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ESCP-9EMES-02

### Human Resource Management in Co-operatives.

A systematic literature review

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BEST PHD  
PAPER  
AWARD

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# HUMAN RESOURCE MANAGEMENT IN CO-OPERATIVES - A SYSTEMATIC LITERATURE REVIEW

## Abstract

Cooperatives, as democratic organizations owned and controlled by members, present unique challenges for human resource management (HRM) due to their focus on different stakeholder interests and the distinction between member and non-member employees. With sustainability and a multi-stakeholder perspective gaining importance in HRM research, cooperatives offer an ideal context to explore these developments. Through a synthesis of existing literature, in this review we develop a HRM model specifically tailored to cooperatives. It highlights how the distinctive characteristics of cooperatives, such as member self-leadership, self-control, and adherence to cooperative values and principles, shape HRM policies and practices. The findings contribute to the understanding of sustainable HRM and provide implications for future research in this area.

## Keywords:

Human Resource Management, Cooperatives, Systematic Literature Review, Sustainability, Cooperative Values and Principles

## 1. Introduction

Cooperatives are democratic organizations owned and controlled by members (Novkovic, 2008), who are simultaneously workers, producers, or customers of the organization (Zamagni, 2012). Despite their ownership, Limnios et al. (2018) show that they are also investors, patrons, and members of the community. These varied interests and the difference between member and non-member employees pose particular challenges for human resource management (HRM). On the one hand, members have ownership and democratic control, while on the other hand, non-member employees are typically excluded from decision-making processes. Additionally, cooperatives can be even profit-oriented or non-profit organizations. Nevertheless, they are characterized by their commitment to cooperative values and principles (CVP), encompassing social, ecological, and cultural objectives alongside economic goals (Novkovic, 2008; Bretos et al., 2020). This makes them part of the broader social economy landscape (Filippi et al., 2023).

By combining components of civil society, private business and the state, cooperatives can be seen as hybrid organizations (Seibel, 2015). Considering the hybrid nature of cooperatives, Belte (2022) conducted a systematic literature review on HRM in hybrid organizations considering stakeholder requirements, social concerns, and environmental issues. She identified three key HRM roles: hybrid strategist, capability adapter and identification generator. Following the call for reviews related to cooperative organizations (Jussila, 2013), literature reviews on cooperatives have been conducted in areas such as member heterogeneity (Höhler and Kühl, 2018) as well as cooperatives and social capital (Saz-Gil et al., 2021). However, there is currently a gap in the literature regarding a comprehensive review or synthesis specifically focusing on HRM in cooperatives.

Although traditionally, previous research in HRM is primarily internally oriented (Gond et al., 2011; Podgorodnichenko et al., 2020) and mainly centered on profit orientation (Nyberg et al., 2021), recent studies regarding HRM have recognized importance of sustainable development (DeNisi et al., 2014; Ulrich and Dulebohn, 2015; Aust et al., 2020) and multistakeholder perspective (Beer et al., 2015). Moreover, further directions have developed within HRM. Therefore, Aust et al. (2020) distinguish four types of sustainable HRM: green, socially responsible, triple bottom line, and common good HRM. To foster greater sustainability, Dyllick and Muff (2016) suggest an outside-in, instead of an inside-out, perspective, where the external business context and stakeholders influence HR practices within the organization (Ulrich and Dulebohn, 2015). Although, cooperatives provide an ideal context to specify these HRM developments, while aligning with the CVP, the literature on HRM in cooperatives remains fragmented.

In summary, cooperatives represent a form of organization characterized by their democratic structure, diverse member interests, and commitment to multiple goals. HRM in cooperatives faces specific challenges due to the dynamic between member and non-member employees and simultaneously integrating the perspective of the local community where the organization operates. Synthesizing existing literature on HRM in cooperatives would contribute to a deeper understanding of this field. To the best of our knowledge, despite one textbook by Davis (2004), this review represents the first systematic effort to compile and present literature specifically focused on HRM in

cooperatives. By examining both theoretical and empirical articles, this comprehensive literature review seeks to enhance our understanding of HRM policies and practices within the cooperative context. Our research objectives are threefold:

- 1.** To synthesize and analyze the wide spectrum of literature in the area of HRM in cooperatives in order to generate a HRM model that encompasses the specific characteristics of cooperatives.
- 2.** To discuss the findings in the context of sustainable HRM in order to investigate the extent to which HRM policies and practices in cooperatives can contribute toward sustainable development.
- 3.** To extend our synthesis, and contribute to advancing cooperative literature with regard to HRM, by identifying future research directions for empirical investigations.

To achieve these objectives, our paper is structured as follows. In the next section, we outline the research methods employed in our study. Subsequently, we present a descriptive analysis of the articles that were analyzed. Next, we introduce the HRM model in cooperatives that has emerged from the synthesis of these articles. In the following section, we engage in a discussion on the topic of HRM in cooperatives and its relationship with existing approaches of sustainable HRM. Finally, we conclude the paper with closing remarks and identify potential areas for future research.

## 2. Methodology

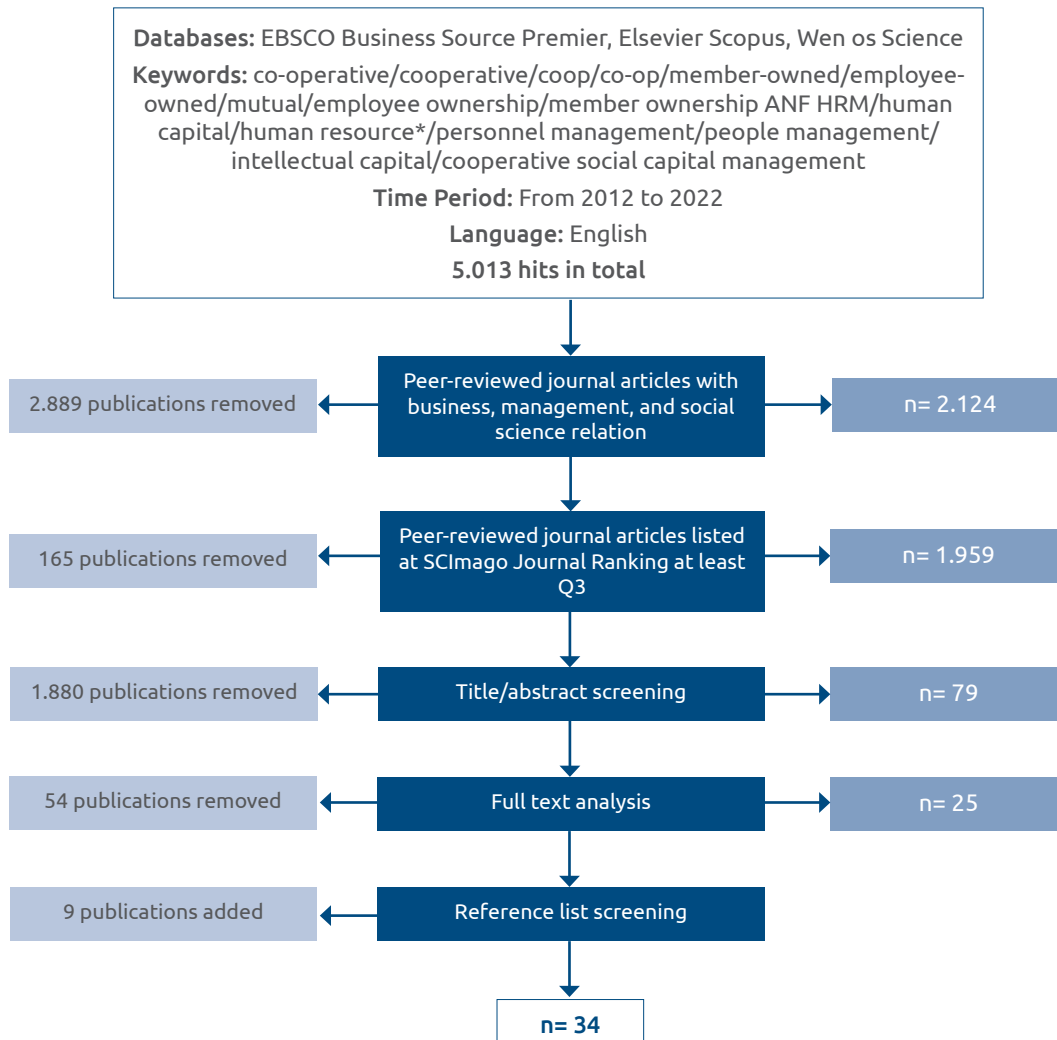
While there are various approaches to reviewing the literature, we adopted the method of a systematic literature review to ensure transparency and replicability (Denyer and Tranfield, 2009). This method allows for a thorough synthesis of existing research in a clear and explanatory manner. The process of article identification involved five phases (see Figure 1).

First, we initiated the process by conducting a keyword search using a combination of terms related to cooperatives and HRM, such as '*co-operative/cooperative/coop/co-op/member-owned/employee-owned/mutual/employee ownership/member ownership*' AND '*HRM/human capital/human resource/personnel management*'. Additionally, we added *people management, intellectual capital, and cooperative social capital management* as HRM terms because previous research (Davis, 2004) showed their importance for cooperatives. Considering the scope of the review within the context of the (human resource) management discipline, we chose three widely utilized electronic databases commonly used by management and business scholars: *EBSCO Business Source Premier, Elsevier Scopus, and Web of Science*. To identify the most relevant studies, we limited our keyword search to the article title, abstract, and key-words. We selected a time period of 11 years from 2012 to 2022 starting with the *International Year of Cooperatives* declared by the United Nations General Assembly.

Second, we focused on peer-reviewed articles with relevance to business, management, and social sciences. Third, to ensure scientific quality, we only included articles from journals listed at SCImago Journal Rank (SJR) 2022 at least Q3 ranking. Fourth, we defined a set of inclusion and exclusion criteria (see Appendix 1). For example, we excluded articles that solely examined mutual gains or cooperative behavior without addressing the cooperative's organizational form. The cooperative sector encompasses various legal forms and classification schemes (Cheney et al., 2014). In line with this, we included different forms of cooperatives characterized by member ownership, democratic control, and adherence to CVP. However, we excluded religious cooperatives (e.g., Salim et al., 2022) to maintain consistency. Furthermore, we incorporated qualitative, quantitative, and theoretical contributions (Dixon-Woods et al., 2005; Denyer and Tranfield, 2009) to promote the best available understanding of HRM in cooperatives (Rousseau et al. 2008). After screening the abstracts, we initially identified 79 articles that potentially met the inclusion criteria. These articles underwent a thorough full-text analysis, resulting in a sample of 25 articles. In the final phase, we conducted a reference list scan of these articles to identify additional relevant articles not captured by the automatic keyword search. Following the same inclusion and exclusion criteria, we identified 9 more articles that met the criteria. In total, the final sample comprised 34 articles.



Figure 1. Systematic literature review process.



While meta-analysis is commonly used in conjunction with systematic literature reviews, Hammersley (2001) argues that it may be problematic in research fields that encompass a range of methodologies, study types, and contextual information. Therefore, we have opted for a qualitative synthesis, which is suitable for incorporating diverse types of contributions, including quantitative, qualitative, and theoretical studies (Denyer and Tranfield, 2006). To guide our data analysis, we followed the approach of synthesis by explanation proposed by Rousseau et al. (2008), our data analysis involved three steps.

First, we started with a detailed examination of the articles, grouping them into three sets based on type of cooperative, geographical origin, and type of article. Type of cooperative was guided by Zamagni's (2012) classification which includes user, producer, worker, and social or community cooperative. While there are variations in the utilization of specific HRM practices across countries (Jackson et al., 2014), and stakeholder expectations regarding to HRM differ from one country to another (Shen, 2011), as well as regional disparities in cooperative ideologies exist (Nilsson, 1996), we categorized the geographical origin based on the countries from which the investigation data were

obtained. However, in the case of theoretical articles, the region could not be identified. The type of article was derived from the following four categories: quantitative empirical, qualitative empirical, mixed methods, and theoretical.

For the second step of our data analysis, according to Belte (2022), we coded the content of each selected article to the three main categories: context factors, HRM content, and outcomes. These categories were identified based on existing frameworks of sustainable and contextual HRM (Diaz-Carrion et al., 2018; Farndale and Paauwe, 2018; Ren et al., 2018), multistakeholder perspectives (Beer et al. 2015), and employee ownership (Kaarsemaker and Poutsma, 2006). We drew inspiration from this wider set of frameworks to facilitate understanding and development of the categorization scheme (Locke et al., 2022, Sauer and Seuring, 2023). As a result, we iteratively applied these categories along with the literature base and allowed for the identification of additional codes that emerged during the analysis.

Thirdly, to theorize our iterative coding process between the selected articles and the literature, we built patterns by grouping the codes and content, following a synthesis by explanation approach (Pawson, 2006). These established patterns form the foundation for the contextual HRM model of cooperatives (see Figure 3).

### 3. Descriptive Analysis

Between 2012 and 2017, only eight articles were identified that focused on the combination of cooperative and HRM. In the subsequent years leading up to 2022, there was an increased publication rate, with an average of five publications per year and a peak of six articles in 2021. This indicates a noticeable increase in research, suggesting a continuing upward trend that shows no signs of abating. In terms of the range of journal publications, the articles on cooperatives and HRM appeared to be distributed across a diverse set of scientific journals. In total, 26 journals published articles related to this topic, with 21 of them having published only one article in this area. While the journals covered a broad range of different areas in management and organizational science, the highest number of articles related to cooperatives and HRM was featured in *ILR Review*, publishing three articles (see Table 1). Among the various journals included in our sample, Ermanno C. Tortia has published the highest number of papers with a total of 5 articles. Following closely behind are Imanol Basterretxea, Ignacio Bretos, and Anjel Errasti, each with 3 articles. It is worth noting that the latter three authors based their contributions on data from different Mondragon cooperatives, indicating the significant research focus on these particular cooperatives.

Table 1. Overview of journal publications on HRM in cooperatives.

Journals and number of publications	Author(s)
<i>ILR Review</i> (3)	Arando et al. (2015), Bretos et al. (2019), Burdín (2014)
<i>Annals of Public and Cooperative Economics</i> (2)	Bossler and Schild (2016), Santos-Larrazabal and Basterretxea (2022)
<i>Employee Relations: The International Journal</i> (2)	Rincon-Roldan and Lopez-Cabrales (2022a), Wren (2020)
<i>Journal of Co-operative Organization and Management</i> (2)	Bretos and Errasti (2018), Piasecki (2021)
<i>Sustainability</i> (2)	Cisi and Centrone (2021), Tortia et al. (2022)
<i>Baltic Journal of Management</i> (1)	Piasecki (2020)
<i>British Journal of Industrial Relations</i> (1)	Basterretxea and Storey (2018)
<i>Competition &amp; Change</i> (1)	Bailly et al. (2017)
<i>Energy Policy</i> (1)	Herbes et al. (2021)
<i>Foresight and STI Governance</i> (1)	Tortia and Troisi (2021)
<i>Human Resource Management</i> (1)	Basterretxea et al. (2019)
<i>Human Resource Management Journal</i> (1)	Bretos et al. (2018)
<i>International Journal of Human Resource Management</i> (1)	Marcoux et al. (2021)
<i>International Journal of Productivity and Performance Management</i> (1)	Hammad Ahmad Khan et al. (2016)
<i>Journal of Cleaner Production</i> (1)	Figueiredo and Franco (2018)
<i>Journal of Economic Issues</i> (1)	Navarra and Tortia (2014)
<i>Journal of Entrepreneurship Education</i> (1)	Souisa et al. (2019)
<i>Journal of Happiness Studies</i> (1)	Sacchetti and Tortia (2013)
<i>Journal of Intellectual Capital</i> (1)	Bontis et al. (2018)
<i>Journal of Management Development</i> (1)	Hidalgo-Fernández et al. (2020)
<i>Journal of Workplace Learning</i> (1)	Benevene et al. (2019)
<i>Management and Labour Studies</i> (1)	Mutua (2019)
<i>Personnel Review</i> (1)	Rincon-Roldan and Lopez-Cabrales (2022b)
<i>SAGE Open</i> (1)	Moreira Mero et al. (2020)
<i>Scandinavian Journal of Management</i> (1)	Tortia (2022)
<i>Small Business Economics</i> (1)	Guzmán et al. (2020)
<i>Social Enterprise Journal</i> (1)	Stoop et al. (2021)
<i>Team Performance Management</i> (1)	Divini and Schiniotakis (2015)

The articles analyzed in this review covered various forms of cooperatives, with worker, user, and social or community cooperatives being the most prevalent. However, only three articles specifically focused on producer cooperatives, and in eight articles, the type of cooperative was not specified. Regarding the geographical origin, most articles (n=19) exclusively included data from European countries, while three articles reported findings from South America, specifically Ecuador and Uruguay, and two from Asia, specifically Indonesia and Malaysia. Additionally, one article focused on Canada and another on Kenya. The six papers with a multinational comparative focus centered on the Mondragon Corporation, one of the largest cooperatives worldwide, and its subsidiaries. No specific regions could be identified for the two theoretical articles. Most of the selected articles (n=32) reported empirical findings, with a clear emphasis on quantitative studies (n=21), followed by nine qualitative studies and two mixed methods approaches (see Table 2). However, a total of two theoretical articles were identified.

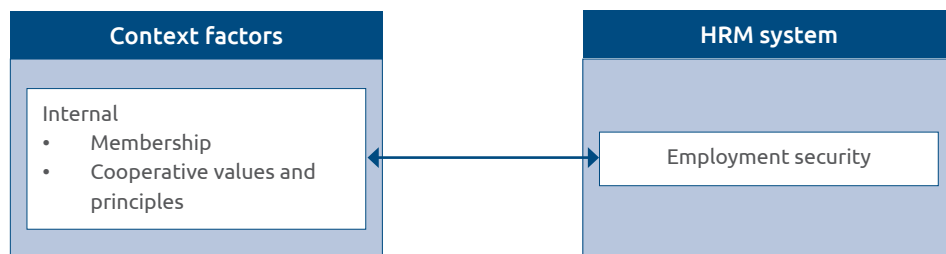
Table 2. Overview of type of cooperative, geographical origin, and type of article

Author(s)	type of cooperative	geographical origin	type of article
Arando et al. (2015)	worker cooperative, user cooperative	multinational	quantitative empirical
Bailly et al. (2017)	n. a.	France	quantitative empirical
Basterretxea and Storey (2018)	worker cooperative, user cooperative	Spain, Great Britain	mixed methods
Basterretxea et al. (2019)	worker cooperative	multinational	qualitative empirical
Benevene et al. (2019)	social or community cooperative	Italy	qualitative empirical
Bontis et al. (2018)	social or community cooperative	Italy	quantitative empirical
Bossler and Schild (2016)	user cooperative	Germany	quantitative empirical
Brestos and Errasti (2018)	worker cooperative	multinational	qualitative empirical
Brestos et al. (2018)	worker cooperative	multinational	qualitative empirical
Brestos et al. (2019)	worker cooperative	multinational	qualitative empirical
Burdín (2014)	producer cooperative	Uruguay	quantitative empirical
Cisi and Centrone (2021)	social or community cooperative	Italy	qualitative empirical
Divini and Schiniotakis (2015)	user cooperative	Greece	quantitative empirical
Figueiredo & Franco (2018)	producer cooperative	Portugal	quantitative empirical
Guzmán et al. (2020)	worker cooperative	Spain	quantitative empirical
Hammad Ahmad Khan et al. (2016)	n. a.	Malaysia	quantitative empirical
Herbes et al. (2021)	producer cooperative, user cooperative	Germany	quantitative empirical
Hidalgo-Fernández et al. (2020)	n. a.	Ecuador	quantitative empirical
Marcoux et al. (2021)	user cooperative	Canada	quantitative empirical
Moreira Mero et al. (2020)	n. a.	Ecuador	quantitative empirical
Mutua (2019)	user cooperative	Kenya	mixed methods
Navarra and Tortia (2014)	worker cooperative	n. a.	theoretical
Piasecki (2020)	user cooperative	Poland	quantitative empirical
Piasecki (2021)	user cooperative	Poland	quantitative empirical
Rincon-Roldan and Lopez-Cabrales (2022a)	n. a.	Spain	quantitative empirical
Rincon-Roldan and Lopez-Cabrales (2022b)	n. a.	Spain	quantitative empirical
Sacchetti and Tortia (2013)	social or community cooperative	Italy	quantitative empirical
Santos-Larrazabal and Basterretxea (2022)	worker cooperative	multinational	qualitative empirical
Souisa et al. (2019)	n. a.	Indonesia	quantitative empirical
Stoop et al. (2021)	user cooperative	Netherlands	qualitative empirical
Tortia and Troisi (2021)	n. a.	Italy	empirical quantitative
Tortia (2022)	worker cooperative	n. a.	theoretical
Tortia et al. (2022)	social or community cooperative	Italy	quantitative empirical
Wren (2020)	worker cooperative	UK	qualitative empirical

## 4. HRM Model for Cooperatives

In the following, we present an HRM model in cooperatives that has emerged from the synthesis of the analyzed articles. Our contribution to the existing literature lies in highlighting how the unique characteristics of the cooperative organizational form shape the HRM model. Specifically, we emphasize the influential role of membership and the adherence to the CVP, which ultimately lead to the implementation of employment security as the primary HRM policy. Furthermore, we explore how these three unique characteristics are reflected in the HRM practices adopted by cooperatives. Additionally, our analysis demonstrates the reciprocal relationship between these characteristics and a range of outcomes at the individual, organizational, and societal levels.

Figure 2. Membership, CVP, and employment security



### Cooperative Values and Principles

The social economy sector, including cooperatives, is guided by principles and values that shape their business culture and influence their strategies (Rincon-Roldan and Lopez-Cabrales, 2022a). These organizations prioritize the ethical dimension of work, valuing individuals based on their alignment with the organization's mission and values rather than just their skills and performance (Cisi and Centrone, 2021). As transformative entities, they adopt new management patterns, and foster social and labor relationships (Rincon-Roldan and Lopez-Cabrales, 2022a). Their focus is not solely on profit-making, but on the well-being of those involved in their activities (Benevene et al., 2019). While CVP are defined by the International Cooperative Alliance, internal regulations and managerial tools play a crucial role in adapting these principles to their specific contexts (Tortia, 2022). Therefore, Marcoux et al. (2021) argue that the CVP should be integrated into HRM policies and practices for creating a satisfying work experience for employees. However, challenges arise in maintaining the cooperative principles, as regulatory requirements (Stoop et al., 2021) and influx of new members may impact the balance between rights and obligations (Basterretxea et al. 2019).

### Membership

In cooperatives, membership rights serve as the boundary of the system, separating internal processes from the environment. These rights are granted to members upon their entry and define their ability to participate equally in decision-making based on predefined rules rooted in CVP (Tortia, 2022). In terms of HRM, members hold a dual role as both employees and owners, enabling cooperatives as hybrid organizations to overcome conflicts between labor and capital as well as management and labor (Santos-

Larrazabal and Basterretxea, 2022). This empowers them to make strategic decisions regarding organizational processes and employment policies collectively, while setting common objectives and means to achieve them (Bretos et al., 2019; Tortia, 2022). While most employees are members (Sacchetti and Tortia, 2013; Santos-Larrazabal and Basterretxea, 2022; Tortia, 2022), democratic member control ensures that job security in cooperatives is partly under the control of the employees. This means that members cannot be forced to leave their employment position against their will and relinquish their control rights, except in cases of proven misconduct.

## Employment security

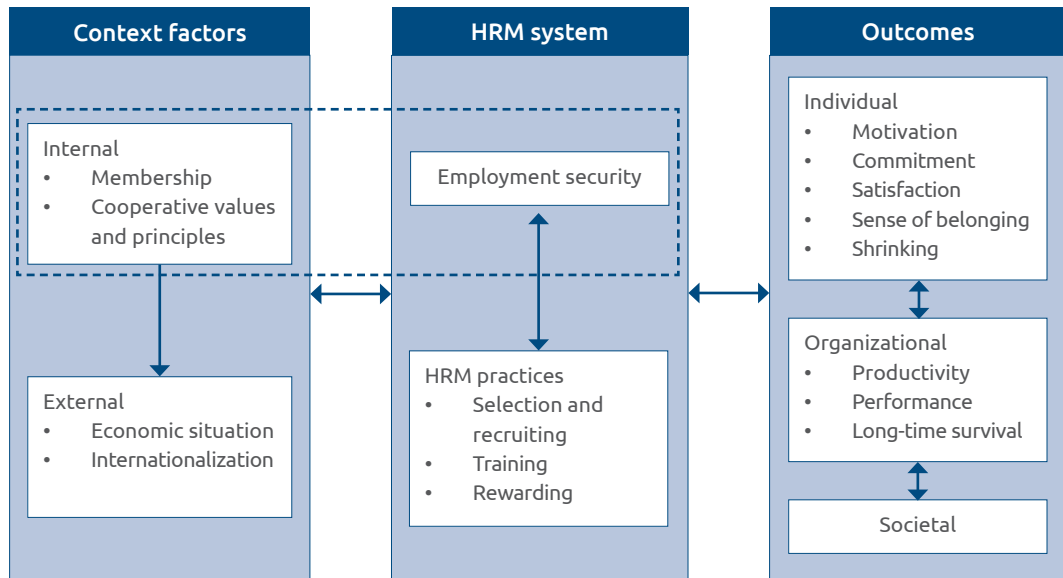
As shown above, the main HRM policy in cooperatives is to ensure employment security, which is driven by the inherent characteristics of cooperative governance, including the control rights of members (Tortia, 2022), and is grounded in CVP.

Cooperatives tend to minimize layoffs and ensure job stability, which is seen as a potential pathway to institutionalizing the emphasis on meeting needs, accumulating, and preserving human capital, and improving long-term performance (Tortia, 2022). During economic downturns, a rational choice for cooperatives is to implement wage decreases with the clear objective of stabilizing employment, as they establish credibility by committing to not opportunistically reduce wages and promising to increase them during recoveries (Navarra & Tortia, 2014). Evidence indicates that cooperatives, across different types and sectors, exhibit greater employment stability and wage variability compared to conventional firms (Burdín, 2014; Bossler and Schild, 2016; Tortia, 2022). Job security serves as a significant incentive for employees to become and remain cooperative members (Arando et al., 2015). While there is a strong focus on structuring organizational processes to facilitate direct member participation in decision-making and maintain interaction among them (Benevene et al., 2019), employee involvement in decision-making emerges as a crucial factor in employee retention. Cooperatives perceive employment security as beneficial not only for the current and future members but also for society as a whole (Wren, 2020). This underscores the emphasis placed by cooperatives on local social responsibility (Bossler and Schild, 2016). The policy of prioritizing secure employment for present and future generations influences investment strategies and contributes to the gradual and steady expansion of cooperatives (Wren, 2020).

However, employment security has implications not only for highly engaged members but also for those who may be unsatisfied with their current situation but lack better employment alternatives. This creates a dual effect. On one hand, it becomes challenging to impose sanctions in cases of poor performance, given the strong attachment to employment security. On the other hand, the presence of employment security can yield positive outcomes, such as enabling employees to exercise their productive voice within the organization. (Basterretxea and Storey, 2018).

Once the importance of membership and the CVP in influencing employment security as the main HRM policy of cooperatives is introduced, it becomes necessary to integrate the isolated framework by developing a comprehensive HRM model. While this represents a significant contribution to HRM literature, we further demonstrate the implications on external contextual factors, HRM practices, and outcomes at the individual, organizational, and societal levels.

Figure 3. HRM model for cooperatives



### Economic situation

In times of high unemployment rates, employment security becomes a crucial factor that binds members and employees to cooperatives. Regardless of economic booms or crisis periods, turnover rates among member and non-member employees have remained low (Basterretxea and Storey, 2018). In order to ensure sustainability, improve organizational performance, and resilience against external shocks, it is essential to protect and regenerate the most valuable resources through effective HRM practices (Tortia et al., 2022). One way to achieve this is wage fluctuation during crises until a minimum wage level, which ensures that employees' basic needs are met. However, it is worth noting that when an organization experiences a crisis and wages decline, employees with better external job opportunities, typically those with superior skills and expertise, are more likely to leave (Tortia, 2022). The competitive advantage derived from flexible wages and the protection of human resources has diminished significantly since the 2008 financial crisis (Santos-Larrazabal and Basterretxea, 2022). Moreover, during the Covid-19 pandemic, organizations in the social economy sector experienced a decrease in employee layoffs. However, in cooperatives, the decrease and the resulting negative impact on economic outcomes have been smaller. (Tortia and Troisi, 2021). These findings suggest that the cooperative business model exhibits greater resilience in labor relations during crises compared to other organizations in the social economy sector (Tortia and Troisi, 2021). Job hoarding practices can help retain valuable skills and human capital that would otherwise be lost in layoffs, thereby promoting sustainable human resource management and future recovery (Tortia, 2022).

### Internationalization

Due to the localized nature of cooperatives, employees often have familiarity with the local community and its people (Divini and Schiniotakis, 2015). However, Mondragon



cooperatives, operating in highly competitive and globalized sectors, have had to expand internationally since the early 1990s to remain competitive and protect the jobs of employee members in the Basque region (Bretos and Errasti, 2018; Bretos et al., 2018; Bretos et al., 2019). The internationalization model adopted by Mondragon cooperatives reflects the challenge of balancing capitalist and cooperative logics. These multinational cooperatives have transformed into hybrids, with a cooperative core of the parent company and a capitalist periphery including the subsidiaries. The parent companies are reluctant to relinquish control over their business groups by implementing policies based on worker participation in ownership and granting more autonomy to the subsidiaries, as they believe it could be detrimental to the viability and survival of the Basque plants (Bretos and Errasti, 2018). No foreign subsidiary has been transformed into a cooperative or fully introduced cooperative practices, such as employee ownership and profit sharing. While institutional factors are important in understanding why the cooperative model is not transferred overseas, issues of power and politics appear to play a more critical role (Bretos et al., 2019). The cooperativization of foreign subsidiaries can entail changes for employees in certain institutional contexts, considering the unique ideals, visions, goals, and values that characterize cooperative philosophy and organizational culture. Therefore, such initiatives should be preceded by education and training programs on CVP at foreign subsidiaries (Bretos and Errasti, 2018).

## Selection and recruiting

Cooperatives are expected to attract employees with a long-term perspective, as this aligns with their anticipation of long-term professional growth and increased future productivity (Tortia, 2022). Given their regional nature, cooperatives typically prioritize the recruitment of local applicants (Divini & Schiniotakis, 2015; Bossler and Schild, 2016). In the case of cooperatives and other organizations in the social economy, it is crucial that new employees are aligned with the organization's goals, the characteristics of its service delivery, and share the organizational values (Benevene et al., 2019; Tortia et al., 2022). Particularly, cooperatives recruit and select employees based on their alignment with CVP, with an emphasis on self-leadership and self-control, especially for those aspiring to become members (Wren, 2020) or apply for management positions (Basterretxea et al., 2019). The minimal salary differences between workers and managers make it challenging to recruit managers from private firms (Basterretxea et al., 2019). Consequently, offering premium wages may be necessary for specific employees such as technicians or engineers (Wren, 2020). Based on the principle of open membership, individuals self-select to join this organizational form (Navarra and Tortia, 2014). While cooperatives attract highly engaged members, they also employ individuals who may be dissatisfied but lack better employment alternatives (Basterretxea and Storey, 2018). To ensure a good organizational fit and reduce turnover, cooperatives often implement a probationary period during which new employees, aspiring to become members, must demonstrate their character and abilities (Wren, 2020).

However, recruitment and selection practices in cooperatives often face challenges in identifying suitable candidates for job positions. Some cooperatives rely solely on a single method instead of utilizing a combination of methods for recruiting and selecting potential employees, indicating a lack of rigor (Mutua, 2019). Additionally, nepotism and

cronyism have been observed in the recruitment of new members and employees within various cooperative firms. Such practices can be viewed as unfair positive discrimination that goes against the fundamental principles and values of cooperatives (Basterretxea et al., 2019). Cooperatives often seek a homogeneous workforce and give preference to the descendants of current members when recruiting, aiming to select individuals who share basic values and a similar worldview (Basterretxea et al., 2019).

## Training

In cooperatives, employee training is an integral part of a broader educational approach undertaken by the cooperative, which encompasses members, managers, and the local community, and is aligned with CVP (Piasecki, 2021). The presence of long-term employment relationships, facilitated by employment security, creates stronger incentives for investing in training and human capital (Burdín, 2014). As a result, cooperatives organize various internal seminars aimed at enhancing the knowledge, skills, and competencies of their workforce. They also participate in external programs focusing on specialized topics, recognizing training as an investment that can yield both short-term and long-term benefits (Divini and Schinotakis, 2015). Practical measures are implemented to empower members to engage confidently in meetings, including training in public speaking and opportunities for group debates, which serve towards developing skills related to “economic democracy” (Wren, 2020). Employees who hold shares in their cooperative have a higher probability of receiving training compared to non-members. Moreover, member employees are more likely to receive longer-duration training than non-members (Piasecki, 2021). Therefore, member employees undergo extensive training not only in job-related aspects but also in CVP, entrepreneurship, and social skills, such as leadership and teamwork (Bretos et al., 2019; Souisa et al., 2019). Overall, cooperatives provide more training compared to other organizational forms due to their decentralized structure (Bossler and Schild, 2016).

Furthermore, cooperatives can utilize training to reflect their values and responsibility, thereby promoting sustainability. Through these training programs, companies can shape the sustainable orientation of their employees, identifying and fostering competencies that encourage behaviors aligned with sustainability goals (Rincon-Roldan and Cabrales, 2022). In this context, Bontis et al. (2018) demonstrate the positive influence of training hours on social performance. Acquiring skills and competencies is an essential first step in fulfilling the social function of inclusion for employees with disadvantages (Benevene et al., 2019). However, in some cooperatives, the available training opportunities are considered insufficient, primarily due to financial constraints and a lack of time (Benevene et al., 2019). Nonetheless, training provides an opportunity to reduce employee turnover and promote job security (Bretos et al., 2018).

## Rewarding

In contrast to non-member employees, member employees receive an additional profit-sharing component in their compensation, which reinforces egalitarianism (Basterretxea and Storey, 2018). Since cooperatives have no external shareholders, the share dividend is distributed equally among all members, making it challenging to establish a direct link

between individual effort and financial reward (Basterretxea and Storey, 2018; Bretos et al., 2019; Wren, 2020).

While wage concessions are generally incentive-compatible in cooperatives, as members have the authority to decide on wage increases and can utilize the firm's entire value added for this purpose (Tortia, 2022). Evidence suggests that internal wage differences in worker cooperatives are still relatively compressed, as the ratio between the bottom and top wage rates has widened from 1:3 to 1:8 (Arando et al., 2015; Basterretxea and Storey, 2018; Bretos et al., 2019). This fosters a culture of remuneration based on egalitarianism and minimal linkage between individual pay and performance (Basterretxea et al., 2019).

Individual pay for performance and other measures that could increase wage differentials inside the cooperative or between cooperatives were perceived by many member employees as undermining solidarity and cooperative principles (Basterretxea et al., 2019). This results in specialist roles and managers being paid significantly less than the market rate (Arando et al., 2015; Basterretxea and Storey, 2018; Bretos et al., 2019), while some manual roles receive above-market wages (Wren, 2020). The key goal is to provide a wage that allows individuals to thrive within their local community (Wren, 2020). Furthermore, a high motivation towards social work is considered a precondition to compensate for the relatively lower average wages in cooperatives compared to other forms of organizations (Benevene et al., 2019). Limited to the banking sector, Baily et al. (2017) identify that the average pay per hour is higher in conventional firms than in cooperatives, and wage dispersion is greater in conventional firms, suggesting that the wage structure in cooperatives is more egalitarian.

During times of crisis, cooperative members vote as a sign of intercooperation and solidarity to reduce their salaries, providing loans to other cooperatives or subsidiaries, or to stabilize the financial situation within their own cooperative (Santos-Larrazabal and Basterretxea, 2022). Alternatively, cooperatives may stabilize wages by establishing near-fixed rates supported by the accumulation of reserve funds, which can be used to stabilize wages during economic crises (Tortia, 2022).

## Motivation

Tortia et al. (2022) demonstrate that motivation has a positive and significant effect on explaining performance. Additionally, they find that the positive impact of involvement is statistically significant only when motivation is included as a mediator. In contrast, Rincon-Roldan and Lopez-Cabarales (2022b) find that the effect of motivation practices on sustainability is not significant. They explain this unexpected result by pointing out the unique characteristics of cooperatives, which already foster employee motivation without the need for management practices to enhance it. Notably, involvement in decision-making, particularly through participation, serves as a nonmonetary incentive that enhances intrinsic motivation, strengthens commitment and loyalty, and facilitates the development of interpersonal relationships and trust in the workplace (Tortia, 2022). In order to retain employees, organizations need to provide incentives. Employee motivation arises from a combination of monetary rewards, recognition, and appreciation. Furthermore, the strength, loyalty, and quality of relationships with customers, the community, and cooperative partners contribute to maintaining employee

motivation (Bontis et al., 2018). However, a lack of motivation is one of the main reasons why people leave a cooperative (Mutua, 2019).

## Commitment

The influence of HRM practices on affective and normative commitment in cooperatives is primarily mediated by the perception of a cooperative difference, as highlighted by Marcoux et al. (2021). HRM practices such as opportunities for participation and training activities play a crucial role in fostering employee attachment to the cooperative. Moreover, employees in cooperatives demonstrate the highest levels of commitment to self-control and employment security, reflecting their long-term dedication to the organization and future generations (Wren, 2020). Experienced employees, those in core positions, higher-educated employees, and managers are more likely to perceive a stronger cooperative difference, leading to higher affective commitment, lower turnover intentions, and greater organizational attachment (Hidalgo-Fernández et al., 2020; Moreira Mero et al., 2020; Piasecki, 2020; Marcoux et al., 2021). Pay equity, information sharing mechanisms, and internal marketing strategies also contribute to fostering commitment and engagement among employees (Arando et al., 2015; Bretos et al., 2019; Moreira Mero et al., 2020). Additionally, organizational commitment is further enhanced when cooperatives align their objectives with sustainability goals (Rincon-Roldan and Lopez-Cabrales, 2022a).

Furthermore, the willingness of cooperative employees to increase their working hours and accept wage reductions during times of crisis demonstrates their strong commitment to the organization. In the context of internationally operating cooperatives, it is observed that employees at foreign subsidiaries may not develop the same level of identity and commitment to cooperative values and the parent company due to the lack of relationships, links, and trust (Bretos et al., 2019). Furthermore, it underscores that the perception of a cooperative difference plays a critical role in commitment, as none of the subsidiary cooperative practices have been fully implemented.

## Satisfaction

To ensure a satisfying work experience for employees, cooperative managers should integrate CVP into their HRM practices (Marcoux et al., 2021). In line with this, Figueiredo and Franco (2018) demonstrate that cooperators' satisfaction is closely related to decision-making, and self-control. Their findings indicate that satisfaction is primarily influenced by how members and employees are selected to be part of a cooperative. They tend to be more satisfied when they perceive trust within the network and the formation of it. Similarly, Bontis et al. (2018) show that a high level of training hours, graduate employees, and productivity contribute to the development of skills, stability, and overall satisfaction. However, Sacchetti and Tortia (2013) find no impact of membership status on job satisfaction. Further, studies suggest that cooperative members may experience lower levels of satisfaction compared to other employees due to raised but unfulfilled expectations (Arando et al., 2015; Basterretxea and Storey, 2018).

## Sense of belonging

Moreira Mero et al. (2020) emphasize the significance of a sense of belonging as a crucial factor for achieving organizational goals. Similarly, Benevene et al. (2019) argue that the sense of belonging to the organization is the primary outcome of effective HRM policies and practices, fostering commitment and engagement in organizational activities. In cooperatives, solidarity and local commitment serve as defining characteristics, where members know each other, reside in the surrounding area, and collectively make decisions (Bretos et al., 2019). Positive internal relationships among colleagues and superiors also play a vital role in employee morale, fostering a sense of belonging, camaraderie, team spirit, and job satisfaction (Arando et al., 2015). Employees in cooperatives act as direct witnesses to the social impact generated by these organizations, demonstrating a strong corporate spirit characterized by positive and virtuous behaviors that safeguard the well-being of the entire organization (Cisi and Centrone, 2021). Furthermore, cooperatives foster a culture with a strong sense of belonging, not only to the cooperative but also to each individual business unit within it (Santos-Larrazabal and Basterretxea, 2022).

## Shirking

Cases of shirking and absenteeism can be observed during times of crisis in Mondragon cooperatives, where cooperative members implemented various austerity measures, such as salary reductions and relocations to other companies, to safeguard their employment (Basterretxea and Storey, 2018; Basterretxea et al., 2019; Bretos et al., 2019; Santos-Larrazabal and Basterretxea, 2022). Some member and non-member employees resisted relocation by claiming work disability, leading to a notable increase in sick absences during the massive relocations (Santos-Larrazabal and Basterretxea, 2022). The absenteeism rates among cooperative members have consistently been higher than those of non-members, and business units with higher sick leave rates also report lower satisfaction levels. These absenteeism rates indicate a lack of responsible engagement and involvement with the cooperative project among certain members (Basterretxea and Storey, 2018).

Shirking and absenteeism may also reflect a sense of detachment from the company and pose a challenge to the behavioral outcomes of employee ownership (Basterretxea and Storey, 2018; Bretos et al., 2019). The presence of a reverse dominance hierarchy makes it difficult to sanction shirking members, as supervisors may shirk their monitoring tasks and adopt a laissez-faire leadership style to avoid conflicts with shirking members or even descendants of members aspiring to join despite their limited skills and poor work attitudes (Basterretxea and Storey, 2018). Additionally, Basterretxea et al. (2019) identify the induction of numerous young members with inadequate training and unfavorable work attitudes as one of the main factors contributing to absenteeism.

## Productivity

Guzmán et al. (2020) provide evidence that cooperatives not only experience higher employment growth but also exhibit higher productivity compared to conventional firms. This finding is further supported by Basterretxea and Storey (2018), who

specifically highlight the productivity advantage of cooperatives in the international context. They demonstrate from internal data of Mondragon that the parent company's productivity surpasses that of subsidiaries where cooperative practices have not been fully implemented between 2001 and 2015. Moreover, during times of crisis, although the mechanism of prioritizing employment security in cooperatives may result in higher short-term costs, this investment can be recouped in the medium to long run through increased productivity after the crisis (Tortia, 2022). Further, Divini and Schiniotakis (2015), focusing on the banking sector, illustrate that the local nature of cooperatives plays a role in enhancing productivity. They find that employees who are familiar with the people and the region where their branch is located contribute significantly to increased productivity. This familiarity allows employees to better understand customer characteristics and needs, thereby improving overall performance.

## Performance

Mutua (2019) argues that financial and non-financial performance dimensions should be considered separately but as interconnected aspects of overall performance. According to the study, there is a significant positive relationship between financial performance and HRM practices, while non-financial performance demonstrates a similar positive relationship with HRM. The author highlights the absence of a formal HR department in some financial cooperatives in Kenya, suggesting that the presence of such a department would contribute to improved financial and non-financial performance. In the Basque region, Guzmán et al. (2020) find that cooperatives have maintained their employment levels compared to other organizational forms in the region, which have experienced a decrease in employment. The study further reveals that adhering to CVP positively influences sales and employment growth, thereby enhancing the overall performance of cooperatives. Additionally, Bontis et al. (2018) identify a weak but significant positive correlation between financial performance, as measured by return on assets, and the quality of relationships with the community. These findings suggest that higher productivity per employee and positive community relationships are associated with improved financial performance. Moreover, these results can be further enhanced through understanding and deepening entrepreneurial insights (Souisa et al., 2019). Overall, these studies emphasize the importance of effective HRM practices, adherence to cooperative values, and nurturing positive relationships with the community in achieving favorable financial and non-financial performance outcomes.

## Long-time survival

In general, the status of a cooperative is positively associated with longer survival times (Burdín, 2014). As a result of employment security, cooperatives have higher survival rates, as members have control over the decision to dissolve the cooperative, especially when alternative job opportunities are scarce. Members may be more inclined to keep the firm running to safeguard their jobs, unlike conventional investors (Burdín, 2014). Cooperatives tend to minimize layoffs and ensure employment stability, which can lead to the accumulation and preservation of human capital and improved performance in the medium and long term. By prioritizing job protection through wage reduction during times of crisis, cooperatives demonstrate their ability to withstand economic challenges and reduce the

probability of bankruptcy (Tortia, 2022). Furthermore, the ability of social enterprises, including cooperatives, to fulfill social needs and engage with various internal and external stakeholders contributes to their long-term survival (Bontis et al., 2018).

### **Societal outcomes**

Cooperatives exhibit a heightened awareness of their internal and external values, as well as their social and environmental impact (Cisi and Centrone, 2021). Driven by their CVP, cooperatives strive to achieve economic, environmental, and social goals for their members, employees, and the broader local communities. Therefore, they actively contribute to job creation (Guzmán et al., 2020; Cisi and Centrone, 2021) and provide goods to the local community (Wren, 2020). Cooperatives also prioritize their relationships with key stakeholders within the local community (Cisi and Centrone, 2021). Furthermore, cooperatives cultivate a positive reputation among external stakeholders, organizations, institutions, and individuals with whom they interact, fostering trust and credibility (Benevene et al., 2019). The implementation of specific organizational values positively contributes to sustainable development (Rincon-Roldan and Lopez-Cabrales, 2022b). To share ideas, leverage networking opportunities, and promote sustainability, cooperatives organize events with various stakeholders on a voluntary basis (Stoop et al., 2021). These events help not only to enhance the relationship with the community but also improve the performance of cooperatives by building relational capital (Hammad Ahmad Khan et al., 2016). While there is a preference to recruit employees from the local region, these individuals exhibit a strong commitment to the region, rooted in their social capital and identity (Santos-Larrazabal and Basterretxea, 2022; Bretos et al., 2019).



## 5. HRM in Cooperatives and Sustainability

The previous section has outlined an HRM model in cooperatives. The following section engages in a discussion of this proposed model in terms of its contribution to different approaches of sustainable HRM. Drawing on the framework presented by Aust et al. (2020), we specifically focus on green, socially responsible, and common good HRM, while excluding triple bottom line HRM. Our rationale for this exclusion is based on the belief that examining the environmental and social dimensions of HRM in cooperatives separately allows for more targeted insights into how HRM in cooperatives aligns with existing facets of sustainable HRM.

In our review, we found that the explicit contribution of HRM in cooperatives enhance environmental sustainability was limited. Although there is an increasing body of research on green HRM (Renwick et al., 2016), the articles we examined did not specifically address these aspects within the cooperative context. However, we identified certain implicit practices that can contribute to environmental considerations in HRM. For instance, cooperatives often prioritize hiring local employees, which can have positive environmental implications by reducing commuting distances and promoting community engagement. Furthermore, we observed the emergence of new forms of cooperatives in sectors such as renewable energy (Herbes et al., 2021), indicating a growing awareness of ecological subjects and a potential avenue for incorporating environmental sustainability into cooperative HRM.

Further, cooperatives demonstrate a commitment to socially responsible HRM by considering not only their direct employees but also the local communities in which they operate (Jackson et al., 2014). The promotion of employment security as the key HRM policy reflects their dedication to the well-being of current and future generations. Cooperatives, with their organizational structure, serve as a prime example of socially responsible HRM. However, it is important to note that the successful implementation and maintenance of socially responsible HRM practices in cooperatives rely heavily on upholding CVP.

Therefore, cooperatives go beyond merely providing business-specific training to their employees. They also prioritize the development of social skills for both non-member and, more significantly, member employees. This entails cultivating the necessary abilities to actively engage in the decision-making process, fostering self-leadership and self-control, and promoting a comprehensive understanding and implementation of CVP. By equipping their members with these skills, cooperatives empower them to make meaningful contributions towards addressing grand challenges (Aust et al., 2020). As Kang et al. (2022) demonstrate, such continuing training has a positive impact on employees' awareness of the cooperative's responsibilities to the environment and society. This indicates sustainable behavior both within and outside the cooperative. While cooperatives pursue not only economic goals but also ecological, social, and cultural objectives, they serve as real-world examples of redefining HRM policies, practices, and outcomes. Rooted in the cooperative values of self-help, self-responsibility, equality, equity, and solidarity, they demonstrate that HRM systems can be designed to generate societal outcomes, alongside employment security and workplace democracy (Aust et al., 2020). The different roles that members have in both the cooperative



and the local community provide a natural opportunity for adopting an outside-in perspective, as suggested by Dyllick and Muff (2016), to promote sustainability in HRM with positive ecological and societal impact. However, while cooperatives fulfill most of the characteristics of a common good HRM (Aust et al., 2020), there is no reflection on economic growth in for-profit cooperatives. The internationalization of Mondragon since the 1990s serves as an example of cooperatives expanding in a competitive environment to secure jobs in their home region. However, they often struggle to implement the necessary CVP in their subsidiaries, mainly due to issues of power. This raises the question of the extent to which cooperatives can effectively contribute to addressing grand challenges.

## 6. Conclusion and future research agenda

There is a growing demand for HRM practices that contribute to sustainability and address the needs of external stakeholders. However, apart from one literature review on HRM in hybrid organizations (Belte, 2022), there is a lack of summarized and synthesized literature on HRM in the social economy, particularly in cooperatives. This is significant considering that cooperatives represent one of the largest organizational forms globally. This review aims to address the research question of how HRM practices are configured in cooperatives, with a special focus on the contextual factors influencing them and their outcomes at the individual, organizational, and societal levels. By studying HRM in cooperatives, we can explore new avenues for contextual and sustainable HRM research. As value- and principle-driven organizations, cooperatives provide insights into the importance of organizational values and their integration into HRM practices to achieve sustainable development, which can potentially be transferred to other enterprises in the social economy.

Furthermore, this review identifies three important avenues for future research. Firstly, addressing the challenge of combining different logics in social enterprises, including cooperatives, as highlighted by Cisi and Centrone (2021), a promising approach is the use of paradoxical research. Belte's (2022) systematic literature review on HRM in hybrid organizations demonstrated the suitability of this approach in investigating HRM tensions. Given the multifaceted nature of cooperatives, which pursue economic, social, environmental, and cultural goals and involve members in various roles, such as workers, producers, customers, investors, patrons, and community members, we propose that the paradoxical research approach can serve as a valuable theoretical framework for exploring HRM in the context of cooperatives. For example, previous studies (Ashforth and Reingen, 2014; Novkovic et al., 2022) demonstrate, through a paradoxical research approach, how to address cooperative duality and navigate the tensions between economic and social values at the individual, organizational, and community levels.

Secondly, while traditionally characterized by their local nature, Mondragon's experience since the 1990s revealed challenges in transferring cooperative practices to subsidiaries, leading to conflicts in some cases (Basterretxea et al., 2019). However, the existing literature has paid little attention to the relationship between globalization and cooperatives (Bretos and Marcuello, 2017), and even in this review, the focus of evidence on internationalization primarily revolves around Mondragon. Therefore, it is crucial to conduct research on other cooperative initiatives in international expansion to gain insights into whether cooperatives can contribute to sustainable economies and societies on a global scale. Consequently, it would be interesting to explore whether there is a tendency towards oligarchy, as suggested by Michels (1925), or to degeneration of the cooperative core (Ben-ner, 1984), and whether HRM policies and practices can provide means to mitigate both (Diefenbach, 2019). However, in line with Flecha and Ngai (2014), our review indicates that the main challenge lies in integrating the cooperative model into international expansion and transferring policies and practices to subsidiaries.

Thirdly, the issue of power dynamics and decision-making within cooperatives is a critical point to understand their internal functioning. The fact that CVP were not consistently transferred to subsidiaries, primarily due to power-related issues, and that members involved in decision-making receive more intensive training than non-members, calls for

further research. This research should not only focus on HRM but also explore power mechanisms within cooperatives and other employee-owned firms.

By addressing these research gaps, future studies can enhance the understanding of HRM in cooperatives, shed light on the potential of cooperatives for sustainable development, and explore the dynamics of power and decision-making within these organizations.

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## Appendix 1: Inclusion and exclusion criteria

Included	Excluded
Peer-reviewed journal articles	Journal articles without peer-review, papers in conference proceedings, working papers, book chapters, textbooks
Articles with business, management, and social science relation	Articles without any business, management, and social science relation
Articles from journals listed at SCImago Journal Rank (SJR) 2022 at least Q3 ranking	Articles from journals that are not listed at SCImago Journal Rank (SJR) 2022 at least Q3 ranking
Quantitative empirical, qualitative empirical, mixed methods and theoretical articles	Editorials, commentaries, viewpoint papers
Articles that include different forms of cooperatives	Articles that do not include any forms of cooperatives and articles that include only religious cooperatives
Articles that are relevant to the topic and objectives of the review	Articles that are not relevant to the topic and objectives of the review



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