<u>Social Economy Organizations in Highly Dynamic Market Environments: Can They Compete and How?</u>

While much work on the social economy emphasizes goods provision for marginalized groups, there is less understanding of the way that the social economy enhances the democratic character with which non-marginalized groups produce or consume resources. In order to present a distinct alternative to the capitalist economy, social economy organizations must be able to innovate and compete. Social economy organizations (SEO) often serve the purpose to provide a service or resource to individuals who would not otherwise have access to that resource, and are therefore, fulfilling a need that would otherwise be unmet. Alternatively, a host of social economy organizations offer services or resources that are already being provided by other actors, but seek to produce these resources in a manner that is both as attractive to markets and is more democratic for workers or consumers. The difference might be phrased as that between SEOs operating in non-market and market economic environments. While these types of organizations surely exist along a spectrum, market competition poses distinct challenges for SEOs, and our understanding of SEOs will be improved by exploring whether and how these obstacles are overcome.

Research in business and transaction cost economics, has focused on the particular challenges that worker-owned cooperatives face when operating in competitive market environments (Nilsson 2001, Hansmann 1996). We might focus on three:

(1) Capital requirements: innovation often requires financial investments in technology and inputs, some of which may be higher risk. SEO stakeholders may be more risk-averse, compared to institutional investors, as a larger portion of their personal savings is invested.

(2) Knowledge requirements: innovation often requires skilled labor, who are not excluded from the workforce but are in high demand. Thus, SEOs must find ways to entice skilled labor to join, without going bankrupt or ostracizing less skilled, lower-paid workers

(3) Management requirements: firms are thought to overcome collective action problems by delegating management responsibility to managers, who are in turn monitored by a board of directors that partially relies on a price mechanism as a measure of effectiveness. SEOs have a set of stakeholders whose interests are often initially more diverse and further diversified by the combination of social and economic issues at hand in the organization's management.

To address these questions, an organizational ethnography of a worker-owned cooperative in a high-technology, high-competition industry may reveal the intractability of these issues or may help us to understand the mechanisms that facilitate the resolution of these obstacles. Isthmus Engineering and Manufacturing (IEM) may offer an interesting case because it is an organization operating in the globalized market of custom manufacturing automation, and has operated as a worker-owned cooperative since its founding in 1980. IEM conceptualizes, designs and builds equipment that automates production in the consumer products, medical/pharmaceutical, light and heavy industrial, automotive and solar industries. The services provided by IEM range from conceptualization to project management, service, and support. I could only glean from a picture on the website that there are approximately 20 to 30 employees. The website states that "over half of the employees are also owners of the company" and that after working at IEM for a certain period of time, employees are able to apply for ownership in the cooperative.

To understand IEM's resilience, we might start by focusing on two factors.

(1) Worker heterogeneity: Hansmann focuses on the costs of collective self-governance and argues that "the viability of employee ownership is severely compromised when the employees who share ownership play diverse roles within the firm and consequently will be affected by important decisions taken by the firm." (1996, 92) Do workers come from similar socio-economic backgrounds? Are there significant variations in pay? Has IEM taken steps to reduce worker heterogeneity, through the hiring process, the organization of work, or through socialization?

(2) Governance: Each owner has one vote, but how are firm strategic decisions made? By consensus? Voting? Is information disseminated so that all owners make maximally informed decisions? How is information disseminated? How are conflicts, particularly between economic and social interests, navigated?