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Andrés Spognardi
Universidad de Coimbra

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Cooperatives and Social Capital: A Theoretically-Grounded Approach

Andrés Spognardi

ABSTRACT: Social capital is widely regarded as a collective resource with positive effects on the economic performance of cooperatives. This conclusion is based on the implicit assumption that social interactions between cooperative members would inexorably lead to the development of networks, norms and trust. This paper challenges the validity of this assumption. Conceptualizing social capital as a resource of the individual, it is argued that the interactions between cooperative members may lead to the establishment of a variety of complex social ties, some of which can negatively affect the economic performance of the organization. To illustrate this argument, the paper presents an exploratory case study of a small, manufacturing worker cooperative. Drawing on ethnographic techniques, the study identifies four organizational dynamics which are presumably affected by social capital: (1) the rule of surplus distribution; (2) the style of leadership; (3) the mechanisms of control; and (4) the criteria for recruiting and evaluating new members.

KEYWORDS: Social capital, Cooperative members, Cooperatives, Economic performance.

ECONLIT DESCRIPTORS: J54, P13, Z13.

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Correspondence: Andrés Spognardi, Centro de Estudos Sociais, Universidade de Coimbra.

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RESUMEN AMPLIO

Cooperativas y capital social: una aproximación teórica

Objetivos

En los estudios cooperativos, el capital social ha sido conceptualizado como un recurso colectivo con efectos positivos sobre el desempeño económico de la organización. Estas conclusiones se fundan en el supuesto implícito de que las relaciones sociales al interno de la cooperativa promueven la creación de redes, normas y confianza. El presente artículo cuestiona la validez de este supuesto. No existen fundamentos teóricos o empíricos — se argumenta aquí — para excluir la posibilidad de que la interacción entre los socios de una cooperativa promueva el establecimiento de lazos sociales capaces de menoscabar el desempeño económico.

Dos nociones de capital social

El sesgo positivo que caracteriza a la literatura sobre cooperativismo y capital social encuentra su origen en una inadecuada especificación de este segundo concepto.

La noción de capital social fue originalmente formulada en el ámbito de la sociología económica para describir el potencial beneficio que un actor individual puede obtener a partir de su inserción en una red o estructura social (Bourdieu, 1985; Coleman, 1988). Desde esta perspectiva individualista, el capital social presupone la transferencia de recursos entre dadores y receptores (o poseedores). Si bien es evidente que los receptores obtendrán un beneficio individual, el efecto agregado de las transferencias no puede ser indicado, a priori, como beneficioso para el colectivo.

Años más tarde, el politólogo Putnam (1993) redefinió al capital social como atributos de la organización social (redes, normas y confianza) que facilitan la coordinación y la cooperación para el beneficio mutuo. Desde la perspectiva colectivista de este autor, la existencia del capital social (un recurso de la organización social) puede ser inferida a través de varios indicadores, incluyendo al número de cooperativas existentes en la organización social de referencia (comunidad, región, país, etc.). Las organizaciones de ayuda recíproca, postuló Putnam (1993), constituyen la prueba indirecta de la existencia de redes, normas y confianza entre los miembros de una comunidad, región o país.

Como era de esperar, la intuición de Putnam atrajo el interés de activistas y estudiosos del sector cooperativo, originando una auténtica explosión de estudios sobre la cuestión. Desde entonces, algunos investigadores se han abocado a procurar pruebas empíricas de la correlación postulada, en tanto

que otros le han atribuido causalidad a dicha correlación, extendiendo los alcances del postulado de Putnam en dos direcciones: la primera es que las redes, normas y confianza promueven la creación y mejoran el desempeño de las cooperativas; la segunda es que el funcionamiento de las cooperativas promueve la creación de redes, normas y confianza. Implícitamente, este salto entre correlación y causalidad se ha fundado en el supuesto de que una relación entre variables a nivel macro (la correlación entre densidad de cooperativas e indicadores de confianza) es consecuencia del comportamiento no observado de actores a nivel micro (la interacción social entre los socios cooperadores).

El argumento del presente trabajo

En lugar de asumir que la interacción entre los miembros de una cooperativa producirá los resultados sociales postulados por Putnam, los estudiosos del sector cooperativo deberían concentrar sus esfuerzos en el estudio empírico de dicha interacción. En este sentido, la noción individualista de capital social desarrollada en el ámbito de la sociología económica proporciona una útil herramienta analítica. Además de eliminar el sesgo positivo inherente a la noción colectivista de Putnam, esta conceptualización permite analizar las motivaciones (instrumentales o altruistas) que guían el comportamiento de los socios cooperadores.

Siguiendo la formulación propuesta por Portes y Sensenbrenner (1993), estas motivaciones (o fuentes de capital social) pueden clasificarse en dos categorías: consumatorias e instrumentales. Las primeras tienen su origen en valores internalizados; se trata de principios morales capaces de inducir comportamientos que promueven el bienestar ajeno, aún a costa del propio interés. Las fuentes instrumentales, por su parte, suponen que la disponibilidad a transferir recursos está asociada a la expectativa de una recompensa.

Al romper con el determinismo de la formulación colectivista, el estudio de las motivaciones individuales contribuye a una mejor comprensión de los efectos económicos de la imbricación social de las cooperativas. Desde esta perspectiva teórica, es posible hipotetizar que un conjunto de factores contingentes (tales como el tamaño, el sector y el entorno socioeconómico en el que opera la cooperativa), afectará la propensión de los socios cooperadores a intercambiar recursos. Con toda probabilidad, ciertos entornos organizacionales serán más propicios para el intercambio que otros; algunas cooperativas crearán condiciones favorables a los intercambios instrumentales, mientras que otras serán particularmente propensas a intercambios de naturaleza altruista. Presumiblemente, intercambios de diferente naturaleza e intensidad tendrán diferentes efectos sobre la dinámica interna de la organización y, por ende, sobre su desempeño económico. En otras palabras, el capital social afectará a las cooperativas en modo diverso, en función de una serie de factores contingentes.

Un caso de estudio exploratorio

Para probar la utilidad empírica del marco analítico propuesto, se ha realizado un estudio etnográfico en una pequeña cooperativa de trabajo industrial, radicada en una aldea de Portugal. La información recogida en el trabajo de campo ha permitido identificar cuatro dinámicas organizacionales presumiblemente afectadas por el capital social: (1) la regla de distribución de los excedentes; (2) el estilo del liderazgo; (3) el tipo de mecanismos de control; (3) los criterios de reclutamiento y evaluación de nuevos socios.

En contraste con la conclusión predominante en la literatura cooperativa, el caso estudiado sugiere que las interacciones sociales entre los socios cooperadores pueden tener un impacto perjudicial sobre funcionamiento de la organización. En la cooperativa en cuestión, el esfuerzo por preservar la propia reputación (un recurso con valor de cambio para los socios), parece haber reducido los espacios para el diálogo y el disenso, contribuyendo a la consolidación de prácticas organizativas que pueden menoscabar la capacidad de la cooperativa para mantenerse en el mercado. A largo plazo, el igualitarismo en la distribución de los excedentes y la preferencia por el reclutamiento de familiares pueden afectar negativamente la calidad de los recursos humanos de la organización. Del mismo modo, un liderazgo anquilosado y con tintes autocráticos puede erosionar la capacidad de innovación de la cooperativa, así como su flexibilidad para responder a las condiciones cambiantes del entorno.

En línea con un argumento ampliamente difundido en la literatura, la cooperativa estudiada cuenta con mecanismos de control burocrático relativamente laxos. Esta característica organizacional puede interpretarse como el resultado agregado de intercambios de recursos asociados al capital social individual. Al mismo tiempo, sin embargo, la evidencia empírica aportada por el estudio de caso indica la incidencia de un factor adicional: el control por pares — un mecanismo que puede ser particularmente importante cuando los socios de la cooperativa están unidos por un sentimiento de “destino común”. Esta última observación coloca una nota de precaución sobre la interpretación de los efectos del capital social: la existencia de controles burocráticos laxos no necesariamente refleja la existencia de relaciones de confianza entre los socios cooperadores.

Conclusiones y alcances del trabajo

El análisis teórico y empírico desarrollado en este trabajo debe considerarse como un llamado al estudio riguroso y teóricamente fundado de los efectos del capital social en las cooperativas. Es necesario que los estudiosos del sector abandonen las nociones preconcebidas y sesgadas del concepto, para dedicar sus esfuerzos a la investigación empírica de los efectos de la imbricación social de las cooperativas (efectos potencialmente complejos y significativos, teniendo en cuenta el carácter colectivo de la propiedad y del control de estas organizaciones).

Las hipótesis esbozadas en este estudio están, por supuesto, abiertas al refinamiento y a la investigación empírica. Resulta imperioso el desarrollo de un nuevo y más completo marco teórico, capaz

de articular la noción de capital social individual con las peculiaridades organizativas de la empresa cooperativa. Sobre la base de tal desarrollo teórico, diseños de investigación más sofisticados podrán arrojar luz sobre la forma en la que un número potencialmente amplio de factores contingentes afecta la naturaleza de la relación entre socios cooperadores y, en última instancia, el desempeño económico de la organización.

PALABRAS CLAVE: Capital social, socios cooperativos, cooperativas, desempeño económico.

1. Introduction

In recent decades, scholars have paid considerable attention to the relationship between cooperatives and social capital. Running the risk of oversimplification, the vast body of research on this topic can be broadly divided into two categories. The first includes studies addressing the relationship between the stock of social capital available at community level and the number of cooperatives operating in the community's territory. The second group of studies focuses on the intra-organizational level. From this perspective, social interactions between cooperative members contribute to the development of networks, norms and trust — a collective resource that not only adds to the stock of community social capital, but also improves the economic performance of the organization.¹

Drawing on Putnam's (1993) conceptualization of social capital, the conclusions of this second strand of literature rest upon the premise that cooperative members will forge a collaborative relationship that improves coordination and cooperation. This paper challenges the validity of this assumption. There are no theoretical or empirical reasons to assume that interactions between cooperative members will inexorably lead to the establishment of social ties that are beneficial for organizational performance.

The central claim of this paper is that the positive bias that permeates the literature on cooperatives and social capital can be avoided by abandoning the collectivist notion proposed by Putnam (1993), and focusing instead on the individualistic formulation of the concept, as originally developed in the field of economic sociology (Bourdieu, 1985; Coleman, 1988). From this latter perspective, social capital is defined as the benefits that individuals may derive by virtue of their membership in social networks

1.- For a recent survey of this literature, see Bretos et al. (2018).

or other social structures. The notion involves transfers of resources between givers and recipients (or holders); although it is clear that recipients will obtain an individual benefit, the aggregate effect of the transfers cannot be indicated, *a priori*, as beneficial for the entire network (Portes, 1998).

In order to test the usefulness of the proposed analytical framework, the paper presents an exploratory case study of a small, Portuguese manufacturing worker cooperative. In line with theoretical expectations, the evidence collected through the use of ethnographic techniques suggests that social interactions between cooperative members can have an ambiguous effect on the performance of the organization.

The discussion is structured as follows. The next section sets the theoretical framework for the investigation, confronting the shortcomings of Putnam's collectivist notion of social capital, with the advantages of the individualist conceptualization developed by economic sociologists Bourdieu and Coleman. The rest of the article is devoted to the case study. The third section explains the rationale and the limitations of the methodology employed in the empirical research. The fourth section discusses the results of the empirical analysis, formulating hypotheses that link individual endowments of social capital to four different organizational dynamics. The concluding section summarizes the main implications of the study and identifies key areas for future research.

2. Social capital and cooperative organizations

2.1. Social capital as an attribute of the social structure

Robert Putnam's influential book, *Making Democracy Work*, published in 1993, was a watershed in social capital literature. As a political scientist, Putnam was interested in the reasons why local governments in northern Italy functioned more effectively than those in the south. Since differences did not seem to be explained by institutional factors — north and south had similar political institutions — Putnam (1993: 167) suggested that effectiveness was associated with the existence of “networks, norms and trust that facilitate action and cooperation for mutual benefit”, a collective resource which he named “social capital”. To demonstrate the validity of his thesis, Putnam argued that the existence of “social capital” could be inferred through several indicators, including the number of cooperatives present in the territory. Mutual aid organizations, he claimed, constituted indirect proof of the existence of networks, norms and trust at the community level (Putnam, 1993: 139).

Unsurprisingly, Putnam's intuition raised the interest of scholars and practitioners from the cooperative sector, leading to an outburst of research on the topic. While some cooperative students have sought to test empirically the correlation proposed by Putnam (e.g. Jones & Kalmi, 2009), others have inferred causation from the proposed correlation. Assuming that an observed relationship between variables at the macro level (i.e. the correlation between the number of cooperatives and some indicator of social trust) is the consequence of the unobserved behavior of actors at the micro level (i.e. the social interactions among cooperative members), scholars in the latter group have extended the scope of Putnam's original postulate in two directions: the first is that networks, norms and trust affect the creation and development cooperatives (Beltrán Tapia, 2012; Holland et al., 2013; Ostergaard et al., 2016); the second is that cooperatives contribute the development of networks, norms and trust (Majee & Hoyt, 2010; Sabatini et al., 2014).

Given that causal mechanisms (i.e. the pathways or processes through which the correlate influences the outcome) are unobserved, researchers working in this latter line of inquiry have introduced an implicit assumption regarding the behavior of the cooperative members. Starting from the premises that (i) the operation of cooperatives requires coordination, and (ii) that coordination is facilitated by the existence of "networks, norms and trust", they have concluded that the interaction between cooperative members produces these "networks, norms and trust", that is, produces "social capital" in the collectivist terms of Putnam (1993).

The work of Borzaga and Sforzi (2014) offers an interesting example of the shortcomings and implications of this type of reasoning. With naive sincerity, the authors begin by acknowledging that it "is not clear how social capital is generated, and which mechanisms generated social capital formation" (p. 139). A few pages later in the same article, however, Borzaga and Sforzi (2014: 201) postulate that "the capacity of cooperatives and social enterprises to create social capital" is likely to be related to the existence of a "type of interdependency between economic actors (that) need a certain resource and can obtain it only through interaction, communication and coordination with each other." Reproducing the bias that permeates the literature on cooperatives, their rationale assumes that interdependence leads to the development of virtuous social ties, thus ignoring a broad range of social interactions that can adversely affect organizational performance.

2.2. Social capital in management studies

In the late 1990s the concept migrated to management studies. With the introduction of the adjective "organizational," social capital was redefined as a resource that "reflects the character of social relations within the organization" (Leana & van Buren, 1999: 538). Most of the works anchored in this theoretical tradition have adopted a normative perspective based on the multidimensional formulation of the concept proposed by Nahapiet and Ghoshal (1998). According to these scholars, "organizational social capital" presents three different dimensions, each one of which can be independently manipulated to improve the economic performance of the organization: a structural one (the connections

between the members of the organization), a relational one (the quality of the connections), and a cognitive one (the existence of shared goals and values) (Andrews, 2010).

As with the collectivist notion of social capital that has influenced the work of cooperative students, the concept of organizational social capital carries a positive bias. Adler and Kwon (2002: 34) have drawn attention to this problem, emphasizing the need to formulate a conceptual framework (or meta-theory) capable of incorporating “the strengths of the existing, competing theories and transcend their respective limitations”. More recently, Pillai et al. (2017) have outlined a theoretical approach for the identification of the potential negative effects of organizational social capital; their proposal, however, equates the concept of organizational social capital to the processes of social identification in closed groups — an intellectual operation that ultimately leads to the reformulation of the concept they intended to explain.

2.3. Social capital as a resource of the individual

As Portes (2000: 3) has observed, the proliferation of theoretical perspectives has led to conceptual ambiguity: “In one definition social capital is an asset of children in intact families; in another, it is an attribute of networks of traders; in another it becomes the explanation of why entire cities are well governed and economically flourishing while others stagnate.” Concerned with the ambiguity and positive bias that permeates the literature on social capital, Portes (1998, 2000) has advocated for a systematic treatment of the concept, along the lines originally (and independently) developed by sociologists Bourdieu (1985) and Coleman (1988). From this perspective, social capital is defined as “the sum of the resources, actual or virtual that accrue to an individual or group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition” (Bourdieu & Wacquant, 1992: 119). This conceptualization presupposes the existence of: (i) tangible or intangible resources; (ii) individuals who are willing to transfer their resources to others (sources of social capital); (iii) individuals who demand resources from others (recipients or possessors of social capital).

The above outlined theoretical approach allows for the identification of the reasons that underlie the “production” of social capital, that is, the reasons that may lead some individuals to transfer their resources to others. Adopting the terminology proposed by Portes and Sensenbrenner (1993: 1,325), these motivations can be classified into two categories: “consumatory” and “instrumental.” The former have their origin in internalized values; they are moral principles capable of inducing behaviors that promote the welfare of others, even at the expense of one’s own interest. These moral principles may have been instilled early in the individual’s life (“value introjection”) or developed through a shared experience within a given group or social structure (“bounded solidarity”). In this latter case, the conviction of value develops exclusively in relation to the members of a given group, and therefore the willingness to transfer resources is limited to the boundaries of that specific social structure.

Instrumental sources, on the other hand, assume that the willingness to transfer resources stems from the expectation of a reward. Such a reward may either come from the group (“enforceable trust”) or from the individual who receives the resources (“reciprocity exchange”). In the latter case, resource exchanges have an impersonal character. An individual may be willing to transfer resources to other members of his/her group because he/she wants to maintain (or build) her reputation within that group. Such a reputation, in turn, can be either valued in its own right, or as a means of obtaining other valued resources that are made available by membership to the group.

2.4. Social capital as a resource of the cooperative member

The conceptualization of social capital as an individual resource of the cooperative member yields two heuristic advantages. First, it presupposes there are resource transfers between cooperative members, but does not make any assumption regarding the aggregate impact of such transfers on the cooperative as a whole, thus eliminating the positive bias that characterizes collectivist notions of social capital (cf. Sections 2.1 and 2.2.). Considering the nature of their decision-making process, cooperatives are particularly likely to be affected these transfers of resources. Unlike in investor-owned firms, cooperatives do not allocate decision-making power on the basis of equity (i.e. capital ownership), but on the basis of the “one-member, one-vote” principle. Therefore, decisions with influence on the organizational dynamics of cooperatives involve a process of negotiation between peers (members endowed with one vote), who will most likely use all the resources at their disposal — including those derived from their social capital — to impose their preferred solution.

A second advantage of conceptualizing social capital as an individual resource resides in the possibility of identifying its sources, that is, the motivations that may underlie the disposition of a cooperative member to transfer resources to other members of the same cooperative. Studying the motives that guide individual behavior opens the door to a better understanding of the social embeddedness of cooperatives. Focusing on the individual member can shed light on the way in which a potentially broad set of contingent factors (from the size of the cooperative to the cultural setting in which it operates) may affect the production of social capital, and thus the organization’s collective decision-making process.

As Portes and Sensenbrenner (1993: 1324-1325) have suggested, the transfers motivated by internalized values (i.e. consummatory) can be ultimately linked to the individual’s personal background (introjected values) or to the group’s collective experiences (bounded solidarity). A cooperative embedded in a community characterized by strong social solidarity, or formed by individuals who strongly identify with the collective, is likely to register more consummatory transfers than a cooperative operating within a highly atomized social environment, or formed by individuals who feel little attachment to the group. Consummatory exchanges (especially those associated with bounded solidarity) will be more likely between the members of a small worker cooperative who have personal contact on a daily basis, than between the members of a large consumer cooperative, most of whom probably do not know each other.

Instrumentally-motivated resource transfers, on the other hand, are likely to be influenced by factors such as the group's monitoring and sanctioning capabilities (a variable which is often inversely related to the size of the group), or such as the type and extent of the opportunities available outside the group (Portes & Sensenbrenner, 1993: 1332). Disposition to transfer resources as a means to build or maintain one's own reputation is likely to be greater among the members of a small worker cooperative operating in a high-unemployment context, than among the members of a large worker cooperative operating in an economic environment characterized by multiple employment opportunities. In sum, different cooperatives will probably have different propensities to produce social capital from different sources;² therefore the effects of social capital on decision-making (and presumably on economic performance) may vary significantly from case to case.

3. A case study

An exploratory case study has been conducted in order to assess whether — and to what extent — the social capital of cooperative members may affect the operation of a cooperative organization³. The cooperative studied, which for reasons of anonymity will be referred to as “Proletarian”, was part of a sample of self-managed companies analyzed in the framework of a research project with different cognitive goals⁴. The information collected during a first visit to the plant suggested that Proletarian may possess a strong propensity to produce social capital, or to put it differently, that it may possess a number of features that facilitate the accumulation of social capital among its membership.

Proletarian — a worker cooperative dedicated to the production of pottery — is located in a small, semirural Portuguese village of around 8,500 people. Until the 1990s, this village was one of the thriving centers of the Portuguese traditional ceramic industry. Over the past two decades, however, the sector has suffered from the impact of foreign competition; the contraction of the market has forced many manufacturers out of business, reducing the employment prospects of ceramic workers — a circumstance that theoretically contributes to reinforce interdependent ties between the members of the cooperative⁵.

2.- *The production of social capital by the cooperative is understood as the sum of the endowments of social capital of the cooperative members.*

3.- *For an overview of the case study methodology, see Yin (2009).*

4.- *The research project that motivated the first visit to the cooperative was aimed at studying the influence of the political and socioeconomic context on the evolution of self-managed manufacturing companies in Portugal and Spain.*

5.- *At the time of field work, Portugal's relatively high unemployment rate (11.1% according to official sources) indicated low prospects of employment in the other sectors of the economy.*

Proletarian's relatively long history has been marked by two foundational moments of collective mobilization. The first occurred in the mid-1970s, when Portugal was undergoing a turbulent process of revolutionary transition to democracy (Maxwell, 1995). Inspired by nationwide movement of factory occupations (Bermeo, 1983), about 80 ceramic workers took control of the company in which they worked and established a cooperative. After nearly two years, the cooperative managed to acquire its own facilities and the occupied factory was restored to its original owners.

During its first years of existence, Proletarian enjoyed relative economic prosperity, witnessing a substantial increase in membership (by 1984 it numbered 136 members). In the early 1990s, however, internal problems led to a massive loss of customers and a nearly complete shutdown of production, forcing most members to leave the organization. Those who decided to stay (about 30 workers) had to temporarily forego remuneration, investing their meager resources in a campaign aimed at establishing new business connections. This second foundational moment demanded a fundamental transformation of the productive process. To comply with the requirements of a new major customer, the cooperative moved from hand-painted traditional ceramics to serial production of daily-use pottery; workers had to acquire new skills and to collectively finance the acquisition of new machinery and equipment.

In spite of these changes, Proletarian has maintained a simple and flat structure. Its organizational chart only includes two units: the administrative department, which employs two members, and the shop floor, which employs 40 members. The chairman of the board of directors is the only member who works in both units. The shop floor unit comprises six different sections: designs, molds, pouring, firing, finishing and painting. Except for the production of molds, which is located in a small adjoining building, the sections of the factory are not physically defined. Workers move freely through the facilities and are ready to switch tasks in order to meet production priorities, a feature that favors frequent and dynamic personal interactions.

3.1. Methodology

The case study relies on information collected through two complementary ethnographic tools: non-participant observation and (relatively) unstructured interviews (Bryman, 2012). As Hammersley and Atkinson (1983: 23) have noted, ethnography is particularly suited for building empirically-grounded sociological theories, since it has the capacity to "depict the activities and perspectives of actors in ways that challenge the dangerously misleading preconceptions that social scientists often bring to research". The choice of non-participant observation and (relatively) unstructured interviews, on the other hand, reflects a compromise between practical constraints and heuristic goals. As already mentioned, this study began as a spin-off of an ongoing research project. This circumstance imposed severe constraints in terms of time and resources, ultimately affecting the selection of the research techniques. Non-participant observation and (relatively) unstructured interviews do not yield the best results in terms of data

consistency, but have the advantage of allowing a rapid collection of information on a broad range of organizational aspects; the information that they provide may not be appropriate for theory testing, but is particularly useful for formulating hypotheses that can lead to theory development.

In his several visits to the cooperative, the researcher was allowed to roam freely around the shop floor, engaging in informal conversation with workers and gathering valuable information about the organization's physical and social environment. The (relatively) unstructured interviews were conducted at the factory premises and included 18 of the 43 cooperative members. The interviewees were selected through snowball sampling (Bryman, 2012), taking due care to ensure a heterogeneous representation in terms of age, gender, tasks and/or responsibilities, and seniority in the organization (see Annex). The researcher used a simple and flexible script, with questions aimed at (1) learning about the circumstances and reasons why the interviewees joined the cooperative; (2) defining the interviewees' role within the organization; (3) hearing the interviewees' opinion about the advantages and disadvantages of working in a cooperative. The discursive and open nature of the interviews favored the emergence of new issues, which were taken up by the researcher and presented to later interviewees. All conversations were held in Portuguese and audio recorded with the prior consent of the interviewees. The excerpts reported in this paper have been translated verbatim by the author. To ensure anonymity, interviewees are referred to by the letter "I" followed by a number from 1 to 18.

4. The effects of social capital on cooperatives: four hypotheses

Fieldwork data has been interpreted through the lenses of the theoretical framework outlined in Sections 2.3 and 2.4. This analysis has allowed for the development of hypotheses that relate the social capital of the cooperative members to the following four dynamics of the cooperative organization: (1) the rule of surplus distribution; (2) the style of leadership; (3) the mechanisms of control; and (4) the criteria for recruiting and evaluating new members.

4.1. The rule of surplus distribution

In the aftermath of the crisis that threatened its survival, Proletarian set up a four-level pay scale based on seniority. Regardless of the nature of their responsibilities, long-serving workers receive about 5 percent more than their newer colleagues. The only exception to this rule regards the members of the cooperative's governing bodies, who are entitled to an additional compensation equivalent to 5 percent of the highest pay. In monetary terms, the gap between the highest and lowest remuneration is less than 50 euros.

This egalitarian rule of surplus distribution contrasts with the widely-adopted practice of linking workers' pay to qualifications and performance (an arrangement that is often made by taking the collective bargaining agreements signed between trade unions and investor-owned companies as a benchmark). Considering that Proletarian's pay system deviates from this customary practice, it seems reasonable to hypothesize that Proletarian's less skilled or less productive members may have their pay increased by virtue of their social capital. Or to put it differently, it seems reasonable to hypothesize that the more skilled or productive members of the cooperative may be somehow willing to transfer a portion of their remuneration to their less qualified or productive colleagues.

Inquiring about the motivations that may underlie willingness to sacrifice part of one's own pay in order to make someone else better off, two contrasting positions have emerged. In general, the interviewees who were in the cooperative at the time of the crisis regard the egalitarian pay scale as a natural outcome of that turning-point event. Although none is able to indicate the exact year in which the crisis started — the majority vaguely refers to “the early 1990s” —, most respondents stress that the cooperative survived without external assistance, relying solely on the collective effort of its membership:

We endured three months without pay (I3)

It was a bit of a sacrifice, it was cutting, it was cutting [remuneration] (I5)

We were left without income, without subsidies ... but we hung on, endured, and ... thankfully so! (I2)

Taking a completely different perspective, one of the cooperative's newer members — who for the sake of anonymity will be referred to as Lucas — argues that “those who deserve more, should get more, as everywhere else” (I10). In the past, Lucas had been a member of the cooperative's board of directors. When asked whether he had used his position to challenge the egalitarian rule of surplus distribution, Lucas responds negatively, pointing to the coercive effect of the group's opinion:

No [...] Here people [...] take friendships and such to heart. They are afraid of doing things and that people might take badly, do you understand? It is a cooperative and people all have lives here, in this environment, and they are afraid of those things. (I10)

When questioned about whether his disagreement with the egalitarian remuneration system had ever led him to consider leaving the cooperative, Lucas replies:

If I had... if I knew there were already other factories that I knew were hiring ... then it would be something to think about. But now, just like that, out of nowhere, no. (I10)

Taken together, these divergent opinions suggest that social capital may influence the distribution of surpluses among cooperative members. Those who suffered the traumatic experience of the crisis seem to be willing to transfer resources (a portion of their pay) to the members of the group with

which they feel strongly affiliated (bounded solidarity). Lucas' words, on the other hand, suggest a reluctant acceptance, which can be interpreted as the result of an instrumental exchange (enforceable trust and/or reciprocity exchanges). Lucas does not challenge the status quo in order to preserve his reputation, and thus maintain access to the material and/or symbolic resources offered by group membership — resources that may be particularly valuable in the context of the sluggish Portuguese ceramic industry.

4.2. The style of leadership

The members of the board of directors serve a double role: in addition to their usual workload, they have to take short-term operational decisions and coordinate the daily activities of their fellow cooperative members. Those who have been part of the governing bodies say that it is common to work beyond the normal schedule, even on Saturday nights or Sundays. In this regard, a former member of the board of directors observes:

I used to start work at half past eight [in the morning] and never saw quitting time [...] Sometimes, not even lunch time. (I10)

In the context of the cooperative's relatively egalitarian pay scale, this additional workload does not seem to be adequately remunerated. As the same worker notes:

The directors receive 50 euros more, but for the responsibility involved, I think it is very little. (I10)

The above consideration suggests that the willingness to assume additional responsibilities may be at least partially driven by non-economic incentives. Focusing the attention on the member who serves as chairman of the board of directors offers an interesting opportunity to explore the forces that may shape such type of incentives.

The chairman — who for the purposes of this paper will be referred to as “Rodrigo” — has been in that role for over a decade, coordinating the cooperative's daily operations and engaging in shop floor duties when the pace of production requires it. During the interview, Rodrigo seems reluctant to discuss his motivations. Meanwhile, one of his fellow co-workers suggests that the chairman is driven by altruistic motives, pointing out that his altruistic actions have earned him widespread recognition and respect:

He [Rodrigo] loves what he does, he likes this work (...) This is the person we want, he is this person... besides helping us and whatever else ... he is very hardworking. (I2)

The above statement leads to the formulation of two alternative (but not mutually exclusive) hypotheses. The first is that Rodrigo's willingness to assume additional workload comes from his identification with the group (bounded solidarity) or from some sort of moral obligation (introjected values). If this hypothesis is correct, chairman Rodrigo would be acting as a source of social capital. Driven by bounded solidarity or by introjected values, he would be selflessly transferring resources to other members of the social structure to which he belongs. The other hypothesis is that Rodrigo accepts additional workload in order to reap benefits in terms of reputation — a social capital that he can eventually exchange for other material or symbolic resources. If this hypothesis is correct, the chairman would be simultaneously acting as a source and as a holder of social capital.

Regardless of the altruistic or instrumental nature of his motivations, Rodrigo seems to have accumulated a considerable stock of social capital, which in turn appears to reinforce and perpetuate his leading role in the cooperative. Ethnographic work at the factory has led to the identification of a small dissident group, which questions Rodrigo's leadership but does not reach the minimum critical size required to formally dispute his position as chairman. One of these dissident members observes that most workers steer clear from his group because they fear that an open confrontation with the chairman⁶ may undermine their own reputation or, to put it in other words, that it may reduce their personal stock of social capital:

If, for example, I ask one or two painters to join us, they won't accept for fear of looking bad to the rest of the workers. (I10)

According to the same interviewee, this reluctance for confrontation reinforces Rodrigo's ability to dominate the actions of the board of directors, giving an autocratic tint to his leadership style:

It's him who decides [Rodrigo]. He just goes to the board of directors and says what needs to be done. They [the other members of the board of directors] are afraid. They may not agree with his opinion, but they don't discuss it and let it pass (E10).

4.3. The type of control mechanisms

Control mechanisms can be broadly defined as instruments for guaranteeing that members carry out their activities in accordance with the goals of the organization. Unlike most investor-owned companies, Proletarian does not primarily rely on a standardized set of rules and regulations enforced by a system of hierarchical surveillance (bureaucratic control mechanisms). The members of the cooperative enjoy extensive autonomy over their tasks; they do not have to meet production standards and can work at their own pace. As one of the interviewees explains:

6.- *The chairman's position can be contested in biennial elections. This requires the formation of a party-list of 11 candidates, who are to be appointed to the board of directors (five members), the board of the general meeting (three members), and the supervisory board (three members).*

I make the maximum [number of pieces] that I can; we don't have that control of having to do 'x', we don't have anyone on top of us. (I15)

In a similar vein, Proletarian does not have a standardized system to track workers' time on the job. Every morning, chairman Rodrigo walks the shop floor and personally ask each member to report the time at which she or he left the factory the day before.

The laxity of bureaucratic controls points to the existence of another mechanism capable of aligning the behavior of the individual member with the collective interest of the organization. Cooperative students have long claimed that this alignment function is fulfilled by social capital. From this perspective, social interactions between cooperative members would lead to the development of networks, norms, and trust, ultimately inducing individuals to behave according to the expectations of the group (Hatak et al., 2016). In terms of the interpretive framework outlined in Sections 2.3 and 2.4, this hypothesis can be further divided into two complementary sub-hypotheses. The first is that alignment between individual behavior and collective interest is the aggregate result of resource transfers driven by summatory sources of social capital. An individual member may favor the interest of the group over his/her own because he/she feels morally obliged to avoid selfish behavior (introjected values) or because he/she feels some sort of moral obligation towards other members of the group (bounded solidarity). By using words such as "discipline" (I16), "responsibility" (I9) and "conscientiousness" (I15) to describe the motives behind their actions, some interviewees seem in fact to imply that their cooperative behavior is morally grounded.

The second sub-hypothesis is that alignment is the aggregate outcome of instrumentally-driven transfers. An individual may align his/her behavior to the preferences of the group because he/she expects a reward from one or more of its members, and/or from the group as a collective entity. The worker who is in charge of the paint section, for example, suggests that his behavior is driven by the expectation of reciprocity from the members of the board of directors:

I think there is no need to go to the board of directors because I need more paint, and say 'look, buy this or that.' I don't think so. They must trust me, as I trust them. I see what has to be bought and place the order myself. (I17)

In addition to social capital, however, fieldwork evidence suggests that the behavior of Proletarian members is at least partially influenced by peer control. An excerpt from one of the interviews, quoted below, indicates that reciprocal control among co-workers may have a deterrent effect on self-serving opportunistic behavior:

Interviewer: You could lie ... [in relation to when you leave work]

I10: No ... people have confidence in their colleagues here.

Interviewer: But if someone lied, there would be no way to ... [check it out]

I10: Yes, [there would be] because here people know who is here and who is not, do you under-

stand? [...] It is a small company. If it were a large company it would be more complicated, but since it is a small company...

Here it seems important to note that the collective nature of the cooperative organization will likely reinforce the importance of peer surveillance as a control mechanism. Cooperative members may be particularly prone to sense that their fortunes are yoked to those of the group as a whole — a phenomenon that in social psychology studies is known as “common fate” (Gurin & Townsend, 1986). In the case of Proletarian, two contextual factors may strengthen this sense of common fate. The first has to do with the nature of the production cycle. Because it only manufactures products on request, Proletarian’s monthly output is subject to strong variations. Oscillations in production translate into fluctuations in the workers’ pay, plausibly reinforcing the perception that one’s own wellbeing is directly connected to the economic performance of the cooperative. The second contextual factor is related to the nature of the economic and political context in which the cooperative is embedded. Proletarian does not maintain relations with trade unions or apex cooperative organizations⁷, and its scarce contacts with the public authorities are permeated by skepticism and distrust. As one of the interviewees notes:

If one day this [the cooperative] closed, and we didn’t have a job, people would go home [...] [the State] would come here looking for what was left. And it has never helped us at all! (I2)

The feeling of vulnerability implicit in the above comment leads one to hypothesize that isolation from the environment may reinforce the sense of “common fate”, and thus the importance of peer control as a mechanism for aligning the behavior of the individual member with the collective goals of the organization.

4.4. The criteria for recruiting and evaluating new members

When asked why they joined the cooperative, all interviewees — except those who participated in the founding process — indicated friendship or family connections. This practice had been customary in the early days of the cooperative, and was eventually institutionalized through the introduction of a statutory clause that gives priority to family members.

In order to understand the rationale of this decision, it is necessary to consider the institutional setting in which Proletarian operates. As is the case in many countries, the Portuguese cooperative code limits the scope for individual accumulation of capital. The cooperative has a general reserve built through retained undistributed surpluses and the members’ shares have a nominal value. When leav-

7.- Manufacturing worker cooperatives have traditionally held a marginal position within the Portuguese cooperative movement. The economic fragility of the subsector has been reflected in the lack of powerful representative organizations, as well as in a distant relationship with the trade union movement. For further discussion on this topic, see Spognardi (2019).

ing the cooperative, members are entitled to a refund of their share capital contribution, but not to the present discounted value of the cooperative's future surpluses. Within this framework, recruiting among family networks can be interpreted as the members' strategy to indirectly capture part of the cooperative's present discounted value — not in the form of money that accrues to their own pockets, but as a sort of inheritance that they transmit to individuals to whom they are closely related.

The above consideration implies that the decision of recruiting a new member can be equated to the decision of allocating material benefits. This allocation presupposes the existence of rules or conventions for selecting among equally able candidates. Fieldwork research indicates that the most recent member of the cooperative — whom for the sake of anonymity will be referred to as “João” — is the son of two senior members — whom will be referred to as “Pedro” and “Inês”. The reluctance of the interviewees to openly discuss the reasons that determined the choice of João suggests that Proletarian has not established a standard set of rules, formal or informal, for recruiting new members. This, in turn, opens the door for a possible role of social capital. In other words, it can be hypothesized that members Pedro and Inês have used their social capital to influence the recruitment process in a way that suits their own preferences (i.e. the selection of candidate João).

The mechanisms through which social capital may affect the recruitment process are multiple and probably overlapping. Some cooperative members may agree with the selection of João because they expect a reward from Pedro and Inês (reciprocity exchanges). Such a reward can take different forms, from an immediate material compensation to the promise of support for a specific future candidate. Assuming that João is the preferred choice of most members, it is then possible to hypothesize a reluctant consent on the part of those who had other preferences. In other words, it can be hypothesized that some individuals may give their consent in order to keep or enhance their reputation within the group. Besides this potentially broad set of instrumental reasons, some members may be willing to give their consent out of consideration for Pedro and/or Inês (the candidate's proponents) and/or for João (the candidate himself). In this case, a strong social tie may bind together proponents and supporters, leading the latter to behave in a selfless, altruistic way (bounded solidarity).

Assuming that recruitments are mediated by social capital, it is then reasonable to hypothesize that new members will enter the cooperative with a relatively abundant stock of said resource. In other words, it seems reasonable to hypothesize that João will have the ability to derive personal benefits from the (presumably abundant) stock of social capital of the members who successfully advocated his recruitment (i.e. Pedro and Inês). This hypothesis can have significant implications for the cooperative over the long-run. As an interviewee suggests, social capital may hinder a proper evaluation of the new entrants' performance, ultimately affecting the productive capabilities of the organization:

The bad thing here is that, sometimes, they put in a family member and then look no further, do you understand? For instance, does he do his job properly? Does he not...? He needs a job and so he stays here. And so we have just one more member. While we should have a more talented person, and we don't have one (I10).

5. Concluding remarks

Much of the cooperative literature is biased by the failure of researchers to adequately specify the concept of social capital. As discussed in the first part of this paper, social capital can be understood as “networks, norms, and trust” facilitating coordination and cooperation (Putnam, 1993), or as benefits that individuals derive by virtue of their membership in a social structure (Bourdieu, 1985; Bourdieu & Wacquant, 1992; Coleman 1988; Portes & Sensenbrenner, 1993; Portes, 1998, 2000).⁸

Inspired by Putnam’s formulation, cooperative students have jumped to the conclusion that interactions between cooperative members produce a collective resource that improves coordination and performance. This paper has challenged the validity of this assumption, proposing a simple but effective solution. Instead of assuming that interactions will produce the social outcomes postulated by Putnam, scholars should visit a cooperative and study how cooperative members actually behave.

Theoretically, this paper has contended that the consequences of the social interactions between the members of a cooperative can be better understood by relying on the individualistic notion of social capital developed by economic sociologists Bourdieu (1985) and Coleman (1988). Besides eliminating the positive bias inherent to Putnam’s notion, this conceptualization allows studying the reasons (instrumental or altruistic) that may underlie cooperative behavior. This knowledge, in turn, has the potential to improve our understanding of the social embeddedness of cooperatives. From this theoretical perspective, a set of contingent factors (such as the size, the sector, and the socioeconomic environment in which the cooperative operates) are likely to affect the members’ propensity to exchange resources. Certain organizational environments may be more propitious for exchanging resources than others; some cooperatives may be particularly inclined to produce instrumental exchanges, while others may be more conducive to exchanges of a consummatory nature. Presumably, exchanges of different type and intensity will have different effects on the internal dynamics of the organization and, therefore, on its performance.

The usefulness of the proposed analytical framework has been empirically tested through an ethnographic exploratory study of a small, manufacturing worker cooperative. In contrast to a widely accepted belief, fieldwork research suggests that social interactions between cooperative members can have some detrimental impacts on organizational performance. The members’ care for their own reputation (a resource with exchange value within the group) seems to have narrowed the space for dialogue and dissent, contributing to the consolidation of organizational practices that can undermine the coop-

8.- The works of Borzaga and Sforzi (2014) and Bretos et al. (2018) provide concrete proof of how cooperative students have hitherto failed to distinguish between the two distinct meanings of the term.

erative's ability to remain in business. In the long-run, an egalitarian rule of surplus distribution and the preference for recruiting among family members can adversely affect the range and scope of available skills. In the same vein, a tendency towards autocracy and stagnation in the cooperative leadership can reduce the organization's innovation ability, as well as its flexibility to respond to changing environmental conditions.

In line with the contention of previous studies (e.g. Sabatini et al., 2014: 635) the studied cooperative is characterized by relatively lax bureaucratic control mechanisms. As suggested in the second part of this paper, this organizational feature may be explained as the aggregate outcome of resource exchanges motivated by (individual) social capital. Yet, in addition to this plausible interpretation, evidence from the case study indicates that the relative laxity of bureaucratic controls may be at least partially related to the influence of peer control — a mechanism which may be particularly important when cooperative members are bound together by a sense of common fate. This latter observation casts a note of caution on the interpretation of the effects of social capital: the laxity of bureaucratic control mechanisms does not necessarily reflect the existence of trust among cooperative members.

Overall, the theoretical approach and empirical analysis presented in this paper must be taken as a call for a more rigorous, theoretically-grounded study of the effect of social capital on cooperative organizations. Cooperative students should abandon preconceived, biased notions of the concept, and devote their research efforts to understand the complex and potentially significant ways in which members' social relationships can affect the operation of a collectively-owned and democratically-controlled type of enterprise. The hypotheses outlined in this study are, of course, open to refinement and empirical investigation. A new and more comprehensive theoretical framework should be developed in order to better articulate the notion of individually-owned social capital with the unique organizational features of the cooperative enterprise. On the basis of such development, more sophisticated research designs will hopefully inform scholars and practitioners about the way in which a potentially broad range of contingent factors may affect the nature of the relationship between cooperative members and, ultimately, the economic performance of their organization.

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Annex. Interviewees

| Interviewee | (a) | (b) | (c) | (d) | (e) |
|-------------|-----|-----------|-----|-----|--|
| I1 | F | 1974 | 13 | No | Finishing fired pieces |
| I2 | F | 1986 | 18 | Yes | Painting |
| I3 | M | 1977 | 15 | Yes | Administration, responsible for order management |
| I4 | F | 1984 | 21 | No | Finishing fired pieces |
| I5 | M | 1966 | 13 | No | Glazing finished pieces |
| I6 | F | 1973 | 17 | No | Cleaning pieces |
| I7 | F | 1984 | 30 | No | Finishing fired pieces |
| I8 | F | 1984 | 14 | No | Finishing fired pieces |
| I9 | F | 1993 | 34 | No | Finishing fired pieces |
| I10 | M | 2002 | 19 | No | Plaster mold making |
| I11 | M | 1978 | 19 | No | Firing pieces |
| I12 | F | 1998 | 23 | No | Firing pieces |
| I13 | F | 2000 | 26 | Yes | Administration, liaising with customers |
| I14 | F | 1989 | 30 | Yes | Administration, accounting |
| I15 | F | 1994 | 24 | No | Finishing fired pieces |
| I16 | M | 1994 (c.) | 31 | No | Designs for hand painting |
| I17 | M | 1974 | 14 | No | Glazing fired pieces |
| I18 | M | 1978 | 14 | No | Machine operator |

Notes: (a) Gender, F: female, M: male; (b) Year in which the interviewee has joined the cooperative; (c) Age of the interviewee at the time of joining the cooperative; (d) Participation in the cooperative's governing bodies; (e) Main tasks and/or responsibilities within the organization.

