

# **A Worker-Owned Firm's Organizational Change from the Perspective of Organizational Learning: The case of Woojin Traffic**

ICA-ILO International Research Conference

Nov. 2015

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## **I . Introduction**

This study starts from the awareness about the right to work. The right to work in Korea was put on the back burner due to the logic of economic growth and Korea became the most unstable country in OECD countries. Korea's Trade Union membership rate is 12.3% in 2014. 44.7% of the entire workers are irregular workers and they get just 47.4% of the pay that regular workers receive (Kim, 2014). There are several ways to protect the right to work under this unstable employment situation and we noted a worker-owned firm.

A worker cooperative which the workers created through the struggles to improve their treatment has spread changing the form of ownership, depending on each country's historic situation. The worker-owned firm has the principle of worker cooperative that the workers controlled the company, and we can see that it is more stable than the private companies in the respect of employment, growth, and risk response etc (Birchall & Ketilson, 2009; Corcoran & Wilson, 2010; Erdal, 2013). The growth and spread of worker-owned firms shows that the firms can be an alternative to improve and guarantee the right to work.

However, all the worker-owned firms do not survive and improve the management performance. We can see that some lost the organizational characteristics and focused on seeking profit, so they changed into investor-owned enterprises or perished after losing market competitiveness (Sousa & Herman, 2012). The purpose of this study is to find out how the worker-owned firms can grow and spread more along with maintaining their own identity.

The establishment of worker cooperatives increased rapidly after enactment of the Framework Act on Cooperatives in Korea in 2012. If we analyze the factors of worker cooperative's success and show them to start-up firms, it will bring the stable growth and wide spread of worker cooperatives. That means it could be joined together with improving and protecting the right to work in social perspectives. For this, we researched the case of Woojin Traffic that has been managed by worker-owned way for ten years.

Woojin Traffic (hereafter WT) which changed to worker-owned firm by the bankruptcy of their

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firm has made their decision-making structure that is suitable for their firm's own traits. This process of organizational change has been connected to the stable growth.

There are several models to explain the organizational change. But we see Peter Senge's model explaining that organizations can make self-changes with the learning ability. It is very important for the labor members to take part in learning voluntarily. Therefore, the worker-owned firm that the workers take part in labor and control has more possibility to change the structure through the voluntary learning of the workers. The studies of learning organization show that most bureaucratic and hierarchical organization have some trouble in structure changes through learning (Senge, 1990; Morgan, 2006).

However, all the worker-owned firms are not bureaucratic and cannot control the whole field of structure democratically. So the democratically controlled level and degree are related to the possibilities of organizational change through learning.

## **II. Theoretical Review**

### **1. Worker-owned firms (WOF)**

#### **The notion of worker-owned firms**

In 1833, the first worker cooperative started up by workers who participated in strikes (Mellor et al., 1988, p.11). Since then the idea and practices have been spread around the world. Worker cooperatives have higher employment rate than investor-owned firms (IOF) do (Zamagni & Zamagni, 2009; Corcoran & Wilson, 2010) and proved resilient as maintaining sustainable operations in the economic crisis of 2008 (Corcoran & Wilson, 2010).

Worker self-managements appeared when socialist countries came into existence (Baek, 2008). The ownership and management in worker cooperatives were separated by the idea of nationalization and communalization. That kind of management started up in Yugoslavia in 1950 (Kim, 2006) and spread to Bolivia, Chile, Peru and Argentina etc. (Heo, 2012; Hwang, 2012).

Another way how workers own a firm is that business owners hand over their ownership and rights of management to their workers. It appears as trust, partnership, worker cooperative etc. It could be said this switch was originated by Giuseppe Bucci in Italy (Erdal, 2013). His precedent had been handed down to thousands of firms like Tullis Russell in UK, Carl Zeiss in Germany and SAIC in USA etc. and they have been sustaining high productivity with worker's creativity, spontaneity and so on (Erdal, 2013).

The diversity of worker-owned companies can be explained by Birchall's (2011) notion of a member-owned business (MOB). MOB is a term compared to an investor-owned business (IOB) for profit. According to his suggestion the fact that MOB controls the business by ownership over 50% is more important than whether to own all of the stocks.

Why workers should own the company is because they want to control their work for themselves and to take part in sharing the profit generated from work. However, they didn't have the capital required to own the company. They started up small businesses in a type of industry to need less capital, but most of them were low value-added and it was hard for them to raise funds to keep investment. The problem of capital appeared to be a very important obstacle for workers wishing to own the firms (Conforth, 1988).

While workers have tried to overcome this obstacle a type of members' holding has been

diversified and it seemed to open a broader way for workers to own a business. WOF is 'a firm that is controlled democratically by workers', and is the extended form of a worker cooperative that has raised its existence through the diverse ownership systems depending on the environment and conditions.

### **The characteristics of WOF**

The definition, values and principles of worker cooperatives present an important direction to search the characteristics of WOF. For WOF shares 'the principle of democratic control by workers' with worker cooperatives. Hough et al. (2010) state that 'member's common economic, social, and cultural needs and aspirations' of the definition of worker cooperatives are 'viable and fulfilling employment'. And many researchers (Zamagni & Zamagni, 2009; Corcoran & Wilson, 2010; Kim, 2012; Whyte & Whyte, 1991) present the security and extension of job as a significant factor that can confirm the achievement of worker cooperatives. For the employment is in close connection with the right to live. Thus, the purpose of worker cooperatives is to be viable and fulfilling employment.

Lee (2013) deduced the notions of member's co-ownership, democratic structure, spontaneous formation, duality of economic and social purpose, network-orientation, and solidarity from the definition, values and principles of cooperatives in the research of Buljeong Nonghyup (Korean agricultural cooperative), and then he suggested the notions are inherent properties of cooperatives. Independence, democracy, value-orientation, network, solidarity were derived from these properties as intangible resources. He asserted that these intangible resources make cooperatives different from IOB. However, learning mechanism is needed to transform these resources into capacity of cooperatives.

Laidlaw (1980) suggested that democracy is one of the essential elements in a cooperative and an organization with lack of democracy can't be an authentic cooperative. He presented some standards that evaluate the realization of democracy as follows : the participation of members not just voter turnout, providing information freely for them, whether or not giving feedback for their opinion, providing education and leader training for them, democracy between members and best authority grant for them, etc. His proposal means that democracy in a definition of cooperatives is to be beyond one person one vote and it is important to democratize in practice as well as to establish a democratic structure and system. He said that it is 'the democracy on both sides of structure and activity'.

While worker cooperatives have the general characteristics of cooperatives, they are different from producer cooperatives or consumer cooperatives in the terms of the unity of ownership and work and the provision of jobs for members (Jang, 2012). Because they are based on the unity of ownership and work, the work of members leads to the profit for workers. These characteristics can be related with increase of commitment to the organization, increment of labor intensity, improvement of manufacturing technique, low turnover, and mutual control (Bonin & Putterman, 1993).

Bonin et al. (1993) assert that worker cooperatives require workers to take part in an important decision-making rather than to share their firm. Participating in decision-making promotes workers' commitment to the organization and raises their satisfaction and motivation to work. It has some problems involving in the decision-making cost and lack of expertise, but when they make use of the advantages of participatory democracy, they can increase the efficiency more than bureaucratic IOB can (Conforth et al., 1988). Hovart presented five conditions of successful organizations through the experimental researches of organizations operated in participatory democracy (Lee, 2001). First, it should realize practical participatory democracy in organization. Second, workers should participate in decision-making processes in their daily routine. Third, execution of decision should be done in the

professional area separated from the right of decision-making. Fourth, they should have an independent judicial body for preventing conflicts, abuse of power and fail of responsibility. Fifth, they should be cautious about selecting members and continue to learn the ideology and principles of cooperatives.

The empirical researches show characteristics of WOF that workers' participation and spontaneity lead to growth and positive performance (Bartlett et al., 1992; Erdal, 2013; Abel, 2014). Bartlett et al. (1992) studied by comparing productivity of worker cooperatives and private enterprises and found out higher productivity of worker cooperatives. They pointed out this result is related to increasing motivation through workers' participation. According to Erdal (2013), the enterprises converted from IOF to WOF like John Lewis Partnership shows high growth. He explains that the driving force of their growth is dedication, creativity and communication of owner-workers with entrepreneurship. Abel (2014) asserts that WOF, including worker cooperatives, raises productivity and grows by workers' ownership and participation.

By the above mentioned studies, the characteristics of WOF are as follows: It has the purpose of viable and fulfilling employment, and shares it with members. It has the characteristics of independence, democracy, value-orientation, network, solidarity from the identity of cooperative. Because of the unity of ownership and work, the work of members leads to the profit for workers. These characteristics heighten member's commitment. When these are combined with participation in democratic decision-making, it reinforces independence and democracy, and leads to positive performance of WOF.

## **2. Organizational learning and learning organization**

The studies of organizational change present different change models in accordance with perspectives to an organization, but they share the assumption that an organization changes constantly. The causes, processes and formulas of organizational change are not single and vary depending on both inside and outside conditions.

We will investigate organizational change of WOF, Woojin Traffic, through Senge's learning organization (LO) model. LO has become increasingly more important as a method to maintain and develop modern businesses. The reason why is that, unlike the past, it has been proved in business management that the intangible assets such as knowledge, information and member's enthusiasm and creativity for competitiveness are important and the efforts of making alternatives by every member rather than management innovation by the CEO are needed (Kwon, 1996). Moreover, change of members themselves and an organization through learning is more independent and participative, comparing to other change methodologies (Park, 1996). Thus, LO in WOF and organizational change through LO could be a change model that explains the growth of WOF and differences from IOB.

### **Organizational learning**

LO starts from the theory of OL, and LO is complex to build through reinforcement of OL and activation of individual learning and group learning (Kwon, 1996). Early studies of OL viewed that learning of individual-level is piled, and then it comes to the change of organizational behavior. On the other hand, the latter studies considered that individuals play the role as a learner, but OL rises when the personal learning can lead to the change of cognitive systems (knowledge, belief, value, etc) and behavior at the organization level (Kwon, 1996). Hwang (1996) explained OL in three categories.

Firstly, the past accumulated experience or knowledge applies concretely to business. Secondly, it is the knowledge creation of organizational-level or new ways of data processing. Lastly, it is to learn the problem-solving process of organization.

The types of OL are experience learning, experimental learning, imitation learning and sharing learning (Kwon, 1996). Experience learning is that members embody generalized knowledge such as rules and procedures of the organization as well as production knowledge as a task. It is the most fundamental learning of every organization, but it could be hard to accumulate new knowledge because of relying on the existing generalized knowledge. New knowledge and belief systems can conflict with the existing knowledge and belief systems. At this moment unlearning is required (Kwon, 1996). An organization abandons the inadequate existing knowledge and belief systems for the new environment and accepts new knowledge and belief systems. If it overly relies on the regular experience learning, resistance to change and inertia of an organization could be increased (Levinthal, 1991).

Jung (1996) suggested 'organizational change through coexisting with contradictions'. It is not choosing one of new or existing knowledge, but coordinating through good grasping the correlation of both ones. New knowledge introduced into an organization can reinforce or conflict with existing one. However, when conflicting is transformed into contradiction, the organization tend to recognize it as an obstacle or a problem, and then to select one of alternatives. He asserts that the organization seeking a leading change through OL chooses coexisting of contradiction than selection of one alternative.

Sharing learning is that experiences, knowledge and belief are shared and diffuse among the members of an organization and new learning is generated through sharing process. Whether OL succeeds or not depends on the activation of sharing process among the members (Kwon, 1996).

### **Learning organization**

Senge's learning organization model played a crucial role in that the organizational learning theory is extended into a learning organization theory in firms (Park, 1996). For, unlike problem-based innovation techniques, a learning organization aims that an organization changes routinely and consistently through learning (Jeong, 1996).

Senge (2006) insisted that LO builds on studying and practicing about five learning disciplines comprising of personal mastery, mental models, shared vision, team learning, and system thinking. System thinking, a basic concept of LO, is a combination between five disciplines (Senge, 2006). As it is to change one's way of thinking, it is the training to see the whole, to observe a structure, to understand a circular relationship not a straight line, and to build a system architecture. It is to understand the structural aspects as well as visible phenomena, and is a framework of thinking through which one is able to see the cyclical causal relationship among the parts belonging to the whole as well as the contexts of change.

Senge (2006) emphasized the importance of the discipline for personal mastery because members' learning is not always connected with the organizational learning but OL without personal learning never takes place. This discipline helps members to clarify and continue to expand their personal vision and to see the reality objectively. At this time, the gap between their vision and reality can be transformed into the energy toward vision as a creative tension. The discipline for personal mastery can't be forced. However, the leaders of an organization should support the members to practice discipline for personal mastery.

Mental model is a philosophical foundation for LO as the recognition system to understand the

phenomena (Son, 1996). Each member has a different mental model because a mental model is not a determined framework but a unique perspective to recognize the world. The goal of this discipline is not a unity of members' mental models. It aims that members would realize the effects of their own mental model on their behavior and decision making and makes a change through the reflection.

Senge (2006) explained that shared vision makes the members consider the organization as 'my organization', and cohere as a group. Shared vision cannot be proclaimed or ordered by leaders, but can be agreed and immersed sincerely by members. Shared vision starts from a personal vision. Organizations and leaders that want to make a shared vision should support members to develop their personal vision, and need to lead the organization so that the personal vision can be reflected on the shared vision and the shared vision can become also the personal vision. This requires the equal treatment for all members, coordination among members' diverse opinions, and the participatory organization culture (Son, 1996).

Team learning is a process to integrate and develop the team's ability for making the results that members truly want to make. It is built on the foundation of shared vision and personal mastery. In addition to them, team members must know ways for working together. Team learning includes the principles of 'dialogues' and 'discussion'. Dialogues mean the ability of members to stop guessing and to think together. Discussion is conceptualized that a winner takes all competition. The discipline for team learning starts from dialogues. The conflicts in a team is a part of dialogues, but the defensive routines to repress conflicts can lead to the worst results to cover the problems. Team learning is to get the insight and energy to face the reality by making defensive routines into learning.

### **III. Research Method and Propositions**

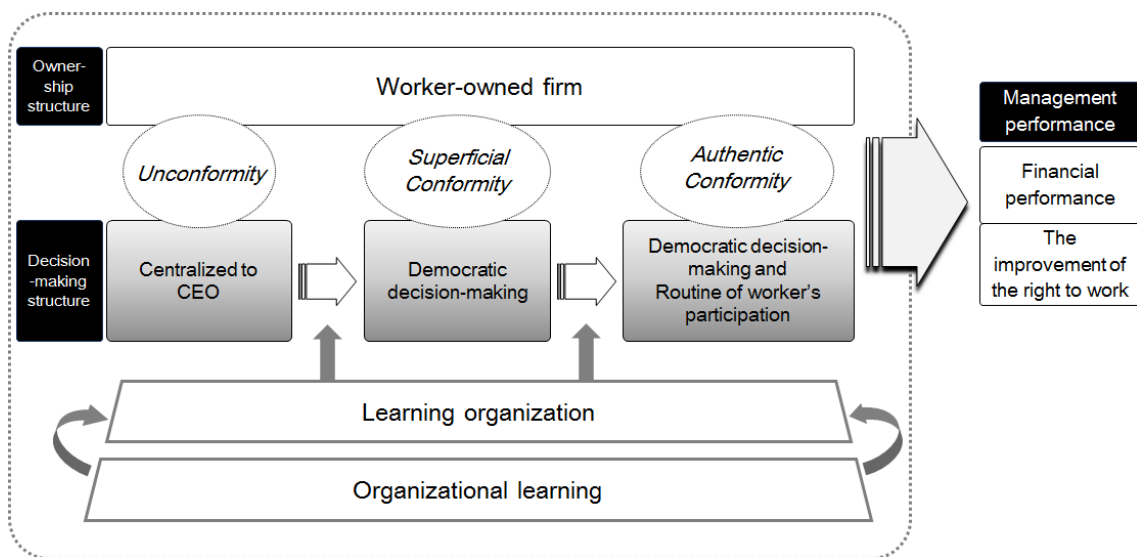
#### **1. Research Method and Research Model**

This study conducted the research by a case study. According to Yin (2009), we can use a case study when 'how' or 'why' questions are raised, a researcher can't almost control the case, and a contemporary phenomenon in reality is mainly dealt. A single case study is suitable when a case is very unique or offers new information.

We collected data from three different sources such as interviews, observations, and documents for consistency of the research direction as well as ensuring of configuration validity and reliability. We reviewed the documents such as the record of the strike in 2004, the minutes of 2005~2013, the financial reports and the press releases, etc.

We interviewed 9 people of CEO, leaders of Trade Union, the members of self-management council and workers. The interviewees were recommended from the self-management department. We observed business briefing, meeting of self-management council, workplace self-management meetings and committee meetings. Lastly, an insider checked out the contents to ensure the content validity.

The research model of the Figure 1 shows how WT has been changed through organizational learning to be a WOF with the better performance. And this model leads naturally a number of research propositions as follows.



[Figure 1] Research Model

## 2. Research Propositions

### Proposition 1: The organizational learning of WOF builds a learning organization.

To practice five disciplines for building LO, the organizational culture to put value on members' growth and to support the development of personal vision is needed. Song and Lee (2009) conducted an empirical research on building LO of businesses. They showed that the organizational culture affected the level of LO. That is, two types of organizational culture give a positive impact on building LO; the relationship-oriented culture containing the characteristics of human relationship, concern, flexibility, and internal integration, and the change-oriented culture featured by flexibility and change. However, there is less possibility of a change or a new trial under the hierarchy-oriented culture in which stabilization or maintenance of the current situation would be regarded important.

The research that analyzed the barriers to affect building and operating LO in an enterprise presented as the major obstacles the difficulty of building the learning culture, the absence of reasonable operation structure, the inactivity of management, members' negative attitude and involuntary motivation (Jeong & Kim, 2011). It shows that the building of LO needs members' spontaneity as well as the organizational culture and support.

Through the previous research mentioned above, we know that characteristics of WOF such as members' participation and spontaneity, communication among members have a positive influence on building LO. Yet they don't lead to building LO naturally but through OL.

The members of WOF could share the history, the experience, the value, the belief and the vision of organization as well as learning for job performance. This learning would not be attained merely through the explicit and implicit cognitive learning, but also through the running and problem-solving processes of the organization.

The organization learning of WOF would be more promoted on the basis of the inherent characteristics of WOF such as shared vision and members' spontaneity, and it leads to the construction of LO.

**Proposition 2: The learning organization of WOF reinforces the conformity between the structure of WOF's ownership and decision-making.**

WOF should be controlled democratically by workers as a firm to have the ownership structure in which that workers are able to control the firm. Workers' democratic control can be emerged by the democratic decision-making structure. However, only some workers can take part in the structured decision-making. Therefore, it is necessary to have some ways to increase the members' participation in every work problem and policy suggestion for business management. They could be both systematic and structural ways and non-structural ways like diversified and free communication among members. The important thing is that members have to be able to feel themselves to take part in organizational operation. We named it 'the routine of workers' participation'.

We think that the higher the level of democratic decision-making and routine of workers' participation of a firm gets, the closer it approaches the organization structure appropriate for WOF. That is, as owner-workers' control ranges over the whole organization, it corresponds to the definition of WOF 'jointly owned and democratically controlled'.

But, democratic decision-making and routine of worker's participation may not take place in all WOF from the initial stage. There could be some differences in the level of conformity between ownership structure and decision-making structure depending on the distinctions of WOFs' establishment. According to Conforth et al. (1988), the level of conformity is high when WOF is established with a sense of purpose for its value and intention. But, if WOF is established in order to create jobs or to maintain employment in the bankrupt company it focuses more on maintaining the employment and WOF itself in the beginning. staying at a low level of decision-making in the early years of WOF is expressed by Senge's reinforcing cycle diagram as follows: if the members who are unfamiliar with participation in management continue to participate passively, the decision-making would be centralized to minority, and if it would become harder for members to get involved in management again, and centralization to minority would get worse. For example, one-man-one-vote system of WOF is a very important token of democratic control, but it could be no more than passive participation only to take part in the vote.

However, Senge (2006) suggested that when this process would come to its limit finally the growth or decline stops or changes its direction. The limit of WOF here is called the equilibrium feedback. WOF has the goal to be democratically controlled by worker-members. So LO of WOF reinforces the conformity of the ownership structure and decision-making structure by making the members not only to recognize the ownership structure and the democratic management principle of WOF, but also to demand for ways to actualize the democratic control, and then.

**Proposition 3: The conformity of the structure of ownership and decision-making leads to management performance.**

The previous researches about governance show that 'good governance' plays a positive role in management performance. Good governance is to regulate effectively controlling shareholders' pursuit of the private profit and to keep them from causing an operating loss through their arbitrary decision making (Jeon, 2007; Lee & Son, 2009).

Jeon (2007) analyzed empirically the relationship between a governance and management performance. He presented that the firms with a good governance have the significantly higher financial soundness and accounting profitability than controlled firms do. Lee and Son (2009) showed that the good governance corporate, compared to the controlled corporate, got the significantly higher operating profits and economic value added (EVA).



These previous researches about the governance of IOB give WOF the greater implications. There is few research of the WOF governance. But, some researches proved that members' broad participation in decision-making can make better management performance. As Laidlaw (1980) said, WOF should embody democracy in the structure and management activity. In other words, WOF should be managed transparently and rationally by the democratically elected board of directors and the professional management. In addition, it needs to build the system through which on the owner-workers are allowed to submit their own opinions about working process, to participate in establishment of management principles and performance distribution and then their opinions could be accepted. It can be called the conformity of the ownership structure and the decision-making structure in WOF.

The conformity would reinforce the intrinsic nature of WOF, and authority distribution, sharing profit and ensuring participation by democratic control would promote interaction among members and increase spontaneity, creativity and commitment of members (Conforth et al., 1988; Whyte & Whyte, 1991; Erdal, 2012; Abell, 2014). This would lead to the management performance of WOF.

**Proposition 3-1: WOF achieves sustainable financial performance.**

If WOF doesn't have sustainable financial performances, it doesn't exist. Thus, the growth and diffusion in itself can be considered to show the financial performance of WOF. The spread of WOF has continued continuously since its birth, and it has been proved that it had the superior crisis response capability to IOF during the global economic crisis (Birchall, 1997; Zamagni & Zamagni, 2009; Corcoran & Wilson, 2010).

Let's see the detailed examples of WOF. ULGOR, a stove manufacturing company founded by 5 workers in Mondragon in Spain grew to become a cooperative group that comprises of the four parts of financial, manufacturing, distribution and knowledge, which include about 260 worker cooperatives with about 84,000 workers (Kim, 2012). After Woollard and Henry, a small engineering company, was converted to WOF, it could expand the market remarkably through simple transformation of production machines in virtue of the field engineers' proposal (Erdal, 2013). And John Lewis Partnership in the UK raised sales more significantly on the basis of 100 pound capital than other companies.

As the above cases showed, WOF can achieve the financial performance by guaranteeing authority distribution, sharing profit and participation through the conformity of the structures of ownership and decision-making. The financial performance of individual WOF can be represented on the basis of creating profits for long-term management and paying living wage for workers (Conforth et al., 1988; Hough et al., 2010; Abel, 2014).

**Proposition 3-2: WOF achieves the improvement of the right to work.**

The purpose of WOF is viable and fulfilling employment. Thus, many researchers have estimated the achievement of WOF by job security and extension (Zamagni & Zamagni, 2009; Corcoran & Wilson, 2010; Kim, 2012b; Whyte & Whyte, 1991). For employment for workers is related to the right to live, and is the most basic right to work. Mondragon Cooperative Corporation (MCC) expresses clearly the employment as its objective (Whyte & Whyte, 1991), and its job creation is about a half time higher than the general business of a similar level of assets and sales (Kim, 2012). The cooperatives' employment growth rate is much higher than the entire employment growth rate in the countries such as Italy where many worker cooperatives are located (Zamagni & Zamagni, 2009). That's because members owned firms set employment as the most important goal through democratic

decision-making. Namely, the conformity of the structure of ownership and decision-making makes WOF maintain viable and fulfilling employment.

Within WOF, participation in decision-making, the autonomy of the work, the satisfaction of work and the personal development through education and training are realized. The social performances WOF can make are providing valuable products and services, social innovation through providing an ideal company model and training democratic and communal citizens (Conforth et al., 1988; Hough et al., 2010; Abel, 2014). They are the non-financial achievements. The non-financial performance of WOF improves the right to work both inside company and outside by spreading this model into the society. Thus, the above mentioned examples can be proposed as the evidence for improvement of right to work.

## **VI. The Case of Woojin Traffic**

### **1. Organizational Change**

Woojin Traffic is a bus company managed by about 300 workers. The workers of WT got 50% stocks and the rights of 3-year management as a result of struggling against unpaid wages and corrupt management for the last six months. They entrusted 50% stocks to a man high in public esteem for protecting management rights. And they started up with the funding of 4,300 USD per person in 2005. Now, 10 years later, they are preparing to convert a worker cooperative with sharing 100% stocks. We will take a look at the organizational change process focusing on the change of decision-making structure.

The workers had neither experienced workers' self-management and nor the model is general in Korea. So they needed to long time to realize their ideal. When they started self-management firms, their decision-making system wasn't different from the general company. However, after a year, some workers had the complaints for the ways of management and burst into a rage. Then, the workers of WT realized it needed their own change and their participation of decision making structures. For this, they had conflicts, discussions, learning, and solutions. The change of WT that they has made is 'from centralized to CEO to democratic decision-making, to routine of worker's participation'.

In the early years of WT, its goal was a transparent management. CEO reported the details of management (revenue and expenditure, the tasks of each department and personnel matters of company) and renovated the corrupt management of previous executives. It convinced that the owners of WT is workers and made that workers promoted will to work. WT had a deficit got a bit of a surplus, paid back a portion of the loan and tried to stabilize the company through a follow-up buying some of its stock from the previous executives.

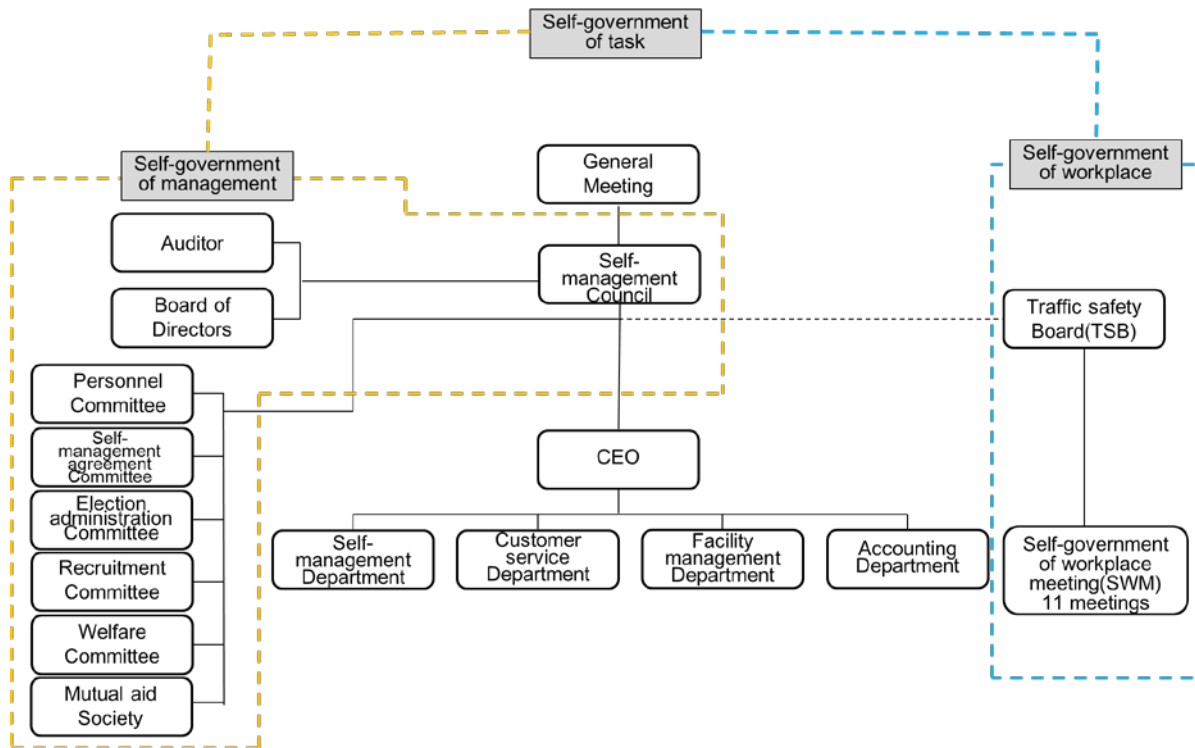
But, there were some problems. The workplace-meetings for sharing the current issues and gathering members' opinion was not run smoothly. CEO discussed the current issues with the representatives of workplace-meetings and each of departments monthly and reflected their opinions, but has formal decision just him alone. The bus drivers, many workers didn't consider the clerical workers to be the worker like them but the managers. Some workers claimed their individual ownership, attached property of the company provisionally and tried to get control over one. It leded 100 workers to leave company themselves. CEO recalled those days as follows. 'We didn't change into owner of the company and didn't make the structure to take part in management of one. We operated a nominal self-management.'

Since then, they shared "all members is workers with equal rights." And they began to make a suitable decision-making structure for WOF. They revised the existing articles of incorporation into the articles of self-management involved the values, the aims and the structures of self-management firm. The self-management council is composed of 15 members with 12 members elected at a general meeting and the leader of Trade Union and 2 department managers. It is made up five committees with a personnel committee, a self-management agreement committee, a welfare committee, a election administration committee and a recruitment committee. Each of committees is composed of 5~6 members and administered independently. In four years since WT starting up, it got ready the frameworks for democratic decision-making of members.

WT was not satisfied with it and introduced the idea of 'self-government of task'. The self-government of task is to develop the ideas of role separation of management and work. It means the workers take part in the management, the production plan, the work process and the distribution of the performance with the attitude of responsibility and self-control in democratic principle. The 'self-government of management' means that the whole members take part in management directly, complement and strengthen the management expertise and materialize managerial policies sharing with workplace. The self-management council and five committees are the structure of the self-government of management.

However, because the whole members are restricted to direct participation for management, they take part in members the production plan, the work process and the distribution of the performance as the subject of the work through the 'self-government of workplace'. Traffic safety board (TSB) is the system for the self-government of workplace. It is composed of 10 self-government of workplace meetings (SWM) and has a meeting with two representatives of each of SWMs, a manager and a staff of the customer department, and a leader of Trade Union once a month. It controls a production target, piece rate and workplace. The SWM is made up about 20 members a meeting and hold a meeting monthly. In the TSB meeting in March, 2014 we observed, the members reflected the conclusion on the criteria of the allocation of bus by accepting and discussing the complaints of the workplace. And they deliberated on the customer's complaints. They checked the 18 affairs while watching the video, and they concluded only the 6 affairs of the workers' mistakes. A year-end piece rate reflects the customer's complaints totalized per a SWM. At the end of the meeting, they heard feedback of the new gloves quality and the opinions from the SWMs.

The self-government of task raised the member's participation. In the initial stage, there were members not to join in the SWM once for all, but now most of them join in it and the participation rate is 92.3%. It is the effect that the interaction and communication in the workplace is improved much more.



[Figure 2] Organization chart of WT

The change of WT was the process of being reinforced conformity of the ownership with worker's own and decision-making structure with democratic control of worker. This change led to management performance. The financial performance shows the profit for long-term maintenance and the payment of living wage for members. WT achieves the highest profit of 6 bus companies in Cheongju. The workers of WT operate an additional bus service when they come back to the car barn from the end of the bus service route. WT still had the problems of high traffic accident rate and high insurance expenditure since starting up. But, after introducing self-government of task, WT ranked 1st as the reduction of accident rate. These additional operating and reduction of insurance expenditure raised the profit of WT.

While WT could not finance due to bankruptcy of the prior executives, they started up with 13 millions USD. In 2010, it could finance. It has paid the wages on the payday, except the period of the provisional attachment for six months. Workers have received the salary a little higher than the workers of the other bus companies in Cheongju.

Year	Gross Sales	Daily sales per a bus	Net Income	Capital	Total Equity
2003	12,227,194	262	-1,302,925	2,495,697	-607,573
2004	6,968,158	-	-1,558,519	2,495,697	-2,166,953
2005	14,449,225	284	29,259	2,495,697	-2,137,693
2006	14,459,552	301	-860	2,495,697	-2,137,693
2007	14,769,363	314	-142,857	2,495,697	-2,279,690
2008	17,450,946	327	1,445,783	2,495,697	-844,234
2009	16,048,192	331	133,390	2,495,697	189,328
2010	16,670,395	344	13,769	2,495,697	530,120
2011	17,360,585	361	860	2,495,697	203,958
2012	18,592,943	343	1,721	2,495,697	327,022
2013	19,021,514	357	-211,703	2,495,697	-2,809,810

- Unit: US\$
- 2004: the strike during 24<sup>th</sup> Jul. ~ 31<sup>th</sup> Dec.
- 2005: beginning operating on 20<sup>th</sup> Jan.
- 2008: The increase of net income is the profit of dealing in stocks due to debt for equity swap of wage arrears.
- 2013: The rapid change of net income and total equity result in account reconciliation of reverse fund for retirement allowance accumulated.

[Table 1] Financial status of WT

Considering the non-financial performances of WT, it disappeared that the workers had suffered unfair treatments such as arrears of wages, private spending of traffic accidents on the job and unfair dismissal in IOF.

The standards of social achievement of WOF are offering valuable products and services, innovation of society through providing ideal business model, and training of democratic and communal citizens. WT aims for friendly service and it is recognized a friendly company to the citizens. The workers of WT have been in full activity to improve the right to work for general workers beyond themselves. The Trade Union of WT improved the working condition for the bus workers in Cheongju, requiring the municipal authority to extend the operating hours of gas station for the bus, to renovate toilets in bus terminals, and to secure a breathing time between the line schedules. Also, they have joined in the struggle for general workers. WT played an important role to abolish the irregular workers of the bus company in Cheongju. Some bus companies were supported the wages for the full-time workers from the government. But, they hired irregular workers and acquired ill-gotten gains from the difference of the wages. WT exposed the dishonest management. And it made the irregular workers convert full-time ones as the municipal authority made an arrangement with bus companies on the ban on hiring irregular workers. The organizational change of WT led to democratic workplace, improvement of

right to work and elevation of services for citizens as well as financial performance.

Year	Classification	Decision-making structure	Features
2004	Strike	IOF	Strike for six months
2005	Start up	Centralized to CEO	Start up as self-management firm with the funding of 4,300 USD per person and impossible financing due to debt of prior executive. The goal of transparent management
2006	Conflict	Centralized to CEO	Some workers' claim of individual ownership and a trial to get control over company.
2007	Conflict	Centralized to CEO	
2008	Conflict & new leap	Centralized to CEO	Some workers attach property of the company provisionally. 100 workers leave company themselves. The enact of the articles of self-management and election self-management council and 5 committees
2009	Completion of system	Democratic decision-making	Implement system for self-management
2010	Completion of system	Democratic decision-making	Possible financing
2011	Complementation of contents	Routine of worker's participation	Initiate 'self-government of task' is composed of self-government of workplace and management. Control a production target, piece rate and workplace by workers.
2013	Complementation of contents	Routine of worker's participation	Preparing to convert worker cooperative

[Table 2] The history of WT

## 2. Organizational Learning

The organizational change of WT was not happened spontaneously, but with conscious organizational learning and building learning organization. The members' change of their own and organizational change was essential because the values and management principle of WOF was very different from those of IOF. The members of WT had to learn the new values as owner-worker in place of the old values as servant under hierarchy.

WT has many kinds of organizational learning: a monthly business briefing, self-government of workplace meetings, committee meetings, workshop, 1-night 2-days –meeting, task training, training new employees and Woojin school. These play a role as the place for learning that the members learn and share the generalized knowledge such as operation regulation and procedure, performance program, belief systems. They can usually approach information in WT because of dealing with issues in the multidimensional ways. For example, to establish the rules of the self-government of task, they discussed the item in the bull session with dividing the ten SWMs into two group. And then, the item is reported to the business briefing, and is discussed in TSB. All members should take part in the business briefing and SWM every month. The member who was absent from the business briefing could participate in re-briefing. After these process, they enacted the rules of self-government of task at the general meeting.

These learning procedures make the members change. Because they come to recognize themselves

as owner-workers when the opinion they suggest in meetings feeds into management. The process to reflect the members' opinion does not have particular procedures or forms. When they suggest their opinions about the management at all of the official meetings, the opinions reflected in the policies, but if it is hard to be reflected their managers will answer the reasons.

The Woojin school is a learning structure to draw members' change more specifically and systematically. The twenty people enter the school and they have ten classes of 40 hours for six months every year. They learn and discuss about the labor's philosophy, the history of the labor movement and the principles of self-management and so on.

Besides this information sharing process through the formal system, openness of the organization helps the extension of the community and ordinary sharing of information and knowledge based on the trust among the members. Argyris (1976) said that a propensity to defense and to closure occur in the formal and hierarchical structure. The members of WT feel the difference between WOF and IOF in the free and smooth interaction due to breaking up hierarchy. One member said: 'Bus drivers can't have even a conversation in a business department in other company. But we can ask and talk to the chief of a section or the manager when there is something wrong. Of course, somebody cannot understand some of them. When I don't understand something, I ask about it. How did I dare to talk in the in the sales and general affairs department? Nowadays we have casual attitude toward CEO or sales department and we are not in trouble in talking to them.'

WT was borne again into self-management firm through striking of the Trade Union. However, in the company which worker is owner, the Trade Union is contradiction. Also, the understanding about the Trade Union that the workers learned in the relations between labor and capital of existing IOF conflicted with that of WOF. In place of abolishing the Trade Union, WT made union's role change from struggling against owner into one protecting the WOF from the capital and improving right to work of all workers in Korea and tried to change through coexisting with contradiction. In addition, the Trade Union did not become executives itself, but the workers, the members of the Trade Union take part in the management structurally and routinely. It led to the organizational change to reinforce the conformity of ownership and decision-making structure.

### **3. Learning Organization**

In the early stage of WOF, the members of WT made a change through shared vision of 'stable job without withholding wages', but didn't continue the change. They needed to change their worldview and raise personal capacity as their identity changed into owner-workers.

They has built a new mental model and has disciplined personal mastery and these processes lead to creating and sharing new vision. Their new mental model started from "all member is workers with equal rights." As this is very important transformation of values, they recognized that all of the members' opinion should be reflected on the management and all of the workers are responsible for the management. Also, to fulfill their responsibility as a decision maker and an executive, they disciplined the personal mastery while learning in SWM, each of committee and Woojin school and so on. The workers who were not accustomed to conversation or discussion at a meeting made a fuss of one-sided opinions, but they began to find out the way to collect a conversation, a discussion and an opinion little by little. The culture of individualism from the driving a bus line has changed the cooperative culture through various meetings.

Their mental model and personal mastery made the members build new vision and them share it.

Their vision is viable and fulfilling employment of future workers as well as themselves. For this vision, they have some plans for long-term growth such as funding by mutual aid society in WT, seeking diversification and switching to a cooperative.

Their disciplines, mental model, personal mastery, shared vision and team learning enabled them to do system thinking. They could recognize that individual ownership problems some workers claim are a systemic issue, and could change decision-making structure from unconformity to authentic conformity. Woojin school results in system thinking, too. The judgement of WT that there is no organizational change without members' change made WT introduce long-term learning system for members' change, even if the effect of learning was revealed right now. It was that organization supported the personal mastery of the member and raise the overall level of the LO. In the first year, only twenty members graduated from the school, but, over the years, many workers graduated and reinforced the foundation of self-management. The time of six months for learning and the limitation of twenty learners for a year make 'delay', but WT could carry out the long-term project because it predicted the positive effect of members' mastery after the 'delay'.

## **V. Conclusion**

This study started from the question what the factors are WOF to achieve management performance and growth, while maintaining the characteristics of the organization as an alternative to improve the right to work. For this, we analyzed the organizational change of WT for 10 years, the results were as follows.

First, WT built a learning organization through organizational learning. The members of WT had a new identity that they became the owner-executive-worker of the company from the passive worker before self-management firm. This change of the identity required a new perspective around the world. WT could build LO to enable system thinking on the basis of personal mastery, shared vision and team learning, while transforming mental model of the members through OL.

Second, the learning organization of WT reinforced the conformity of the structure of WT's ownership and decision-making. LO let the workers realize the problems of unconformity of ownership and decision-making structure of WOF. To reinforce ownership and decision-making structure, they organized the change making structure and system to perform it.

Third, the organizational change of WT led to financial performance, the improvement of right to work and elevation of services for citizen. The organizational change of WT let the workers participate in the daily decision-making and control voluntary their work and this led to management performance.

Fourth, the above mentioned three results show that WOF should make democratic structure by the authentic conformity of ownership and decision-making for growth as the identity of WOF. WT overcame the difficulties in 2008 such as some members' provisional attachment of current assets. Because it was the reason that they converted centralization to CEO into democratic decision-making by enacting the articles of self-management and establishing self-management council. After building up this formal structure, WT realized the self-government of workplace to control the work of their own and to take part in distribution of performance. This made WT maintain the characteristics of WOF for 10 years and prepare new change. Laidlaw (1980) said that democracy is one of the essential factors of a cooperative, and with lack of democracy, the organization would not be a real cooperative.



How 'democratic management' is realized is one of the fundamental factors to maintain the nature of WOF and to grow with management performance.

The studies of WOF are rare in Korea. It broadened the range of one and provided implications to management of starting up WOF. Also, it shows the possibility of organizational change through case study of company by learning organization model.

This study has limitations that the object of the study isn't considered of industrial aspect. WT is a bus company and is secured business reliability like government's budget support. Also, because WT is public transportation company, it is influenced less change from marketplace climate, compared to other industries. For this, there is a limit that the growth factors of WOF be generalized in the other industries.

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