing concerns about decision-making processes as a factor behind her resignation. She explained:

|  |  |  |
| --- | --- | --- |
|  | *That whole employment engagement is part of the reason I’m not with them anymore because there is an awful lot of, in fact I would say most key decisions are made situationally [sic].* *So you walk into a meeting with all of your research done and your plan in place and you know what the strategy is and everything else. And you start talking about a change, whatever change, and then suddenly all these new decisions are reached that bear no resemblance to what the meeting purpose was or how it is aligned with strategy.* |  |
|  | *(TMPromotions\_HRM1\_02)* |  |

The above quote implies that the ineffective voice mechanisms in the social enterprise were causing tension between social enterprise managers. Social enterprises are known to be driven by the vision of a small group of individuals who were present when the firm was established and the commitment and passion of the founder(s) is often thought to be a major asset for the firm. However, the above quotes suggest that the founder’s passion may also have acted as a barrier to the engagement of others in the firm's decision-making processes.

In summary, whilst the founder and the CEO felt that employee participation was a fundamental part of the TM Group structure, the degree to which employees were able to participate in decisions varied significantly between the various constituencies of the TM Group. The founder had sought to improve the participation of previously marginalised groups in firm governance, which she felt she had achieved through the TM Cooperatives, but workers employed in the TM Group's other entities (TM Promotions and TM NGO) were side-lined.

### 8.3.3 (Dis)empowering female workers through the supply chain?

This section focuses on the inter-organisational mechanisms of managerial control that were used by social enterprise managers to influence the behaviour of the female managers and workers in the TM Cooperatives. The findings suggest that the TM Group had adopted formal means of communication after the relationship between TM NGO and the TM Cooperatives became organised around commercial aims rather than just the normative commitments of the charity. During this time, the configuration of the TM Group changed and managerial structures were implemented in the constituent firms, and the social enterprise was formed. Under the guidance of the CEO of TM Promotions, the social enterprise enacted formal mechanisms of communication between its constituent members, including regular meetings between social enterprise and cooperative managers. In their use of voice mechanisms, the social enterprise managers were principally motivated by their desire to manage the downward flow of information to the TM Cooperatives in order to support the commercial interests of the group.

As explained above, regular meetings were held between managers and workers, during monthly operations meetings (MOMs), which served as important mechanism by which information was exchanged and decisions made. In practice, the MOMs had three areas of focus: (1) to assess the progress of the TM Cooperatives towards the goals set out in the Balanced Scorecard (BSC); (2) to inform TM Cooperative workers about prospective upturns or downturns in production; and (3) to allocate work for the month ahead, with more productive cooperatives been given first choice on which work to undertake. Some managers also claimed that the MOMs operated as a forum in which managers from each organisation could raise concerns about any aspect of the operation.

The meetings were led by TM Promotions' managers and the sales team. Also in attendance were representatives of TM NGO, including the operations manager, the cooperative development officer and the logistics assistant, and a minimum of two representatives from each TM Cooperative. Although there was no upper limit on the number of attendees, the meeting was held in a location that was relatively hard to reach. As a result, it was not easy, or cheap for cooperative workers to attend the meeting. It was for this reason that the MOMs were generally attended by cooperative managers, meaning cooperative workers were reliant on their managers to represent their views at group level. Analysis of internal documentation (TM Promotions\_MOMminutes) shows that each of the three MOMs covered in the minutes was structured around a series of presentations made by various managers in TM Promotions and TM NGO. The first presentation set out the achievements of the sales team over the past month. During the second presentation, TM Cooperative managers were asked to report on their progress toward the targets which were set by the balanced scorecard. At the end of the second presentation, TM Cooperative managers were able to request which types of work they would produce in forthcoming month. As recorded in the minutes, it was anticipated that the work would vary considerably in terms of the profit margin per unit and the skills required to make them. Priority was given to the TM Cooperatives which had performed best in relation to their targets for the previous month. Ultimately, questions about whether the cooperative managers were effective at relaying the interests of the membership were incidental because their involvement in the meeting was controlled by the meeting schedule.

Generally, managers in the social enterprise felt that the MOMs were an important operational tool that facilitated inter-organisational communication, as highlighted by the quote from the CEO of TM Promotions:

|  |  |  |
| --- | --- | --- |
|  | *One of the things that I think we do quite well that has been a great success is the monthly operations meeting. So once a month we gather altogether the cooperatives, all the staff. I think we have developed a nice learning environment, a nice moment, very conducive to business skills development in particular; the way we present things, the way we design some matrices [incentivise certain practices], the way we engage the cooperatives in signing up new businesses etc.* |  |
|  | *(TMPromotions\_CEO1\_02)* |  |

Similarly, the production manager at TM NGO felt the main purpose of the MOMs served the group's commercial interests; however, she also believed that it acted as a forum in which concerns could be expressed and tensions played out:

|  |  |  |
| --- | --- | --- |
|  | *Once a month [...]we have a meeting [about] what was the production this month; what the incomes are; what was good, what wasn’t that good. [It is] so that we can improve our process, on their side and on our side also. So on their [the TM Cooperatives] side it is like: ‘no the communication was bad; we didn’t know when we would get this’. We had a few arguments as well round this table also, but it is really a moment of exchange and then we go through next month.* |  |
|  | *(TM Promotions\_SCM1\_01)* |  |

In addition, the CEO and the Operations manager argued that the MOMs were a shared process of learning - referring to a collaborative and discursive process by which each organisation was learning from another and expressing any concerns arising. In practice, however, it appears that the structure and content of the MOMs was determined by social enterprise managers (TM Promotions/TM NGO), with little input before or during the meeting from TM Cooperative workers. Although all social enterprise managers asserted that the MOMs were a useful operational tool for the TM Group, the HR manager and the Cooperative development officer questioned the extent to which the MOMs operated as a mechanism for voice. Moreover, the behaviours of the cooperative workers seemed to reflect this idea, as captured in my reflective notes:

|  |  |  |
| --- | --- | --- |
|  | *Today's interviews [with cooperative workers] take place after the group's monthly operations meeting, which is intriguing because I have heard numerous times about how important these meetings are for the group's business and social aims. [...]During a tea break, I spend time chatting with a group of cooperative workers. They seem ready for a break and I get the impression that they are not completely engaged with the meeting or its content. They told me that they rarely contribute to these meetings unless asked but they don't seem too concerned. [...] I find myself wondering if these sessions serve the group's commercial interests more so than anything else.* |  |
|  | *(GC\_Reflections\_28-JAN-2015)* |  |

Rather than recognising the conflicting imperatives of managers and workers (or in this case customers and suppliers), the above quote is more concerned with aligning employee concerns with business needs. Although the CEO argued that the MOMs served both aims, the above quote suggests that 'the business case' was the most pressing priority for social enterprise managers. The HR manager also expressed concern about the way in which the MOMs were structured and the manner in which communication was delivered:

|  |  |  |  |
| --- | --- | --- | --- |
|  | *I:* | *So, the change in employee engagement from [the first round of data collection] to this time: is there anything specific that has changed since then?* |  |
|  |  |  |  |
|  | *HRM:* | *[...] Well, if you were at the monthly meeting - I wasn’t there but I can tell you what happened: [the CEO] came in and said how great it was that they had done x, y and z. The ladies [referring to the cooperative workers] sat there, listened. [The CEO] left and then [the production manager] said now here’s the bad news. It is what happens every month. And, you know, I have said to [the CEO] there is nothing wrong with having bad news. But you need to be measured in what you are saying to people. You can’t say ‘Look how great we are but whoops we are not paying you’. You have to say ‘This is great and in the future we will reap the benefits. Right now we are still struggling’. But that has to come from you. You don’t leave the room and get [the production manager] then to deliver the shit sandwich. It is not ok.* |  |
|  |  |  |  |

The above quote suggests that the MOMs were used as an operational tool by TM Promotions/TM NGO managers for informing TM Cooperative workers of future plans and for ensuring that they remained motivated. However, there was evidence that some important decisions were not taken during these meetings. In addition, there was evidence that TM Cooperative workers were not informed about several decisions. The HR Manager at TM Promotions, for example, was also concerned about the lack of involvement of, and consultation with cooperative workers regarding decisions about business investments in new markets and about the extent to which existing cooperative workers would be trained to undertake higher skilled jobs. In most cases, even cooperative managers were unaware of several new ventures that were planned by TM Group managers. Some financial matters were also beyond the scope of the meeting. During interviews several cooperative workers raised concerns about the share of total revenue that the TM Cooperatives received for their work, but felt that there was no appropriate mechanism for raising these concerns with TM Group managers.

The passivity of female cooperative workers at the MOM, which was referred to in the previous quote, draws attention to the gendered dynamics of control in the TM Group. In the case of the MOMs, which were the only formal mechanism for cooperative members to express their interests to the rest of the group, the findings indicated low levels of participation by female cooperative managers. For instance, one TM Cooperative manager claimed that she had become accustomed to 'sitting through' meetings, whilst another claimed that their attendance was enforced because the MOMs included a bureaucratic process that was prerequisite to getting paid. This would suggest that the primary purpose of the meeting was to inform workers of recent developments rather than to consult or negotiate with them, and therefore raises questions about its potential to give female production workers a voice in the running of the TM Group.

The MOM was also the setting in which progress towards productivity targets were assessed. These targets, which were set by social enterprise managers, were intended to ‘motivate less productive cooperatives to be more productive’ (TMNGO\_SCM1\_02), and they were found to be an important form of managerial control that operated at the *inter-*organisational level. A review of the minutes of previous MOMs shows that a substantial amount of time was spent reviewing progress towards production targets, which was done in front of managers of other TM Cooperatives. This was a deliberate act by TM NGO managers to attempt to drive up productivity by ‘showing [cooperative managers] genuine examples of what could be achieved’ (TM Promotions\_CEO1\_01). When a TM Cooperative achieved its targets, its managers were given an opportunity to choose what work they undertook from the social enterprise’s customer portfolio for the following month. Different contracts involved different terms so some work was more lucrative than others, which acted as an incentive.

In addition to the use of incentives, the effectiveness of production targets was made possible by the fragmentation of the production process across the TM Group. These targets pitted female cooperative workers in different TM Cooperatives against one another, and their effectiveness was ensured by the power differences between the social enterprise and the TM Cooperatives. In other words, these targets appeared to rely on the fact that the intense form of competition that was created by outsourcing production to multiple, relatively small cooperatives. Had the social enterprise permitted a single cooperative to grow beyond 16 members, it is possible that the production targets would not have been able to operate in this way because a single cooperative would have been subjected to less intense market pressures, whilst it is also likely that it would have greater ability to resist this type of control.

### 8.3.4 Informal voice mechanisms within the supply chain

In addition to formal meetings there was also evidence of informal mechanisms of voice *between* the constituent member organisations. Although senior managers in the social enterprise tended to admit that they had made very few visits to the TM Cooperatives, the logistics assistant (TM NGO) visited the TM Cooperatives, typically on a twice-weekly basis. He was often accompanied by the Cooperative Development Officer, whose role was to provide support, guidance and training to the TM Cooperative workers. The TM Cooperative managers and workers used these visits to express concerns about their situations, ranging from issues relating to the production process to concerns that the profit margin did not appropriately reflect the complexity of the work. These issues were reported back so that the appropriate manager could deal with the issue.

These findings suggest that informal communication channels had become the norm in the TM Group when dealing with operational concerns between firms. Senior managers had become accustomed to responding to problems that arose through information received via informal channels. This process was not always effective because it was not seen as an appropriate channel to raise particular issues or because there was no checking mechanism in place to ensure that the issue had been dealt with. For instance, several cooperative managers expressed concerns that the group's turnover was not distributed fairly between the constituents. As noted previously, some TM Cooperative workers raised concerns about whether collective revenue of TM Group was distributed equitably between its constituent organisations. One cooperative manager (CoopC\_EMP2\_01) claimed that these issues were discussed during informal discussions with other cooperative managers but rarely with the managers from the social enterprise.

As a result of the absence of formal channels in financial deliberations, the TM Cooperatives began to explore alternative options for negotiating with the social enterprise. The production manager for TM CooperativeC claimed that she had begun consulting with members of other TM Cooperatives because it could improve their bargaining position in relation to discussions with TM Promotions/TM NGO. While these developments were at the formative stage, she argued that the TM Group was not currently 'listening' to the demands of the cooperative workers. Consequently, the production manager for TM CooperativeC foresaw a time when a collective of cooperatives would gain direct access to the market without the need for the social enterprise to act as an intermediary. Thus, the failure to involve cooperative workers in TM Group strategy had resulted in exploratory discussions about developing a new group structure - a structure built around an alliance of cooperatives.

### 8.3.5. Culture, religion and identity: other factors affecting voice

Research participants identified several other factors that they believed affected the likelihood that workers would engage with voice mechanisms, including the age, gender, religion and cultural background of the workers. The HR manager identified age as a particular issue because she felt that traditional values caused a taken-for-granted deference to elders:

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| --- | --- | --- |
|  | *Not sure about how familiar you are with our culture but there is a presumed respect according to age, erm, which is in complete defiance of what a coop is. [...] When you are in this room, you are all equal. It doesn't matter if she is twenty years older, doesn't matter that she is your mother. None of that matters. Even the chair person is the first among equals. That is a really, really, really difficult thing for them to take on. So that is where most the arguments come from - that the older ones can't accept it or the younger ones can't bring themselves to work like that.* |  |
|  | *(TMPromotions\_HRM1\_01)* |  |

According to the HR manager, younger cooperative workers tended to accept the views of elder workers during important votes even when they did not agree that was the right course of action. As a result, the HR manager claimed that she spent a significant amount of time with the TM Cooperatives attempting to resolve tensions, many of which had arisen due to challenges to the status quo.

A number of cultural factors affected the manner in which cooperative workers chose to express dissatisfaction to other members of the TM Group, as did religious beliefs. For example, the HR manager explained that:

|  |  |  |
| --- | --- | --- |
|  | *Two of the coops are Muslim [...] so they function differently in that in their mentality [means] public face credibility is incredibly important. So they would never come to you with a problem. As a result, when you [become aware of] their problems they are much worse. Whereas in the black community they will come to you straight away with the problem and they'll think it is bigger than it actually is. And very easy to settle.* |  |
|  | *(TMPromotions\_HRM1\_01)* |  |

Gender was also identified as a factor affecting the decision-making processes of the cooperatives. In the following quote, the production manager at TM NGO suggests that regular tensions arose in the cooperatives due to the gender of its membership:

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| --- | --- | --- |
|  | *We have issues with the groups in the cooperatives. We have lots of issues working in groups. I always say it is like when you have eight women working together [laughing]. You can imagine that there is issues in the group [laughing]. So we [make] sure that there is management in place and everyone respects each other and that it is working well together.* |  |
|  | *(TMNGO\_SCM1\_01)* |  |

The above quote implies that female cooperatives are more likely to be constrained by internal tensions. It should be noted that there was no other evidence to support the above quote.

## 8.4 Gender and HR in the supply chain

WLB practices can include flexible working arrangements, including flexitime, reduced hours, job sharing and home-based work. In this study, several managers claimed that the governance structures of the TM Group had been designed with workers' WLB in mind. This can be explained further by focusing on three aspects of WLB in relation to the TM Group. Firstly, by reference to the WLB priorities of employees across the different organisations. Secondly, by examining how managers dealt with employee requests relating to WLB. Thirdly, by considering the extent to which SCM strategies used in the TM Promotions/TM NGO impacted on the WLB of workers in other organisations through their supplier network (e.g. the TM Cooperatives).

### 8.4.1. Employee WLB priorities in the TM Group

Research participants (managers and workers) across the focal organisations were asked a series of questions relating to their own work-life balance (WLB) and about the WLB policies of their employer. The findings suggest that TM Cooperative workers placed a high value on being able to spend more time with their families; several workers said they would be prepared to accept lower pay in return for being able to spend more time at home. The majority of the cooperative workers, all of whom were women, had primary care responsibility for several dependents; in other cases, they were the sole carer for more than one generation of their family. To some extent these findings reflect the social norms in South Africa's township communities, where patriarchal norms influenced the perception that women were viewed primarily as home-makers.

The TM Cooperatives were located in the communities in which the majority of workers lived. Concerns about commuting were an important factor affecting where TM Cooperatives chose to locate their businesses, as explained by the HR manager:

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| --- | --- | --- | --- |
|  | *HRM:* | *[...] a lot of them [TM Cooperative workers] worked in those textiles factories [but] walked away from that because they hated [...] the rigour of it. Most of those places are near [an industrial area] so they used to have to take three trains and two buses and whatever else. It was very difficult. [Whereas, in the cooperative] they can organise their hours as they want which is very valuable, they can bring their kids to school and then start working or they can cook or visit their mother or do whatever they want to do in their community.*  *(TMNGO\_HRM1\_02)* |  |

The above quote implies that cooperative employees were able to achieve a reasonable WLB because they were given the autonomy to build their working day around their own personal circumstances. Furthermore, it suggests that cooperative workers had sufficient autonomy to enable them to define their own work schedule. However, although most workers agreed that they had more flexibility than in their previous jobs, the degree of flexibility was found to vary between cooperatives.

The level of flexibility afforded to cooperative workers was set out in a document known as 'the rules'. The TM Cooperatives had adopted remarkably similar sets of 'rules' that governed many aspects of employment practice, including standard working hours, flexible working arrangements and leave entitlements. The rules, which were determined by members at the first AGM, were legal documents that could only be changed by a full ballot. In all cases, the TM Cooperatives had agreed standard working hours that conformed to the industry norm and workers were paid on a pro-rata basis for the time they attended. Given that the cooperative workers were self-employed, the workers were financially responsible for their own leave entitlement and sick pay. However, there was some evidence that the self-employed status of workers allowed them to access social security grants that were not available to conventional employees. As a result of this extra income, and the reduction in commuting costs, the workers claimed that they had more disposable income in comparison to previous jobs.

The aforementioned 'rules' were found to act as a guide for cooperative managers but their interpretation varied between cooperatives, which in turn had implications for the WLB of workers. In practice, the extent to which workers were permitted to work flexibly was determined by the way in which managers dealt with workers and the extent to which cooperative managers had previously been exposed to the norms of the textiles industry. The effect of these norms was most pronounced in two TM Cooperatives (C and E) whose managerial committee included members with previous textiles industry experience. These managers adopted industry standard work schedules, including limitations on toilet breaks, and imposed strict disciplinary procedures, which included issuing ‘warnings' to staff who were late or absent on a regular basis. The production manager of TM CooperativeE explained her approach to people management:

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| --- | --- | --- |
|  | *Our rules [are] we have a starting time and an ending time. We have got a tea-time and a lunch time. [...] You don’t abuse the rules here. You ask if you are going to leave the building. You don’t just stand up and leave and then come back and then what’s up?* |  |
|  | *(CooperativeE\_CW1\_01)* |  |

Although the production manager of TM CooperativeE claimed that she was 'very flexible' with her staff when it came to attending medical appointments or dealing with family related concerns, the above quote challenges the notion that the cooperative workers had a choice about when they could work. Indeed, in TM CooperativeE, the rules allowed the production manager to force workers to undertake overtime. In the remaining TM Cooperatives (ABDF), managers adopted informal systems to manage flexible working arrangements, which meant decisions were made on a case-by-case basis. In these other cooperatives, workers had a greater degree of autonomy over their working hours: however, workers generally followed standard working hours because they were only paid for the time they were present.

TM Promotions and TM NGO (i.e. the social enterprise) exhibited similar management styles and employment practices despite their different operational activities. To some extent, these similarities reflected the relationship between the CEO and HR manager who occupied the same premises and took shared responsibility for the two organisations. In relation to WLB provisions, both firms operated a policy of fixed working hours, with line-managers permitting amendments on a case-by-case basis, as explained by an employee from TM Promotions:

|  |  |  |  |
| --- | --- | --- | --- |
|  | *I:* | *Who makes decisions relating to employees’ shift patterns?* |  |
|  | *Emp1* | *The managers usually make the decisions but they will be very good communicating with us about it. Sometimes they make changes when they think it is best. So, for example, some people who come in on trains can only arrive at certain times so they adjust your normal working hours so maybe you come in late or leave early.* |  |
|  |  | *(TMPromotions\_Emp1\_01)* |  |

|  |  |  |
| --- | --- | --- |
|  | *We have normal hours. I think they are very fair on this. It is industry standard if not above. For each day extra I work I get paid extra. Because it is quite a small company it could be difficult but there is a lot of support for personal issues. I think that is for everyone. I have been going through difficulties myself and my management has been very supportive. More support than you would get in a big organisation.* |  |
|  | *(TMNGO\_HRM1\_02)* |  |

In general, workers employed by TM Promotions and TM NGO therefore felt that managers had been responsive and considerate towards them when unforeseen circumstances had arisen relating to their responsibilities at home. They also gave examples of occasions when they had been given additional (unpaid) leave entitlements in response to family crises and bereavements.

Employees of the social enterprise (TM Promotions and TM NGO) were typically employed directly under formal employment contracts and were protected by labour laws. While some of these workers had short-term contracts or were sub-contracted, it was found that all employees were treated in the same manner in relation to working hours and leave entitlements. In practice, this included 35-hour working weeks; eleven days' paid leave; and six months' (unpaid) maternity leave. In addition to their statutory benefits, there was also evidence that workers had negotiated flexible working arrangements, whilst others had received further leave entitlements, such as paternity leave and compassionate leave. In most cases, these additional benefits were negotiated on a case-by-case basis with an individual employee, a practice found to be common in small firms (Maxwell et al, 2007). The findings, however, appear to suggest that employees of the social enterprise did not feel that their managers appreciated their WLB concerns. Intriguingly, the CEO of TM Promotions and the Operations manager at TM NGO did not discuss the WLB of their own employees, despite being prompted to do so, yet they spoke at length about how they had improved the WLB of cooperative workers. To some extent, these findings may reflect the workers’ personal circumstances, since few managers and workers at the social enterprise had responsibility for dependents at home. In addition, their different priorities may explain why when asked about WLB provisions, most TM Promotions/TM NGO workers tended to guide discussions towards the employment practices in the TM Cooperatives.

### 8.4.2. Gender equality and the supply chain

The findings of this study potentially show how the dominant party within the supply chain had a positive influence on the WLB of workers through the supply chain. The following discussion with the HR manager explained the link between WLB and SCM:

|  |  |  |  |
| --- | --- | --- | --- |
|  | *I:* | *I: What about [...] helping people to balance family and work?* |  |
|  | *HRM:* | *Well, that is where the coop model is the perfect model for them. The reason they like working in the coops is because they are close to home [...] but what is more important is if we [TM Promotions] get a big order and they [the TM Cooperatives] choose to work from Tuesday [at] 6 o'clock in the morning until Thursday [at] 9 o'clock in the evening that is completely up to them. We don't care. We really don't care. Your deadline is this, you need to let us know a day beforehand if you're not going to make it, but we really don't care when you're there and when you're not there. That's incredibly important. It gives them a huge amount of freedom that they would never otherwise have.* |  |
|  |  | *(TMPromotions\_HRM1\_01)* |  |

As the quote shows, the TM Cooperatives only needed to give 24 hours’ notice if they were unable to meet their production targets. The production manager of TM NGO explained that such flexibility was made possible because she maintained spare capacity within the network in order to manage fluctuations in productivity, but this presented significant challenges for the production manager who wished to ensure that production was completed in time to meet customer demands. In practice, the logistics manager at TM NGO monitored production throughout the TM Group on a daily basis and informed the production manager of any potential disruptions to production. Where these problems were identified, the production manager was able to take action, which usually involved re-allocating work throughout the rest of the TM Group. In the few cases where they had been unable to meet deadlines, the production manager had outsourced work to a local CMT. The above quote implies that TM Promotions managers had attempted to manipulate a particular supply chain configuration in order to improve the WLB of supply chain workers. In this case, TM Promotions managers were faced with a strategic decision relating to whether to 'make-or-buy' their products. If they had chosen to 'make' their products, the social enterprise could have employed the same group of workers in a single location. Instead, they chose to outsource production to a dispersed group of cooperative suppliers. According to the CEO of TM Promotions, the decision to outsource was the costlier option since TM Promotions incurred substantial staffing costs in order to manage the flow of products and to oversee quality control processes.

The founder argued that the TM Group 'model' contributed to gender equality because it used a particular configuration of the supply chain to permit women from marginalised communities to become owners of a cooperative firm. However, she also claimed that her objective was to improve the economic circumstances for marginalised groups in general; the focus on women had arisen as a result of the gendered composition of the textiles labour market. Other TM NGO managers claimed that the cooperative workers had begun to challenge systemic assumptions about the role of women in their communities as a result of their role in the cooperatives. To some extent, this view was supported by several cooperative workers who claimed that their role in the TM Cooperatives had caused changes to their role in the home. The chairwomen of TM CooperativeC explained how this had occurred:

|  |  |  |  |
| --- | --- | --- | --- |
|  | *I:* | *I: Does [TM Group work] change anything at home?* |  |
|  | *CW:* | *[pause] Well, sometimes our husbands have to adjust. It is not the same for everyone but some of them are not used to having wives who earn all the money [laughing].* |  |
|  | *I:* | *Does that cause a problem?* |  |
|  | *CW:* | *[laughing] Sometimes yes. But they have to get used to it. They must do some of the family things because we are business women now.* |  |
|  |  | *(TMCooperativeC\_CW1\_01)* |  |

The above quotes imply that the TM Cooperative empowered the women workers by placing them within the decision-making structures of their firms. The chairwoman of TM CooperativeA also claimed that her cooperative was seen as an example to others in their community, whilst several other workers felt that their position as owner-workers had given them more confidence outside the workplace. Thus, the findings suggest that the TM Group structure contributed to gender equality in two ways: firstly, by empowering female workers, placing them at the governance level of the firm, in turn challenging institutionalised norms relating to women's role at home and in their communities; and secondly, by providing a degree of work-life balance.

## 8.5 Summary

In summary, the findings in this chapter highlight some of the contradictions relating to issues of employment practice within the TM Group. Although social enterprise managers felt that their supply chain governance structure ‘put workers at the centre of the model’, some of the findings in this chapter suggest that the TM Group structure may have simultaneously empowered and dis-empowered workers. Although the cooperative workers were generally encouraged to participate in decisions, the scope of worker involvement was defined by social enterprise management. To some extent, this implies that the dominance of the customer (the social enterprise) compromised the autonomy of the supplier firms (TM Cooperatives). The findings also highlighted some of the contradictions relating to issues of WLB within the TM Group. In one respect, WLB concerns were incorporated into governance structures of the TM Group and its constituent cooperatives since workers exercised their right to locate their businesses close to home. These workers placed a high value on being able to work in the same communities in which they lived; they argued this was atypical of textiles industry jobs, which usually required workers to undertake lengthy commutes. However, the cooperative workers' apparent autonomy was complicated by their more precarious employment status, causing them to be financially responsible for their own leave entitlements and flexible working times. Furthermore, in the absence of legislation governing the labour standards of cooperative workers, the TM Cooperatives tended to copy textiles industry norms, causing the replication of work routines, working hours and non-standard employment relationships.

# Chapter 9

# Discussion

This chapter discusses the findings in relation to the research objectives and highlights the key themes that have emerged during the course of the research. The first section (9.1) explores the extent to which governance and managerial practices in the cooperative firms might be explained by institutional forces that caused them to become isomorphic (Di Maggio and Powell, 1983; Scott, 2001), focusing on whether these institutions protected or undermined cooperative identity (Bager, 1994). It identifies several cases of non-congruent isomorphism relating to governance arrangements in the worker cooperatives, which was caused by institutional pressures that stemmed from the worker cooperatives relational ties to, and dependency on the social enterprise. The following sections (9.2 and 9.3) discuss the findings in relation to global value chain (GVC) theory (Gereffi et al, 2005; Barrientos et al, 2011) and labour process theory (Thompson and Smith, 2010; Taylor et al, 2013) Section 9.2 focuses on whether the configuration of the GVC and the inter-organisational governance of the TM Group, including its managerial controls, contributed to the economic and social upgrading of the value chain. Finally, Section 9.3 considers the extent to which the labour process in the global and local supply chain contributed to gender (in)equality (Acker, 1990) and workplace democracy (Pateman, 1970). In doing so, it highlights several contradictions within the social enterprise’s strategy, which was reportedly intended to reconfigure its supply chain in order to empower (female) workers.

## 9.1 Isomorphism in an emerging market economy

One of the objectives of this study was to understand how congruent or non-congruent isomorphism within emerging markets plays out through GVCs. Drawing on the broader typology of coercive, mimetic and normative drivers of isomorphism (Di Maggio and Powell’s (1983), this section discusses the extent to which the managerial strategies adopted by the focal firms were shaped by factors relating to the institutional environment. The latter part of this section critically explores the findings in relation to the literature on NIS and worker cooperatives, focusing on the congruent and non-congruent nature of institutions (Bager, 1994).

There were three temporal periods in the development of the TM Group that were influenced by external organisations as well as the introduction of new actors to the internal workings of the group. Thus, the historical development of the TM Group can be divided into three principle stages, which are set out below in figure 9.1.

###### **Figure 9.1 - Timeline of TM Group development**

|  |  |  |
| --- | --- | --- |
|  | | |
| 1999-2004 | 2005-2010 | 2011-2015 |

During the TM Group's formative phase, the organisations with which members interacted on a regular basis consisted of other local NGOs and regional funding agencies. Organisational strategy was influenced the founder's belief that it should reflect the views of those who it was intended to serve. The 'production and growth' stage represents the decision by the founder and the original beneficiaries to begin manufacturing textiles products for commercial purposes - a decision that recast the beneficiaries as workers. While the founder's principles remained influential, there was evidence that commercial and productive concerns were most important as the TM Group sought to establish itself as a business. The inter-organisational relationships that were established within the TM Group began to take on a formal structure, typified by a series of customer-supplier dyads within which new power asymmetries were constructed. Finally, stage three reflects a period in the TM Group's development whereby managers sought to address legitimacy concerns from its customers and the FT certification body, which had arisen as the TM Group attempted to increase its membership. The following sections explain these phases in more detail, explaining how coercive, normative and mimetic forces influenced the managerial strategies of the group during each stage and at each juncture.

### 9.1.1 TM Group: a social enterprise or hybrid organisation?

In order to understand the way institutions shaped the governance arrangements of the worker cooperatives it is first necessary to consider the structural arrangements of the TM Group in order to determine whether it is more appropriate to characterise the group as a collection of individual entities (e.g. a privately owned business, an NGO and several cooperatives), a social enterprise (Spear et al, 2009), a hybrid organisation (Hoffman et al, 2012; Holt and Littlewood, 2015) or as a supply network (Harland et al, 2001; Christopher, 2005). Such a distinction is important because the categorisation of these organisations may have implications for theorising about the way institutional pressure affects worker cooperatives. The structures and activities of private businesses, for instance, are likely to be underpinned by different value systems to NGOs, social enterprises, or hybrids. In the case of the TM Group, the founders had created a complex network of legal entities that seemed to have been created in response to the absence of a single, purposeful legal structure. Intriguingly, they chose to refer to their network as a 'social enterprise'. While there is no clear definition of a social enterprise, the term has rarely been used to describe a supply network, although they can assume diverse forms and are typically surrounded by legal ambiguity (Spear et al, 2009; Mason and Doherty, 2016).

In this study, the TM Group was comprised of three different organisational entities (i.e. company, NGO and cooperatives). Whilst there were close relational ties between these organisation, TM Promotions and TM NGO worked so closely together that the boundaries between them were blurred. During fieldwork, it was difficult to decode which of these entities formed the social enterprise (Doherty et al, 2014). Intriguingly, the founder and the CEO of TM Promotions argued that all three entities operated as a social enterprise, implying that the governance practices of the TM Cooperatives could only be understood from within the inter-organisational governance of the broader TM Group. However, other managers, such as the operations manager and the HR manager, argued that the social enterprise referred to the collective actions of TM Promotions and TM NGO, but did not include the cooperatives. According to this view, the corporate governance practices of the social enterprise and the TM Cooperatives could be clearly differentiated.

The challenge of determining the boundaries of a social enterprise has previously been acknowledged within the literature. For example, Spear et al (2009) suggested that they could lack a purpose-made legal form, and could have one of four governance structures: (1) mutuals (e.g. cooperatives); (2) trading charities; (3) public sector spin offs; and, (4) new-start social enterprises, with the latter referring to new ventures that are set up by social entrepreneurs and driven by social or environmental aims rather than solely to maximise profits. Under this typology, it seems that the TM Group could arguably fit into the first category (TM Cooperatives), the second category (TM NGO) or the fourth category (TM Promotions). However, none of these categories really captures the complexity of the TM Group. This is since they all assume the conventional boundaries of a firm, but the TM Group was not governed by a single constitutional document that set out in broad terms how it was to be governed and run (Spear et al, 2009). Instead, it could be argued that the TM Group was operating not as a social enterprise, but instead as a set of inter-firm networks within a supply chain. Thus, the governance arrangements of the TM Group were based on an amalgam of the three different entities, which potentially has important implications for governance and management both *in and between* firms.

An alternative way of conceptualizing the governance arrangements and structure of the TM Group is as *hybrid organisations,* referring to organisations that operate as a single entity but constituted around two or more different types of formal structure (Doherty et al, 2014; Holt and Littlewood, 2015). In advanced economies, the term ‘hybrid organisation’ has been used to describe public and private partnerships (Skelcher, 2007), although more recent studies have covered collaborations between third sector organisations (Billis, 2010; Battilana and Dorado, [2010](https://www.jstor.org/stable/29780265?seq=1#page_scan_tab_contents)). In developing countries, the term has been used more liberally since the organisational forms developed in advanced societies have been incompatible with the different cultural settings, and consequently new forms of organisation have emerged (Holt and Littlewood, 2015).

According to Hoffman et al (2012), hybrids in Africa possess two fundamental characteristics: firstly, they adopt a combination of non-profit and for-profit business models; and secondly, they assume a mission-driven ethos to address a social or environmental goal. In doing so, they 'sacrifice' financial returns or reinvest profits in order to achieve less-tangible social objectives (Haigh and Hoffman, 2012). The TM Group seems to correspond to this form. At the same time, Ciesielska (2010) has differentiated between internal and external hybrids. Internal hybrids have mixed governance mechanisms with some aspects of hierarchy or authority combined with contractual or non-bureaucratic relations, such as a market (Zenger et al, 2011), and therefore two of the three types of entity (Company, NGO and cooperatives) seem to fit within this typology. The activities of TM Promotions and TM NGO, which blended profit and non-profit logics, are consistent with the dynamics of an internal hybrid (Alter, 2007) since whilst technically existing as separate entities, the two entities worked in very close collaboration, were governed by the same people and operated from the same premises. Indeed, there was even confusion amongst managers at TM Promotions regarding which workers were employed by either organisation.

Although operating, to some extent, as an internal hybrid, the TM Group could also arguably fit within the model of an external hybrid. External hybrids are separate legal entities that coordinate their activities over a sustained period (Ciesielska, 2010), and can sometimes be characterised by close relations between prime contractors and sub-contractors (Shane, 1996), particularly if they are governed by licensing arrangements or collaborative procurement of components or technology (Ciesielska, 2010). The service-level agreement between the social enterprise (TM Promotions and the TM NGO) and the TM Cooperatives worked on this basis. Although the contract contained short-term break clauses, the majority of these relationships had lasted for a sustained period. Therefore, it may be appropriate to characterise the TM Group as comprised of two forms of hybrid organisations: an internal hybrid that is contained within an external hybrid organisation. Notably, the notion of multiple or embedded hybrids has not previously been covered in the literature. According to this view, the external hybrid comprised the heterogeneous relationships between the internal hybrid and the TM Cooperatives. In contrast to the social enterprise model, which implies that the various constituents were working towards the same objectives (Ridley-Duff and Southcombe, 2012), the external hybrid recasts these relationships as horizontal. In doing so, it accounts for the fact that the cooperatives were effectively in competition with one another because they competed to supply goods to TM Promotions and to other external clients.

There have been other analyses of hybrid organisations. Some have argued that they are a cultural phenomenon that emerged in response to fast changing market conditions, growing importance of speed and information, and the inflexibility of large bureaucratic organisations to cope in this environment (Powell, 1987; Ciesielska, 2010). For Powell (1987), they are an attempt to allocate resources around 'generalized reciprocity'. In other words, hybrids operate in a paradoxical manner by accepting uncertainty (created by markets mechanisms, globalisation, divisions of labour etc.), whilst exploring opportunities for mutually supportive action and collaboration. The findings show that the TM Group operated in this way. The founder and the CEO, who to some extent seemed to be aware of these contradictions, argued that they were pioneering new ways of conducting business. In the absence of best practice models to replicate, he felt that it was necessary to use trial and error. As a result, the TM Group’s governance processes (and many other aspects of its intra- and inter- organisational managerial practices) were in a state of constant flux, being regularly assessed, adapted, renewed or replaced. For managers, this created a high degree of uncertainty. For instance, the HR Manager expressed frustration at the regular changes that were being made to systematic procedures to both the intra- and inter-organisational governance.

Another aspect of hybrid organisations is their tendency toward internal conflict, largely because they attempt to mix cultures and bring together competing identities (Cohen and Kennedy, 2000). Tensions can therefore often arise within and between different groups or departments as they attempt to resolve competing organisational objectives or normative values (Ciesielska, 2010). Such contradictions were evident in the TM Group, whereby conflicting logics (e.g. profit versus non-profit; democratic participation versus fast decision-making) played out in the day-to-day activities of managers and staff. These tensions arose on a regular basis within the TM Group and they posed a particular challenge for ‘professional’ managers because it required them to question the relevance of their abilities, expertise and corporate experience to this context.

One way in which tensions can emerge within hybrid organisations is at the inter-organisational level. As Ciesielska (2010: p.28) notes, external hybrids 'can lead to restricted market access for newcomers' because existing members seek to preserve their own positions within the group structure. The TM Group provided newcomers with equal access to productive work, on the assumption that they satisfied its minimum expectations around productivity and quality control. As a result, market access was contingent on the ability of cooperative workers to work at a particular speed and to a particular standard, which usually meant that, in practice, restrictions were placed on new cooperatives with limited transferable or relevant skills. However, there were exceptions to this rule. For example, the group had been very flexible with some under-performing cooperatives, providing them with additional resources, training and time to reach the requisite standard. On the other hand, there was one Cooperative (Cooperative F) that had joined the TM Group having previously operated as a conventional business, which meant that their staff were adequately skilled and their operational systems were already in place. As a result of these attributes, Cooperative F was able to secure an equal share of production from their first involvement in the group. This had irritated members of some of the other cooperatives who did not like the preferential treatment being given to them.

A further form of tension that arose was previously identified by Ciesielska (2010) who suggested that tensions can arise in hybrid firms due to fears that partners are not performing to expectations or because a partner’s actions are misinterpreted. In TM Group there were not many instances of this form of inter-organisational tension, possibly because face-to-face communication occurred regularly between managers of all partners. Although there were some disputes of this form, they were generally smoothed over through an informal and discursive process. There were, however, signs that tensions were brewing over the way in which profits were shared between different group members. For instance, several cooperative managers expressed concern that TM Promotions/TM NGO were siphoning a disproportionate amount of value for their activity. Notably, these concerns had been discussed between TM Cooperatives but without the knowledge of TM Promotions/TM NGO managers, which implies that the cooperative managers were aware of the conflicting interests at play within the group structure. These tensions contribute to a new understanding about the tensions that exist within hybrid organisational forms. While numerous studies have explored the 'productive tensions' relating to the struggle to combine market and social aims (see Battilana et al, 2015: p.1658; see also Battilana and Dorado, 2010; Hoffman et al, 2012), the case of the TM Group highlights the potential for tensions to arise between hybrid constituents over their share of the group's resources.

### 9.1.2 Coercive isomorphism

Generally speaking, the most common form of coercive pressure is associated with legislative and regulatory functions of the state (Boxembaum and Jonsson, 2007). In this study, the regulatory environment (Dacin et al, 2002) as well as the supply chain (Guler et al, 2002; Lai et al, 2006) were found to influence aspects of organisational structure and managerial practice. Historically, approaches to the legislation of cooperatives have varied markedly between different institutional contexts (Bager, 1994), ranging from countries that have specific laws governing cooperatives, such as the UK, to those where cooperatives are governed by the same regulations as conventional companies, such as Denmark and Norway (Henry, 2012). More recently, there has been a global trend towards enacting specific legislation for cooperatives, which has been driven by the International Labour Organisation (Henry, 1998; 2005; 2012). This approach has caused isomorphism in relation to international approaches to cooperative law[[4]](#footnote-4), however regulatory enforcement and institutional support for cooperatives vary significantly between countries (Develtere and Pollet, 2007).

#### 9.1.2.1 The legislative environment

The Cooperative Act (Republic of South Africa, 2005) was the most influential piece of legislation affecting cooperatives in this study. Specifically, it was found to influence the governance arrangements in the focal cooperatives in three ways. Firstly, they were each governed by executive boards comprising four positions, three of which were required under law (Chairperson, Treasurer, Company Secretary). Secondly, the most important decisions, which included aspects of organisational strategy or director (re)election, were made through a full-member ballot at an AGM. Thirdly, the constitutional documents contained restrictions relating to the maximum terms that could be served by directors. Therefore, the similarities in the governance arrangements of different cooperatives supports Bager's (1994) contention that legislative functions carry the potential to cause isomorphism with regard to cooperative governance.

Whilst the findings demonstrate the apparent effectiveness of South African regulatory functions on cooperatives, it should be noted that the Cooperative Act 2005 was not the most up-to-date legislation covering cooperatives and that changes made to the Cooperative Act in 2013 were not yet being put into practice in the cooperatives. Since the study took place in 2015, it could be argued that there was a delay between law-making and enforcement. However, Henry (2005: p.56) notes that the successful implementation of cooperative law ‘depends on an adequate institutional backup, like efficient registration, audit and promotional services with qualified manpower’. The findings in this study show that whilst the registration process had proved effective, other forms of regulatory support operated ineffectively or were absent. As a result, the Cooperative Act 2005 had a more profound influence on the structural arrangements of the TM Cooperatives than any subsequent laws. During registration, the focal cooperatives were obliged to adopt a constitutional template that was designed by the regulator. The template, which was rigidly enforced by the regulator, was the mechanism by which South African cooperatives were compelled to align their formal structure, constitutional documents and behaviour with cooperative law (Okbandrias and Okem, 2016).

Although the registration was found to be highly effective, the findings suggest that the cooperatives were not putting all of their constitutional commitments into practice. In particular, they failed to enforce term limits on directors' tenures. Several directors, who had been in place since their cooperatives' inception, had outstayed the maximum term limit. It is particularly intriguing that this one aspect of governance had not been enforced in any of the cooperatives, whereas the use of ballots and boards had been adopted from inception. This phenomenon could to some extent be explained by a separation of formal structure and day-to-day operations – a process known as ‘de-coupling’ (Meyer and Rowan, 1977; Hallet and Vantresca, 2006; Boxembaum and Jonsson, 2007). De-coupling implies that organisations adopt superficial formal structures without implementing the related practices in order to abide to institutional constraints by external organisations (Boxembaum and Jonsson, 2007). Yet, this rationale does not account for why de-coupling had occurred in relation to term limits but not for other aspects of corporate governance, such as board structure.

An alternative explanation is that 'legal ambiguities' (Edelman, 1992) relating to the imposition of term limits allowed managers, and professionals, to interpret the law and construct responses to it within this particular context. Whilst the Cooperative Act required newly formed cooperatives to set limits to the tenure of directors, this legal ambiguity was created because there was no stipulation regarding any maximum or minimum term. These findings support the views of Edelman (1992; see also Dobbin and Sutton, 1998; Edelman et al, 1999) that it is more appropriate to view the role of the state as an endogenous force rather than a homogenous constraint over organisational practice, from which homogeneity is not necessarily determined. In other words, organisations interpret laws differently, which leads to a variety of organisational responses to the law. In this case study, this ambiguity around term limits allowed some cooperative board members to construct situations that enabled them to resist challenges to their authority (Ellerman, 1980), which allowed them to remain in position indefinitely. The findings to some extent support this view since board members in two cooperatives (B and D) had undertaken prolonged tenures on the board and remained unchallenged. The findings suggest that there was a perception amongst social enterprise managers, as well as workers, that these individuals were the only members capable of undertaking such an important role since they had the requisite industry knowledge, leadership experience and multi-lingual skills. It should be noted, however, that this form of authoritarian management structure was only observed in two cooperatives. Whilst this explanation may partially explain the absence of term limits for directors in these cases, it cannot fully explain the phenomenon across all of the focal cooperatives.

A third possible explanation for the failure to enforce term limits on cooperative directors is that competitive pressure caused members to overlook aspects of democratic governance that they perceived to limit their commercial priorities (Turnbull, 1994). These pressures related to the cooperatives' immediate focus on maintaining their financial solvency, fulfilling customer orders and improving productivity, which were particularly pronounced during their formative years. According to this logic, term limits on directors and managers prevent firms from achieving strategic and managerial continuity required to operate as viable, commercial businesses since they potentially drain the firm of key leaders (FT, 2015). Yet, in their study of the Mondragon cooperative, Whyte and Whyte (1991) showed how the firm maintained its commercial success for generations despite imposing four-year limits for positions on governing members. In this study, the findings suggest that members' tolerance of governors who overstayed their tenures declined over time as they began to perceive their cooperatives' economic future as more secure. In the cases of the two most commercially viable cooperatives (A and F), long-serving board members had recently been replaced and limits were put in place for future ballots. Thus, the most plausible explanation for the absence of term limits in formative worker-cooperatives is that cooperative governance structures were shaped by capitalist imperatives, relating to notions of maximising productivity and ensuring effective managerial decision-making. However managerial expropriation also appeared to be an important factor in some cases. In other words, capitalist market pressures and neoliberal assumptions about what constitutes ‘good governance’ appear to have been the key factors shaping decision-making processes in the cooperatives.

#### 9.1.2.2 The regulatory environment

The analysis identified other forms of regulation that were technically applicable to the cooperatives, yet there was no evidence that it had been put into practice. Previous studies have demonstrated the isomorphic effect of employment equity law on organisations (Edelman, 1992), but its impact can be limited by a lack of regulatory potency (Suchman and Edelman, 1996; Powell, 1996). Generally speaking, labour market legislation had not had an impact on the cooperatives, despite a change to the Cooperative Act (RSA, 2013) that extended the rights included in the Basic Conditions of Employment Act (1997) to cooperative workers. In practice, this change meant that cooperative members were required to formally register as workers, rather than as self-employed, which effectively gave cooperative workers the same rights as conventional employees. Furthermore, the amendment was passed in response to guidance from international agencies (ILO, 2014) and South African trade unions (SACTWU, 2014), both of whom had raised concerns that cooperative forms of enterprise were being used to exploit workers by circumventing laws that guaranteed basic employment rights. The union body has also tried to influence change in precarious work in other institutional contexts. For instance, recent legal disputes in the UK between the GMB union and the taxi firm Uber have highlighted the way unions have sought to influence the employment status of workers (Guardian, 2016). In this study, the focal cooperatives were found to be non-compliant with recent changes to the law since cooperative members retained their self-employed status.

There are numerous possible explanations for the cooperatives' failure to comply with the conditions of the employment act. The first explanation is similar to an earlier argument that since these legislative changes were relatively recent[[5]](#footnote-5), the delay reflects a lag in the implementation of new legislation. Previous arguments relating to the effectiveness of the regulator (DTI) support this thesis since the findings suggest that after registration the coercive force exerted by the regulator was less potent. The findings may support this supposition since managers in the cooperatives, and those in TM Promotions/TM NGO, were clearly unaware of the recent regulatory changes that took place during the initial phases of the study. Therefore, it is possible that their failure to comply with this particular aspect of the law could be explained by a time-lag between the passing of new legislation and it being effectively communicated by the regulator.

A second explanation relates to the financial ramifications of a change of employment status for individual members and their cooperatives. On the one hand, it may seem strange that cooperative members would not choose to implement changes that provided them with a more stable income, improved job security and paid holidays. On the other hand, the cooperative members had found alternative ways to supplement their incomes, through a variety of support grants aimed at individual entrepreneurial or non-employed workers, which meant that in the short term they were arguably financially better off than if they were registered as employed (Okbandrias and Okem, 2016). In addition, the cooperative organisations would be liable for additional taxation if they were listed as an employer. In worker cooperatives, where all surplus income is shared equally amongst members, this would be likely to lead to lower monthly income for these workers.

The first explanation is arguably more plausible since the findings did not locate any instance in which any member of the TM Group was knowingly flouting regulations; in fact, most managers claimed that the group's ethical image relied on full compliance with the law and were able to give examples of instances in which they had intervened if any member of the group had been found to be operating illegally. Therefore, the findings suggest that the ineffectiveness of the regulatory environment that surrounds cooperatives was the most likely factor causing non-compliance in this instance (Edelman, 1992; Edelman et al, 1999).

### 9.1.3 Normative isomorphism

Normative isomorphism, which is associated with professionalisation, occurs when organisations take action that is intended to satisfy legitimacy concerns stemming from external organisations (Di Maggio and Powell, 1983). In such cases, organisations receive signals from the external environment that a particular course of action is deemed to be ‘proper’, or even a moral duty (Suchman, 1995). In the NIT literature, professionalisation occurs through two processes. Firstly, professionals receive similar training through which they internalise particular world views (Mizruchi and Fein, 1999; Paauwe and Boselie, 2003). Secondly, members of professions interact through professional bodies, trade associations, which further causes ideas to diffuse through these networks (Mezias, 1990; Galaskiewicz and Burt, 1991). The findings identified several instances in which normative pressure had influenced the cooperatives and the TM Group. These forces stemmed from the activities of professional staff (Galaskiewicz et al, 1985; Galaskiewicz and Burt, 1991; Scott, 2008), however there was also evidence that normative principles were transmitted through other means, including engagement with academia and through the certification process undertaken by the Fairtrade body. In addition, the various sources of normative pressure changed over time as the group responded to a changing external environment and its emerging commercial focus.

The findings in this case study show that professional management knowledge in HR and SCM had an impact over the working practices of the cooperatives (Paauwe and Boselie, 2003). As Batstone (1979) notes, the power-laden discourse around experts or professionals can undermine democratic processes in worker-owned firms. The findings in this study, however, suggest that some professions imposed more powerful influence than others. For example, the supply chain management (SCM) discipline was particularly influential over the inter-organisational governance structure and business strategy of the TM Group as a whole. This strategy was driven by the CEO of TM Promotions, who had experience of executive-level experience in several MNCs. The CEO's experience related to work undertaken in European and US firms, operating in the IT industry, which supports the notion that managers may act as 'institutional carriers' between institutional contexts (Scott, 2003: p.879). Furthermore, it also suggests that they transmit norms between different industries and amongst different categories of firms (i.e. from large corporations to SMEs). The implication here is that professional norms do not only stem from the current activities of managerial staff, they can also transmit between organisations through the previous work experience of influential members of staff (Vos et al, 2011). Although the CEO was no longer active in a professional body or trade association, he was evidently responsible for diffusing these SCM principles throughout the TM Group through training and mentoring of other managers. Managers regularly referred to a diagram of interlocking cogs to explain the degree of interdependency between the three entities in the TM Group. Furthermore, they claimed that the group structure had been motivated by their belief that relational ties with supply chain partners were the 'right way' to conduct business. SCM principles were also evident in the strategic and operational decisions of managers. This included their approach to dealing with reliability issues with suppliers by conducting training and offering incentives to improve quality and reduce error rates; their close relational ties with customers; their attempts to increase the 'responsiveness' of the supply chain by favouring, and working collaboratively with 'local' suppliers (Christopher, 2016); and, their strategic focus on sustainability concerns (Seuring and Miller, 2008).

Professional norms from the HRM and accounting disciplines were also evident in some aspects of the firms' strategy. In some respects, the use of professionals in a group of relatively small firms was surprising, given that smaller to medium sized enterprises are not typically associated with in-house specialists or sophisticated management systems (Cully et al, 1999). The practice of the accountant and the HR manager was informed by their knowledge of professional standards that was communicated to them via their involvement with training institutions and universities, workshops, seminars and professional publications (Galaskiewicz and Wasserman, 1989). Yet, since both roles were employed on a sub-contracted basis, these professional actors had direct links to other practitioners and to emerging professional practice through their other work commitments. The findings suggest that the way in which these professional norms were interpreted within this case study created challenges for the managers concerned. In other words, the cognitive frameworks associated with these professions ([Norus, 1997](http://search.proquest.com/openview/9b205c326111d1691d82a706c43d4c18/1?pq-origsite=gscholar)) affected the way in which organisational routines were shaped, although they needed to be re-interpreted within the context of a cooperative setting.

While the notion that professional norms can be re-interpreted within different contexts is compatible with the concept of institutional isomorphism, it is generally assumed that such variations occur due to differences in the personality traits of managers (Di Maggio and Powell, 1983). In this case, such individual explanations were insufficient because the HR manager argued that she adapted her practice to fit with the normative demands of managing in a democratic working environment. However, the involvement of professional practitioners may not be conducive to the democratic process in worker-owned firms. As Batstone (1979) puts it: ‘[experts] attempt to maintain a monopoly and the claim to competence may also serve to prevent the development of more useful means to resolve problems or methods which would go to the roots of problems rather than simply tinkering with symptoms’ (Batstone, 1979: p.255)

In this case study, the HR manager spent a significant amount of time resolving individual firm-level disputes between cooperative workers because they posed a greater threat to the production process than in conventional firms. In practice, this meant that the HR manager did a significant amount of work with her employers' suppliers (the TM Cooperatives), a type of work that seems to be relatively under-researched in the HR literature (Fisher et al, 2013).

Since a significant amount of the HR managers' time was dedicated towards managing tensions that arose within the group, this meant that professional standards influenced strategies for arbitration, mediation, disciplinary procedures and dismissal in the cooperatives. In some cases, she claimed to have successfully avoided or remedied disputes between cooperative workers that enabled production to flow. However, Wuisman and Mannan (2016) argue that almost all successful worker cooperatives have endured internal tensions during their formative years and it is important for the members to find ways to resolve these disputes. In this case, the activities of the HR manager may have ensured that the production process was maintained, however her involvement may have prevented the cooperatives from developing more mature democratic functions.

Accountants have also been shown to exert normative pressure over inter-organisational strategy and the mechanisms by which relationships are governed (Tsamenyi et al, 2006). The accountant in this case study contributed to the design of performance indicators and implementation of performance management system that was used by TM NGO staff to incentivise particular behaviours in the TM Cooperatives. In practice, he was employed to inspect the accounts of the TM Cooperatives in order to ensure that they were legally compliant in relation to their financial reporting and the service level agreement between the parties. To some extent, these findings support the notion that professional managers were insulated from coercive controls that were imposed on other members of staff (Galaskiewicz et al, 1985). In the case of the accountant, the professional role informed the form of control mechanisms that were used to control other workers.

According to Di Maggio and Powell's (1983) argument, which was been supported by various empirical studies (Galaskiewicz et al, 1985; Mizruchi and Fein, 1999), professional actors exert normative pressure to varying degrees within different organisational fields. The findings in this section suggest that professionalisation was an important factor in this setting, however its influence was restricted two barriers. Firstly, the professionals in question (with the exception of the SCM manager) were employed as sub-contractors which limited their ability to drive changes. While the use of sub-contracting arrangements was to some extent caused by TM Group's inability to fund professional managers on a more permanent basis, the founder and the CEO also used these terms to restrict the capability of professionals to affect practice. By limiting the contact of professionals and permanent staff, they maintained their own influence over operations. Yet, these restrictions created a split at the governance level of the TM Group with the founder and CEO on one side and the HR manager and the accountant on the other that ultimately resulted in the resignations of the latter. In other words, the findings highlight the clash between the normative values of the TM Group and the professions. Whilst the specific reasons for the split were contentious, the HR manager felt constrained by the governors who served their own agenda by holding back the growth of the TM Cooperatives. In contrast, the governors argued that the professional staff had promoted individualistic practices and failed to adapt their practice to a cooperative business environment. While there was some evidence that the professional practitioners were struggling to adapt to a democratic workplace, it is also noteworthy that this particular conflict took place at in the governance tier of TM Promotions, which did not have any democratic decision-making protocols in place. Therefore, a more plausible explanation for the existence of these tensions is that they represent a managerial power struggle rather than a clash of professional and democratic principles.

#### 9.1.3.1 Normative forces from other organisations

Alongside its employment of professional actors, the worker cooperatives also experienced normative pressure from three other groups: academia, Fairtrade organisations and other textiles businesses. The CEO of TM Promotions sought out contacts in Universities, which were found to be a source of normative pressure over organisational structure and practice. These academic contacts were forged by the CEO in response to pressure from the external actors (Di Maggio and Powell, 1983), including a major customer (Sarkis et al, 2011; Zhu et al, 2013) and the FT body, to legitimise claims that the group was acting in an 'ethical manner' in relation to the workers who made its products. While Di Maggio and Powell (1983) have argued that academia has the potential to influence organisation practice, this aspect of institutional isomorphism has in the past received relatively little attention from scholars, with relatively few exceptions (see Zsidisin et al, 2005). The assumption here is that normative pressure occurs during the formal education process as practitioners internalise the normative standards of a particular occupation (Gopal and Gao, 2009).

Another important institutional influence on the structure of the TM Group was the body responsible for certifying the group's Fairtrade (FT) status. FT standards have been framed as an attempt to imbue normative values on global supply chains by, amongst other things, encouraging 'socially sustainable’ practice (Moxham and Kauppi, 2014). In this case, the TM Group's FT status related to the whole group, making it an attempt to certify parts of a value chain rather than a single organisation involved in agriculture. In general, the extension of FT standards to the manufacturing tiers of the value chain is a recent development in the FT movement and requires entirely new auditing processes and protocols. In this case, the TM Promotion's FT status was contingent on managers ensuring that the TM Cooperatives were also compliant. Yet, the FT guidance provided only vague suggestions regarding how the monitoring process should be achieved in practice. Instead, FT regulations called on pioneering firms to 'innovate' by experimenting with different measurement tools that ensured compliance through the value chain.

The lack of detailed prescriptions by the FT body arguably created a space for institutional entrepreneurship (Garud et al, 2007; Hardy and Maguire, 2008) - a term that refers to the 'activities of actors who have an interest in particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones' (Maguire et al, 2004: p.657). In this case, the founder and the CEO of the TM Group were the entrepreneurs, identifying deficiencies in the way other textiles firms were organised and creating new intra- and inter-organisational governance structures that they viewed as being fairer and more ethical. They were supported by academic interventions that provided the new models with legitimacy. In other words, the normative standards imposed by FT membership affected the TM Group by encouraging innovation and caused managers to invite other actors to support the emergence of new intra- and inter-organisational forms. However, this model of governance could have long term implications for democratic governance and management in South African cooperatives. Whilst on the one hand, it may renew national cooperative movements by encouraging them to grow and making them more resilient in the face of intense market pressure, on the other hand, it may reinforce a form of managerialism that undermines the democratic principles of the cooperative movement.

The third group of institutional actors found to exert influence over the TM Group was other textiles businesses. When workers change jobs they take with them their past experiences, which has the effect of transferring norms between organisations and in some cases causing the same practices to diffuse throughout an industry (Scott, 2012). In this case study, several members of the TM Cooperatives had previous experience of working as seamstresses in sub-contracting firms, known as cut-make-and-trim enterprises (CMTs). In addition, previous experience of supervisory roles in the industry effectively enhanced the credentials of individual members, enabling them to serve on the board or undertake managerial roles. In general, CMTs are renowned for exhibiting highly disciplinarian managerial practices, with workers sacked if they fail to match up to expectations within a probation period. In this case study some of the TM Cooperatives had rejected this form of managerial practice. In other cases, Cooperative managers drew on direct examples of their experiences in CMTs to inform their practice, albeit not to the extent that workers were made redundant for poor productivity. In these cases, workers were expected to observe strict routines around working hours, scheduled breaks and time-off, all of which are common supervisory tools used in textiles firms (Abernathy et al, 1999; Hale and Wills, 2004; Anner, 2011). Intriguingly, these managers were sent by TM NGO managers to deliver training to other TM Cooperatives on how to improve productivity, which further served to legitimise the practice of these managers. There was some evidence, however, that the most developed cooperative that was experimenting with more democratic techniques was also being promoted as a model of best practice. Thus, this section highlights some of the most important organisational influences that influenced TM Group practice, however it has also shown how certain factors relating to the previous experience of staff and managers caused heterogeneous outcomes in relation to the internal management of the TM Cooperatives.

#### 9.1.3.2 Cultural and religious factors

Cultural explanations have been discussed from a new institutional perspective in the form of values and belief systems of individual actors (e.g. workers and managers) that shape political systems and organisational practice (Grendstad, 1995). During the first and second phase of the TM Group's development, the cultural and religious beliefs of its founding members informed the strategic direction of the group and had an effect on how its constituent firms were managed. Various forms of value system were evident at this stage, including several denominations of Christianity, Islam, and the Southern African concept of Ubuntu. Powell and Bromley (2013: p.7) argue that there are six distinctive societal institutions, each capable of transmitting different 'logics' that affect the way organisations operate. These are: the market, the corporation, the professions, the state, the family, and religions. Typically, NIT scholars have tended to exclude the family and religions from much of the analysis (Beckert, 2010); yet, in relation to the TM Group, these cultural factors appeared to have been an important reason why the founders had chosen to set up alternative forms of enterprise.

In the employee ownership literature, religion has previously been identified as an important factor in the formation of worker-owned firms. Catholicism, in particular, is associated with the emergence of cooperative organisations in various parts of the world, including the US (St Mary's Bank, Opportunity Threads and Cooperation Texas), Italy (Emilia Romagna's cooperatives) and Spain (Mondragon group). According to Molina and Miguez (2008), 'Catholic co-operativism' was an important driver of the democratic social movement that took place in the Basque city of Mondragon in the 1950s. This movement led to the formation of the Mondragon group of cooperatives, which have arguably become the most successful and widely-researched employee-owned enterprises in the world (see Oakeshott, 1973; Whyte and Whyte, 1991; Coad and Cullen, 2006). In this case, the organisation's inception and development was influenced by the 'charismatic leadership' of a local Priest, who applied a 'socialist reading of Catholicism' to develop an 'new form of Christianism committed to labour' (Molina and Miguez, 2008: p.284). Similarly, the findings in this case study also highlighted influence from Catholic beliefs. Several managers felt that the group structure was heavily influenced by the Catholic beliefs of the founder of the TM Group, which inspired the group to look beyond a 'conventional model of business' and put 'people before profit'. Moreover, the CEO of TM Promotions, who was also Catholic, claimed that his faith had influenced their decision to 'promote the cooperative model'. Religious beliefs, therefore, were a primary reason for why the TM Group had supported the growth of cooperative enterprises and why they continued to rely exclusively on cooperative suppliers. It is important, however, to consider the possibility that the presence of Catholic values in both instances was a coincidence. If Catholicism is such a dominant factor in cooperative development, then why do so few communities that are dominated by the Catholic faith become hubs of cooperative enterprise? However, in both cases (TM Group and Mondragon) Catholicism had served as a signpost towards challenging commonly accepted norms of business.

When contrasted with the example of Mondragon, the findings in this study suggest that the way in which Catholic teaching applies to co-operatives can be interpreted in many different ways. For instance, the way in which Catholic values were applied to TM Group, through the mechanism of a 'social enterprise' business model, contrasted markedly with the approach taken at Mondragon, where industrial democracy was a founding principle (Molina and Marquez, 2008). Whilst the literature around social enterprises informs us that organisational forms vary, the model does not imply an extension of democratic principles to the workplace. This was evident in the structures of TM Promotions and TM NGO which had no formal provisions for including workers in decision-making processes. One explanation for the alternative interpretation of Catholic principles could be that the TM Group, which developed at a time of intense neoliberal interference over economic and social spheres, was exposed to more intense competitive pressures during its formative years. In contrast, Mondragon formed at a time during the 1950s and 1960s when global market pressures were less apparent. This argument is to some extent supported by recent studies that highlight the way in which Mondragon has in more recent years succumbed to neoliberal pressure by outsourcing work to subsidiaries in other countries in order to reduce labour costs (Errasti, 2016). Moreover, these studies also show that workers based in subsidiaries are employed as standard workers and are not being afforded the same rights of membership as those back at the core cooperative. In contrast, the findings in this study highlight how non-cooperative firms (TM Promotions and TM NGO) are actively promoting cooperativism in their supply chain.

Religion and culture also played a role in affecting the way in which the TM Cooperatives operated (Seekings, 2008). The religions of Christianity and Islam and the philosophy of Ubuntu was present in the TM Cooperatives, with each having implications for how the cooperatives were managed on a day-to-day basis. In terms of Ubuntu, the NIT literature informs us that organisations may experience normative pressure from the values and beliefs of their workers (Ndiweni, 2008). In this study, the philosophy of Ubuntu, which stems from tribal heritage and is associated with so-called 'black' communities, was also found to influence working practice in the cooperatives. Potentially, Ubuntu has important consequences for cooperative working practice since it promotes 'compassion, reciprocity, dignity, humanity and mutuality in the interests of building and maintaining communities with justice and mutual caring' (Khoza, 2006: p.365; see also Luhabe, 2002; Mandela, 2006). In recent years, academic researchers have identified the presence of Ubuntu in various aspects of business and management, including business ethics (Khomba et al, 2012) and corporate governance (Ndiweni, 2008). The findings in this case study show that some managers felt that the values of Ubuntu underpinned many aspects of management in the TM Cooperatives. This supports the view that the principles of the cooperative movement and the Ubuntu philosophy share similar communitarian principles (Singh, 2013). However, the findings in this study suggest that the impact of Ubuntu values over firm practice can be far less effective than is implied in some of the literature (Karsten and Illa, 2005; Ndiweni, 2008; Khomba et al, 2012). In relation to the TM Group, the majority of managers who expressed the view that Ubuntu was affecting cooperative working practices were employed by TM Promotions and TM NGO rather than by one of the TM Cooperatives. In other words, it was used by external actors - most of whom came from Western backgrounds - to explain the actions of the 'other'. In contrast, managers who lived in communities associated with Ubuntu were more sceptical about its impact on working practice. The findings also highlighted another challenge for scholars wishing to investigate the impact of Ubuntu on organisations (Venter, 2004; Msila, 2015). In this case, it proved difficult to disentangle the normative effect of Ubuntu from the impact of the religious beliefs of cooperative members since most communities were also practising Christians.

### 9.1.4 Mimetic isomorphism

Mimetic isomorphism occurs when organisations choose to copy an example set by another organisation because there is a degree of uncertainty about the best course of action (Di Maggio and Powell, 1983). Under this typology, organisations are believed to copy other firms that they perceive are similar to themselves, in that they undertake similar activities or interact with them on a regular basis. 'Cooperation among cooperatives' is one of the key principles of the global cooperative movement, which implies that mimesis may occur between cooperatives. Such a distinction is necessary since the NIT literature typically assumes that the mechanisms by which mimetic isomorphism occurs rely on copying practices from firms who are perceived to be successful. Intriguingly, the findings in this study identified very few examples of mimetic isomorphism occurring at either the industrial level or between cooperatives. However, there were two exceptions. Firstly, cooperative managers who had previously undertaken managerial roles in conventional textiles firms implemented more disciplined systems of work organisation in their cooperatives. Secondly, the recent implementation of term limits by a small number of the TM Cooperative had begun as a result of an 'experiment' by one cooperative which was then copied by two other cooperatives in the TM Group.

Di Maggio and Powell (1983) inform us that mimetic isomorphism is also likely to occur when firms are faced with uncertain circumstances; thus, it is less likely to occur when organisational actors interpret their circumstances as stable. Since firms are more likely to share practices in collaborative, high-trust environments (Lieberman and Asaba, 2004), the relative lack of mimetic behaviour exhibited by the TM Cooperatives could be explained by factors related to the textiles industry, which is typically characterised by low levels of trust between firms (Bruce et al, 2004). In the South African textiles industry, where firms face intense competition and price fluctuations from global and domestic markets, these uncertain conditions would be likely to create a high degree of uncertainty. However, the findings in this study suggest that the structure of the TM Group, which was designed to create some stability for the cooperatives in their formative years by guaranteeing them commercial contracts, created a relatively safe and stable environment in which to run a business. As a result, the uncertain conditions within which mimetic isomorphism occurs was not as apparent in relation to the TM Cooperatives. Another explanation, which is related to the previous one, is that there was an absence of 'successful' examples to copy. This argument is supported by the relative absence of worker cooperatives that operate at an industrial level in South Africa. In addition, managers from other members of the TM Group argued that there was no example to follow because they saw themselves as pioneering a new form of governance in the South African textiles industry. In other words, the cooperatives perceived themselves to be the most successful organisation within their field.

### 9.1.5 Congruent and non-congruent isomorphism

This section discusses whether social enterprises subject worker cooperatives to congruent or non-congruent institutional pressure, particularly when the relationship takes the form of customer-supplier. The focus here is on ‘what’ governance practices became isomorphic and ‘how’ the process of isomorphism occurred. It then explores how the social enterprise facilitated links with international management and business schools, which also appeared to act as a conduit for non-congruent institutions. Finally, it discusses Bager’s (1994) notion that different institutional settings can create conditions that are supportive of, or a threat to cooperative identity, relating this to the South African context and its impact on worker cooperatives. The findings in this study suggest that regular interactions between worker cooperatives and social enterprises may have had the effect of undermining worker participation, although the relationship also appeared to have contributed to reinforced workplace democracy to some extent.

#### 9.1.5.1 Supply chain coercion and hybridisation as a form of non-congruent isomorphism

The alliance with the social enterprise represented the main link and most regular form of interaction between the worker cooperatives and another formal organisation. To some extent this was because the cooperatives were based in communities where the informal economy was prevalent. The social enterprise, therefore, was a dominant actor within the organisational fields of the worker cooperatives, mediating their interactions with many formal institutions, including laws and industry norms (Edelman, 1991). Bager (1994; 1997) argued that close relationships between cooperatives and other forms of organisation act as a conduit for non-congruent institutions, weakening the reproduction of cooperative identity. At the same time, Vargas (1999) observed that economic trends instigated in the late 1980s, such as the growth and pervasive use of neoliberal economic and public policies, would force cooperatives to establish alliances with private enterprises. In this study, cooperative members appeared to hold the actions and opinions of social enterprise managers in high regard, granting them great power to influence the behaviour of cooperative managers. The role of the social enterprise, therefore, requires careful analysis since the findings imply it had achieved a high level of social legitimacy within this organisational field (Meyer and Rowan, 1977).

The social enterprise appeared to act as a conduit and mediator of institutional pressure on the worker cooperatives. More specifically, managers in the social enterprise mediated the effect of legal and regulatory frameworks on the cooperatives, subjecting laws to their own interpretation before relaying their own understanding to the worker cooperatives. Empirical studies of the worker cooperatives have highlighted how alliances with other types of organisations drive non-congruent forms of isomorphism (Battilani, 2012), particularly mimetic and normative forms. The findings in this study suggest that normative forces were exerted by the social enterprise through the delivery of technical support and training to cooperative members during their registration process and through their formative years. Underpinning much of this support was a normative focus on issues of productive efficiency and reliability (Vargas, 1999), causing the cooperatives to implement autocratic governance arrangements that were perceived to support these aims (Chaddad and Iliopoulos, 2013). As noted earlier, the cooperatives did not always conform to their legal obligations on cooperative governance, particularly in relation to enforcing term limits for directors. Term limits for directors and managers are generally viewed as an important tool for conserving cooperative principles since they prevent against the threat of managerial appropriation by limiting dependency on any individual (Spear, 1994). In this case, however, the findings suggest that the social enterprise managers were indifferent to the use of term limits in their cooperative suppliers, encouraging members to elect individuals that had proved themselves in the role, even if they had outstayed their legal term limit.

While term limits were afforded a low status by social enterprise managers, they appeared to hold democratic balloting in higher regard. In addition to promoting balloting during the training sessions, they also intervened when one of their cooperative suppliers failed to conform to its legal obligations in relation to democratic balloting. Sanctions underpinned these interventions. The social enterprise leveraged its bargaining power as the cooperatives’ main customer de-listing the non-compliant cooperative from the supply network. In other words, the social enterprise appeared to have caused the cooperatives to adopt practices that are associated with workplace democracy (Cornforth et al, 1988). These findings imply that the alliance with the social enterprise may have protected some mechanisms of workplace democracy in the cooperatives, and to some extent acted as a conduit for congruent isomorphism. Why, though, did the social enterprise only issue sanctions when the cooperatives failed to ballot members, but chose not to do so when they were in contravention of other aspects of cooperative law? This would suggest that reason that the social enterprise chose to intervene was not solely motivated by its keenness to ensure its suppliers were legally compliant. An alternative explanation could be that the social enterprise needed the cooperatives to be operating with some degree of workplace democracy because this legitimised the perception that the social enterprise was a credible, socially progressive organisation. In this sense, the process of democratic balloting could have been viewed as a fundamental tool in the practice of workplace democracy, whereas term limits appeared to have been treated as an unnecessary indulgence. Perhaps the most likely explanation, however, is that term limits were viewed as an inefficient and unconducive. As Cornforth (2004) notes, the use of term limits in private enterprises is limited because they are believed to undermine continuity in relation to business strategy, although this claim is not adequately backed up by the literature and perhaps reflects a neoliberal assumption that ‘good’ governance protects shareholder value above all else (see Ireland, 2009; Lazonick, 2014). Nevertheless, there was evidence that this assumption had been a key factor underpinning the advice given by the social enterprise to the cooperatives, causing them to prioritise governance practices that maximised productivity. In other words, the social enterprise appeared to have played an important role in de-legitimising term limits in relation to the governance of the cooperatives. Therefore, despite their role in helping to preserve some aspects of workplace democracy in the cooperatives, the findings suggest that the alliance between the social enterprise and the cooperatives mainly contributed to non-congruent isomorphism.

Intriguingly, there was some evidence that the customer was prepared to enforce term limits for cooperative directors in some instances. Despite having never previously done so, in the case of the most recently incorporated cooperative, term limits were enforced from the inception of the cooperative. This particular cooperative (TM CooperativeF), which had previously operated as a private business, had been operating as a commercial entity prior to its incorporation into the TM Group. In this case, the findings suggest that maximum term limits were imposed on directors in order to satisfy legitimacy concerns expressed by other members of the TM Group. In that particular case, the concerns related to whether the proprietor of the recently re-constituted firm had ceased to operate as the sole manager and begun to share power with other workers. In other words, the use of term limits appears to have been imposed in order to test the cooperatives' commitment to workplace democracy.

The findings also suggest that the close relationship between the worker cooperatives and the social enterprise shaped cooperative governance in other ways. Interventions by social enterprise manager’s appeared to result in outcomes that served their own (economic) interests or reflected their beliefs about how organisations should be run. For instance, the CEO of TM Promotions acknowledged that he had encouraged all cooperatives to formally appoint a production manager to their board and had 'suggested' that they limit the number of cooperative members to 12 - stipulations by which all cooperatives conformed. In other words, it seemed to be the case that managers in the social enterprise had a greater influence over the size of cooperative membership than the cooperative managers or the wider cooperative membership. Following the registration process, a balanced scorecard (BSC) system (outlined in chapter 8) was the formal mechanism through which coercive control was legitimised and the means through which certain practices were passed on to the cooperatives. The primary purpose of these actions appeared to have been to preserve the economic interests of the social enterprise, and to ensure the prioritisation of productivity as a central tenet of cooperative organisational strategy.

#### 9.5.1.2 Academia as a transmitter of non-congruent isomorphism

The findings in this study identified isomorphism that stemmed from direct collaboration with academic institutions (e.g. action research projects) that perhaps reflects the changing focus of academia toward co-production, knowledge transfer and achieving 'impact'. They also highlight how some forms of engagement between academic institutions and industry actors can as a conduit for non-congruent isomorphism and the proliferation of neoliberal assumptions (Battilani, 2012). Whilst Di Maggio and Powell (1983) viewed academia as a source of normative isomorphism, this was thought to occur by academics imbuing current and future managers with normative values (Battilani, 2012). In contrast, direct collaborations between practitioners and academia is a relatively under-explored aspect of New Institutional theory. In this case, academic collaboration was solicited for a specific purpose: to propose improvements to the inter-organisational governance of the TM Group, implying an aim that is consistent with neoliberal values. In one influential intervention, a team of researchers from a highly regarded business school in the US were brought in to co-produce a balanced scorecard (BSC) tool that was used to monitor performance of the supply network (i.e. the TM Cooperatives). As Voorberg et al (2015) note, co-production is an important symbolic process in which the stakeholders attempt to develop a common frame in order to achieve legitimacy in a certain field. In this case, academic alliances reinforced claims that the group was observing ethical business practices and conforming with its Fairtrade commitment in relation to its supply chain.

Scholars of cooperatives, such as Battilani (2012) and Bager (1997) argue that business and management schools can act as a carrier of neoliberal norms that erodes the democratic values of the cooperatives. In this case, the aforementioned management scholars had attempted to adapt their 'best-practice' model (i.e. the BSC) to include a broader group of indicators that clearly extended beyond a narrow neoliberal focus. This included various attempts to base the BSC on performance measures that accounted for the social and environmental impact of the cooperatives. However, the practical application of the BSC focused primarily on economic indicators and the other indicators were rarely mentioned in operations meetings. In addition, the manner in which the researchers produced the toolkit and the way in which TM Group managers put it into practice were inconsistent with the principles of democratic workplaces. For instance, the decision to open up the group to academic critique was made by the CEO of TM Promotions and was taken without consultation with TM Cooperative workers. Moreover, cooperative workers were only limited to passive roles in the 'co-production' process and there was no apparent attempt to integrate any form of worker participation into the ongoing application of the BSC. In other words, the failure to integrate democratic principles into the BSC highlights a compatibility problem between the underlying 'logics' that inform ostensible 'best practice' currently taught in business schools and those of democratic workplaces.

#### 9.5.1.3 Congruent and non-congruent isomorphism in an emerging market

Institutional environments vary in the extent to which they cause congruent isomorphism. Some countries, for instance, have proved better than others at providing the necessary support to worker-owned firms or encouraging the sharing of ‘good practice’ between cooperatives. The most successful countries develop integrated support networks or 'secondary structures' - which refers to federations, unions, leagues, confederations and a national apex body - which facilitate cooperative networking and supporting the sharing between cooperatives (Develtere and Pollet, 2007). According to Khumalo (2014: p.61), the South African cooperative sector was undermined by the 'lack of an active cooperative movement and faulty state support for cooperatives'. The findings in this study support this position. In particular, they identified two characteristics of the cooperative sector in South Africa that inhibited the sharing of practice *between* cooperatives. Firstly, the cooperative movement was split into two factions relating to whether the cooperative was established before or after the fall of the Apartheid government. The split, which was caused by the Apartheid policy to ban non-whites from cooperative membership, means that longer standing cooperatives, many of which were more established and industrialised firms, had little communication with newer, emerging cooperatives, most of which were based in previously marginalised communities (Theron, 2008). Secondly, the 'secondary structures' described by Develtere et al (2007) were either non-existent or were not found to be providing support to the cooperatives. Instead, the TM Cooperatives received support, guidance and training from a supply chain partner (the social enterprise), a state-funded development agency and a small group of local NGOs. There was little evidence that these actors, who each brought with them their own vested interests, intended to facilitate the sharing of practice between cooperatives. Whilst the establishment of the South African National Apex Cooperative (SANACO) in 2013 suggests that the South African government was keen to fill the gaps in the cooperative infrastructure, there was no evidence that it had any impact on the cooperatives in this study. SANACO, which was using funds from the South African government, aimed to engage government and cooperatives stakeholders 'through debates, discussions and workshops'. However, previous research on cooperative apex bodies suggests that they often experience legitimacy problems, particularly when they are imposed on the cooperative sector by governments or other agencies (Hansmann, 1999). These findings would suggest that uncertainty is not the only cause of non-congruent isomorphism. Social and cultural factors can also undermine cooperative identity, leaving a space that is filled by conventional (or neoliberal) assumptions about how organisations should be organised.

## 9.2 Gender, upgrading, and the labour process in worker cooperatives

This section discusses the configuration of the social enterprise-cooperative value chain and its implications for (male and female) workers at the point of production. It draws on concepts that are central to global value chain (GVC) theory, such as buyer dominance (Sturgeon, 2008), GVC upgrading (Fernandez-Stark et al, 2013), and on aspects of labour process theory (LPT) that concern the way in which managerial control is used to limit labour power (Thompson and Smith, 2010). Applied together, GVC analysis and LPT provide an appropriate lens through which to critically analyse claims that the TM Group 'put workers at the centre of the model'.

The first part of this section draws on GVC theory to assess the extent to which the governance structure of the value chain had influenced economic and social upgrading (Humphrey and Schmitz, 2002; Gereffi and Memedovic, 2003; Barrientos et al, 2011). In this respect, it is important to consider the impact of the TM Group over various upstream and downstream segments of the value chain, and not just over the productive work undertaken by the TM Cooperatives. The section also engages with literature around supply chain 'maturity' (Berry et al, 2000) to consider whether future developments may result in more opportunities for upgrading. The findings show identified instances of economic and social upgrading in the social enterprise, but also highlight aspects of inter-firm governance that restricted cooperative worker autonomy and resulted in forms of 'social downgrading' (Anner, 2015) (e.g. the lack of social protections and the absence of traditional employment relationships for cooperative workers), influenced by the cooperatives’ bargaining power vis-a-vis their supply chain partners (Anner, 2015). At the same time, the findings demonstrate how worker ownership and social enterprise can contribute to the upgrading of the value chain.

The second part of this section draws more carefully on builds on LPT and particularly the literature around managerial control (Thompson and Smith, 2010), showing how control mechanisms were used to influence the organisation of work in the supply chain partners. In order to show how such control mechanisms were enforced, the section also draws on aspects of GVC theory that deals with governance patterns in GVCs (Gereffi et al, 2005), including issues of buyer and supplier dominance (Sturgeon, 2008). Interestingly, similar concepts have been used in the SCM literature, drawing attention to power asymmetries between firms and the managerial practices that inform inter-organisational decision-making (Cox et al, 2001).

### 9.2.1 Worker cooperatives in a textiles value chain

According to Gereffi and Fernandez-Stark (2011, p6), 'it is important [when undertaking GVC analysis] to identify the types of companies involved in the industry and their key characteristics: global or domestic; state-owned or private; large, medium, or small, etc.' because this will help to understand the governance structure of the value chain. While many of these characteristics were set out in Chapter 8, this section begins by outlining the supply chain structure. In this chapter, however, there is a focus on both the domestic and global aspects of the focal chain since GVC analysis is primarily concerned with macro-structural factors that take place at the 'global' level. In Figure 9.2 below, the green lines show the flow of production, black lines show personal relationships, and orange lines show financial flows.

###### **Figure 9.2: the focal supply chain**

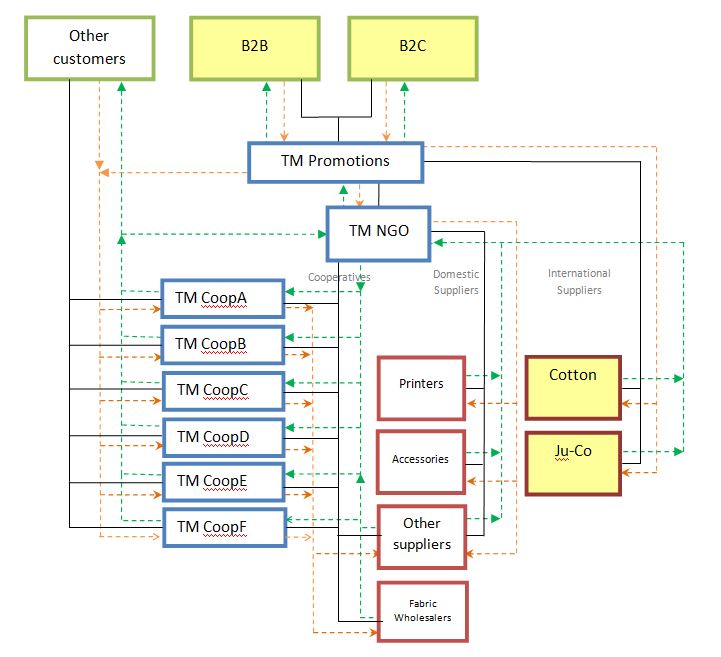


Figure 9.2 shows the network of firms involved in the focal value chain. The TM Cooperatives had no direct relationship with the international supply chain partners (which are denoted by the yellow boxes). Their link to the ‘global’ aspects of the supply chain was facilitated by TM Promotions whose customer portfolio included international clients in the US, Europe and Asia, but whose main customer was based in South Africa. That being said, the main customer also operated across the African continent. TM Promotions was responsible for maintaining personal relations, managing the logistical flow of materials and overseeing the financial transactions.

The majority of the work undertaken by the TM Cooperatives involved processing fabric that was sourced from overseas and producing garments and other textiles-related products that were sold to customers across four continents. This product market consumed around a third of the cooperatives’ productive activities, with the remainder supplying a large domestic retailer. Therefore, this study adds further weight to the notion that firms rely on both local and global supply chains, and are affected by both national and regional institutions (Gereffi et al, 2005; Dibben et al, 2016).

### 9.2.2 Buyer dominance in a textiles GVC

The findings in this study reveal insights into the influence of 'lead firms' in GVCs and the way in which buyer dominance occurs within various 'segments' of the value chain (Gereffi et al, 2005; Coe et al, 2008). Buyer dominance is discussed in relation to three relational aspects of the value chain: firstly, between the TM Group and its main customer; secondly, between TM Promotions and the other constituents of the TM Group; and thirdly, between TM Promotions and its other (global) suppliers.

Firstly, the focal supply chain was dominated by a large domestic retailer (LDR), which accounted for approximately two-thirds of the productive work undertaken by the TM Group. In the textiles industry, lead firms are usually located in advanced economies (Gereffi and Memedovic, 2003); however, in this case study, the LDR was based in South Africa but worked across several African economies. Therefore, this case study could be framed as an archetypal buyer-driven value chain because the LDR dominated the customer portfolio of the TM Group (Yeung and Coe, 2015), which is a common trait of textiles and apparel GVCs (Gereffi, 1994). The LDR exerted control over the financial and technical aspects of production and held a powerful bargaining position, reinforced by its knowledge that the TM Group had limited access to other major customers. It should also be noted, however, that the dominance of this retailer had waned over time as the TM Group had accessed new markets. These new markets, which brought a new international aspect to the supply chain, created a much more diverse customer portfolio, reducing the group's dependency on a single customer and highlighting fluidity of local and international aspects of GVCs.

In buyer-driven GVCs, buyers determine what is to be produced, by whom, where, when, and at what price ([McCormick and Schmitz 2001](http://www.wiego.org/resources/manual-value-chain-research-homeworkers-garment-industry)). Managers in lead firms tend to use their favourable bargaining position to exert strong cost minimisation pressures on firms located downstream (Anner, 2011; 2015) and these power asymmetries have implications for the bargaining power of local managers and workers (Coe et al, 2008). The findings in this study, however, imply a far more complex relationship between the LDR and TM Promotions - partly due to the fact that TM Promotions managers had formed close personal ties with the LDR. These personal ties generated a great deal of trust between managers at TM Promotions and the large domestic retailer (LDR) that allowed the former to obtain a degree of autonomy. In particular, TM Promotions had been granted an unusual amount of autonomy in relation to price, quality and logistics. For instance, the CEO of TM Promotions claimed that he had been able increase the price charged to the LDR, albeit within undefined limits, without the need to gain prior consent from the LDR. Moreover, TM Promotions managers were able to set their own production deadlines, delivery schedules and to change fabric quality as they wished. The relationship was not maintained through normal channels (i.e. procurement and supply chain management). Instead, the TM Group management had established personal relationships with influential people at the governance level of the LDR.

The nature of this relationship could imply that the case study represented a producer-driven GVC, which is atypical in the textiles and apparel industry. This rationale, however, does not hold up to closer scrutiny. Although the case study did not meet all the criteria of an archetypal buyer-driven chain, there remained important power imbalances that favoured the LDR. For instance, the ability of TM Promotions managers to dictate prices and production deadlines to the LDR was tempered by an implicit assumption that they would deliver products at a price that would ensure that customer sales were maintained. If they increased the price to a level that resulted in a fall in sales, then the retailer would be left with an oversupply and future orders would be reduced accordingly. Therefore, TM Promotions' ability to determine price and production levels was limited by the demand of the final customer. Whilst the pressure to minimise costs may not have been as intense as those typically observed in textiles and apparel GVCs, TM Promotions was exposed to very similar, albeit less intense pressure to keep costs low.

Secondly, the relationships between the constituent organisations of the TM Group were comprised of power asymmetries which are also worthy of further analysis. The theory of GVC governance informs us that inter-organisational networks that form within the segments of GVCs are likely to take one of four forms: market networks, captive networks, relational networks and modular networks (Gereffi et al, 2005). Generally speaking, transactions that can be easily coded, and involve low levels of complexity and switching costs, tend to lead to a form of market governance (Gereffi et al, 2005). These factors were present with regard to the TM Group's relationships with their customers, however the value chain does not neatly fit into any of the categories. As previously discussed, the group's relationship with its major customer (the LDR) was collaborative, implying a move towards relational form of value chain governance, which is consistent with how textile and apparel industries evolved in East Asia (Gereffi et al, 2005), but less so in sub-Saharan Africa (Vlok, 2006; Truett and Truett, 2010). In contrast, the group's relationships with its international customers, of which there were many, were conducted at arms' length. It could be argued, therefore, that the value chain was comprised of both market and relational forms of governance; however, the dynamic nature of the supply chain means that any characterisation was fundamentally unstable (Coe and Yeung, 2015).

The local aspects of the value chain appeared to be characterised by a more captive form of governance. The TM Cooperatives were dependent on TM Promotions for the majority, if not for all of their productive activities, which arguably fits the definition of a captive network, albeit at the local level. However, the lead firm in this instance (TM Promotions) actively encouraged its suppliers (the TM Cooperatives) to broaden their customer profile. Moreover, the group's activities involved frequent interactions between personnel. While regular inter-personal contact implies a relational network, it is generally assumed that relational networks are most likely to develop 'when firms need to exchange complex information that cannot be codified' (Bair, 2008: p.353), which was not the case in relation to the focal firms. Instead, the collaborative structure of the network appeared to be motivated by an attempt to pursue an alternative governance model that rooted workers within the governance process. Hence, in its current form, it could be argued that the TM Group's value chain transcended the definitions of captive, market and relational networks, which is arguably better covered by the more dynamic theory of global production networks (Yeung and Coe, 2015).

An alternative way of framing the activities of TM Promotions could be as an intermediary. GVCs often contain intermediary firms that monitor production within a specific region. In general, these firms possess significant bargaining power over networks of sub-contracted suppliers located at the productive segment of the chain, particularly in relation to price and quality (Locke, 2013). In this study, TM Promotions could be recast as an intermediary because it did not undertake any productive activities. Furthermore, the power dynamics between TM Promotions and the TM Cooperatives, which were weighted in favour of the former, were similar to those of intermediaries that have been studied in the existing literature (see Locke, 2013). The relatively strong bargaining position of TM Promotions vis-a-vis the TM Cooperatives meant that managers in the former were able to influence the form and scope of the relationships. As a result, they were able to dictate what standards were acceptable, who would be held responsible if standards were not maintained, and what information should be shared (e.g. technical and accounting). TM Promotions also used its dominant position to share the financial burden of any production problems with the TM Cooperatives. This was best illustrated by the following example. An error by TM NGO staff had resulted in the wrong barcode being stitched to a batch of products, which rendered them unusable. TM Promotions was forced to recall all of the erroneous products. Although the error was made by TM Promotions/TM NGO staff who had provided the wrong materials, the TM Cooperatives were required to make the corrections without further payment.

TM Promotions' dominance over the TM Cooperatives enabled it to benefit from the work of the cooperatives not only through their workers' labour but also through how they marketed their role in the production process. In other words, TM Promotions managers did not only use their relationship with the cooperative to control the physical flow of commodities, but also by taking advantage of disparities of knowledge and power between supply chain actors (Gereffi et al, 2005; Gibbon et al, 2008; Lind and Thrane, 2010). TM Promotions had created a brand and established marketing initiatives that attempted to reinforce their status as an ethical company. The brand drew on their association with the TM Cooperatives and their role in female economic empowerment. The intention here was to reinforce the group's image as an ethical supplier, however it also enabled them to charge a premium to the final customers because the product satisfied the final consumers' desire that the product was made without the exploitation of workers. However, the findings showed that the cooperatives workers did not receive a financial premium for their work. Instead, many workers claimed that they were paid less than when they had worked in conventional textiles factories.

Finally, the nature of the partnership is an important aspect of managing all aspects of the supply chain, including the (global) relationships with fabric producers. For some time, TM Promotions had struggled to establish a long-term, collaborative procurement plan with African cotton mills, despite having persevered for several years due to its 'African cotton' marketing theme. For TM Promotions managers, a long-term relational supplier strategy was desirable in order to overcome ongoing issues with the quality of fabric, supply shortages, and unreliable delivery schedules. Initially, they had encountered such problems with their fabric supplier in South Africa, who preferred to maintain relations at arms' length. After this supplier ceased trading, they sourced fabric from suppliers in other African countries but encountered similar problems. The African suppliers may have failed to engage with the TM Group in a deeper way because the work only represented a small portion of its overall capacity and any investment in developing the relationship may have involved investing resources that were already stretched. However, a more plausible explanation, which is supported by Vlok (2006), is that African value chains are characterised by traditional supply chain management (e.g. arms' length transactions) and it is a lack of business acumen that ultimately serves to undermine the reputation of African GVCs. Ultimately, the ongoing problems with fabric supply was an important factor affecting the manager's decision to source fabric from a supplier in India. The new Indian suppliers had been more responsive to the contact from the TM Group, which led TM Promotions' managers to the conclusion that they were more trustworthy and reliable.

### 9.2.3 Gender and economic upgrading in a social enterprise-cooperative network

Economic upgrading implies increased value capture within a particular segment of a GVC. Institutional factors, industry characteristics, and the form of GVC governance (Fernandez-Stark et al, 2011), shape the process and characteristics of upgrading, including how value is distributed and which actors benefit most (Bair, 2002). Gendered GVC analysis, for instance, informs us that different upgrading trajectories can produce differential outcomes for men and women in their roles as workers and business owners (Bamber and Staritz, 2015). Whilst male and female producers in developing countries face similar barriers that inhibits their access to export markets or grants access only to the lowest value-added segments of GVCs (ILO, 2015), these constraints are intensified for female producers (Tejani, 2010). This section begins by focusing on the recent and prospective economic upgrading trajectories in relation to the TM Group, and then considers their impact on the economic empowerment of men and women across the network.

Achieving access to a GVC for the first time has been identified as one of the most challenging trajectories of upgrading (Fernandez-Stark et al, 2013). Inhibitive entry barriers can include market constraints, such as export tariffs or regulations, or industry level factors, such as recruiting staff with the requisite skills and experience (Thomsen, 2007). Whilst larger firms may be equipped to overcome these resource constraints (Palpacuer, 2005), smaller and medium sized businesses (SMEs) can find them inhibitive. These barriers were reflected in a report published by the World Bank (Staritz, 2001: p.ix) which found that many textiles GVCs were inaccessible for small-and-medium-sized firms in emerging markets due to buyers' demands for ‘low costs, high quality, short lead times, production flexibility, and labour compliance'. In other words, the main barrier facing firms wishing to access textiles GVCs relates to buyer perceptions about the prospective suppliers’ ability to deliver on its agreements (Thomsen, 2007). Cooperative suppliers, through the social enterprise, were introduced to the ‘dynamic learning curves’ that must be experienced in order to survive in GVCs (Gereffi et al, 2000). During its early years, the TM Group was a cottage industry, capable only of undertaking small-scale orders for local customers (such as schools). Its access to a larger customer portfolio was achieved when it began to pool the resources of several cooperatives. It also provided a more professional facade to large clients, important since small-scale suppliers (of whom there are many located in South Africa's townships) were perceived to be unreliable and unable to produce the requisite quality, meaning that they had previously lacked access to large clients.

It could also be argued that the social enterprise helped some firms overcome barriers to GVCs that were specific to the particular institutional context (Bair, 2002). In South Africa, large retailers have been hesitant to contract work from suppliers based in township economies because they have had concerns about their ability to deliver on time with the requisite level of quality (Vlok, 2006). Such assumptions have arguably undermined the development of enterprises in ‘township’ communities, where manufacturing is believed to contribute to less than 2% of formal and informal sector employment (Petersen et al, 2017), while reinforcing the informal economy (Petersen et al, 2017). The findings in this study suggest that the TM Group had been able to overcome some of these barriers, with TM Promotions acting as a broker between large customers (domestic and international) and township enterprises (TM Cooperatives). Meanwhile, TM NGO appeased customer concerns by taking an active role in the production process, ensuring production flows remained on course to meet agreed lead times and providing a quality check. In other words, the TM Group potentially placed (formal) township enterprises on a pathway towards more industrial levels of production. Generally speaking, South African textiles firms are not integrated into international value chains (Vlok, 2006; Mail and Guardian, 2016) because the majority production undertaken in the South African textiles and apparel industry is consumed domestically. In other words, most industrial-scale textiles manufacturing firms in South Africa have struggled to compete in the highly competitive global market. The TM Group, however, produced high volumes for international customers, implying that it was able to overcome these barriers, and that upgrading had taken place.

Upgrading trajectories can also be influenced by the expectations of buyers and suppliers in relation to the range of service functions that suppliers are expected to finance and perform (Thomsen, 2007). Dominant buyers, for instance, often seek to maintain control over higher value added activities in GVCs, whilst delegating lower value added or less secure aspects of production to smaller suppliers. In textiles and apparel supply chains, an attempt by a supplier to take on higher value added aspects of production may be seen as an adversarial strategy by a customer, resulting in the supplier being removed from the supply chain (Nadvi et al, 2004). The findings in this case study suggest that the relationship between managers at TM Promotions and its major customer had enabled the latter to experiment with different supply chain configurations within the local cooperative network and in its distant supply chain. Moreover, the retailer granted the TM Group a degree of freedom to dictate prices (within limits), determine lead times, and control the quantity of good supplied, which is highly unusual in the competitive, buyer-dominated, low-cost driven textiles industry (Gereffi, 1999, Barrientos et al, 2011). It is worth noting, however, that specific institutional factors could have been responsible for the actions of the retailer in this case since South African economic policy (BBBEE) provided large firms with financial incentives for sourcing from local producers that generated employment for previously marginalised groups (e.g. ‘Black’, ‘Colored’, ‘Indian’). In effect, the TM Group’s link to township communities provided it with an ideal link to these ‘hard-to-reach’ groups (Vershinina and Rodionova, 2011). Recent changes to BBBEE policy had given large customers additional incentives for sourcing from firms *owned* by individuals from these marginalised groups, which could have further reinforced the TM Group’s bargaining position with its main customer.

There was some evidence that the successful entry of the TM Group to a major domestic supply chain created conditions in which the group were able to achieve other forms of upgrading. After securing a long term contract with a large retailer, it still took more than six years before it gained any further large-scale customers. In part, this was due to the firm having to re-structure and develop systems in order to cope with high levels of volume and maintain quality standards. Having done so, it was able to explore how it might diversify its products and invest in technology that opened up access to more international markets. Exposure to global markets created opportunities for cooperative workers to experiment with production and enabled them to upscale their industrial capabilities, under the protective umbrella of the TM Group that ensured a constant flow of work. However, these learning opportunities and economies of scale had largely occurred at the level of TM Promotions, which had resulted in some technological investment (functional upgrading), the upskilling of staff (functional upgrading), product development (product upgrading), and a diversified and global customer portfolio.

The above discussion implies that the benefits of upgrading in the TM Group had accrued differently for male and female constituents (Bamber & Staritz, 2015). This was because men and women tended to be concentrated in particular roles in the labour process. The TM Cooperatives where the majority of female workers were located had been delegated the lowest value activities. Although managers argued that the cooperatives were well placed to take advantage of upgrading opportunities, the social enterprise was arguably better equipped to do so. The findings, therefore, raise a question about whether the group structure enabled greater value capture for the TM Cooperatives, where women were exclusively responsible for all aspects of production. This was because rather than passing on these upgrading opportunities to the existing TM Cooperatives, social enterprise managers kept higher-value work in-house, or set up additional cooperatives to undertake lower-value work. In other words, female labour was fragmented across decentralised networks of cooperative suppliers, and expected to compete against one another for work. By outsourcing production to worker cooperatives, the social enterprise established an additional tier of the supply chain that undertook the lowest value work, and the group structure arguably created conditions under which this form of production would be sustained (Coe et al, 2008). The social enterprise acted as a gatekeeper *to* and *from* the TM Group, and therefore took a paternalistic and controlling role. This had the effect of preventing the worker cooperatives from experiencing their own 'learning curves'. In addition, social enterprise managers also directly influenced the governance of the Cooperatives, putting pressure on the cooperatives to restrict their membership to 16 workers; yet, this had the effect of limiting the cooperatives' industrial capacity and preventing them from being able to undertake larger orders for their own customers (outside of the customers to whom they were linked by the social enterprise). It is possible that the social enterprise may have feared that the emergence of a large cooperative posed a threat to its own existence. In other words, a highly industrialised and financially independent cooperative could encroach on its own core competencies, since it could become a direct competitor (Schmitz and Knorringa, 2000). An alternative explanation, which was provided by the CEO of TM Promotions, was that the cooperatives could endanger their own survival by increasing their workforce because it would overstretch their current managerial capabilities. This explanation, which is based on the paternalistic nature of the TM Group, is plausible, however it highlights the power imbalances at play in the TM Group.

This section has highlighted the contradictions in relation to economic upgrading and gender equality in the TM Group. On the one hand, this form cooperative-supplier network arguably represents a form of economic upgrading (Barrientos et al, 2011) since it overrides financial and institutional barriers that prevent small (female-owned) firms from accessing GVCs, and then puts them on a path towards increased productive capacity. In terms of gender equality, economic upgrading of the TM Cooperatives arguably contributes to female economic empowerment because cooperative workers were exclusively female and their dual status as owners gave them ownership over the means of production. On the other hand, this form of governance is remarkably similar to the 'decentralized production networks' (Gereffi and Memedovic, 2003) that are commonplace in the global textiles industry. Typically, these networks are managed by intermediary firms (or brokers), who distribute the lowest value aspects of production amongst numerous sub-contracting units within a particular country or region (Locke, 2007), thereby driving down costs and undermining labour power (Gereffi and Bair, 2003). Whilst Locke identifies occasional instances of economic upgrading within these networks, in general the intermediary benefits most by extracting value from the chain. In relation to the TM Group, this analysis effectively recasts TM Promotions as a broker and TM NGO as a producer, whose interests were best served by fragmenting production across a network of cooperative suppliers. Female workers, who were concentrated in the cooperatives, were expected to undertake the lowest value added work with limited opportunities for economic upgrading.

#### 9.2.3.1 Gender equality and worker cooperatives in a textiles GVC

There were three ways in which the female workers benefitted from working in or for the TM Group, which may challenge the generalised view of how the gendered labour market in the textiles industry might operate (Pearson, [1998](https://books.google.co.uk/books?hl=en&lr=&id=uYaFAgAAQBAJ&oi=fnd&pg=PA171&dq=ruth+pearson+gendered+labour+market&ots=LC7fOOG3mV&sig=2mlyfLsrEXMcBiRoEfABgSMp04I#v=onepage&q=ruth%20pearson%20gendered%20labour%20market&f=false); Barrientos, 2001; Raworth, 2004). The first way was in relation to overcome gendered institutions that inhibit women producers access to resources, such as financial capital or obtaining ownership of the means of production (Burrows, 2008). The second way was in relation to how women were enabled to take management positions. Third, individual workers had greater influence over decisions about their work-life balance.

The literature around gendered GVCs also informs us that the constraints that limit a firm’s access to a GVC are likely to be intensified for female-owned producers (Tejani, 2010). A major theme of gendered GVC analysis concerns the impact of different upgrading trajectories for the employment of men and women (Bamber and Staritz, 2015). This literature draws attention to the gendered constraints – referring to institutional factors that limit women’s access to credit and business networks. The findings in this study suggest these institutional pressures were further strengthened in township communities where patriarchal values are entrenched and women are expected to prioritise their re-productive roles in the household and community (Segalo, 2015). In the broader case of South Africa, these gendered constraints are reflected by limited female business ownership and low representation of women in management (Cilliers, 2016). In contrast, the TM Group structure created conditions in which female-owned firms (the TM Cooperatives) had been able to overcome economic and institutional barriers that prevented them from servicing value chains that required industrial scale production. In the township communities where the TM Cooperatives were based, traditional manufacturing was not a major contributor to employment (for men or women). Therefore, the findings suggest that the social enterprise-cooperative network made a contribution to female economic empowerment by supporting and incubating female business ownership in textiles GVCs.

With regard to the representation of women in management positions, the TM Cooperatives were exclusively owned and managed by women. Although membership was not limited to women, the gendered composition of the textiles workforce in South Africa meant that it was typically female workers that approached the TM Group for work. In most countries, the composition of textiles workforces tends to highlights the gendered nature of labour markets: women are disproportionately represented on the shop floor, whilst men dominate in ownership and management. Even in countries that do not follow this pattern, such as Morocco and Turkey, the most notable difference is that men dominate at all tiers of the organisation. In South Africa, textiles and garment production has traditionally been seen as ‘women’s work’ but to have women situated within management and ownership is unusual. Studies of gender equality in worker cooperatives has found that the greater representation of women in decision-making roles is likely to lead to more appropriate and effective managerial policies that take account of women workers unique role in the production process (McMurtry and McMurtry, 2015). In this case, the women’s newly acquired status as business owners had boosted their self-confidence and their increased financial contribution to their homes and families (World Bank, [2009](http://siteresources.worldbank.org/INTGENAGRLIVSOUBOOK/Resources/CompleteBook.pdf)), which had enabled them to challenge traditional patriarchal institutions at home and in the wider community.

Owning their own businesses was not all positive. Since the workers owned their own business, they were responsible for times of production downtime. This meant that TM Promotions achieved some commercial gains from the use of flexible staffing arrangements because, during periods of production downtime, TM Promotions had no legal responsibility to provide an income to the cooperative workers. The cooperative workers referred to instances in which a shortage of work from the TM Group had resulted in them not being able to feed themselves or their families. More generally, the increasing demand for organisational flexibility had the effect of trapping some workers into poverty by restricting their access to social protection and a stable income (Chen et al, 2001).

The women’s ability to influence decisions may have influenced the second way in which women were empowered, which was through achieving a degree of work life balance (Hein, 2005; Bardoel, 2016). This was achieved partly through allowing the cooperative workers to determine where their place of work was located when the cooperative was set up. Most workers had decided to locate their workplace as close to their homes as possible. This location enabled workers to spend less time commuting and more time at home. Consequently, they were able to achieve a better work-life balance, which, they argued, was important with regard to maintaining social networks, building a strong community and promoting their identity (Hein, 2005; Mapedzahama, 2014). They had a sense of pride in their communities and they claimed that being able to work in them was quite rare since most formal sector jobs were based in out-of-town industrial sites. The distance from the workplace is a common problem in South Africa (Mail and Guardian, [2015](https://mg.co.za/article/2015-11-15-commuting-costs-the-poor-dearly)b) as highlighted in the South African government's national travel surveys (NTS) which demonstrates that commutes in South Africa are longer and more costly than most other countries (Statistics SA, 2003; 2013b). Furthermore, problems with commuting disproportionately affects some groups more than others. Black South African's spend on average 88 minutes per day commuting to work, compared to 55 minutes for white workers (Statistics SA, 2013b), which may explain why cooperative workers chose to locate their premises close to their homes.

The workers also had a degree of control over the scheduling and length of their working hours. The cooperatives had set out standard working hours that workers were expected to observe on a normal working day, however they were able to take time off to attend hospital appointments or to look after dependents without seeking prior approval. In most cases, an informal system was observed in which cooperative workers notified their managers of forthcoming appointments by giving as much warning as possible. This was in contrast to previous research such as a case study of textiles factory workers in Lesotho where long, inflexible working hours and pressures from managers to work unplanned overtime prevented women from being able to care for their children (Chen et al,2005). Similar studies have also demonstrated how textiles workers avoid taking time off because they fear that it may result in them being dismissed by unscrupulous managers who perceive them to be unreliable (Chen, 2008; Forson, 2013). In contrast, TM Cooperative workers felt that their current working practices provided them with a better balance between work and family responsibilities than their previous jobs. Thus, the findings contrast with empirical studies in South Africa and elsewhere that showed that textiles factories often subject female workers to inflexible working hours (Chen et al, 2001). More generally, the findings support existing literature that shows that flexibility can benefit individual workers, particularly when it means greater entitlements to family leave or flexible working hours (Green, 2016).

In having control over their working hours, the workers therefore had one of the three elements that is often regarding as key to having work–life balance: working time arrangements (standard working hours and flexibility); leave entitlements for those with care responsibilities (e.g. parental leave); and childcare provisions (Thornthwaite, 2004). In this case study, all of these aspects were also regarded as important by the cooperative workers. However, workers often emphasised personal health-related issues and the demands of caring for relatives other than their own children. These concerns, which are covered in the WLB literature but to a lesser extent, may reflect the characteristics of the South African context where around 40% of working-age adults are HIV positive and health-related inequality is pervasive (Obuaku-Igwe, 2015). Furthermore, they may reflect the demographic of the cooperative workforce, whereby the majority of workers were over 50 and were partly responsible for caring for multiple generations of their family as well as other members of the community.

Not all cooperatives operated these flexible working hours. Intriguingly, there were also instances in which female managers had adopted highly disciplinarian techniques and put in place punitive arrangements (see TM Cooperative B and D), which had limited the flexibility available to workers. In TM Cooperative B workers were expected to attend precise working hours and breaks were closely monitored: failure to attend was punished by a pro-rata deduction to workers' pay. In addition, the same manager put pressure on workers to avoid taking time off because she claimed that it would adversely affect the business. In the case of TM Cooperatives B and D, the management teams were dominated by individuals who had previously worked as supervisors in privately owned textiles firms and admitted to copying practices from their previous employer. The production manager in TM Cooperative B argued that such practices were 'necessary in the textiles sector' because they were the only way to achieve productivity targets. Intriguingly, this claim was made despite her knowledge that TM CooperativeA had higher productivity and had enacted a more relaxed policy around flexible working.

Where flexible working hours were in place, this could, however, come at a price. In many cases, the cooperative workers paid a financial penalty for this increased flexibility if they were unable to make up time later (Chant and Pedwell, 2009; Bolton et al, 2012). Furthermore, due to their self-employment they were not entitled under law to any paid leave entitlements. This meant that flexible practices were not necessarily available to all workers in reality because some workers could not afford to take time off. For instance, several workers explained that they were unable to endure any drop in income because they were the only breadwinner in their family. As a result, the pressure to maintain a regular and stable income meant that some workers rarely made use of their flexible working arrangements. These findings therefore highlight the paradox of flexibility when workers are employed under non-standard employment relationships and suggests that the contribution of worker cooperatives to gender equality may be more limited than is suggested in the literature (see Jones et al, 2012).

Gender equality was enhanced to some extent by the use of supply chain management strategies and purchasing practices that facilitated a better work-life balance. This was achieved in three ways. Firstly, TM Promotions managers avoided undertaking contracts that included short deadlines and they made customers aware of the importance of avoiding last-minute changes to orders. Secondly, they prioritised building relationships with large customers, who entered in industrial-scale contracts, which, in turn, provided a stable income over a sustained period and ensured regular work. Thirdly, TM Promotions employed a team of logistical and operational staff who monitored the productivity of the cooperatives and redistributed work if one of the cooperatives had particular challenges, such as when workers were unwell.

The first supply chain strategy involved TM Promotions managers targeting customers who were able to place orders several months in advance, which enabled the TM Cooperatives to plan their workload over a sustained period. In some industries, such as textiles and apparel, commercial pressure from influential supply chain partners (usually retailers and brands) has been linked to the proliferation of exploitative labour practices that adversely affects the work-life balance of workers (Cunliffe, 2003). In contrast, TM Promotions had found a way of managing the supply chain that did not require just-in-time production, which alleviated the pressure on suppliers to work to tight deadlines. However, these arrangements also acted as a buffer that prevented cooperative workers from being pressured into undertaking work at the expense of other commitments. This was achieved due to the strong links and integration within a supply chain network, and also the fact that TM Promotions managers retained some spare capacity and slack within other cooperatives. As a result, workers were only required to give 24 hours’ notice if they were unable to deliver on their stated commitments, whilst the production process remained stable because other cooperatives were able to produce the work.

The use of the supply chain strategies that ensured a degree of slack within the TM Group meant that cooperative workers were able to take advantage of flexible working times. This can be contrasted with strands of the literature on gender equality which inform us that women are often adversely affected by supply chain trends, such as fast-fashion, and modern supply chain management practices, such as just-in-time production (Green, 2016). In such cases, (female) workers are forced to endure long, inflexible shift patterns that often included the enforcement of unscheduled overtime (Chen et al, 2005; Green, 2016).

The second supply chain strategy involved building relationships with customers that not only generated large-scale contracts, but generated repeat custom. As a result, they were able to plan production and forecast cash-flow almost a year in advance, which meant that the cooperatives rarely experienced delays in payment from TM Promotions. From the perspective of the TM Cooperatives, access to a consistent flow of work and a stable income was particularly desirable because many workers had experienced redundancy from previous jobs. Although TM Promotions could not guarantee a constant flow of work to the cooperatives, the ongoing contract with a large domestic retailer meant that during a ‘normal’ month the TM Cooperatives operated at around 60-70% capacity. As a result, the cooperatives workers generally perceived their work with the TM Group to be secure. However, there had been two examples of production downtime within the past five years, which had left the group with no orders for several months. This had occurred when customers had cancelled regular orders due to broad economic concerns. Thus, these instances highlight how the TM Group structure was unable to protect workers from the most significant fluctuations in demand.

The third supply chain strategy was to grant the TM Cooperative exclusive rights to produce TM Group goods irrespective of where they decided to locate their businesses. By allowing cooperatives worker to locate their business in their own communities, TM Promotions incurred significant costs in relation to the employment of logistical and operational staff. These members of staff (essentially drivers and assistants) delivered unprocessed goods to the cooperatives and collected finished products on a daily basis. Despite acknowledging that this practice brought significant staffing and logistical costs to the group, the CEO of TM promotions felt that it represented an important aspect of the group's social aim. Consequently, the TM Group maintained the agreement despite some cooperatives choosing to locate their businesses in places with significant logistical challenges, such as high levels of congestion or high levels of violent crime, both of which regularly caused stoppages to the production process.

The TM Group's SCM strategy demonstrates one way in which cooperatives might balance the paradoxical concerns of their commercial interests with the WLB concerns of their workers. However, the decision to leave substantial productive capacity under-utilised raises questions about the long-term economic viability of this approach, which could have other implications for workers in terms of job security. Few firms, for instance, would be able to survive on such low levels of productivity, particularly in the textiles industry where pressure to minimise costs are intense. However, the TM Group's long term relationship with the large domestic retailer and its substantial repeat custom with international customers meant that the strategy was commercially viable for the foreseeable future. Maintaining strong customer relations, therefore, was an integral part of the TM Group strategy and had a direct effect on the WLB of workers.

What were the motives for providing work-life balance? One of the motives, as explained above, may have been to empower workers. However, there were other motives at play. Whilst the founder of TM Promotions and its current CEO claimed that the WLB of cooperative workers was a central part of its mission, the 'business case' for work-life balance policies provides a possible alternative explanation for their use of such practices. According to the 'business case', WLB policies promote flexibility, which is an ostensible form of best practice in contemporary businesses that allows managers to make rapid adjustments to the number and composition of its workforce (Blyton, 1996). In the supply chain management discipline, practitioners are increasingly concerned by the ‘resilience’ of their supply chains, which refers to the ability of managers to ensure that production is reliable, cost-effective and quality controlled. The close proximity of local suppliers is often seen as an important factor affecting the responsiveness of the supply chain (Christopher, 2000); thus, the original decision by the founder of TM Promotions to develop a local, closely-monitored supply chain network could be seen to be part of a commercial strategy intended to alleviate some of the threats associated with outsourcing production to the global market (Coe et al, 2008). However, whilst there was some evidence that the managed supply chain had generated commercial benefits for TM Promotions, the proceeds of this activity had been shared throughout the TM Group, which implies that the supply network had been developed in the interests of all parties.

Whilst the 'business case' provides a useful critique of the TM Group's approach to WLB, it does not provide a plausible motive for the TM Group's strategy in this case. The decision to promote flexible working practices was clearly motivated by the group's commitment to the demands of workers in its supply network, chiefly its cooperative workers, who had expressed a preference for such practice. Furthermore, there was evidence that TM Promotions had incurred significant financial costs, through the employment of specialist logistics staff and the maintenance of spare capacity in its supply chain, in an attempt to alleviate some of the pressure on cooperative workers. Furthermore, due to their self-employed status, TM Cooperative workers received additional income from government grants, which to some extent provided some social protection during instances of production downtime.

### 9.2.4 Social downgrading and the gendered division of labour in worker cooperatives

One of the objectives of this study was to critically evaluate how the labour process within cooperatives influences social upgrading and/or downgrading in terms of worker democracy and gender relations. In this section, this objective is addressed in two ways. Firstly, it critically evaluates the different pay, conditions and rights experienced by men and women that were employed within the productive segment of the value chain. In other words, the focus is on the productive activities undertaken by the social enterprise and the worker cooperatives. Secondly, it contrasts the labour process and employment practices in the worker cooperatives with their equivalent in privately-owned CMTs – the most common organisational structure in the South African textiles industry.

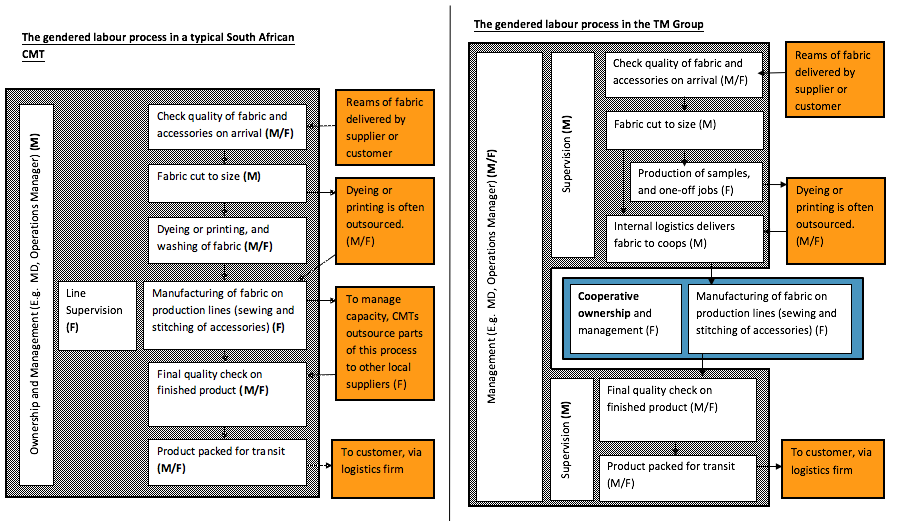
A comparison of employment practices and labour outcomes between the social enterprise and the worker cooperatives highlights the gendered division of labour within and between the organisations, whereby female workers were concentrated in jobs with the lowest pay and status (Elson and Pearson, 1981; Bamber and Staritz, 2015). The majority of female labour was concentrated in the TM Cooperatives and these workers were not covered by bargaining council minimum wages, implying a reduction in employment rights since cooperatives workers could not use legal protections to ensure that their future wages were aligned to the minimum wage. Job insecurity was intensified for these female workers in the cooperatives. The absence of employment contracts, the lack of coverage of labour regulations to worker cooperatives, and their reliance on the social enterprise for work meant that these workers could experience periods of reduced, or no pay. In contrast, production workers in the social enterprise were given access to more favourable employment terms. The social enterprise, which had benefited most from economic upgrading, providing better employment terms for some workers, and these positions tended to be occupied by men. Industrial-scale cutting, quality checking, and logistics were all undertaken by male workers with permanent employment contracts, which meant that their employer was expected to take on the cost of production downtimes whilst also providing them with protection against unfair dismissal. At the same time, the social enterprise employed some female workers, but they were employed in peripheral roles such as sampling, marketing and sales and expected to endure sub-contracted terms that gave them limited job security. This would suggest that upgrading processes in the TM Group’s value chain intersected with its (gendered) labour process, causing the benefits of social upgrading to accrue predominantly for male workers.

Given that the social enterprise made explicit claims to empower female workers, what could explain the high concentration of women in insecure work within their supply chain? The largest share of the female labour was employed in the assembly line – a phenomenon that is representative of the local labour market as well as in GVCs more generally (Barrientos et al, 2011; Kucera and Tejani, 2014). Previous studies have suggested that gendered institutions shape the configuration of labour markets, steering female workers towards particular forms of (low paid, insecure work). The CEO at TM Promotions, however, argued that the high concentration of female workers in the TM Cooperatives – which was effectively where all assembly line workers were employed - was because the group aimed to promote female economic empowerment. However, the group did not enforce a policy of positive discrimination aimed at attracting only female workers, and some men had taken up membership in the cooperatives in the past. This would suggest that a more plausible explanation was that the group was led by the gendered dynamic of the local labour market – meaning it was only women that approached them to set up worker cooperatives. In other words, the high concentration of women in the lowest paid, assembly line jobs were mainly caused by the institutionalised belief that textiles production was ‘women’s work’ (Elson and Pearson, 1981; Pearson, 2014).

The above explanation, however, does not adequately explain why the social enterprise had only recruited men to undertake its primary production activities. It would seem intuitive that an organisation committed to ‘female economic empowerment’ would seek to employ women in higher value roles, but this was not the case. Previous studies have suggested that the perception that women have better dexterity (e.g. ‘nimble fingers’) may cause some employers to recruit female workers in seamstressing positions (Pearson and Elson, 1981). Such gendered stereotyping appeared to be a factor in the recruitment and selection of candidates to production roles in the social enterprise. In this case, the manager felt that ‘heavy lifting’ was more suited to men, despite the fact that the production facility had ample equipment capable of heavy load-bearing. Once again, the findings suggest that institutionalised assumptions about the abilities of men and women were an important factor shaping the gendered labour process in the TM Group. This, in turn, appeared to have created a gendered trajectory of upgrading (Kucera and Tejani, 2014; Bamber and Staritz, 2015), whereby the benefits of upgrading accrued mainly to male workers.

Whilst the findings identified different employment outcomes for male and female workers *within* the TM Group, the terms of employment provided to female workers in the TM Cooperatives also varied from standard industry norms. Figure 9.3 illustrates these difference by outlining the labour process in the TM Group (left) and in a privately-owned CMT factory (right).

**Figure 9.3 – The gendered labour process in South African CMTs and the TM Group**



(Source: Traditional model based on various studies including Roberts and Thoburn (2003) and Vlok (2006))

The diagram on the left shows the labour process within a conventional CMT, including ownership and management. The grey box shows the activities that typically take place within the boundaries of the firm, and the orange boxes indicate aspects of production that are commonly outsourced. The diagram on the right, which was explained in Chapter 7 (section 7.2), shows the corresponding process in the TM Group. In the traditional factory model, production processes may include cutting fabric, sewing garments, adding accessories (e.g. zips), conducting quality checks, and preparing finished goods for delivery. Some processes, such as dyeing or printing, may be done in-house or subcontracted to another firm. It is not uncommon for larger CMTs to subcontract any aspect of the production processes to other local factories if they are unable to complete orders on time. In contrast, the TM Group model effectively subcontracts the seamstressing function in its entirety, albeit to a group of cooperatives, meaning that that the aspect of the labour process with the highest concentration of female workers is separated from other functions.

Previous studies have shown the fragmentation of production through outsourcing can undermine employment protections and drive down labour standards (Coe et al, 2008). The decision by social enterprise managers to outsource (low value) assembly line production to cooperative suppliers was an important difference between the CMT model and the TM Group. Typically, CMTs retain some production in-house, so this strategy represents an intriguing aspect of the TM Group activities. As Coe et al (2008) notes, outsourcing involves a loss of control over aspects of production and over the labour standards employed at the point of production. Why then, if the social enterprise was truly interested in improving standards for female workers, did the social enterprise give up control over the labour process, and not employ workers directly? Furthermore, why did they seek to establish a network of cooperatives rather than support the development of a single cooperative? It is feasible that a more integrated form of labour process, that combined the activities of TM Group constituents within a single firm, could have resulted in economic and social upgrading. Most managers reported that the decision to outsource production had been based on the desire to 'empower' workers by propelling them into the ownership and governance and giving them control over the means of production. Yet, this form of outsourcing alleviated many financial pressures associated with employing workers directly, which are particularly intense during production downtime. Therefore, it could be argued that the TM Group structure was less motivated by its paternalistic attempt to 'empower' workers and more by its keenness to alleviate the risks of employing labour directly. Thus, these findings support the argument of Newsome et al (2015, p.12) that 'the capitalist imperatives of cost-minimization and profit-maximization in fiercely competitive global markets...may thwart, neutralize or trump interventions ostensibly designed to improve conditions'.

This process also further marginalises the most vulnerable workers in GVCs such as women workers in developing countries where labour laws provide few protections (Fontana, 2011). The gendered division of labour drives the exploitation of female labour by forcing women workers to accept low paid, low status work (Fontana, 2011). The South African textiles industry exploited a gendered labour market in this way, characterised by a high concentration of female workers in assembly line work. In relation to Figure 9.3, the traditional CMT and TM Group models rely on female labour to undertake low-paid, low-status assembly line jobs. In relation to the TM Group, however, female workers were also employed in managerial roles. The worker cooperatives, for instance, generated more female ownership and management, something that was identified in the previous section as potentially a positive outcome in terms of gender equality. However, the diagram illustrates how that this (new) tier of management was created by the outsourcing of production to worker cooperatives, which fragmented the labour process. This in turn created an additional layer of ownership and management; albeit with responsibility for a small part of the labour process. The findings appear to support the argument that the cooperative management tier of the labour process was superficial. Cooperative managers were not paid any more than non-managers, whilst the scope of their responsibility was similar to that of a ‘line supervisor’ in a conventional CMT. Therefore, it is plausible that the gains made in terms of the number of women employed in management and ownership were superficial. It could further be argued that the autonomy generated by these roles was illusory, since cooperative managers were also expected to comply with directives from the social enterprise or risk being expelled from the TM Group.

The diagram above is also useful for illustrating the typical labour standards for workers in different segments of the production process. Social upgrading implies the generation of better employment standards than those already available to workers in the local (or national) industry (Selwyn, 2013), but the benefits of social upgrading can accrue differently, even to workers employed within the same factory (Barrientos et al, 2011). Generally speaking, assembly line work in textiles and apparel GVCs is associated with low pay, high levels of insecurity, and the exploitation of vulnerable workers (Barrientos, 2011). By international comparisons, the South African textiles industry differs from other emerging markets in that labour markets are highly regulated (Webster, 2004). Industry-level bargaining councils have set minimum wages for CMTs, whilst trade unions have retained influence despite being weakened by the introduction of neoliberal economic and public policies (Wood and Dibben, 2008). Nevertheless, the majority of employment in CMTs is concentrated on production lines, where (female) workers undertake monotonous tasks, trade union membership is decreasing, and instances of labour abuse and exploitation are not uncommon. It is within this context that social enterprise managers claimed to challenge existing governance practices of the local textiles industry. Yet, the findings suggest that some terms of employment relating to job security and collective bargaining rights may have worsened due to the fragmented governance structure of the TM Group. Although the findings suggest that wages in the TM Cooperatives were on a par with CMTs, there were some instances in which pay fell below industry standards. Thus, the findings support the notion that social upgrading is not an inevitable consequence of economic upgrading because some groups may be better positioned to capture the value (Palpacuer, 2008; Barrientos et al, 2011; Milberg and Winkler, 2011). It also supports Staritz and Bamber’s (2015) argument that when economic upgrading is followed by social upgrading, there can be different outcomes for male and female workers (Staritz and Bamber, 2015).

The absence of a wage surplus for cooperative workers also contradicts studies in the cooperative literature claiming that cooperative workers in all jobs roles tend to receive higher wages than if they were employed in equivalent roles in privately-owned firms (Hacker, 2017). One explanation for this could be that exposure to global market pressures had caused the cooperatives to focus on minimising costs, thereby eroding wages. In other words, the integration of the worker cooperatives into GVCs may have eroded the potential gains from membership of worker cooperatives. This argument is supported by a strand of the cooperative literature that draws attention to the effect of global market pressures on mature worker cooperatives, and has linked these to the demise of labour standards, pay, and working conditions in large labour-managed firms (Bretos et al, 2016). The findings in this study appear to suggest that they have a similar impact on fledging worker cooperatives. In relation to the TM Group, the fact that cooperative workers were paid on a par with bargaining council minimum wages did not mean that would always be the case because the self-employed status of TM Cooperative workers meant that these (female) workers were not covered by minimum wage legislation. The lack of legal protections could have long term implications for workers in the TM Cooperatives, as, over time, they may find that their lack of collective representation could lead to them being paid less than other employees in the sector. At the same time, the cooperative workers’ were not guaranteed regular work by the social enterprise, which meant that they were forced to consume the financial costs of downturns in customer orders. Although work from the social enterprise had remained relatively stable, periods of downtime had occurred and this meant enduring periods of lower pay. Had the workers being employed in a CMT, the financial burden of production downtime would have fallen on the owner rather than the workers. This implies a worse outcome for workers than otherwise would have been the case (ILO, 2016b). Yet, if the group had opted for a more integrated structure of production - such as directly employing workers within a single firm - then these workers would have been granted greater protection under employment law. The findings, therefore, point to the potential erosion of labour standards (e.g. social downgrading) in the social enterprise-cooperative model.

Social downgrading was also apparent as the cooperative network appeared to undermine access to union representation and collective bargaining (Barrientos et al, 2011). Mechanisms of indirect voice may arguably not be as relevant in the context of a cooperative (Hacker, 2017). However, the governance mechanisms that promote workplace democracy were currently underdeveloped within the TM Cooperatives, and the relative bargaining position of the TM Cooperatives in relation to the value chain was not dissimilar to other sub-contracting firms. Therefore, it could be argued that, in the absence of union representation and adherence to collective bargaining agreements, the current configuration of the TM Group resulted in a low level of labour power at the point of production.

Social downgrading in GVCs is not uncommon, and previous research on textiles GVCs has highlighted a broad spectrum of malpractice. Recent examples include Chan's (2013) study of the inhumane working conditions present in the supply chains of major brands such as Apple and Nokia (see also Chan et al, 2013). In the textiles industry, the Rana Plaza disaster in Bangladesh exemplifies the failure of health and safety standards in factories located in emerging markets. In the UK, there are claims that domestic sub-contractors, who are located within the value chains of major clothing retailers, are paying workers less than half of the national minimum wage ([Guardian, 2017](https://www.theguardian.com/society/2017/jan/23/textile-firms-paying-uk-workers-3-per-hour-investigation-finds)). Most pertinently, studies in South Africa have highlighted the widespread flouting of labour laws in the domestic textiles industry (van der Westhuizen, 2013). In the case of the TM Group, managers of the social enterprise proffered an explanation for the current lack of progression in terms of labour standards in the cooperatives, suggesting that the current group structure should not be evaluated as a completed project. Instead they argued that it represents a stage towards cooperative development and female empowerment that will lead to improved pay, conditions, and skill development for female cooperative workers. This would imply much greater level of influence for female workers, but it gives rise to a question about whether the current governance structure of the TM Group is likely to cause the TM Cooperatives to experience such outcomes. Conceptually, it also suggests that short-term social downgrading was a necessary consequence of long term social upgrading. It is not clear, however, why collective representation or collective bargaining rights might undermine such a process. With this in mind, the next section examines how the presence of managerial controls in the TM Group affected the potential upgrading or downgrading trajectories of the TM Cooperatives.

### 9.2.5 Downgrading and inhibitive managerial controls in dependent worker cooperatives

An argument put forward by the management team at TM Promotions was that the emancipatory potential of the TM Group could not be evaluated against its current form and outcomes. They claimed that it was their aim to incubate a group of worker cooperatives through their fledgling stages of development until they were capable of surviving independently in the global market, but this aim had not yet been achieved. This implies that the group had not completed its upgrading trajectory, although it stands to reason that the current structure of the TM Group is likely to shape future developments in the group. At the same time, it is also possible that the current structure could give rise to, or suppress resistance from TM Cooperative workers. This section addresses the potential for future social upgrading in the TM Group, utilising a labour process analysis as a lens through which to understand how mechanisms of managerial control shaped worker behaviour in the worker cooperatives. In doing so, it provides an insight into the likelihood that the social enterprise-cooperative network could realise its intended social upgrading trajectory.

Labour Process Theory (LPT) is concerned with the tension between labour and capital, and the various control mechanisms that management call upon to exploit worker productivity (Burawoy, 1985; Thompson and Smith, 2000; Castree et al, 2004). These tensions, which reflect the unpredictable and social nature of labour (Storper and Walker, 1989; Peck, 1996), arise from three basic difficulties that limit the effectiveness of capital to control labour. These are: (1) the way in which labour is incorporated into the labour process; (2) the exercise of controlling labour to serve productive ends; and (3) the exploitation of labour ‘as part of the process of commodification to realise surplus value’ (Cumbers et al, 2008: p.124).

Various forms of managerial control were evident in the inter-organisational structure of the TM Group. The use of cultural controls (Kunda, 1992), which refers to attempts by managers to influence the value premises of existing members’ behaviour through trying to restructure their attitudes and beliefs (Johnson and Duberley, 2010), had increased as managers struggled to cope with the increasing speed of change in organisational demands. The preceding discussion around GVC analysis has to some extent shown how workers in this case study were integrated into the labour process, revealing how the approach taken by social enterprise managers could be regarded as representing the exploitation of the productive capacity of labour, and also the extraction of further surplus value by using images of the TM Cooperatives in its marketing and branding. However, LPT may also help to provide a way of seeing more clearly how managerial controls orientated labour in the TM Cooperatives towards the productive concerns of the social enterprise.

Attempts to control the culture of workers was arguably at the centre of managerial activities in the TM Group. The CEO of TM Promotions acknowledged that he had cultivated the view that the TM Group represented a 'more ethical form of business'. Through its branding, its accreditation as a Fairtrade supplier, and its claim to 'social enterprise', managers had made concerted attempts to reaffirm their organisational status as an ethical supplier. On the one hand, these efforts were driven by the normative values of the founder, whose beliefs challenged the conventional (neoliberal) values of business. Therefore, they represented an attempt to communicate the distinctive aspects of the group to its stakeholders. On the other hand, it is possible that the 'ethical' status acted as a form of labour control because it presented an image to the TM Cooperatives that the social enterprise managers were acting in their best interests. In doing so, they reaffirmed the dominant position of the social enterprise and the subordination of the TM Cooperatives within the TM Group structure, whilst limiting the threat that the cooperative workers may place greater demands on the group (e.g. for higher pay, better conditions, or more involvement in group-level decisions).

Culture management may be attempted in order to control the attitudes and behaviours of new organisational members (Brannan and Hawkins, 2007), or to influence the values of existing members’ behaviour by attempting to reconfigure their attitudes and beliefs (Legge, 1995; Du Gay, 2000). In this case, the group's 'ethical' status had been established during its early years and this had given managers the legitimacy to impose other control mechanisms over the inter-organisational activities of the TM Group. Whilst members of the first cooperative influenced the emerging culture to a degree, they had had limited influence over the managerial processes that were put in place after the social enterprise introduced a new management team, which included the CEO. New members were expected to internalise the company values (Kunda, 1992) and conform to the existing managerial processes, or risk being expelled from the group. Furthermore, the compliance of existing cooperative exerted informal peer group pressure over new members (Barker, 1993; 1999), which served to marshal approved norms (Johnson and Duberley, 2010)

Cultural controls often exist alongside other mechanisms of control, such as bureaucratic and cybernetic forms (Hales, 2002). One of the most infamous control systems in the textiles industry is the piece rate system (Anner, 2015), whereby workers are remunerated for the amount they produce rather than for their time. The cooperative workers in this study, were, in effect, outsourced clients who were paid according to the amount of work they produced and cooperative workers were expected to process errors in their own time. But by producing ‘Fairtrade’ products, the social enterprise produced surplus value because it gave them the ability to charge higher prices to the final consumer. Yet, this surplus was consumed by the managerial and administrative tiers at the social enterprise. Although the TM Cooperatives did not remunerate workers on the basis of their individual productivity, the payment system between the social enterprise and the TM Cooperatives clearly served as a means of collective control over cooperative workers because they were aware that the social enterprise would only pay them for what they produced.

Managerial control in the TM Group also relied on direct supervision and various technical and bureaucratic mechanisms (Edwards, 1979). The use of production lines and work quotas (technical controls) reduced the need for direct supervision, while performance targets were also used (Edwards, 1979; Callaghan and Thompson, 2001). Bureaucratic control was exercised in two ways. Firstly, a service level agreement was used to communicate the social enterprises' expectations about governance and managerial practice in its cooperative suppliers, and these obligations were monitored by managers through a balanced scorecard. Secondly, managers organised monthly meetings, whereby representatives from each cooperative received feedback from the social enterprise manager's regarding their respective performance in the previous month. Some aspects of these meetings were framed as shared learning opportunities, whereby a manager from the social enterprise would highlight a form of best practice from one of the TM Cooperatives. However, the meetings’ primary focus were on aspects of performance around productivity, quality control and the extent of work undertaken for 'external clients'. During the meetings, cooperative managers were required to present their performance indicators in an open forum in front of managers from other cooperatives, which managers acknowledged was part of a deliberate strategy intended to create competition between the TM Cooperatives. While there was some evidence that some managers were motivated by this competition, it was clear that some cooperative managers felt shamed by the process. Moreover, the CEO’s charismatic speech setting out 'good news' about the achievements of the sales team acted as a further form of cultural control (Kunda, 1992).

Further bureaucratic control was exerted through the day-to-day contact between social enterprise staff and TM Cooperatives workers. The Cooperative Development Officer (CDO) and logistics assistant, who were employed by TM NGO, were charged with overseeing the day-to-day operations of the cooperative suppliers. However, these control processes did not always rely exclusively on formal channels of communication (Barker, 1999), they also occurred through the informal interactions between staff (Callaghan and Thompson, 2001; Bolton 2005); for instance, during the logistics assistant's regular (2-3 times a week) visits to the TM Cooperatives. These visits were conducted in an informal manner, often bantering about their personal lives, community events and current affairs. Although the main purpose of these visits served a logistical purpose: to deliver of raw materials (fabric) and collect the manufactured goods, it was apparent that they also served as a means of checking on workers’ progress and assessing morale. The Operations Manager acknowledged that part of the logistics assistant’s role was to check that the TM Cooperatives were conforming to the social enterprise’s rules and expectations about how they governed and managed their organisations. The feedback from the logistics assistant was then used to inform decisions about formal interventions in the respective cooperatives.

The above analysis of the managerial controls in a social enterprise-cooperative network suggests that the proposed plan of long term social upgrading may not become a reality. The hybridised structure contained many elements that reinforced managerial autonomy in the social enterprise and strengthened the dependency of the worker cooperative. Although workers were not subjected to direct supervision, the fragmented structure of the TM Group enabled the use of managerial control mechanisms, such as piece rates, that are commonly adopted in textiles GVCs (Anner, 2015), but against the law in South Africa. Furthermore, the scope of responsibility for the latter was nominal. The social enterprise had recently begun to diversify into the market for high-value apparel, which if successful could be financially lucrative for all parties. However, the founder and CEO had not consulted cooperative workers on this decision, nor did they plan to involve the cooperative suppliers in this aspect of production because they felt that the production process required a higher level of skill than their usual products. The fact that social enterprise managers were exploring new markets without the participation of, or even consultation with the TM Cooperatives suggests that its strategy was not orientated towards collective enterprise in the longer term. However, the founder and CEO‘s actions may have been due to their desire to explore new markets but not force the cooperatives to be in direct competition with one another.

In addition to the wide body of literature on managerial controls, LPT is also concerned with the ways in which labour can resist capital exploitation. This process, which Selwyn (2013) calls ‘bottom-up social upgrading’, is concerned with the various ways in which the workers can ameliorate their conditions of employment through collective action. As Egan (1990) notes, worker cooperatives have been instrumental to working class struggle in some contexts, although some national cooperative movements have been motivated by other (middle class or religious) interests. In this case study, the potential for ‘bottom-up social upgrading’ was primarily contained within the TM Cooperatives, which were owned and staffed by workers from some of the poorest communities in South Africa. As noted previously, this study observed few instances of social upgrading in the worker cooperatives, although it is possible that social upgrading might take place in the future through the actions of the cooperatives themselves. One such way might if a TM Cooperative, or group of TM Cooperatives, was able to displace the social enterprise (hybrid) aspects of the network, creating an umbrella cooperative owned by the smaller productive cooperatives. Such a change would involve extending worker ownership to more (higher value-added) aspects of the labour process. It is also possible that the umbrella cooperative may be able to shield the productive cooperatives from some of the most intense capitalist pressure emanating from the supply chain (Vargas, 1999; Whyte and Whyte, 1990). Although there was no clear evidence that this development was in the offing, the findings suggested that the worker cooperatives had begun to resist subordination in the social enterprise-cooperative network, forming inter-cooperative alliances in order to make demands for higher pay from the social enterprise. Such developments could point to a growing desire to resist managerial controls from the social enterprise, whilst they could also be framed as an attempt by workers at the point of production to resist exploitation through the value chain. Nevertheless, the social enterprise maintained control over the relationship with the TM Group’s main customer, and whilst the cooperatives were dependent on work from this customer, it was unlikely that the TM Cooperatives would be able to resist subordination.

This section set out to assess whether the social enterprise-cooperative network could realise its intended social upgrading trajectory, or whether there was likely to be an alternative process whereby cooperative workers would resist control from the social enterprise and seize control over key aspects of the labour process. Analysis of the managerial processes implies strong mechanisms of control that undermined cooperative autonomy and preserved existing power relationships. Yet, the findings also identified signs that cooperative workers were intent on resisting subordination. Although there were a few examples of upgrading, the analysis has suggested that continued social downgrading was the most likely outcome of the dependent cooperative model. In other words, the fragmentation of production through outsourcing ultimately undermined labour standards, and the presence of worker cooperatives in the group provided few benefits in terms of employment rights or voice. Whilst emancipatory aims of the social enterprise’s founders seemed to be genuine, the labour process had been established around a group of dependent, or trapped worker cooperatives. In other words, the dependent cooperative network fractured labour power at the point of production, fragmenting the textiles labour process whilst leveraging worker-ownership as a means of legitimising outsourcing.

## 9.3 Worker participation and voice within social enterprise-cooperative networks

The literature on employee voice typically examines the collective attempts by workers to voice their opinion through the involvement of union representation (Wilkinson et al, 2004), or contrasts union and non-union environments (Bryson, 2003; Ackers et al, 2004). In this case, there was no involvement of union activity at any level of the TM Group. One reason for this may have been that the worker cooperatives did not employ enough employees to force them to register with the union; however, this did not forbid them from doing so, or prevent them from establishing some alternative form of relationship (e.g. partnership) with the union. For instance, there is an historical example of a textiles trade union actively promoting cooperative ownership at the Zenzeleni textiles factory in Durban, South Africa (ILO, 1991). This raises the possibility that trade unions could be ideally positioned to advise worker cooperatives in the area of encouraging worker participation (Monaco and Pastorelli, 2013). The findings in this study, however, show that there were significant barriers that prevented collaboration between the cooperative and labour movements in the South Africa (Satgar, 2007). Trade unionists raised concerns about 'bogus' cooperatives that had been set up in an attempt to circumvent labour laws and exploit workers. Meanwhile, social enterprise management felt that union representatives had made attempts to undermine their operations and failed to appreciate the direct forms of voice that were present within their network. Thus, as a result of these tensions between the two movements, the main voice channels were through non-union representation, or mechanisms of worker participation (Ellerman, 1999; Monaco and Pastorelli, 2013).

The literature on worker cooperatives (Paton, 1989; Cornforth et al, 1988; Kandathil and Varman, 2007; Jossa, 2014; Wuisman and Mannan, 2016) informs us that there are two broad factors that affect worker participation in employee owned firms: (1) the structures that institutionalise worker participation in decision-making processes and enable workers to contribute to idea generation; and (2) the manner in which information is shared between management and workers. In the case of the TM Group, the governance arrangements of the cooperatives technically embedded aspects of workplace democracy within the *intra-*organisational functions of the firms. In contrast, the *inter-*organisational TM Group’s relations, which were underpinned by a formal service level agreement (SLA), were held together by regular informal contact between managers and workers. It is worth adding, however, that the SLA did not set out any arrangements for integrating workers into decision-making processes, despite claims by the management that the governance structure 'put workers at the centre of the model'.

Worker participation is a common aim of employee-owned businesses that seek to institutionalise direct forms of employee voice and workplace democracy (Paton, 1989; Cheney et al, [2014](http://journals.sagepub.com/doi/abs/10.1177/1350508414539784); Jossa, 2014). Similarly, the facilitation of worker voice was a stated aim of the Social enterprise and was reflected by claims made by managers. For instance, the CEO argued that the group structure 'put workers at the centre of the model', whereas the founder felt that it was important to give people from marginalised communities a greater influence over their working lives. Their commitment to worker participation was to some extent underpinned by an assumption that increased worker voice would lead to improved working conditions and employment practices. However, workers may not necessarily possess the skills required to communicate their demands or negotiate effectively with management (Dibben et al, 2011).

There has been much debate about the extent to which workers should be able to influence decision-making processes in the workplace (French and Rosenstein, 1984; Harley et al, 2005). Pateman’s (1970) pioneering work on the subject identified three broad levels of worker participation: ‘pseudo’, ‘partial’, and ‘full’. ‘Full’ participation, which is built around the concept of workplace democracy, involves a process through which every employee has equal weight in decision making processes. In practice, there are few, if any, examples of what Pateman called ‘full’ participation, but worker-owned enterprises represent an attempt to institutionalise these democratic principles in organisational practice (Kandathil and Varman, 2007). The level of worker participation can be understood as existing on a continuum, to which different authors have contributed different, albeit complementary theoretical propositions. For example, figure 9.6 illustrates the overlaps between the work of Pateman (1970) and Hyman and Mason (2005) on the subject.

###### **Figure 9.4 - Spectrum of worker participation**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **🡨 Spectrum of worker participation 🡪** | | | | |
| **Pateman (1970)** | No involvement | Pseudo | Partial | | Full |
| **Hyman and Mason (2005)** | Passive involvement | Active involvement | Managed participation | Democratic participation |
| **Description** | Workers have no strategic involvement and information is rarely, if ever shared by management. | Workers are informed on aspects of work or employment but not consulted. | Workers are consulted but have no power to influence decisions | Worker actively participate in development of ideas. Managers retain some power to ‘screen out’ weak proposals. | Workers can initiate discussions on strategic or operational issues AND exercise voice and voting power. |

In this case study, the findings exposed a number of contradictions between mechanisms of worker participation within the TM Group. At the level of the TM Cooperatives, participation was embedded within the organisation’s legal and normative frameworks (Cornforth et al, 1988), which informed their corporate governance arrangements. However, the degree of worker participation varied according to cultural and religious factors (Pateman, 1970; Rhodes and Steers, 1981; Kanthathil and Varman, 2007) and the skills, competencies and experience of managers. Generally speaking, management structures were adopted in the interests of efficiency and continuity (Cathcart, 2013; Chaddad and Iliopoulos, 2013), but workers felt they could influence important decisions. Moreover, workers had the opportunity to initiate discussions about strategic and operational issues, and they often did. For instance, the workers in TM CooperativeA had recently used their influence to force through governance changes that enforced term limits for directors. It should be noted, however, that the scope of strategic decision-making in the cooperatives did not cover product or market development, since this was viewed as the responsibility of social enterprise managers. In addition, the extent to which the TM Cooperatives had established an environment conducive to open debate varied significantly. Therefore, it would be most appropriate to characterise the internal operations of the TM Cooperatives as 'managed participation' since workers were granted a legal right to affect decision-making processes but managers retained a degree of control.

The diagram above (figure 9.4) used the terms ‘participation’ and ‘involvement’. According to Hyman and Mason (2005), employee involvement is a weaker term that implies uni-directional flows of information from management to passive employees. Participation, on the other hand, is an active process that is (usually) initiated by worker demands for a greater role in decision-making (Harley et al, 2005). The findings in this study show that 'involvement' was a more appropriate term to describe the *inter-*organisational activities of the TM Group. This was because workers were not granted any formal power to affect group-level decisions. In addition, the CEO of the social enterprise controlled the flow of information to other parties and some important elements were contained if they were deemed to be too sensitive. For instance, the cooperative workers were not informed about the social enterprises recent attempts to expand into new product markets because the CEO had decided that the cooperatives were not capable of carrying out this work to the requisite standard. There was concern that the sharing of such information could give rise to tensions and affect morale in the cooperatives. Therefore, the flow of information was contained in an apparent attempt to ensure that the production process remained reliable and efficient (Marchington et al, 1992; Ackers et al, 2004).

Worker participation was also limited in other parts of the TM Group. Senior managers in the social enterprise, such as the HR Manager, the Operations manager and the B2B Manager, felt that they had very little influence over the strategic direction of the social enterprise. For instance, when the B2B manager was asked what provisions were in place to involve employees to influence important decisions about the future of the group, he replied: 'about the future of [the TM Group] itself [pause] as a group, not so much because even myself, I don’t get involved in that so much[...] if we look at the bigger picture as TM Group [...] that is really, I would say between [the founder] and [the CEO]'. Making a similar argument, the HR Manager referred to the TM Group has 'her baby', referencing the founder's relationship with the group. Thus, there was little evidence that workers at any level felt that they could actively participate in the development of ideas in relation to social enterprise strategy, which has been shown to be a common phenomenon in social enterprises (Ridley-Duff and Ponton, 2014).

The mechanisms that promote either worker participation or involvement can vary in a number of ways relating to their form, purpose, scope, and the persons to whom they are accessible (Hollinshead et al, 2003; Dibben et al, 2011). In terms of the forms of voice used within the TM Group, the main mechanism of communication between the social enterprise and the TM Cooperatives was the monthly management meeting (MOM), which representatives from TM Promotions, TM NGO and each of the TM Cooperatives were expected to attend. The social enterprise (TM Promotions and TM NGO) management felt that the session was an ideal forum for idea generation and information exchange, which, they argued, highlighted the inter-dependency of the TM Group. However, the HR Manager and the cooperative workers were less positive about their role in the MOM. The pattern of most MOMs followed the same template. It began with the CEO of TM Promotions delivering an 'uplifting' speech about 'good news', which was followed by the operations managers at TM NGO delivering a didactic session that covered 'areas of improvement' for the cooperatives. In the view of the CEO, the MOMs were part of an educational and informative process for TM Cooperative workers that gave them the opportunity to understand the functioning of the TM Group in more detail. However, it seemed to be primarily a top-down initiative that was intended to boost morale and encourage cooperative workers to 'go the extra mile' (McCleod and Clarke, 2009). In other words, it may have been an attempt to exploit the 'emotional labour' of cooperative workers (Morris and Feldman, 1996). Certainly, the MOM highlighted the power-laden dynamics of the group's inter-organisational structure because the TM Cooperative workers were given relatively few opportunities to express their voice, in respect to the structure, content or delivery of the MOM.

There can be various reasons for using the top-down provision of information as the main voice mechanism, and this may influence the type of information shared. Information sharing between management and workers is an important factor affecting the process of institutionalizing workplace democracy (Hollinshead et al, 2003). Whereas bureaucratic organisations thrive on authority-based structures that limit the flow of information for efficiency reasons (Pendleton et al, 1998; Chaddad and Iliopoulos, 2013), ‘collectivist organisations’ have very different standards about what should be communicated to workers. This implies that collectivist organisations, such as employee-owned businesses, are less likely to actively share information that could incite tensions between actors and threaten the efficiency and fluidity of the production process.

Hollinshead et al (2003) also inform us that workers may be allowed to participate in decisions relating to some issues but not others. In their study of employee-owned firms in the UK, Ridley-Duff and Ponton (2014) found that worker-owners felt they were able to participate in some decisions, such as induction processes or their working environment, but were only informed about other decisions, such as product development. In relation to the social enterprise, most staff felt that they were given sufficient autonomy to influence their jobs and their working environment. In contrast, very few workers in the social enterprise or in the TM Cooperatives felt they possessed the ability to influence the social enterprise’s business strategy in any way. The power to make these decisions was seen to be the preserve of the founder and the CEO. An interesting exception, however, related to the ability of the cooperative workers to determine the geographical location of their premises. Despite the costs incurred in terms of logistics, social enterprise managers actively encouraged fledgling cooperatives to locate their businesses 'close to home' and it was this example that formed the principle basis of the group's claim to include workers in decision-making processes. Whilst the notion that the cooperative owners of a firm possessed the ability to define the location of their business premises may not seem particularly novel, in this case it was an intriguing irregularity given the extent to which social enterprise managers tended to impose their own interests on the TM Cooperatives and the limited scope of TM Cooperative worker involvement in other aspects of group strategy. For instance, cooperative workers were not allowed to participate in decisions relating to market- or product-development, both of which were closely controlled by the founder (Ridley-Duff and Ponton, 2014). Furthermore, the founder's recent attempt to explore new product markets without the knowledge of the TM Cooperatives highlighted one of the contradictions at the centre of the TM Group's participatory arrangements, particularly as she admitted that this new work was unlikely to be given to the TM Cooperatives.

The involvement of employee-owners in decisions about the terms of conditions of their own employment is an area of potential internal tension (Cornforth et al, 1988; Ridley-Duff, 2009). Ridley-Duff and Bennett (2014) found that worker-owners were less likely to be allowed to participate in decisions relating to the terms and conditions of their employment. In contrast, the findings in this study suggest that cooperative workers were able to adjust their working hours to fit around their own schedules. However, they were rarely consulted on changes to the terms and conditions of their employment relationship relating to pay. While the employment relationship in this case was complicated by the inter-organisational structure of the TM Group, cooperative workers often described the social enterprise as their employer. Moreover, the wages of these cooperative workers were effectively determined by social enterprise managers, since all net profits were distributed between members as pay on a monthly basis (Dobrusin, 2013). However, the TM Cooperatives were not consulted on the overall payment they received from the social enterprise and the price they were paid for each unit was taken as a given. In other words, they were effectively paid on a piece-rate basis with no consultation or negotiation allowed.

The extent to which workers perceive management to be trustworthy is an important factor affecting the likelihood that information sharing will result in more active participation (Whitner, 1998, Mishra, 1996). Kandathil and Varman (2007) argue that the issue of trustworthiness is related to managerial and employee expectations about what information should be shared. In employee owned firms, a trusting and collaborative environment takes time to build, especially in relation to firms that have changed from conventional-ownership to worker-ownership. Under such circumstances, there is likely to be a transitional period during which new participatory practices are established (Kandathil and Varman, 2007). During this time, tensions and disturbances are highly likely as expectations and trust are established and different constituents make claims to be heard in decision-making processes. In the case of the TM Group, the TM Cooperatives did not undergo a period of transition since they were established as worker cooperatives. However, the findings identified some tensions as the TM Group and its constituents matured. The role played by the social enterprise managers in helping to set up the TM Cooperatives enabled them to build trust by establishing personal and professional relationships with workers from inception. This may explain why participants in this study reported that there had been relatively few instances of conflict between TM Group members over the past 10 years. However, there was some evidence that TM Cooperative workers had begun to question the trustworthiness of social enterprise staff, particularly on financial considerations, which had increased calls for more active participation from some workers.

The ER literature has identified some of the reasons why participatory arrangements may be more accessible for some persons or groups than others (e.g. Blyton and Turnbull, 2004). These include financial, technical and political constraints that prevent workers from participating in decision-making processes, as well as their educational background and life experience. For instance, workers may lack the financial resources to attend meetings that do not take place at their usual place of work. Whilst this was the case in relation to the monthly supplier meetings of the TM Group, the social enterprise provided transport for up to three workers from each cooperative to attend any formal meeting. Workers may also find that their educational background prevents them from being able to participate in particular issues that requires technical knowledge or involves jargon (Cornforth et al, 1988). However, Kandathil and Varman's (2007) study of Indian cooperatives suggest that lay workers are often more competent at understanding complex issues than managers imagine, although technical and professional language may need to be simplified to make it more accessible. In relation to this study, the social enterprise and the TM Cooperatives used open book accounting techniques, which had been embraced by many of the cooperative workers despite their low levels of education and financial literacy. The social enterprise had facilitated this process by providing financial training to the cooperatives and communicating the group's financial details by using diagrams and charts. Whilst this may imply an attempt to empower workers, it should be noted that social enterprise managers maintained the upper hand since it was they who determined what communication mechanisms should be used, what information should be included, and the content of training programmes.

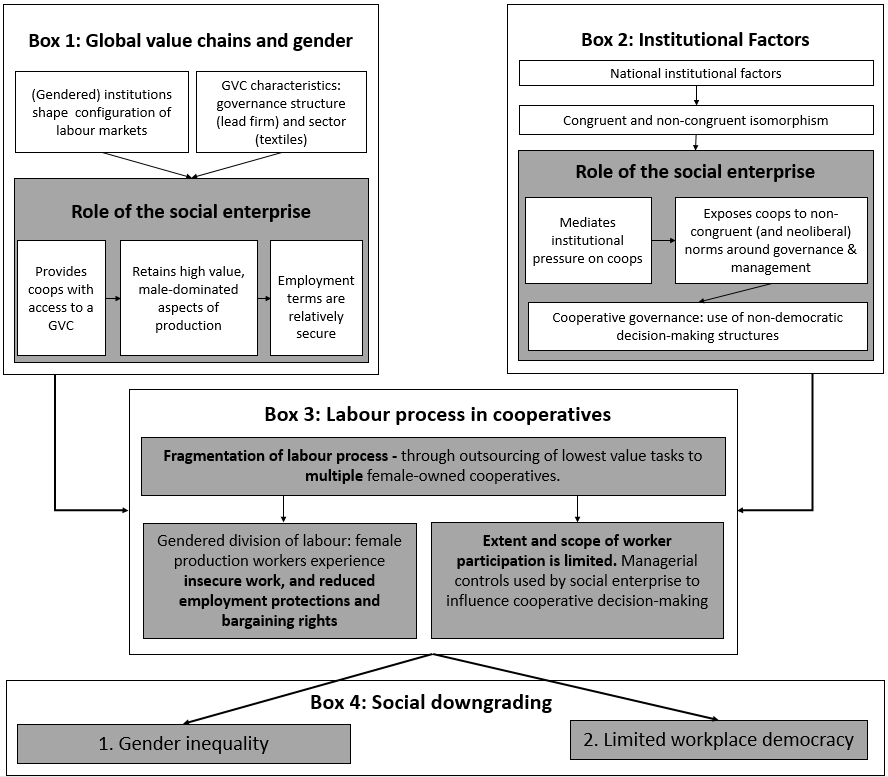
In some countries, the skills deficit of worker-owners has been addressed through the provision of specialist training to ensure that workers have the appropriate skills for governance (Lees and Volker, 1996; Van Der Walt, 2013), although this intervention might be more difficult in instances where basic literacy and numeracy presents a challenge to workers. Silverston (1996) identified a similar approach in Norwegian cooperatives, where at least one percent of members were expected to be qualified to serve as board members at any time. In advanced countries, these qualifications are often undertaken in-house or supported by more established cooperatives and by a national or international cooperative association, which provides the relevant training at subsidised rates (Barda, [2003](http://www.uwcc.wisc.edu/pdf/CIR61.pdf); ICA, [2013](https://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=11&cad=rja&uact=8&ved=0ahUKEwiRyMepo5rUAhWDJMAKHR3rDis4ChAWCCEwAA&url=http%3A%2F%2Fica.coop%2Fevents%2Fagricultural-cooperative-directors-and-managers-training&usg=AFQjCNH15q71jOoGJneUyvqqy-Y8); Co-operative College, [2017](https://www.co-op.ac.uk/our-work/co-operative-learning/training-for-co-operatives/co-operative-directors/)). In an emerging market setting, where many cooperative firms are in their infancy and democratic governance arrangements are relatively underdeveloped, there are greater challenges to up-skilling board members. This type of training may need to be delivered by other types of organisations, such as NGOs, and the content of such training programmes may need to be simplified. Alternatively, it may be preferable to direct resources towards the development of a more coordinated cooperative sector, which would be likely to require an apex body that would be responsible for disseminating normative guidance for cooperative governance.

A possible explanation for why some groups were consulted more carefully than others could be that the managers involved in managing the voice mechanisms lacked the requisite experience skills to do so (Blyton and Turnbull, 1998). For instance, professional managers, who have experience of working in hierarchical organisations, are likely to have accrued skills relevant to an authority-based culture, where financial gain or fiat are assumed to be the primary mechanism to ensure that workers do their jobs (Swidler, 1979). Intriguingly, the social enterprise managers had very little, if any, previous experience of worker-ownership or developing mechanisms of worker participation. During their interviews, managers talked extensively about the challenges of getting cooperative workers to ‘engage’ with participatory mechanisms and they described various attempts at ‘experimenting’ with different techniques. In practice, however, their approach rarely involved the transfer of power or resources to cooperative workers, which reinforced their passivity and lack of power in the decision-making process. For instance, TM NGO had recently established a 'social development committee' aimed at evaluating and improving the social impact of their activities on the cooperatives and their surrounding communities. Yet, the committee was established without the knowledge of TM Cooperative workers and there were no cooperative members represented on the panel. Thus, the committee served not only as a reminder of the social enterprise’s paternalistic foundations, but also of the failure of managers to understand the process of democratic participation.

## 9.4 Interlinkages between NIS, GVC theory and LPT analysis

The discussion in this section brought together new institutionalism, global value chain theory and labour process analysis to investigate worker participation and gender relations in worker cooperatives. The combination of the positioning within a GVC, the way in which institutions were mediated, and the fragmentation and gendering of the labour process, had a number of negative impacts for (female) cooperative workers. These are highlighted in the amended version of the theoretical framework (figure 9.5) and discussed below, which shows the main contributions of this thesis highlighted in grey.

**Figure 9.5 – Amended theoretical framework**



The main contribution of this study is to bring together new institutionalism, global value chain theory and labour process theory, with the latter focusing on gender relations in the workplace. Firstly, it reveals how the configuration of a GVC can enable a social enterprise to dictate the labour process in worker cooperatives. In this case, the social enterprise was integral to the economic survival of the worker cooperatives and their access to a GVC since it acted as an intermediary between them and major domestic and international customers (Box 1). However, GVC participation was achieved by stripping out the lowest value-added processes from the traditional textiles factory model, thereby fragmenting the gendered labour process (Box 3). Secondly, this thesis shows how social enterprises can mediate interactions between external institutions and worker cooperatives (Box 2). In developing the cooperatives, the social enterprise exposed them to neoliberal norms, undermining cooperative identity (e.g. non-congruent isomorphism). This undermining included interpreting cooperative legislation in a way that implied that term limits for cooperative directors were discretionary rather than mandatory, whilst also reinforcing textile industry norms regarding management and supervision. At the same time, rather than outsourcing production to a single cooperative, the social enterprise created a ‘network’ of cooperative suppliers, thereby pitting cooperative in competition with other cooperatives and fracturing (female) labour power at the point of production (Box 3). The extent and scope of worker participation was limited because social enterprise managers used inter-organisational managerial controls to create competition between cooperatives, sanction underperforming cooperatives by expelling them from the network, and focus the attention of cooperative members/workers on productivity concerns. In other words, substantive mechanisms of worker participation were absent, with limited scope of worker influence over what work was done, how it was done. Notably, female production workers in the cooperatives also had to endure insecure terms of employment, whilst the male dominated workforce in the social enterprise benefited from relatively secure jobs. Furthermore, the cooperative workers had fewer employment protections since they were not covered by collective bargaining and had limited union representation. Therefore, the overall outcome was social downgrading in the form of limited workplace democracy and gender inequality (Box 4).

## 9.5 Summary

In summary, the chapter began by exploring how the governance and managerial practices in the cooperative firms had been shaped by institutional forces that caused them to become isomorphic (Di Maggio and Powell, 1983; Scott, 2001). In doing so, it identified several cases of non-congruent isomorphism relating to governance arrangements in the worker cooperatives, which was caused by institutional pressures that stemmed from their close relationship with another organisational form (a social enterprise). The social enterprise was a key agent within the organisational field of the worker cooperatives, exposing them to neoliberal assumptions about how businesses should be governed. Furthermore, it also noted that social enterprise and cooperative managers subjected cooperative and employment regulations to their own interpretations, conforming only to the aspects of law they felt were appropriate within the context of a social enterprise-cooperative network.

The findings highlight several contradictions within the social enterprise’s strategy, which was reportedly intended to reconfigure its supply chain in order to empower (female) workers. Economic and social upgrading had mainly taken place in the social enterprise rather than the cooperatives. Furthermore, inter-organisational managerial controls that were enacted by the social enterprise over the cooperatives stifled opportunities for the cooperatives to develop their businesses. Thus, the decision by the social enterprise to outsource production to a ‘decentralised network of worker cooperatives’ failed to translate into any significant improvements to the relative power of (female) cooperative workers. This was because the group effectively outsourced the aspects of the labour process with high concentrations of female labour, which technically gave (female) workers ownership over the means of production. However, the cooperative controlled a tiny segment of the labour process, and this segment comprised low-value-added tasks. In addition, the group structure fragmented labour power across a network, and the cooperatives remained subordinated within the governance structure of the supply network.

In relation to workplace democracy, the TM Group structure provided managers and workers with a greater degree of autonomy than they might have been granted in a conventional textiles firms. The cooperative workers appointed managers on a democratic basis, however there was little evidence that representatives from the cooperative were integrated into the key decisions affecting the supply network. To some extent, the democratic participation of cooperative workers, on matters relating to their own cooperative as well as those of the social enterprise, was inhibited by mechanisms of managerial control put in place by the social enterprise managers. These mechanisms had the effect of controlling the flow of information to the cooperatives, determining the form of communication between the social enterprise and the TM Cooperatives, limiting the scope of issues that workers were able to influence.

# Chapter 10

# Conclusions

This chapter outlines the aim and objectives of this study and briefly explains how they have been met. It then builds on the revised conceptual framework, outlined and summarised at the end of the previous chapter, to provide more detail on how this interdisciplinary study advances knowledge by bringing together New Institutionalism, GVC theory, and labour process analysis. This is done by highlighting four key contributions. First, the study extends the work on new institutional theory by showing how congruent and non-congruent institutional pressures can influence the governance arrangements and work practices of cooperatives with implications for worker participation and the labour process. Second, it contributes to knowledge on global value chains and the labour process by showing how the structure of the value chain affects the labour process in worker cooperatives. Third, it adds to the literature around social upgrading/downgrading, by showing how the labour process within cooperatives can lead to social downgrading in terms of worker democracy and gender relations. Fourth, it contributes to the literature around worker democracy by showing how emerging market institutions shape organisational practices relating to workplace participation and gender (in)equality in cooperatives.

The remaining sections of the chapter discuss the extent to which the findings might be applied to other social settings, and how they might be used to improve institutional support for worker cooperatives. This is followed by a reflection on the research process and an identification of some of the limitations arising from the methodology. The final section explains how this study could be further extended for future research.

## Achievement of aim and objectives

The aim of the study was to explore the factors affecting workplace democracy and gender equality in an emerging market economy, using the theoretical lenses of New Institutionalism, Global Value Chain theory and Labour Process analysis. This broad aim provided the basis for five specific objectives. The first objective was to understand how congruent or non-congruent isomorphism within emerging markets plays out through GVCs. Non-congruent isomorphism had occurred in relation to the governance arrangements of the worker cooperatives, caused by institutional pressures stemming from their relational ties with, and dependency on a social enterprise. The relationship with the social enterprise was particularly influential since it mediated and reconfigured institutional pressure on the cooperatives, thereby exposing them to neoliberal assumptions about how businesses should be governed.

Coercive isomorphism relates to actions that are taken to avoid sanctions, such as those imposed by legislative and regulatory forces (Di Maggio and Powell, 1983). Existing literature has suggested that legislation and regulation can act as a driver of congruent isomorphism by institutionalising some aspects of democratic governance in cooperatives (Bager, 1997). However, the relevance and application of legislation remains open to the interpretation of social actors (Edelman, [1990](https://www.researchgate.net/profile/Lauren_Edelman2/publication/246675731_Legal_Environments_and_Organizational_Governance_The_Expansion_of_Due_Process_in_the_Workplace/links/549987d30cf21eb3df60d693/Legal-Environments-and-Organizational-Governance-The-Ex); Suchman et al, [1996](http://scholarship.law.berkeley.edu/cgi/viewcontent.cgi?article=1474&context=facpubs)), and is therefore likely to vary between different institutional contexts. Furthermore, legal environments may play a passive, regulatory or constitutive role in affecting organisational practice (Edelman et al, [1997](https://www.researchgate.net/profile/Mark_Suchman/publication/228700043_The_Legal_Environment_of_Organizations/links/0f31752ec5bde1fb71000000/The-Legal-Environment-of-Organizations.pdf)). In this case study, the regulator ensured that the cooperatives had complied with legislation in relation to their formal constitutional documents. However, the cooperatives were selective over when they chose to enact some governance arrangements, thus implying a process of de-coupling. The use of term limits for directors, for instance, was enacted by some cooperatives and ignored by others.

The cooperatives' main customer, the social enterprise, also had an important influence over aspects of corporate governance in the cooperatives. In this case, the motives of the customer, who provided advice and guidance to the cooperatives at their point of registration and oversaw their ongoing development, were ambiguous. Thus, the findings draw attention to the coercive role of supply chain partners over firm practice (Anderson et al, 1999; Hoffman, 2001; Lai et al, [2006](http://ira.lib.polyu.edu.hk/bitstream/10397/480/1/CI_Final.pdf)). In this case, the customer (the social enterprise) had enacted a supply chain strategy which it described as a 'de-centralised supplier network' of cooperatives. The inter-organisational governance structure of this network had implications for the internal governance and employment practices of the cooperatives therein. For example, the customer claimed that it monitored its cooperative suppliers in the area of cooperative governance and ensured that they complied with both national legislation and Fairtrade commitments. There was some evidence that the customer's influence over the cooperatives, which was exerted through the threat of the cooperatives' expulsion from the group, had effectively ensured that annual ballots took place and profits were distributed equally. However, the customer was complicit in the cooperatives' collective oversight of term limits for directors, which they saw as being inhibitive to the group's commercial interests. Instead, the customer preferred to encourage 'strong business management', which effectively caused the managerial dominance of the cooperatives by a limited number of individuals.

Despite the customer's influence over its cooperative supplier's governance arrangements and the stipulations set out by the regulator, the individual managers of the cooperatives exhibited very different approaches to leadership and employment practice, and industry experience was an important factor affecting the way in which cooperative managers managed. For instance, worker-cooperatives that were managed by individuals with supervisory experience in textiles firms tended to display more disciplinarian managerial strategies. These practices, which are commonplace in the South African textiles industry (Vlok, 2006), include the use of highly structured shift patterns with specific time allocated for breaks; close monitoring of employee performance, sometimes on an hourly basis; and punitive measures, such as docking of pay for workers who arrived late. In contrast, firms managed by individuals with no or little industry experience tended to display a more relaxed attitude towards the employment practice. Thus, the findings support the existing literature that shows how managers who are faced with uncertain conditions are likely to copy managerial and employment practices that have become institutionalised within a given industry (Paauwe and Boselie, 2003). However, they also show that the likelihood of managers mimicking industry-level institutions varies according to the extent to which they have previously been exposed to these norms.

The second objective was to explore how the labour process in cooperatives is influenced by the configuration of the GVC. The literature around worker cooperatives informs us that they are increasingly at risk of exploitation from unscrupulous customers (Lima, 2008), but also that they often struggle to gain access to higher value-added work and international customers (Okbandrias and Okem, 2016). In this study, the cooperatives' link to the global aspects of the value chain were indirect, mediated through a social enterprise. The social enterprise, which effectively acted as an intermediary or broker, justified its existence on the grounds that it enabled the cooperatives to access international customers that would otherwise have been inaccessible. However, the social enterprise’s supply chain strategy, and the practical tools used to enforce it, were found to have important implications for the labour process in cooperatives, particularly in relation to mechanisms of workplace democracy and for the economic opportunities available to the cooperatives to access higher value work (e.g. economic upgrading).

Managers may use control mechanisms to limit the relative power of labour at the point of production (Thompson and Smith 2010), even to influence the behaviour of workers in suppliers. This study provides an example of how these traditional control mechanisms were extended to the supply chain (Newsome, 2015). For instance, the customer's dominant bargaining position gave them the power to determine which aspects of the value chain were accessible to the cooperatives. Since some types of work were more financially rewarding than others, the cooperatives were understandably keen to maximise their incomes by undertaking higher value-added work. However, the customer occasionally outsourced this type of work to sub-contractors because the cooperatives were not believed to be capable of producing the requisite level of quality. Thus, while the cooperatives' link to the social enterprise enabled access to a GVC, it also imposed limits in relation to how far they were able to progress, which in turn restricted opportunities for economic and social upgrading.

Other forms of control were also in place. The governance and management processes of the cooperatives was influenced by their customer's demands (Lima, 2008), which were communicated in two ways: firstly, through a service level agreement (SLA) that the cooperatives were obliged to sign before undertaking any work; and secondly, via the use of a balanced scorecard (BSC) which was intended to monitor and evaluate progress on an operational level. These supply chain management techniques were backed up by more conventional control mechanisms which included bureaucratic (Friedman, 1979), cultural (Kunda, 1992), and emotional forms (Bolton, 2005). Notably, the cooperatives were obliged to conform to these commitments and accept their role in these control processes, or risk being expelled from the GVC.

Ultimately, the structure of the GVC in this case was only made possible because the local segment of the supply chain had found ways to minimise costs, mainly through the creation of a social enterprise intermediary that outsourced low value-added production to a network of cooperatives. However, in order to maintain the levels of productivity required to service international customers, the social enterprise enacted mechanisms of managerial control intended to limit labour power. These included the distributing of work amongst a network of worker cooperatives, whilst restricting the power of individual cooperatives by placing restrictions on their membership.

The third objective was to critically evaluate how the labour process within cooperatives influences social upgrading and/or downgrading in terms of worker democracy and gender relations. In terms of economic upgrading, Anner (2015) alerts us to the fact that small and medium sized businesses face several barriers when trying to access larger customers in global supply chains. Similarly, the cooperatives in this study found it difficult to penetrate the value chains of high value customers, which restricted their ability to mature as businesses. At the national level, managers argued that they encountered discrimination from the wider business community because worker cooperatives were associated with government-funded ‘poverty alleviation’ schemes, which had created a perception that they were not proper businesses (Phillip, 2003; Wanyama et al, [2009](http://cdn.nimbu.io/s/hcjwsxq/channelentries/5uwepwt/files/wp_sce_08-02.pdf)). Furthermore, in relation to their global customers, managers felt that they were competing against an assumption that ‘African’ manufacturers were not capable of delivering the equivalent quality of production as their Asian counterparts. In this study, worker cooperatives had been used within a new experimental organisational form that included multiple firms and organisational structures (see Battilana and Dorado, [2010](http://onlinelibrary.wiley.com/doi/10.1111/ijmr.12028/full#ijmr12028-bib-0008); Doherty et al, [2014](http://onlinelibrary.wiley.com/doi/10.1111/ijmr.12028/full)). A collaborative supply chain network had formed in order to access higher value added customers and moderate some of the most intense competitive supply chain pressures. By grouping their productive capacities, they were able to cater for much bigger clients than those that were accessible for firms with similar number of workers, industrial capacity and capitalization. They also avoided taking on contracts that demanded short lead times and retained a degree of ‘slack’ in their productive capabilities, which meant they were able to reallocate work if a cooperative was unable to deliver. This differs from conventional approaches to SCM that have become institutionalised in the global textiles and apparel industry whereby intense commercial pressure from global markets has forced firms to look for cost savings at every juncture (Gopal, 2002; Hale and Wills, [2008](http://onlinelibrary.wiley.com/doi/10.1002/9780470761434.fmatter/pdf); Anner, 2011; 2015). In contrast, this alternative approach to SCM, which was arguably not the most cost-effective strategy in the short term, represented an effective approach to risk management (Peck and Juttner, 2002) and improved the resilience of the supply chain (Juttner et al, 2003) because the supply network was better equipped to deal unanticipated threats to the production process.

In relation to workplace democracy, intriguingly some of the cooperatives' obligations to its customers were found to renew aspects of workplace democracy. For instance, the cooperatives were required to commit to annual ballots and avoid financial mismanagement, although these practices were also mandated under cooperative law. The cooperatives, however, were also coerced into adopting managerial hierarchies because they were seen as conducive to a more pragmatic decision-making process. The promotion of traditional bureaucratic hierarchies had caused the cooperatives to disregard their legal commitments to enact term limits on its directors, which are typically associated with protecting workplace democracy (Cornforth et al, 1988). Thus, the findings show that the location of the cooperatives within global value chains had implications for the labour process, undermining the autonomy of worker cooperatives and inhibiting mechanisms of workplace democracy therein.

In terms of other aspects of social upgrading, the social enterprise-cooperative structure led to some improvements to employment conditions and working standards, such as better health and safety standards, more worker participation in firm-level decisions, and greater flexibility for workers to balance commitments at home and at work. Such improvements have rarely been found in other studies of textiles and apparel GVCs that instead highlight the broad spectrum of bad practices around the issue of labour exploitation (see Anner, 2011; Chan, 2013). However, social upgrading did not consistently occur in relation to pay and job security. In the social enterprise, where there was a high concentration of male workers, pay was tied to bargaining council minimum wages and workers had relatively secure jobs. In contrast, cooperative workers, who were exclusively female, were forced to endure relatively insecure terms of employment with fewer employment protections. Since they were not guaranteed work by the social enterprise and they had opted for self-employed status, the cooperative workers were forced to consume the financial costs of downturns in customer orders, which meant securing contracts with external customers or enduring periods of lower (or no) pay. Within the employment relations literature attention has been paid to the decline of the traditional employment relationship and the growth of non-standard forms of employment, which are associated with precarious and insecure work (Kalleberg, 2009). In this case study, the (predominantly female) cooperative workers' increased autonomy came at the cost of traditional employment relationships. Although workers generally felt that their work with the cooperatives was more secure than their previous (apparently permanent) jobs, their status as self-employed owners arguably undermined their employment rights and access to social protection. Thus, while the presence of worker cooperatives in global value chains may lead to some improvements to labour standards and workplace democracy, it can also cause other outcomes that contribute to social downgrading.

The identification of social downgrading of labour standards in the cooperatives raises questions about the extent to which worker cooperatives contribute to the promotion of gender equality more generally. The social enterprise-cooperative structure was essentially enabling a form of outsourcing that sub-contracted the aspects of production undertaken by female workers. As Coe et al (2008) notes, outsourcing involves a loss of control over aspects of production and over the labour standards employed at the point of production. In this study, the decision to outsource the lowest value processes left the gendered division of labour in the textiles industry largely unchanged: male workers were concentrated in higher value added roles in the social enterprise, whereas female labour was outsourced. Furthermore, rather than outsourcing production to a single cooperative, the social enterprise (TM Promotions and TM NGO) created a ‘network’ of cooperative suppliers, thereby fragmenting the gendered labour process and fracturing labour power at the point of production. Social enterprise managers leveraged their power as gatekeeper to the GVC to establish inter-organisational managerial controls that created competition between cooperatives, limited the size of their membership, sanctioned underperforming cooperatives by expelling them from the network, and focused the attention of cooperative workers on productivity concerns. The combination of a ‘cooperative network’ and inter-organisational managerial controls effectively reinforced the existing power relations between the social enterprise and the cooperatives, with the benefits of economic and social upgrading accruing mainly to the former.

Although the structure of the TM Group ultimately led to social downgrading in terms of gender inequality, it provided some benefits for female workers. Firstly, the inter-organisational governance of the social enterprise-cooperative structure inhibited some of the most intense commercial pressures that are present in the textiles and apparel industry (e.g. fast fashion) from affecting managerial practices in the cooperatives. Although the findings also highlight the ongoing tensions between the work-life balance of cooperative workers and the commercial aspects of the firms, the social enterprises approach to supply chain management had avoided adopting strategies and practices, such as just-in-time production, that have been shown to adversely impact on female workers. Instead, their approach involved leaving some elements of their supply chain under-utilised, which meant the production problems in one cooperative could be covered by another. Thus, these findings show that supply chain management techniques in the textiles industry, which are often presented as a carrier of institutionalised norms that threaten gender equality (Pearson, [1999](http://s3.amazonaws.com/academia.edu.documents/44667704/Feminist_Visions_of_Development_BookSee.org_by_Ruth_Pearson.pdf?AWSAccessKeyId=AKIAIWOWYYGZ2Y53UL3A&Expires=1495459969&Signature=vCZFthSgn2dhDB6aRXSag%2BplXEk%3D&response-content-disposition=inline%3B); Hale and Wills, [2008](http://eu.wiley.com/WileyCDA/WileyTitle/productCd-140512637X.html); Green, 2016), can be reconfigured to promote gender equality.

The cooperatives also promoted gender equality by enabling female worker voice because democratic governance structures enable (female) workers to influence decisions that would typically be taken by (male) managers and owners (Jones et al, 2012). The influence of female workers in governance is particularly important in the context of the textiles industry where labour standards are notoriously poor and women are disproportionately represented and exploited through this type of work (Pearson, 1999; Carr, 2008). The dual status of these workers embedded them within the decision-making processes of their employer which led to improvements in their work-life balance and relieved some of the tensions between their work and family commitments. The cooperative form provided a potential mechanism through which women workers could advance their own interests and they did so by influencing the decision about where to locate their premises. Therefore, the cooperative structure was found to promote gender equality in the textiles industry by enabling (female) workers to influence decisions that would typically be based on commercial grounds and taken by (typically male) managers and owners.

The fourth objective was to critically assess the impact of emerging market institutions on worker democracy and gender equality. The review of the literature around worker cooperatives (Cornforth et al, 1988) and worker participation (Pateman, 1970) revealed that institutional factors and local cultural norms can affect workplace democracy in labour-owned firms (see also Lane and Wood, 2013). In South Africa, Phillip (2007) argued that worker cooperatives have favoured more direct forms of democracy, which has institutionalised laboured decision-making processes and undermined their productive capabilities. According to this argument, South African cooperatives were viewed as less pragmatic than their counterparts in Spain and Italy, which, it was argued, accepted forms of representative democratic control by skilled personnel through committee-based management structures. The cooperatives in this study had embraced representation in their cooperatives, which arguably undermined their democratic values. Furthermore, they had opted not to impose limits on the terms served by managers, which are widely-used governance mechanism in European cooperatives (Errasti et al, [2003](http://onlinelibrary.wiley.com/doi/10.1111/j.1467-8292.2004.00243.x/abstract)), because they were believed to inhibit strategic continuity and commercial growth. Their failure to do so implies that the worker cooperatives in this study displayed a market-orientation which caused them to favour conventional governance arrangements of privately owned firms. In practice, however, this omission risked undermining the democratic foundations of the cooperatives and limiting the potential for worker participation.

It is important to add that the characterisation of cooperatives in this study may reflect institutional changes that have taken place in South Africa over the last ten years. The study highlights two features of the institutional environment around cooperatives that differed from the way in which institutional frameworks have been characterised in advanced economies (see, for example, Bager, 1994; 1997; Battilani and Schroter, 2012). These related to differences in: (1) the structure and composition of cooperative support networks; and (2) the way in which socio-economic and cultural factors influenced interactions between different individuals and organisations. Firstly, the South African cooperative movement was supported by a relatively under-developed 'institutional architecture' (Theron (2007), referring to the myriad of organisations charged with providing support to and facilitating the growth of cooperatives. In advanced economies, various organisations were associated with the promotion of good practice on cooperative management (Bager, 1997). Generally speaking, the institutional climate surrounding South African cooperatives was driven by government policies aimed at alleviating poverty and boosting jobs (Theron, 2008). Public-funded initiatives caused a significant increase in the registration of new cooperatives in rural and township communities (Theron, [2010](http://ilo.org/public/english/employment/ent/coop/africa/download/wpno18cooperativepolicyandlaw.pdf); DTI, [2012](http://www.dti.gov.za/economic_empowerment/docs/coops/legis_policy/coop-strategy.pdf)), but this support was tailored towards boosting the commercial capabilities of cooperatives and up-skilling workers on entrepreneurship, rather than promoting workplace democracy. In addition, the institutional architecture lacked an effective cooperative apex body. Instead, support was provided by civil society organisations, which did not play a central role in the development of cooperative movements in advanced economies (Bager, 1997; Battilani and Schroder, 2012). The involvement of government agencies and civil society organisations exposed the cooperatives to bureaucratic assumptions about the most appropriate way to govern and manage organisations, which are not necessarily aligned with the aims of collectivist organisations (Rothschild-Whitt, 1979; Rhodes and Steers, 1981; Rothschild and Whitt, 1986).

Secondly, socio-economic and cultural factors acted as a barrier to the development of relationships between worker cooperatives and other cooperatives. The legacy of racial segregation under the Apartheid system, which to some extent is maintained by the ongoing spatial and occupational segregation of different ethnicities (Seekings, [2008](http://www.tandfonline.com/doi/abs/10.1080/02589000701782612)), was a contributory factor that appeared to have affected how different groups of organisations and peoples interact. Paradoxically, the cooperatives felt they could trust business partners of white ethnicity because they were seen as 'proper' business people whereas the same logic was used to justify not copying or sharing practices with cooperatives comprised of workers from other ethnicities, including people of their own race. Cultural factors also influenced organisational practices in profound and occasionally paradoxical ways. The philosophical concept of Ubuntu, which is associated with communitarian values, is thought to be closely aligned to the underpinning principles of the cooperative movement (see Venter, 2004; Msila, 2015). The findings in this study show that the workers who identified with the Ubuntu philosophy had tended to expect a greater role in workplace decisions. In contrast, in the cooperatives where workers did not identify with Ubuntu, managers were effectively granted executive power and workers were rarely consulted on key decisions.

Within the broader business community, the findings suggest that the tensions between different ethnic and racial groups restrict the commercial opportunities available to worker cooperatives. These restrictions, which have been alluded to in some studies (Khumalo, 2014), stem from a perception amongst established businesses that worker cooperatives are not legitimate businesses. This perception, which mainly applies to recently-established cooperatives located in previously marginalised communities, assumes that they are only capable of operating as small businesses, serving cottage industries, and are incapable of delivering high quality products (Van Der Walt, 2013). Their status as a tool of poverty alleviation and their location in township communities made it incredibly difficult for recently-established cooperatives to gain entry to value chains with higher returns or to access larger customers (Phillip, 2003; 2007; Satgar, 2007). These barriers have had the effect of restricting their potential for commercial growth, limiting the likelihood that they could upscale their industrial capacity, and made it less likely that they would enact formalised governance arrangements. The cooperatives in this study had overcome this perception through their association with the social enterprise, which was effectively a mechanism through which the cooperative form was legitimised.

## 10.2 Contributions to knowledge

The main contribution of this thesis is to bring together New Institutional Sociology (NIS), GVC analysis and labour process analysis, with the latter focusing on gender in the workplace. As outlined in the amended theoretical framework (Chapter 9, figure 9.5), this study reveals how social enterprises can mediate interactions between worker cooperatives and external institutions, shape the configuration of local supply networks in GVCs, and dictate the labour process. This section outlines the contributions to NIS, GVC analysis, and labour process theory in more detail. Firstly, it explains how the dependency of worker cooperatives on other organisational forms can intensify neoliberal assumptions around what constitutes ‘good governance’, leading to non-congruent isomorphism in relation to the management structures of the cooperatives. Secondly, it adds to the literature on GVC analysis and labour process theory by showing how managerial controls can be used at the inter-organisational level to exert power over workers and undermine workplace democracy in cooperatives. Thirdly, it contributes to the literature on social upgrading and downgrading by showing how worker cooperatives can undermine employment outcomes for female workers. Fourth, it contributes to the literature on workplace democracy, showing how participation in worker cooperatives can be undermined by value chain dynamics.

### 10.2.1 New Institutionalism and working practices of cooperatives

The existing literature around new institutional theory informs us that organisations adopt similar structures and managerial practices in response to external pressures (Di Maggio and Powell, 1983). This study contributes to new institutional theory in three ways: (1) by highlighting how social enterprises mediated institutions impacting on worker cooperatives, which had the effect of intensifying non-congruent isomorphism and emboldening neoliberal assumptions; and (2) by showing how the emerging market institutions affected organisational practices.

Firstly, the study contributes to new institutional theory by further addressing how it can be used to understand worker-owned enterprises (Bager, 1994). According to the existing literature, cooperatives firms experience institutional pressure from two sources: other cooperatives (congruent isomorphism) and conventional businesses (non-congruent isomorphism). However, this study to some extent raises questions about Bager's typology of congruent and non-congruent isomorphism which implies that isomorphic pressure stems from two distinct groups: those within the cooperative movement and privately-owned businesses. However, this does not account for the myriad of organisational structures that impose institutional force on cooperative organisations. This study addresses this gap in the literature by exploring how hybrid organisations, social enterprises and NGOs impose institutional pressure on worker-owned enterprises and cause institutional isomorphism in relation to their governance practices. The findings in this study highlight how close collaboration between cooperatives and hybrids may improve the commercial opportunities for the workers located in the cooperatives by focusing managers on economic interests. However, the findings also suggest that such collaborations can pose a threat to worker cooperatives because they diffuse governance strategies, undermining workplace democracy. Whilst the findings in this study to some extent show how interactions between cooperatives can lead to the diffusion of practices that undermine cooperative identity, it was the value judgements of social enterprise managers that posed the greatest threat to the enactment of cooperative principles. The social enterprise intervened in aspects of cooperative governance, encouraged the cooperatives to adopt conventional decision-making hierarchies, and conducted limited consultation with workers.

It has already been shown that institutionalised practices diffuse through a group of organisations via numerous external organisations, including regulators (Suchman and Edelman, 1996), professional bodies (Di Maggio, 1991, Galaskiewicz and Burt, 1991), ISO certification schemes (Guillen, 2001; Guler et al, 2002), education systems (Meyer, 1977). In many cases, institutional pressure can be imposed on organisations by their customers and suppliers (see Hoffman, 2001; Lai et al, [2006](http://ira.lib.polyu.edu.hk/bitstream/10397/480/1/CI_Final.pdf)). Whilst existing studies have tended to focus on the coercive nature of supply chain relations (Lui et al, 2009; Sarkis et al, 2011; Zhu et al, 2013), the findings in this study show customers can mediate institutions over suppliers, particularly when the latter is heavily dependent on the former. In this case, the worker cooperatives close relationship and dependency on the social enterprise exposed them to neoliberal norms, undermining cooperative identity. This undermining included interpreting cooperative legislation in a way that implied term limits for cooperative directors were discretionary rather than mandatory, whilst also reinforcing industry norms regarding management and supervision.

Secondly, the study extends knowledge about how emerging market institutions can cause governance structures and employment practices to become isomorphic.The institutional architecture that provided support to worker cooperatives in this study was very different to what is currently reflected in the literature. Much of the literature that deals with new institutional theory and worker cooperatives (Bager, 1994; 1997; Battilani, 2012) focuses on advanced economies, but may not be appropriate for understanding the actions of cooperatives in emerging markets. In this study, coercive pressure from the legislature was arguably less effective than in advanced economies where regulatory functions ensure that cooperatives comply with the law[[6]](#footnote-6). Instances of mimetic isomorphism were rare - partly because there was no central body responsible for cooperatives. Additionally, the tensions between pre- and post-Apartheid cooperatives inhibited collaborations between more established enterprises and fledging firms. Normative isomorphism was apparent in some of the work done by managers, who admitted that they drew on their religious and cultural beliefs, such as the communitarian philosophy of Ubuntu, to inform their practice. However, there was little evidence that the decisions taken by cooperative managers were directly informed by the 'global cooperative principles', which are often assumed to diffuse democratic forms of governance.

### 10.2.2 GVC analysis and labour process theory: cooperatives in a supply chain network

The study also moves forward our understanding of the intersections of global value chain (GVC) analysis and labour process theory, which has been the subject of more recent studies within the field of employment relations (Newsome et al, 2013; Taylor et al, 2015).In relation to GVC analysis, this study provides new insights into the relationship between value chain upgrading and employee voice in cooperatives, extending our understanding about the South African institutional context, which has received limited attention from GVC scholars. More importantly, it also extends knowledge on how managerial controls can be used at the inter-organisational level to exert power over workers and undermine employee voice through the value chain.

Value chain upgrading refers to various ways in which the position of firms and workers that are located in GVCs can be improved (Barrientos et al, 2011).This study increases our knowledge about how relatively small organisations can access and shift between different tiers of the value chain (Gereffi, 1999). This process, known as economic upgrading, has proved problematic for some firms, especially new entrants to GVCs, which are inhibited by structural, financial and institutional constraints (Anner, 2015).

The findings show that these new and emerging inter-organisational structures, such as hybrid organisations and social enterprises, are to some extent a response to inhibitive economic barriers that render GVCs inaccessible. Under the lens of GVC analysis, the structure of the social enterprise and its cooperative suppliers can be recast as an attempt to influence the overall value chain by creating a governance model within a particular segment (Gereffi et al, 2005; Ponte and Sturgeon, 2014). The social enterprise acted as an intermediary between the worker cooperatives and major (national and international) customers and suppliers. The ability to access a GVC has been described as a form of economic upgrading (Fernandez Stark et al, 2011), however in this case it did not lead to increased value capture for the worker cooperatives. Instead, economic upgrading had largely taken place in the social enterprise, reflected by technological investment and product diversification. The study, therefore, raises questions about the extent to which economic upgrading could progress under a hybrid model that renders a group of cooperatives dependent on a social enterprise. Although the social enterprise contributed to economic upgrading of the cooperatives, it also created new economic barriers that restricted their access to higher value-added customers. Further economic upgrading of the cooperatives would imply them taking direct control over the relationships with global customers - a practice that the social enterprise was not keen to facilitate at this time. These findings are to some extent consistent with the existing literature on worker cooperatives, which alerts us to the threat posed by the bargaining power of dominant customers over the autonomy of worker-owned firms (Lima, 2008; Laliberte, 2013). In this study, the analysis is extended to social enterprises that are used as a means of overcoming barriers that restrict access for cooperatives into (local and global) value chains. However, these new collaborations also bring with them new forms of control that potentially threaten the opportunities, capabilities, and democratic processes in worker cooperatives.

This study also contributes to intersections of GVC and LPT (Thompson and Smith, 2000) by highlighting the link between inter-organisational managerial controls and social upgrading and downgrading. In other words, it sheds light on the nature and impact of managerial control mechanisms within a supply chain network, and their impact on worker cooperatives that operate as suppliers to relatively powerful customers. In this case study, the social enterprise used inter-organisational managerial controls to stimulate competition between cooperatives and focus their attention on productivity concerns. The critical lens provided by LPT theory was used to understand the way these managerial controls operated, and how they affected the opportunities available to labour in the context of worker ownership. This study highlighted several forms of managerial control, including bureaucratic, technical and cultural forms, but it was the social enterprise’s decision to outsource the lowest value-added aspects of the labour process to a *network* of worker cooperatives that had the most profound impact on labour power. Rather than outsourcing production to a single cooperative, the social enterprise created a ‘network’ of cooperative suppliers, thereby pitting cooperative against cooperative and fracturing labour power at the point of production.

### 10.2.3 Social downgrading and the gendered labour process in South African worker cooperatives

Social upgrading can produce different outcomes for male and female workers with the benefits often accruing disproportionately to men (Kucera and Tejani, 2014; Bamber and Staritz, 2015). This is because women’s participation in GVCs is shaped and limited by gendered institutions, such as their primary responsibility for reproductive work (Bamber and Staritz, 2015), limiting their economic opportunities (Fontana, 2011). In this study, the social enterprise-cooperative structure facilitated access to a GVC for female producers, but interfered with their ability to upgrade functions and processes after they were embedded. More significantly, the outsourcing of production to a *network* of female-owned worker cooperatives effectively removed female work from the traditional factory (CMT) model, creating a new, albeit illusory tier of female owners and managers. More significantly, the creation of a network of cooperatives had the effect of intensifying competition between cooperative and amongst female labour. Not only were pay, job security and, collective bargaining rights undermined through employment in a cooperative, but it was mainly female cooperative workers that were subjected to the most precarious forms of work since they were self-employed. At the same time, the social enterprise retained higher value activities that were undertaken by male production workers, providing them with relatively secure jobs, and enabling them to access greater employment protections (Kucera & Tejani 2014). In other words, the overall outcome for the cooperatives was social downgrading in the form of gender inequality.

The LPT literature alerts us to the plight of workers who endure poor pay and abusive working conditions in the face of 'market despotism' (Levenson-Estrada, 1994; Webster et al, 2008), with the worst labour violations disproportionately affecting female workers (Anner, 2015; Elson and Pearson, 1981). The use of piece work is an example of the infamous and exploitative control mechanisms that have been documented in other studies of textiles GVCs (Anner, 2011; 2015; Crowley, 2013). This study addressed the issue of pay and job security in relation to a social enterprise-cooperative governance model. In this case, outsourcing passed on the risk of fluctuations in demand to the worker cooperatives. Since the cooperatives were paid for what they produced, they were effectively paid using a piece-rate system – thereby renewing a traditional, exploitative, and gendered form of labour control in the textiles industry (Anner, 2015; Elson and Pearson, 1981). Thus, the social enterprise-cooperative model came very close to replicating the exploitative conditions, in relation to pay and job security, that are commonplace in the global textiles industry (Anner, 2015; 2016).

Previous contributions from gender scholars have highlighted how the gendered division of labour in worker cooperatives can lead to an absence of female representation on governance committees (Hacker and Elcorobairutia, 1987). In contrast, this study found no such barrier for female workers, with wholly female governance committees being the norm. However, the scope of responsibility for cooperative governors was similar to that of a ‘line supervisor’ in a conventional CMT. Therefore, it is plausible that the gains made in terms of the number of women employed in management and ownership were superficial. It could further be argued that the autonomy generated by these roles was illusory, since cooperative managers were also expected to comply with directives from the social enterprise. In other words, the process of outsourcing to a network of worker cooperatives had the effect of limiting the power of the cooperative suppliers, in turn limiting the options available for (female) production workers to express their interests. Rather than outsourcing production to a single cooperative, the social enterprise created a ‘network’ of cooperative suppliers, thereby fragmenting the gendered labour process and fracturing labour power across a network of suppliers. Social enterprise managers also used inter-organisational managerial controls to create competition between cooperatives, sanction underperforming cooperatives by expelling them from the network, and focus the attention of cooperative workers on productivity concerns. In addition to the fragmentation of the labour process, traditional forms of control were used to underpin the dominance of management. For instance, bureaucratic forms of control (Du Gay, 2000) were present in the form of formal meetings, which primarily served as a mechanism of downward communication from the marketing firm to the cooperatives. The managers in the social enterprise claimed that these inter-organisational meetings acted as a mechanism of voice and participatory democracy for all constituents; yet, closer analysis shows that these meetings imposed constraints on (female) workers and managers within the worker cooperatives because they were unable to affect the structure and aims of the meeting. Furthermore, the adopted structure implicitly communicated to these workers that they were expected to play no more than a passive role in the meeting itself. Thus, the control mechanisms, which were exemplified by the bureaucratic and cultural controls that underpinned these meetings, also reinforced existing power asymmetries and hierarchies (Johnson et al, 2001) between the social enterprise and the cooperatives.

### 10.2.4 Worker democracy and the supply chain

The empirical findings also contribute to our understanding about social upgrading and downgrading in relation to workplace democracy. The literature around worker participation informs us that worker ownership is a favourable pre-condition for establishing workplace democracy but warns that many other factors, such as managerial and worker expectations (Cathcart, 2013), the extent of information sharing (Kandathil and Varman, 2007) and the education level of worker-owners (Long, 1982) may inhibit democratic participation. It has also been argued that the degree of worker-involvement in decision-making processes can be affected by numerous factors relating to the institutional context (Bager, 1997) and the maturity of the firm (Wuisman and Mannan, 2016). However, existing literature does not adequately account for how supply chain characteristics affect worker participation. This study addresses this gap in the literature by examining the way in which worker participation in employee-owned firms was affected by their relationships with their main customer and other organisations in the supply chain. More specifically, it revealed that firms that use worker cooperatives within their supply chain can possess significant influence over the them, undermining mechanisms of workplace democracy.

The social enterprise had significant influence over the cooperative suppliers, yet the worker cooperatives in this study had no formal mechanism to put forward their own interests at the group level. Cooperative workers were often not consulted, or even informed about important developments that could affect their business (e.g. ventures into new markets), which implies that the control structures employed by managers at the hybrid were primarily an attempt to exploit the productivity of the cooperatives (Burawoy, 1985; Thompson and Smith 2000; Castree et al, 2004). The social enterprise-cooperative form may therefore have implications for employee voice. Whilst previous studies (see Monaco and Pastorelli, 2013) have found that unionisation rates in cooperatives in Europe and South America are relatively high (between 85-95%), the findings in this study, moreover suggest that cooperative workers were less keen to involve the union in their affairs. Managers in the hybrid organisation were apprehensive about union involvement because, they argued, union representation implied a failure of internal democratic processes. This perception also meant that they were less inclined to work with the union or to promote union involvement throughout the group. In contrast, the cooperative workers, who had had some informal contact with union representatives, were less inclined to pay the financial costs of union membership because the financial proceeds of their work (e.g. pay and profits) were already shared equally between all members and their interests expressed through direct mechanisms of voice. Thus, the findings suggest that the promotion of direct forms of voice, such as those in worker-owned firms can to some extent undermine other forms of indirect voice (e.g. trade unionism).

## 10.3 Implications for policy and practice

The findings have implications for the establishment of future worker cooperatives in an emerging market setting. In particular, they highlight the effectiveness and limitations of worker cooperatives as a mechanism for promoting gender equality and helping women overcome gendered constraints (Jones et al, 2012). In the last ten years, the surge in registrations of worker cooperatives in emerging markets, and especially in South Africa, suggests that there is an appetite amongst workers for a greater role in workplace decisions (Ndweni, 2008; Khumalo, 2014) and many of these cooperatives have been established by female entrepreneurs (Okbandrias and Okem, 2016). Yet, most of these cooperatives remain small businesses and struggle to access higher value work or increase their industrial capabilities (DTI, [2012](http://www.dti.gov.za/economic_empowerment/docs/coops/legis_policy/coop-strategy.pdf); Khumalo, 2014). It is possible that supportive environments can be created that effectively nurture and incubate fledgling cooperatives by guaranteeing productive work and providing them with 'business training' and access to resources. However, as this study has revealed, these environments may cause the cooperatives to become dependent on other organisations, such as marketing firms, intermediaries, social enterprises and charities, and there is a danger that these organisations may expose cooperatives to non-congruent value systems that undermine the cooperative's democratic functions. Therefore, the findings may also have implications for the provision of institutional support for cooperatives in emerging markets. The South African cooperative movement lacked a coherent support system which has underpinned similar movements in advanced countries and some emerging markets (Henry, 2012). The recent establishment of a federal cooperative apex body (SANACO) shows willing on the part of the South African government to fund such improvements (Khumalo, 2014; Okbandrias and Okem, 2016). There may, however, be some potential 'easy wins' for policy makers. Since the South African government already directs significant financial resources to cooperative development, it is possible that government funding could be channelled to develop new regulatory bodies to ensure that cooperatives comply with legislation after the point of registration. This has already been effective in various parts of Africa and Asia (ILO, 1999; Henry, 2012). Furthermore, it may be possible to foster international collaborations to promote the sharing of 'good' practice between cooperatives in other emerging markets.

Arguably, the findings also highlight an important role for trade unions in providing support to worker cooperatives in relation to mechanisms that promote worker participation. The textiles union had sought to influence policy on non-standard work, but could be more closely involved at ground level. This involvement may take the form of guidance, training or conflict resolution. Such support is necessary because most other actors remain focused on developing the commercial viability of work, leaving a blind spot around issues of workplace democracy. Such collaborations have proved successful in Europe and North America (Mondragon, [2009](http://www.mondragon-corporation.com/eng/collaboration-agreement-between-mondragon-and-the-north-american-trade-union-usw/)). For trade unions in emerging markets, cooperative-union collaborations might also prove to be an innovative way of accessing and mobilising workers who are caught between the formal and informal sectors. However, the trade union appeared to be reluctant to get involved with worker cooperatives because they were perceived to circumvent labour laws and exploit workers. While the study identified mutual benefits for collaboration, it was unlikely that the current environment was conducive to trade union-cooperative collaborations. Such collaborations, which are being encouraged by the ILO (2012), may emerge as the worker cooperatives in South Africa formalise. However, it would require trade union willingness to target social enterprises and worker cooperatives.

The findings also have implications for the monitoring and evaluation of Fairtrade supply chains. Whilst FT standards were initially set up to improve pay for producers located at the outer reaches of the supply chain (WFTO, [2004](http://wfto.com/about-us/history-wfto/history-fair-trade)), this study shows how FT bodies have turned their attention to the productive tiers of the chain. Under current FT guidelines, worker cooperatives are promoted as a means of good practice at the productive tier of the value chain (WFTO, [2014](http://wfto.com/sites/default/files/Ch-6-WFTO-Fair-Trade-Standard-draft-3.6-feb-14.pdf): p.2; Fairtrade International, [2016](https://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/documents/generic-standards/1610_Fairtrade_Textile_Production_Mark_-_Quick_Guide.pdf)). In addition, FT entrepreneurs are encouraged to set up 'marketing' firms, such as TM Promotions, that promote the work of these cooperatives. The regulations from the two main FT certification bodies, WFTO and Fairtrade International, encourage these marketing firms to monitor and evaluate various aspects of employment practice and governance arrangements in these suppliers (Fairtrade International, 2011; WFTO, 2014). However, they are vague on how this monitoring process should be carried out. The findings suggest that FT bodies and firms must develop more effective means of monitoring suppliers to avoid non-compliance around some aspects of cooperative and labour law. Although this process would undoubtedly be hampered by resource constraints and political tensions, these challenges may be lessened by developing new forms of social partnerships. For instance, FT bodies could seek to establish links with other organisations that already operate in related areas, such as trade unions or government agencies involved in monitoring labour standards. An alternative approach could be for FT certifiers to be more prescriptive in setting out what, when and how FT marketing companies are expected to monitor their suppliers. As a minimum standard, FT bodies might ensure that they are certifying firms that are compliant with national legislation. Since FT currently relies heavily on arm’s length auditing procedures and self-evaluation (WFTO, [2014](http://wfto.com/sites/default/files/Ch-6-WFTO-Fair-Trade-Standard-draft-3.6-feb-14.pdf)), it may also be appropriate to promote the use of local, independent specialists on labour and/or cooperative law to sign off FT returns.

There is currently very little in the FT guidelines that suggests that workplace democracy is a particular focus, with the exception of broad statements about 'transparency' and 'accountability' (WFTO, [2014](http://wfto.com/sites/default/files/Ch-6-WFTO-Fair-Trade-Standard-draft-3.6-feb-14.pdf): p.5). The marketing firm in this study (TM Promotions) had ensured that its cooperative suppliers shared profits equally and conducted democratic annual ballots, which implies they had a basic understanding of cooperative governance. However, they failed to ensure that term limits on governance positions were enforced, something that is generally considered best practice in cooperatives (Cornforth et al, 1988) but also required under South African law (RSA, [2013](http://www.gov.za/sites/www.gov.za/files/36729_gon558.pdf)). In this respect, the FT body could provide a more substantial package of support to firms wishing to promote worker participation in supplier firms, which might include more detail on what constitutes 'good' governance, as well as practical managerial tools and examples of good practice. Here, forms of governance might involve questioning the role of 'marketing companies' and social enterprises in overseeing cooperatives, with a more appropriate model being a cooperative federation, of which there are several precedents in other countries such as the UK and Spain (see Laliberte, 2013).

## 10.4 Limitations and reflections on methodological issues and the research process

Conducting research in South Africa raised several challenges. Broadly speaking, these methodological issues could be separated into four main categories: (1) the need for epistemological reflexivity (Johnson, 2006); (2) the use of the case study method (Flyvberg, [2006](https://arxiv.org/ftp/arxiv/papers/1304/1304.1186.pdf); Yin, 2012); (3) resource and time constraints (Pettigrew, 1990); and, (4) the need for this study to be incorporated into a large multinational research project (SCA-Emp).

Numerous factors relating to the characteristics of the participants as well as my own personality potentially influenced the way in which informants responded during interviews. The participants’ behaviour may have been influenced by the way in which they interpreted their social environment. It could therefore be argued that this would be very different if these participants had been trained on a social science topic or specialised in aspects of worker participation and/or gender equality at work. The study did, however, involve managerial staff, including the CEO, the production manager and the HR manager, who did have managerial training and, when compared to the responses of other participants, similar observations were made about their working practices. The gender, age, ethnicity of the participants vis-à-vis my own background may have influenced the responses of participants. Due to South Africa’s socio-economic history, ethnic and racial issues are overtly expressed during day-to-day social interaction. The study highlighted numerous ways in which the perception of different ethnic groups had influenced the way business was conducted. These tensions between different groups presented themselves in complex ways. For instance, the founder of the TM Group claimed that cooperative workers had become accustomed to ‘telling white people what they want to hear’, which she felt continued to affect interactions between individuals on a day-to-day basis. Similar issues may also have affected the research process. The research participants, most of whom were female and from ethnic groups that were previously marginalised under the Apartheid regime, were asked to discuss issues relating to their work and family with a man of white ethnicity. This challenge was overcome in three ways. Firstly, access to informants was achieved through colleagues that they trusted. Secondly, I spent time building relationships with informants prior to undertaking interviews and over several rounds of data collection. Finally, I maintained a degree a flexibility regarding the time and location of interviews, which enabled the informants to determine where and when interviews should take place. By giving the informants control over the process, it made them feel more comfortable and receptive to the research.

Language barriers also presented a challenge during the research. Although the interviews were conducted in English, it was not the first language of many of the participants in this study. In the social enterprise, most participants were non-English native speakers, although they had developed proficient English language skills from their business activities and from previously working in English speaking countries. In the cooperatives, workers tended to speak Afrikaans or Xhosa on a daily basis. Generally speaking, managers in the cooperatives had good English language skills, but some workers struggled to articulate their thoughts in English. In most cases, I was able to overcome these difficulties by drawing on the skills gained in my previous experience of a language teacher, finding simpler ways of communicating complex ideas.

There were also arguably limitations relating to the use of the case study approach (Flyvberg, 2006), with regard to generalisation to other organisations in South Africa or in other parts of the world (Yin, 2009). However, it is possible to employ analytical generalisation in terms of transferability to other settings (Gill and Johnson, 2010), since some aspects of the research setting are similar to those in other parts of Africa and in emerging markets. For example, the impact of the Ubuntu philosophy on managerial practice has been recognised in studies covering several other African nations (Karsten and Illa, 2005; Ndweni, 2008) and studies from South America and Asia have drawn attention to how supply chain partners can influence the autonomy of cooperative workers (Lima, 2008). Thus, some of the themes could be transferable to other social contexts involving cooperatives in other parts of Africa.

The various stages of the case study were documented in my reflective journal, which helped me to critically explore my own reasoning, thoughts and feelings during data gathering and analysis. Initially, the journal was adopted as a methodological tool through which I could explore and expose how my presuppositions might impact on the research process and make my experiences, opinions, and feelings visible (Ortlipp, 2008). In doing so, I was attempting to make the process of analysis as transparent as possible. The critical reflections, however, also served other purposes. For instance, the reflections written during the first stage of data gathering prompted me to change my approach, exploring and integrating more critical perspectives (such as GVC theory and LPT analysis) into future phases of collection and analysis. Furthermore, the reflections helped to keep track, and make sense of other events that occurred during data collection that were not captured during interviews, such as the behaviours, attitudes, and body language of participants before, during and after the interview.

The study of a supply chain also presented challenges. Given the highly competitive nature of global markets, value chains are in a constant state of flux, with new customers and suppliers and the disappearance of others and the constant exploring of new markets. The social enterprise was constantly exploring new markets and the cooperatives regularly undertook small amounts of work for numerous local customers, highlighting the complexity involved in investigating supply chains. The supply chain relationship was also characterised by power asymmetries which may have affected the way in which participants responded. However, the engagement with GVC and labour process theory helped to provide a more critical lens from which to understand the mechanisms of control that were embedded at the intra- and inter-organisational level.

It is also possible that the social enterprise did not provide access to supply chain partners when they felt that it may affect their commercial relationship, particularly if the relationship had only recently been established. This potentially limited the pool of organisations available to participate and left potential blind spots in relation to the labour standards practiced throughout the supply chain. However, I did manage to gain substantial access to a wide variety of organisations within this supply chain and from the institutional environment, having built a level of trust with participants.

Finally, this study was part of a wider project (SCA-Emp) that aimed to investigate relationships between supply chain accounting and employment practices in the textile and automotive industries. My involvement in the project presented significant opportunities for a fledging researcher. The broader project consisted of a survey of businesses in Brazil and South Africa, as well as in-depth case studies in each country and the co-production and promotion of a toolkit that aims to improve labour standards through the supply chain. Through my involvement in the data collection and the 'impact' activities, I gained valuable experience and knowledge of the institutional setting and industries at the centre of this study. In addition, I have gained exposure to an experienced team of academics and professional practitioners which helped me to develop the substantive and theoretical aspects of my thesis. My involvement in the project, however, also created challenges. The interdisciplinary nature of the project meant that there were many competing interests that influenced the scope of the project. During the early stages of my involvement, I needed to justify the importance of workplace democracy and work-life balance. Moreover, whilst there was initially some concern about my wish to focus on employee-owned firms, I was able to persuade the project team that this would add an important dimension to the overall project.

## 10.5 Recommendations for future research

This research highlights several directions for future research. The findings highlight the need for a better understanding about the role that worker cooperatives play in global value chains, how they affect the configuration of and governance within the chain, and the implications for the labour process. Democratic organisations, such as worker cooperatives, are promoted as a solution to various social ills, such as chronic and extreme poverty (Wanyama et al, [2009](http://cdn.nimbu.io/s/hcjwsxq/channelentries/5uwepwt/files/wp_sce_08-02.pdf); SANews, [2015](http://www.sanews.gov.za/south-africa/cooperatives-contribute-poverty-alleviation)), high unemployment (Roelants et al, [2014](https://ica.coop/sites/default/files/publication-files/cooperativesandemploymentaglobalreportenweb21-101pag-246863399.pdf)), gender inequality (ILO, 2012; Jones et al, 2012), and worker anomie (Johnson, 2006). Yet, these organisations are let down by a failure of institutional infrastructure, ineffective support systems, and exploitation - including the emergence of so-called 'fake' cooperatives that undermines their democratic principles (Lima, 2008) and raises question about the extent to which they contribute to more equal gender outcomes. Thus, the study shows that more research is required into the most effective forms of support that do not undermine their democratic credentials and promote gender equality.

The findings highlight the need for more critical understandings of social up- and downgrading in GVCs. In this study, the use of labour process theory highlighted the paradoxical nature of work in cooperatives which provides workers with increased opportunities to improve their economic position and express their own interests through direct forms of voice, while also contributing to precarious forms of employment that are characterised by complex forms of control, less secure jobs and limited social protections. Within social enterprise-cooperative networks, supply chain managers exerted control over workers at the point of production, and there is a pressing need to understand how these forms of control affect the labour process in worker cooperatives. More generally, it is necessary to better understand how the norms and practices of supply chain management affect the governance of GVCs more generally (Gereffi and Lee, 2012), including the use of more longitudinal studies that capture how value chains change over time.

The study also provides insights into the way in which alternative forms of organisations, such as employee-owned businesses and social enterprises, approach worker participation. It shows how these firms represent an alternative way of organising businesses and people, which is proving to be particularly popular in parts of Africa (Haigh and Hoffman, 2012; Holt and Littlewood, 2015). Arguably, one reason for the increase in the alternative organisational forms is because the traditional organisational structures, governance models and human resource management practices were based on ‘Western’ or neoliberal assumptions, which are typically characterised as formal, bureaucratic and rule-based (Nzelibe, 1986) and are unsuitable in the African context (Kamoche, 1992; Kamoche, 2011). In contrast, traditional African approaches have focused on communitarian, humanistic and cooperative principles that are reinforced by informal interactions (Budhwar and Debrah, 2001; Jackson, 2011). Whilst in recent years there has been a substantial increase in studies that explore the way in which governance and employment practices are influenced by African cultures and institutions (e.g. Jackson, 2002; Gbadamosi, 2003; Ndiweni, 2008; Cooke et al, 2015), this study reinforces calls made by some of the leading scholars in these fields (e.g. Jackson, 2011; Wood and Horwitz, 2015) that we need a much more detailed understanding of the way in which African organisations operate on a day-to-day basis.

Finally, this case study provided a snapshot of the worker cooperatives at a particular stage of their development and there remain questions about their commercial viability in the longer term. Despite claims by managers that there were plans in place to reconstitute all parts of the TM Group to a more democratic form, its future developments may not necessarily provide a fertile ground for the emergence of mechanisms of workplace democracy. In its current form, the TM Group 'model’ uses social enterprises with no formal mechanisms of workplace democracy, to facilitate the growth of cooperative forms of enterprise. At this stage, it is unclear what the ramifications might be for mechanisms of workplace democracy in worker cooperatives. Thus, there is a need for further research into the relationship between social enterprises and worker cooperatives, particularly in relation to worker participation and employee voice.

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# Appendix 1 - Sample interview transcripts

## 1.1 CEO interview (first interview)

Interview conducted in January 2015. Interview schedule was created collaboratively by the SCA-Emp project team. The interviews that were added by myself are highlighted in yellow.

Role and organisation

1. To what extent does your role include an oversight of HR and finance?

2.To what extent does your role include the selection of customers? (Prompt: If so, what criteria do you use when selecting customers - retailers?)

3. To what extent does your role include the selection of suppliers? (Prompt: If so, what criteria do you use when selecting external suppliers?)

4. Who are your main customers (e.g. retailers) (If not able to say, in which country based?)

5. Who are your main suppliers (principals)? (If not able to say, in which country based?)

6. Could you please explain your supply chain process (Prompt: How many customers and suppliers do you have? How many second tier suppliers do you have, suppliers to your suppliers?)

7. How would you describe your relationships with your suppliers?

(Prompts: to what extent do you always agree on which information to share? to what extent do you trust your suppliers, and to what extent do they trust you? do you have different relationships with different suppliers?)

8. How would you describe your relationships with your customers (e.g. retailers)?

(Prompts: To what extent do you always agree on which information to share?

To what extent do you trust your suppliers, and to what extent do they trust you?

Do you have different relationships with different customers?)

9. Are you aware of any differences of opinion on which functions should be performed by customers and suppliers across the supply chain? (Prompt: If so, could you please give examples of these differences of opinion)

Company Structure

10. Why did you opt for your current form of organisational structure?

11. What regulatory requirements are/were considered when setting up the organisation's legal structure? Prompts:

* The legal structure of the organisation
* The number of members
* Growth of the organisation
* Decision-making processes
* Production procedures
* Working conditions

12. What agreement is required between existing members in order to:

* enlist new members
* change the constitution

Sharing information on manufacturing processes with suppliers and customers

13. What factors assist in or prevent the sharing of **your own** accounting information with external suppliers?

(Prompts: knowing key members of staff working for the suppliers; trust relationships built up over time; suppliers keeping careful records)

14. What factors assist in or prevent the sharing of accounting information **within the whole supply chain** with external suppliers?

(Prompts: knowing key members of staff working for the suppliers; trust relationships built up over time; suppliers keeping careful records)

15. What factors assist in or prevent the sharing of accounting information with customers (e.g. retailers)?

(Prompts: knowing key members of staff working for the suppliers; trust relationships built up over time; suppliers keeping careful records)

16. To what extent do your second tier suppliers(those supplying goods to your suppliers)share information with you?

HR practices within the supply chain

17. Has engaging with customers in other countries caused you to change any aspect of your HR practices? (Prompt: Cooperatives ONLY: Has engaging with customers directly (rather than through Township CC) changed any aspect of your HR practices?)

18. In which areas do you think the company’s HR policies are better than other competing firms in terms of: (Prompt: after each area, ask if this applies to the company or the plant)

* Job security (Prompt if necessary: the number of permanent and temporary employees, average length of employment, turnover rates)
* Equal opportunities (Prompt: the proportion of workers by age, gender, disability, race)
* Pay (Prompt: exceeding the minimum wage - of 12.96 rands per hour)
* Training (Prompt: providing externally funded or on-the-job training)
* Providing benefits such as private health insurance (Medical aid)
* Paid leave (Prompt: above the legal minimum number of paid holidays per year)
* Making adaptations for disabled workers (Prompt: such as changes to working hours; providing special equipment)
* Health and safety (Prompt: lower number of accidents)
* Redundancy / retrenchment procedures (Prompt: minimising the number of compulsory redundancies; fair redundancy procedures and practices)
* Outsourcing (Prompt: minimising the outsourcing of jobs to other organisations)
* Maternity provision (Prompt: such as maternity leave)
* Managing absence (Prompt: through a clear policy and procedures; ensuring that disabled workers are not unfairly penalised)
* Working hours (Prompt: rest days per week; maximum number of working hours per day or per week)
* Industrial relations (Prompt: good relationships with trade unions; consultation of staff)
* The number of foreign workers employed
* Employing formal sector workers (those with a formal written employment contract) rather than informal sector workers
* Forced labour
* Child labour
* Other HR practices or benefits that are not included above

19. Are any of these areas ones where the company could improve?

20. Do you have a company code of conduct governing your labour practices or those of your suppliers? (Prompt: If so, who was responsible for instigating use of code of conduct? e.g. managers, suppliers, customers).

21. To what extent do your code of conduct affect the WLB of employees in: (1) your organisation; (2) your supply chain partners.

22. Do you give information to your external suppliers (principals) on your HR practices? And do your suppliers give this information to you?

23. Do you give information to your external customers (retailers) on your HR practices? And do your external customers (retailers) give this information to you?

24. If you share information with your customers, why do you do this?

*(Prompts:*

* Because we are required to share information with them
* To ensure cost effectiveness
* To achieve competitiveness
* To ensure that labour standards are met)

25. If you share information with your external suppliers (e.g. principals), why do you do this?

*(Prompts:*

* Because we are required to share information with them
* To ensure cost effectiveness
* To achieve competitiveness
* To ensure that labour standards are met)

26. If your external suppliers (e.g. principals)share information with you, why do they do this?

*(Prompts:*

* Because we require them to share information with us
* To ensure cost effectiveness
* To achieve competitiveness
* To ensure that labour standards are met)

27. Do you see a link between HR and the quality of goods produced?

28. Do you see a link between HR and the reliability of suppliers?

29. To what extent do you consider the private lives of workers when making decisions about SCM or HR strategy?

30. What aspects of their private lives do you think affect their ability to do their jobs?

31. To what extent do you compel your suppliers to comply with your requirements in relation to:

* The number of permanent and temporary employees employed
* The age of workers employed
* Equal opportunities- numbers of women, disabled workers, those of different races employed
* Pay (minimum wages)
* Training
* Health and safety
* Working hours
* Amount of paid leave (holidays)
* Adaptations for disabled workers
* Family-friendly policies (Prompt: leave entitlements; work schedules; place of work; care facilities; lightening the burden of family and domestic tasks)
* Sustaining livelihoods (protecting workers jobs/ role in the home/ supporting communities)
* Compensation paid for workplace accidents
* Numbers of those made redundant/ retrenched
* Paying maternity leave costs
* The number of foreign workers employed
* Employing formal sector workers (those with a formal written employment contract) rather than informal sector workers
* Forced labour
* Child labour

32. Has concern with the working conditions of your suppliers informed your business decisions? Probe: What caused this concern?)

33. To what extent do you try to support workers to achieve a work-life balance? (Prompt: Does this vary for male and female employees?) [only ask if not dealt with above]

34. To what extent do organisational needs conflict with employee requests? (e.g. overtime, flexible hours, part-time hours) [only ask if not dealt with above]

35. To what extent have you copied ‘best practice’ in your HR practices or supply chain management? (Prompt: cooperative principles, cooperative working practices, management practices, delegation of roles)

36. To what extent are external organisations consulted on 'best practice' with regard to management of employees? (Prompt: Trade Unions, NGOs etc.)

37. To what extent are your HR practices guided by standards set by:

* NGOs or Trade Union guidelines?
* 'Best practice' of other businesses?
* International Labour Standards?
* Company level codes of conduct?
* Multinational framework agreements?
* National legislation?
* Company corporate social responsibility initiatives?
* Shareholder pressures?
* Other?

38. To what extent do you try to ensure that the HR practices of your suppliers are guided by standards set by:

* NGOs or Trade Union guidelines?
* 'Best practice' of other businesses?
* International Labour Standards?
* Company level codes of conduct?
* Multinational framework agreements?
* National legislation?
* Company corporate social responsibility initiatives?
* Other?

39. Are there any other questions that you thought that I would ask or things that it would be useful for me to know?

Many thanks for participating in this interview

## 1.2 CEO interview (second interview)

Interview conducted in January 2015. All questions were created by myself for the purposes of this study.

**Section One: Social Enterprise/Cooperative Governance**

1. Are you aware of any other organisations that you think are similar to Township? If so, have you ever shared any practices with them? Or have they shared practices with you (Prompt: employment practice, SCM practice or strategy)
2. Do you advocate a particular management process when supporting the development of new cooperatives? (Prompt: Committee, Board, MD, Alternating Management etc.)
3. Do you prefer to work with cooperatives with particular governance practices? (Prompt: Committee, Board, MD, Alternating Management etc.),

**Section Two: Supply Chain Governance**

1. How did your previous experience affect your approach to governance at Township, and through your supply chain?
   1. What factors influence your relationship with your suppliers/customers?
2. To what extent have you attempted to integrate your other suppliers into the ‘TM Group network’? (Prompt: mention ‘loyalty’)
   1. How would you describe the relationship between you and your suppliers? (not inc. Cooperative network)
   2. Is there anything you would like to change about your relationship with any your suppliers?
3. Why does the NPO, rather than the marketing company, manage relationships with suppliers? (prompt: ask about cotton, jute, printers)
4. What factors influenced your decision to move your cotton and jute supply abroad? (Prompt: price, quality, reputation, recommendation, fair trade, labour standards, location)
   1. How did this affect your employees/your supplier’s employees?
5. What factors influence your choice of printer? (Prompt: price, quality, reputation, recommendation, fair trade, labour standards, location)
   1. To what extent do you take an interest in employment practices in your printing suppliers?
6. What was the purpose of your trip to visit your cotton suppliers in India? (Prompt: build network/relationships/trust; contract negotiations; check quality; production techniques; observe labour practices)
7. To what extent have your SCM practices been guided by standards set by your suppliers/buyers? (e.g. Logistics, Quality).

**Section Three: Codes of Conduct**

1. Have you ever been asked to conform to a voluntary code of conduct (governing labour practices) by a supplier or customer?
2. If so, how did this affect your employment practices in the TM Group?
3. Have you ever asked another organisation to conform to a voluntary code of conduct (governing labour practices)? If so, how do you think this affected employment practices in the organisations?
4. Why have you chosen to adopt a code of conduct from an independent organisation? How do you envisage this affecting your employment practices? (Prompt: WWF)
5. To what extent do codes of conduct cover employment practice in relation to:

* Job security (Prompt if necessary: the number of permanent and temporary employees, average length of employment, turnover rates)
* Equal opportunities (Prompt: the proportion of workers by age, gender, disability, race)
* Pay (Prompt: exceeding the minimum wage - of 12.96 rands per hour)
* Training (Prompt: providing externally funded or on-the-job training)
* Providing benefits such as private health insurance (Medical aid)
* Paid leave (Prompt: above the legal minimum number of paid holidays per year)
* Making adaptations for disabled workers (Prompt: such as changes to working hours; providing special equipment)
* Health and safety (Prompt: lower number of accidents)
* Redundancy / retrenchment procedures (Prompt: minimising the number of compulsory redundancies; fair redundancy procedures and practices)
* Outsourcing (Prompt: minimising the outsourcing of jobs to other organisations)
* Maternity provision (Prompt: such as maternity leave)
* Managing absence (Prompt: through a clear policy and procedures; ensuring that disabled workers are not unfairly penalised)
* Working hours (Prompt: rest days per week; maximum number of working hours per day or per week)
* Family-friendly policies (Prompt: leave entitlements; work schedules; place of work; care facilities; lightening the burden of family and domestic tasks)
* Sustaining livelihoods (protecting workers’ jobs/ role in the home/ supporting communities)
* Industrial relations (Prompt: good relationships with trade unions; consultation of staff)
* The number of foreign workers employed
* Employing formal sector workers (those with a formal written employment contract) rather than informal sector workers
* Forced labour
* Child labour
* Other HR practices or benefits that are not included above

**Section Four: Employment Practices**

1. What provisions are in place to involve employees in influencing important decisions about the future direction of the cooperative? Does the level of participation differ for male and female employees?
2. What provisions are in place to involve employees in influencing decisions about working practices? Does the level of participation differ for male and female employees?
3. To what extent are employees consulted on decisions about working practices? (Prompt: Monthly Operational Meetings)
4. To what extent are employees informed decisions about working practices? (Prompt: How are they informed?)
5. To what extent do you negotiate with employees about working practices?
6. To what extent are employees consulted on important decisions about the future direction of the cooperative? (Prompt: Monthly Operational Meetings)
7. To what extent are employees informed of important decisions about the future direction of the cooperative? (Prompt: How are they informed?)
8. To what extent do you negotiate with employees on important decisions about the future direction of the cooperative?
9. Do you know of any cooperatives that work with trade unions?
10. Is there anything else that you thought I should ask about?

1. When referring to the ‘social enterprise’ in this instance, it is worth noting that all production workers were formally employed by TM NGO, the charity.TM Promotions staff, who were only responsible for customer sales and marketing, are not represented in the diagram. [↑](#footnote-ref-1)
2. Under Fairtrade rules, certified firms must source FT raw materials 'when available' [↑](#footnote-ref-2)
3. At this stage in the TM Group's development, the term 'beneficiaries' refers to the unemployed women from township communities who were involved during the initial stages. [↑](#footnote-ref-3)
4. See, for instance, Delveterre et al (2008) various examples of how various African states, including Lesotho, South Africa, Kenya, have adopted similar approaches to cooperative law. [↑](#footnote-ref-4)
5. The Cooperative Act 2013 was passed in August 2013. In this study, data collection was completed in January 2015. [↑](#footnote-ref-5)
6. Although some national cooperative movements (e.g. Norway and Finland) emerged without the need for specific cooperative laws or regulatory bodies, these occurred before the era of globalisation and they have since adopted laws to protect the integrity of cooperatives. [↑](#footnote-ref-6)