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When Employees Take Over: Investigating Challenges and Opportunities of Employee-Owned Companies

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Introduction

The question of who owns and who *should* own companies has been a controversial question for a long time. Yet, especially over the last decade, the question of ownership has become a prevalent issue with strong implications for policy-makers, company leaders, employees, and company practitioners. Diverse issues such as the rise of research on family firms (Gedajlovic, Carney, Chrisman, & Kellermanns, 2012; Sharma, Melin, & Nordqvist, 2014) or the increasingly critical view on shareholder ownership (Ghoshal, 2005) have sparked the debate on different forms of ownership. Research shows that ownership has an important influence on the overall goals of organizations (Brundin, Florin Samuelsson, & Melin, 2014; Gómez-Mejía, Cruz, Berrone, & De Castro, 2011), the well-being of employees (Kammerlander, Kipfelsberger, & Herhausen, 2017), and on financial performance (Anderson & Reeb, 2003).

Especially the phenomenon of employee ownership has seen an increased interest in research, policy making, the media, and everyday practice in organizations (Jones, 2018; Nachemson-Ekwall, 2018). The recent case of Aardman, the studio behind Wallace and Gromit and Shaun the Sheep, illustrates this trend. In November 2018, Peter Lord and David Sproxton, the founders of Aardman, decided to pass their film studio to their 140 employees (Butler, 2018). Financed through the firm's cash reserves, the employees will come to hold more than half of the company's shares through a new trust fund. To Lord, this was a decision long in planning: *"We always believed that independence was our strong suit. We didn't have to dance to anybody else's tune and could make our own decisions"* (Butler, 2018). Passing the business to their employees allows the company to maintain this independence.

Employee ownership is partly depicted as an answer to the financial crisis spurred by classic shareholder organizations (Ghoshal, 2005). Thus, employee ownership is seen to combine a principled way of doing business with economic viability and has thus spurred political interest (Storey, Basterretxea, & Salaman, 2014). Partly, it is depicted in the media as a more democratic form of running companies that allows to incorporate employees better and makes for organizations that are 'fairer' (Economist, 2015; Sundgren & Suhonen, 2015). Partly, it is a phenomenon which has increasingly attracted research from diverse areas, such as management, organizational behaviour, economics and industrial relations, as its scope encompasses a broad area of phenomena (Cheney, Santa Cruz, Peredo, & Nazareno, 2014). This trend has culminated in the recent foundation of the Journal of Participation and Employee

Ownership (Jones, 2018). And partly, news reports show an increasing numbers of organizations being founded as employee-owned or turning into employee-owned organizations (Economist, 2015; Nachemson-Ekwall, 2018). While Sweden has historically seen less employee-owned firms than for instance France or especially the US (Kramer, 2010), recent evidence points towards an increasing number of employee-owned firms in Sweden (Nachemson-Ekwall, 2018; Tyrén, Karlsson, & Hahn, 2014; Witkowsky, 2018). As workers are increasingly used to being responsible for their career and fate, especially as part of the 'gig-economy' (Friedman, 2014), employee-ownership has become a tool to create and shape organizations as a group.

While in most areas of research, employee ownership is a relatively new phenomenon (Cheney et al., 2014), the topic of employee ownership has strong roots in the fields of economics and industrial relations (Ben-Ner & Jones, 1995; Jones, 2018; Vanek, 1970). Ben-Ner and Jones (1995) argue that there are many shades of employee ownership, depending on the extent that employees participate in control and economic returns. Employee ownership encompasses thus different types organizational arrangements, such as employee stock ownership (ESOP), profit-sharing plans, mutual firms or cooperatives (Hoffman & Shipper, 2018). Yet, oftentimes research samples encompass large cooperatives, such as Spanish Mondragon or the UK-based John Lewis Partnership (Storey et al., 2014), or focus on ESOPs in the context of large American organizations (Kramer, 2010). This has several implications that negatively impact the growing literature and knowledge on employee ownership.

First, the focus on large organizations obscures the role of employees as owners in the context of small- and medium-sized enterprises (SMEs). Especially in the context of Sweden, many of these organizations are facing an ownership transition in the coming years (Nutek, 2004; PwC, 2012). With many organizations potentially lacking a clear ownership successor, employee ownership may become a question of organizational life and death. Second, the literature on employee ownership largely overlooks the embeddedness of ownership in the local communities, and the importance of organizations for their communities (Backman & Palmberg, 2015; Baù, Chirico, Pittino, Backman, & Klaesson, 2018). Last, the roots of employee ownership in the economics and industrial relations literature have led to an overlooking of the managerial and organizational implications of employee ownership. Employees taking over likely represent a large change for the organization, yet, its immediate implications are not well-understood (Heras-Saizarbitoria, 2014).

Therefore, the purpose of this research project is to investigate employee-ownership in the context of Swedish SMEs to find out about the following research questions:

- How does the process of ownership transition to employees unfold?
- What are the organizational implications of employee ownership, and how does work change when employees take over?
- What are challenges and opportunities when employees take over companies?

In order to answer these questions, the research project relies on two complimentary approaches. First, we will review the literature on employee ownership to provide an overview of the current status quo and to outline a future research agenda (Huff, 2008). Second, we will conduct multiple case studies (Stake, 2006; Yin, 2014) to add to the scant insight into the process of employee ownership and highlight challenges and opportunities of organizations owned by their employees. We have reviewed the literature on employee ownership and have gathered empirical material from six employee-owned organizations in Sweden, which we complement with interviews with leading industry experts.

Reviewing the literature on employee-owned firms

The first part of the research reports rests upon the analysis of the current literature on employee-owned companies. The main focus of the literature review is to identify and analyze prior research to make sure we integrate what is already know on the topic and utilize the case stories to create new and valuable insights into the topic of employee ownership. Thus, the literature review functions both as a way to integrate our empirical findings with the current knowledge on employee ownership as well as to drive new insights.

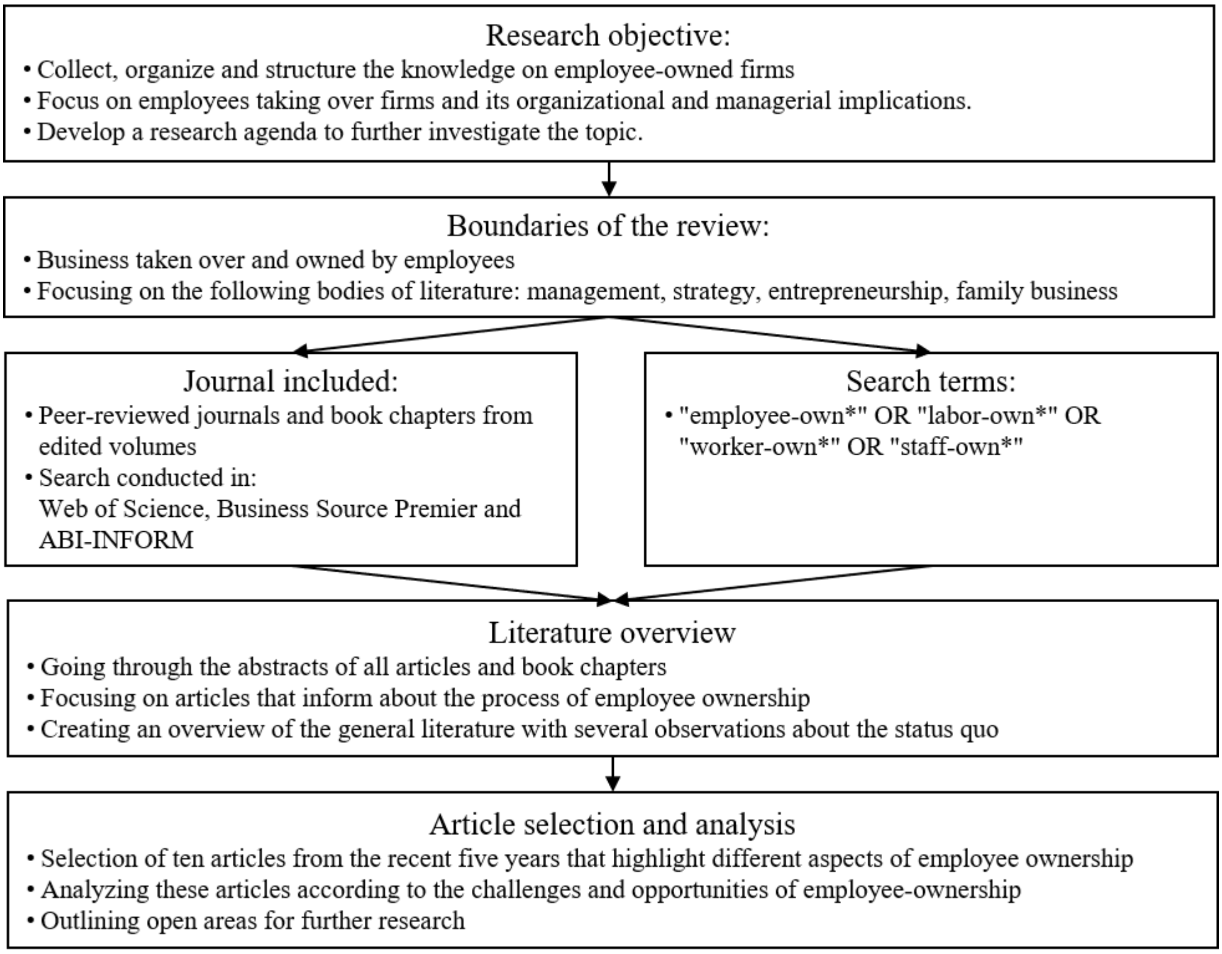

Figure 1: Literature review design

In order to draw out the current knowledge on this specific type of ownership and companies, the report relies on a mixture of narrative and systematic literature review (Allan & Oswald, 2010; Denyer & Tranfield, 2009; Huff, 2008). Narrative literature reviews provide authors with a great amount of freedom, as the authors themselves can choose the articles to integrate (Huff, 2008). A systematic literature review on the other hand creates more structure, as it is oftentimes combined with a clear theoretical perspectives and a clear set of criteria about which articles to include, yet limits the freedom of researchers and may overlook important contributions outside the set boundaries (Denyer & Tranfield, 2009). As outlined in Figure 1, we utilize a systematic approach to grasp the broad body of literature on employee ownership, but use a narrative approach to choose ten recent key contributions to outline the current state of research on this type of organization. In this way, we can be sure to gain a broad insight, but are able to focus on research that is more fitting to the aim of this project. Figure 1 gives an overview about the literature review approach which we utilize.

Scope of the review

Objective and boundaries of the review. The scope of the literature review is given by the project purpose and the developed research questions above. First, the literature review aims to collect, organize, and structure knowledge on employee-owned firms to outline the current status quo of the literature. Second, the review focuses especially on managerial and organizational implications of employee ownership and the process of how employees work together in employee-owned firms and come to succeed as owners. Lastly, building upon these two points, the literature review outlines a future research agenda, which will partly be addressed through the case studies and the empirical analysis. The boundaries of the literature review encompass both the type of company as well as the body of literature the review draws from. First, the review focuses on employee-owned organizations in which employees enjoy both return as well as control rights (Ben-Ner & Jones, 1995; Jones, 2018). Thus, while ESOPs are part of our analysis, we are only interested in those in which employees have a say. Second, we focus the literature review on the field of management and the associated areas of strategy, entrepreneurship and family business, given that these areas deal especially with small and medium-sized enterprises as well as ownership transitions (Nordqvist, Wennberg, Baù, & Hellerstedt, 2012).

Search process. In order to ensure that only articles of high quality are part of the literature review, we decided to only include peer-reviewed articles from academic journals as well as peer-reviewed book chapters from prestigious edited volumes. This has several advantages. First, such journals and book chapters adhere to the standards of good research practice. Second, we can thus draw both from top-ranked mainstream journals as well as newer, more niche journals, such as the initially mentioned Journal of Participation and Employee Ownership. This is especially important for a topic such as employee ownership which is not well-represented in the mainstream discourse.

Article selection and analysis. The initial list of articles and chapters contained 417 hits. We manually went through the abstracts of all contributions to see which of these articles fit to research project. After this step, we obtained a list of 87 articles. After we obtained this list of articles and chapters, we focused first to gain an overview of the body of literature, which we describe below. Second, we focused on recent contributions to provide an overview of the status quo as well as about open questions in the literature. Table 1 gives an overview of these contributions, outlining their findings and view on challenges and opportunities of employee-owned firms. Based on these contributions and the broader overview on the literature, we outline several areas for future research, which we partly address in our own empirical research.

Status quo of the literature on employee-owned firms

The literature on employee-owned firms shows a diverse range of approaches in understanding the impact of this type of ownership. The first insight from the literature review is that the topic of employee-ownership is certainly back on the agenda; the current years have seen an increase in interest across different field such as economics, industrial relations, entrepreneurship and management. An interesting side-note here is that in the early 1980s, there was a vivid discourse around the topic of employee-ownership (French & Rosenstein, 1984; Hammer & Stern, 1980; Hochner & Granrose, 1985; Rhodes & Steers, 1981). Yet, this interest has visibly waned throughout the 1990s and 2000s with the exception of few articles (Buchko, 1993; Onaran, 1992; Rousseau & Shperling, 2003; Smith, 2005). It is thus encouraging to see the reversal of this trend, which shows that a broad range of scholars has again become interested in the possibilities and challenges around employee-owned firms. However, while the conversation in the 1980s took place in top management journals, current contributions are relegated to good, but lower-quality outlets; it seems as if the topic needs to regain its legitimacy.

A second insight pertains to the type of employee ownership that is mostly in focus. The majority of articles gathered in the review process focus on employee stock ownership programs (ESOP). While this type of employee-ownership is especially common in the United States (Kim & Patel, 2017), it represents but one of the different types of employee-ownership. While ESOPs provide employees with moderate-high return rights, they usually receive few control rights (Jones, 2018). What is interesting about this type of employee ownership form is that it is, in opposite to worker cooperatives or organizations taken over by employees, ‘given’ to employees by current owners. Thus, this type of employee ownership is driven in a top-down manner; for instance, Rousseau & Shperling (2003: 553) investigate how “how *allocating* ownership to workers impacts their interests and those of managers and investors” [emphasis added], while Poutsma & Lighart (2017: 49) talk about employers “allocating or offering shares”. In both cases, ownership is ‘bestowed’ upon employees by current owners or managers in the firm. Such cases are furthermore very common in publicly-listed firms, but provide less insights about privately-held firms (O’Boyle, Patel, & Gonzalez-Mulé, 2016).

Third, many of the articles are interested in investigating the impact of employee ownership on firm outcomes, such as performance (Kim & Patel, 2017; O’Boyle et al., 2016; Poulain-Rehm & Lepers, 2013; Weng & Peng, 2018), and individual outcomes, such as citizenship behaviour (Blasi, Kruse, & Weltmann, 2015; Poutsma, Ligthart, & van Eert, 2015; Weber, Unterrainer, & Schmid, 2009; Wu, Su, & Lee, 2008). How and why employee-owned firms come into being has received much less interest. Furthermore, there is little research tending to the process of how firms transform into employee-owned organizations. Understanding this process is important to grasp why employee-owned firms thrive or falter.

Last, it is interesting to note that the topic of employee ownership is often implicitly ‘politicized’ as a leftist type of ownership. Paranque and Willmott (2014) provocatively ask whether cooperatives are the ‘saviours or gravediggers of capitalism’, Audebrand (2017) conceptualizes worker cooperatives as ‘social enterprises’, Bauer et al. (2012) see employee-owned firms as part of the ‘social economy’, and also Prahad (2018) outlines employee-owned firms as opposite to classic capitalism, instead being rather interested in ‘shared capitalism’. Such framing tends to focus the attention towards less profit-driven firms and cooperatives. Similar to the focus on ESOPs, by framing employee-owned firms in such a one-dimensional way, research runs the risk of overlooking ownership arrangements that fall outside these categories.

The current state of employee ownership research

A common theme holding the articles in this review (see Table 1) together is the interest in the *workings* of employee-owned firms. It is thereby interesting to note that the articles deal with various types of employee-ownership, ranging from ESOPs (O’Boyle et al., 2016; Poulain-Rehm & Lepers, 2013) to worker cooperatives (Audebrand, 2017; Cheney et al., 2014; Hoffmann, 2016; Storey et al., 2014). Only few articles take into consideration different types of employee ownership constellation (Lampel, Bhalla, & Jha, 2014; Martin, Farndale, Paauwe, & Stiles, 2016; Michie & Rowley, 2014), without however theorizing about potential differences between the different types. Related to our first research question regarding the ownership transition, none of the included articles gives insights into the process of how employee-owned organizations come into being. The articles provide more insights regarding the second and third question focusing on how everyday work in employee-owned firms unfolds and which challenges and opportunities these types of organizations face.

As highlighted above, there is wide interest in investigating the outcomes of employee ownership, and several of the included articles here show also an interest for in the effects of employee ownership (Lampel et al., 2014; O'Boyle et al., 2016; Poulain-Rehm & Lepers, 2013). At the same time, these articles give insights into how employee-owned organizations work and especially why some effects may come into being. O'Boyle and colleagues (2016) investigate the impact of employee-ownership on performance, relying on a meta-analysis of 102 articles. Expanding the question to take into account contextual variables, the authors find that there is indeed a small, but significant positive relationship between employee ownership and firm performance, which holds both in private and publicly-listed firm. While the authors do not take into account differences in control rights among employee-owned firms (Jones, 2018), their study nevertheless highlights the overall positive impact that employee ownership has on the wellbeing of the company. Going beyond simple considerations of shareholder value, Poulain-Rehm and Lepers (2013) investigate whether employee-owned firms create additionally stakeholder value. Based on a French sample, the authors however do not find an effect of employee ownership on neither shareholder nor stakeholders value. They argue that the higher costs of upholding social capital within the company may be one of the reasons for this. Going beyond performance and value creation, Lampel et al. (2014) investigate whether employee-owned firms are more resilient than other firm types. Differentiating between employee ownership forms with high and low employee involvement in firm governance, the authors find that employee ownership per se has no impact on firm resilience. Only those companies in which employees are involved in the firm governance are found to be more resilient.

The experience of working inside employee-owned organizations is in the focus of several articles (Harrison, Singh, & Frawley, 2018; Hoffmann, 2016; Storey et al., 2014). Based upon an in-depth single case study of a 100% employee-owned company in Canada, Harrison and colleagues (2018) investigate employee ownership effectiveness. Their findings draw out several themes among the members of the organization, such as the importance of confidence in the employee ownership, which derives from increased responsibility and a feeling of being relevant in the organization. The authors show how the employees form a common ownership identity, which is based upon participative decision-making and managerial commitment to encourage participation. Lastly, the authors outline how the perception of the organization as a family influences the perception of good ownership. Also Hoffmann (2016) is interested in the experience of employee ownership; however, she focuses on how employees express emotions at work. Hoffmann shows that employees are able to express a broader range of emotions in employee-owned firms than in conventional, hierarchical businesses. These emotional responses are also adopted over time to the ‘feeling rules’ in the organization. However, employees may also be forced to display certain expected emotions and thus have to engage in emotional labor. Such labor may be, however, less detrimental in the context of employee-owned firms. Lastly, Storey et al. (2014) investigate the old ‘degeneration’ hypothesis which states that employee-owned businesses move towards failure, either economically or by losing their democratic character. The authors compare John Lewis, a large employee-owned firm in the UK, with Eroski in Spain, part of the Mondragon group. Investigating the cases, the authors show that employee-owned firms can ‘regenerate’ over time by building a mutually supportive relationship between commerciality and mutuality, driven by proactive management.

The last group of articles utilizes conceptual approaches to investigate employee ownership in different contexts (Audebrand, 2017; Cheney et al., 2014; Martin et al., 2016; Michie & Rowley, 2014). Looking at the Asian-Pacific area, Michie and Rowley (2014) outline the role of employee-owned companies for the region. The authors argue that employee-owned firms have the potential to foster economic development especially in poor and rural areas and may provide individual and states with an alternative to the Western ‘shareholder logic’. Furthermore, employee ownership can help family firms to continue existing when there is no successor or the family is unwilling to continue the firm. At the same time, the authors recognize that advances in civil society are necessary to allow cooperatives to thrive and be efficient enough to compete in the market. Also Audebrand (2017) highlights the social dimension of employee-owned firms by depicting them as a natural social enterprise that combines a profit and non-profit orientation. In order to better understand the nature of employee-owned firms. Audebrand argues to focus on the specific dualities and paradoxes in play such organizations. Similar to the findings of Storey et al. (2014), Audebrand outlines that paradoxical tensions of communality vs. individuality, hierarchy vs. democracy, alternative vs. mainstream, and economic vs. social aspects are important to balance for the success of the companies. Cheney et al.’s (2014) analysis of worker cooperatives as alternative organizations argues in a similar direction. The authors outline five challenges that are similar to the paradoxical tensions that Audebrand (2017) and partly also Storey et al. (2014) describe. They argue that employee-owned organizations need to create both economic and social resilience

Year	Authors	Journal	Title	Type of EO	Method	Findings	Challenges	Opportunities
2018	Harrison, JA; Frawley, S; Singh, P	Canadian Journal of Administrative Sciences	What does employee ownership effectiveness look like? The case of a Canadian-based firm	Employee ownership stock plan, 100% employee-owned	Single case study, 30 semi-structured interviews	The authors show that employees emphasize confidence in the ownership program, participative decision-making, ownership identity, and the company as a family unit as ownership effectiveness.	Decision-making can be slow, and paradoxical tensions may weaken the growth of employee-owned firms.	Employee ownership can enhance individual and firm performance and provides incentives to work hard as well as a strong employee-as-owner identity.
2017	Audebrand, LK	M@n@gement	Expanding the scope of paradox scholarship on social enterprise: the case for (re)introducing worker cooperatives	Worker cooperatives	Conceptual	Worker cooperatives should be understood as a type of social enterprises that has specific paradoxical tensions, namely communality vs. individuality, hierarchy vs. democracy, alternative vs. mainstream, and economic vs. social.	Employee-owned firms need to foster balance several paradoxical tensions to thriven and need to establish social performance as a core dimension of doing business.	Employee-owned firms can create jobs for marginalized individuals and provide a different type of organization than 'mainstream capitalism' that enables democracy and stability in employment.
2016	Hoffmann, EA	Sociological Quarterly	Emotions and Emotional Labor at Worker-Owned Businesses: Deep Acting, Surface Acting, and Genuine Emotions	Cooperatives	Case studies of four cooperatives in different industries	Employees can one the one hand display a broader range of emotions in employee-owned firms, on the other hand may be forced to engage in surface acting.	Cooperatives require certain emotional reactions from their members to continue to function, leading to potential surface acting to follow such 'feeling rules'.	Cooperatives allow members to more freely express emotions at their cooperatives than they would have been in conventional, hierarchical businesses. Moreover, members adopt their emotional responses over time.
2016	O'Boyle, EH; Patel, PC; Gonzalez-Mule, E	Human Resource Management Journal	Employee ownership and firm performance: a meta-analysis	Different types of employee ownership stock plans	Meta-analysis	There is a small, but significant positive relation between employee ownership and firm performance, which does not differ between private and publicly-listed firms. Employee ownership thus has more universalistic support.	Stocks may reduce risk-taking in the firm.	Employee ownership does not hurt performance; indeed, it likely has a positive effect on performance. Furthermore, employee ownership motivates employees under varying organizational goals.
2016	Martin, G; Farndale, E; Paauwe, J; Stiles, PG	European Management Journal	Corporate governance and strategic human resource management: Four archetypes and proposals for a new approach to corporate sustainability	Various types of employee ownership	Conceptual	Employee ownership represents a new governance archetype that requires a different approach for strategic human resource management.	The core of employee-ownership may become the subject of dispute, which is why a structure that allows employees to participate in financial and social-psychological ownership, is necessary. Also, managers need sufficient control and flexibility to meet the demands associated with operating in a market economy.	Due to their pluralist frame of reference, employee-owned firms find it easier to integrate corporate sustainability.

Year	Authors	Journal	Title	Type of EO	Method	Findings	Challenges	Opportunities
2014	Cheney, G; Cruz, IS; Peredo, AM; Nazareno, E	Organization	Worker cooperatives as an organizational alternative: Challenges, achievements and promise in business governance and ownership	Cooperatives	Case example of Mondragon	The authors provide approaches to deal with challenges pertaining the dynamics, leadership, resilience, stakeholder relationships, and values.	Employee-owned firms need to create structures to allow for social and economic resilience and have to find a leadership that can address both sides in order to manage and solve conflicts between different goals and constituencies. Furthermore, they need to manage relationships with various stakeholders and need to be careful when extending the cooperative.	Employee-owned firms provide an alternative form of business that is more sustainable and may work both at a small as well as larger scale.
2014	Storey, J; Basterretxea, I; Salaman, G	Organization	Managing and resisting 'degeneration' in employee-owned businesses: A comparative study of two large retailers in Spain and the United Kingdom	Cooperatives	Comparative case study between John Lewis, UK and Eroski, Spain	In opposite to the classic 'degeneration thesis', employee-owned firms can regenerate over time by creating a mutually supportive relationship between commerciality and mutuality.	Employee-owned firms face the challenge to counteract a 'degeneration' over time, e.g. employees may become complacent after sustained economic success. Also modernization efforts not rooted in mutuality may dilute the values of the cooperative.	Commerciality and mutuality in employee-owned firms can become mutually supportive. Even financial downturns may help regenerate employee-owned firms.
2014	Michie, J; Rowley, C	Asia Pacific Business Review	Mutuality in the Asia Pacific region	Various types of employee ownership	Conceptual	Asian countries may profit from the presence of a cooperative sector, but advancements in civil society are required for this.	Civil society needs to advance to foster more cooperatives; cooperatives in the Asia Pacific region may struggle from lower efficiency and competitiveness.	Cooperatives foster economic development especially in poor and rural areas and provide alternatives outside the 'shareholder value creation'. Also, employee ownership can help overcome weak succession planning.
2014	Lampel, J; Bhalla, A; Jha, PP	European Management Journal	Does governance confer organisational resilience? Evidence from UK employee owned businesses	Various types of employee ownership	Comparative quantitative analysis	Organizations with employee-ownership combined with employee involvement in firm governance are more resilient in times of crises.	Employee-ownership per se does not translate into higher organizational resilience.	Employee-owned firms have longer investment horizons; top managers in employee-owned firms are more likely to seek employee input for strategic decisions.
2013	Poulain-Rehm, T; Lepers, X	Journal of Business Ethics	Does Employee Ownership Benefit Value Creation? The Case of France (2001-2005)	Different types of employee share ownership plans	Quantitative analysis of 163 French companies	Employee share ownership plans have no effects on neither shareholders' nor stakeholders' value creation.	Shareholder employees may become a social risk for the firm, and there might be increased costs to uphold the company's social capital and overcome inertia.	Employee ownership instills a greater stakeholder focus in the company.

Table 1: Article selection on employee-owned firms

to survive, and they need to focus on keeping the democratic idea in the organization alive. Important for this is to find a fitting leadership style that stabilizes and reinvents democratic and participatory values in the organization. As the authors argue, the link to stakeholders, such as organized labor, the community, or the state is vital for gaining support and legitimacy. Such factors also play an important role when cooperatives join the international market and grow further. Last, Martin et al. (2016) outline employee-owned firms as a specific corporate governance archetype and outline its relationship to strategic human resource management. Similar to previous articles, they argue that organizations need to create human resource structures that fosters employee participation in financial and socio-psychological ownership, while leaving managers with enough flexibility to manage the business side.

A research agenda for employee ownership

As the above review shows, there is several streams and areas of research investigating employee-owned firms. While the knowledge on employee ownership has thus clearly increased over the last decade (Jones, 2018), there are still several areas that need additional focus. First, while several articles take into consideration different forms of employee ownership (Lampel et al., 2014; Martin et al., 2016; Michie & Rowley, 2014), none of these articles investigates differences between these forms of ownership. While the analysis of how employee-owned firms fare against 'common' types of organizations is certainly important to provide legitimacy for this area of research, it overlooks the inherent heterogeneity of employee ownership, which for instance Ben-Ner and Jones partly outline (Ben-Ner & Jones, 1995; Jones, 2018). How would such different types of ownership constellations influence the resilience of organization (Lampel et al., 2014) or the required strategic human resource management (Martin et al., 2016)? As the field of family business research has shown, the investigation into questions of heterogeneity can result into important new insights and help mature a research area (Nordqvist, Sharma, & Chirico, 2014; Sharma et al., 2014).

Second, to better understand the heterogeneity of employee ownership, it is important to understand its founding conditions, since they 'imprint' the organization for the future (Marquis & Tilcsik, 2013). As highlighted above, employee-owned firms are often treated as 'miracle children' – they happen without anyone knowing where they were coming from. As such, we know precious little about how employee-owned organizations are born, or how 'regular' organizations are being taken over by employees. How does such process unfold? How do initial motivations shape the culture and resilience of the organization? Which kind of solutions do employees find take over firms and keep the mutuality spirit alive? All these questions are important to understand the characteristics of employee-owned organizations. Last, several articles highlight the embeddedness of employee-owned firms in local communities (Audebrand, 2017; Michie & Rowley, 2014) and the importance of the community for the firms. Yet, there is little research investigating this link, and especially studying the meaning of employee-owned organizations for their communities. Understanding this link may help to better understand how and why employee-owned organizations come into being and thrive in their communities. Furthermore, it may give additional insights into the meaning of employee-owned firms for rural and urban areas (Backman & Palmberg, 2015).

Case study design and case companies

Comparative case study method

The empirical part of the report builds upon a multiple, comparative case study approach (De Massis & Kotlar, 2014; Nordqvist, Hall, & Melin, 2009; Yin, 2014). Such approach is especially useful when investigating an under-researched phenomenon such as employee ownership. To gain further insights into the overall industry, we further combine the case study approach with industry expert interviews. Inductive research building on several case studies thus allows to better understand the phenomenon under investigation and provides a basis for future research (Langley & Abdallah, 2011). In-depth Case study approaches allow us to get close to the actors in organizations and to "delve[…] beneath the surface to explore issues that are assumed, implicit, and have become part of participants' common sense" (Tracy, 2010: 843). Especially for a potentially sensitive subject such as ownership transition, a case study approach is therefore useful to gain new insights. These case studies allow us to investigate each company on its own and to understand how the process of ownership transition has unfolded, how work has changed, and which challenges the organization and new owners have faced. At the same time, a multiple case study approach further allows to compare findings between cases (Stake, 2006; Yin, 2014).

Sampling and interviewees. Good sampling is aimed to maximize the learning from collecting empirical material (Stake, 1995). As the purpose of the research project is to understand challenges and opportunities of employee ownership, the first boundary condition is that all companies under investigation need to be owned by a group of, if not all, employees. In order to understand transitions better, the second boundary condition is that none of the companies under study was 'born' an employee-owned company; all firms had a different type of ownership before.

Collecting empirical material. In order to understand how the ownership transfer has unfolded and how work in the organization has changed, we aim to interview multiple current employee owners, regular employees and managers, and potentially the previous owners. So doing allows us to triangulate and get more robust insights (Guba, 1981). Accordingly, for each case we aim to interview at least one current owner, employees or managers in the companies who are not owners, as well as one of the former owners. Furthermore, we rely on secondary data, such as company reports and newspaper articles describing the ownership transition process.

Analyzing the empirical material. In order to analyze the case companies, we rely on established best practices of qualitative research (Langley, 1999; Langley & Abdallah, 2011; Miles, Huberman, & Saldaña, 2014). First, to gain an overview about the intricacies of each case, we will write a an in-depth case history, encompassing the ownership transitions and its implications for the organization (Kammerlander, Dessì, Bird, Floris, & Murru, 2015). Second, we will rely on established multiple-case method practices to code the data and theorize about the challenges and opportunities of employee ownership (Stake, 2006; Yin, 2014). Given how little we know about employee ownership transitions, we build our analysis on an inductive approach similar to grounded theory approaches (Corbin & Strauss, 1990). To structure the analysis of the ownership transition process, we follow a similar approach to Nordqvist et al. (2012) in investigating the process in different phases. Doing so allows us to investigate the reasons for the transition to happen, how the process unfolds, and the implications for the company and its employees afterwards. Thus, we investigate the pre-transition phase, the transition phase, and the post-transition phase, outlining challenges for all three.

Introducing the case companies

Our list of case companies includes six small and medium-sized employee-owned companies and cooperatives from Sweden, resulting in a rich fundus of empirical material (see Table 2). All case descriptions are enriched by secondary data, such as newspaper articles about the ownership transition. We have also arranged several expert interviews to better understand the Swedish context and regional and policy implications of employee ownership (Table 3).

The Line Gotland

The Line represent a small, but fast-growing production company in Sweden that has been taken over by three of its employees in 2018. The company offers full production and postproduction services for commercials, TV show and movie productions. The idea behind The Line is to be a quick and agile player in the market that offers high quality, flexibility, local knowledge, and a lot of creativity. The Line was started in 2011 and soon after hired Caroline Ortmark as Executive Producer, who had previously worked five years for the larger production company Stopp in Sweden. Caroline and the first CEO Filip worked closely together since the beginning, so when Filip decided to leave the company in 2012, it was Caroline who took over the reins at The Line. Over the following years, Caroline established The Line through several successful commercial productions and in 2016 expanded to Gotland. Taking over the Gotland-based production company "Location Gotland", owned by Olivia Munck, both companies came to form The Line Gotland, which started in 2016. The Line

Gotland proved to be a full success, and already in Autumn 2016 managed to be short-listed for shooting locations for the HBO-based TV show Game of Thrones. Under much secrecy, The Line Gotland was involved in the shooting of a well-known Volvo commercial in 2017 and has been in contact with several larger Hollywood-based studios as well as TV shows looking for locations to film. In 2017, The Line founded its next daughter company, The Line North, which offers production and location services in the Northernmost areas of Sweden.

Initially, The Line was seen as part of an overall portfolio by its founders. However, due to the initiative of its CEO Caroline Ortmark The Line grew steadily since 2012 and was able to attract increasingly large clients. Especially The Line Gotland, driven by Olivia Munck, contributed to the growth of the company. In 2018, Caroline, Olivia and Olle Ljungman decided to take a step further and took over the business from its previous owners. Caroline recalls that after working as CEO for 6 years, she felt ready to become an owner and especially to take the accompanying risk. Buying the company allowed The Line to further grow and gave Caroline, Olivia and Olle greater freedom to develop the organization. Caroline remained CEO, Olivia took over the role as executive producer responsible for serviceproduction in Gotland, while Olle became the executive product responsible for postproduction in Stockholm.

In Autumn 2018, the line hired a new production manager for Gotland, Karin Petterson, who had previously been Marknadschef at Destination Gotland. Furthermore, the next daughter company, The Line Finland, is slated to open soon. At The Line, the ownership transition depended on several factors. Caroline outlines that she had been offered an ownership stake already in 2012, but at that point in time declined. Caroline indicates that she was more risk-averse during this period of time. However, after several years working and developing the company, she feels much more comfortable in the position as CEO nowadays. Given how much freedom she enjoyed in developing the company, she argues that it did not feel like such a stretch anymore to become an owner. On the opposite, taking over the company in which she had invested so much time and effort felt *"fair"*. The second point that had changed over the years was that Caroline had met people with whom she could envision owning the company. Talking about her collaboration with Olivia and Olle, she outlines how well they complement each other; *"when working with them, I get the right feeling"*. While Caroline is the visionary leader of the company, Olivia is the person working closely with the clients and making sure that The Line provides them with the best experience. Olle on the other hand is the calmest among them with a clear and organized way of working. Last, Caroline outlines that by sharing ownership, she is *"less lonely"* at the top of the organization.

Table 2: List of case companies

Company name	Industry	Number of employees	Turnover	Ownership transition	Interviews conducted
The Line	Film production, postproduction	Around 15 full-time; project-dependent	≈ 13mio SEK	3 employees bought company in 2018	CEO/owner
Ljuders Nickelsilfverfabrik	Processing	19	≈ 31mio SEK	Company owned by all employees	CEO/owner Employee/owner
Carlhag	Reseller and service for Abus crane systems	38	≈ 102mio SEK	6 employees took over in 2012	CEO/owner Employee/owner Regular employee
Real fastighetssystemet	Online system for handling real estate invoices	6	≈ 10mio SEK	3 employees took over in 2016	CEO/owner Employee/owner Previous owner Regular employee
Maskinsystem AB	Construction	10	≈ 15mio SEK	Owned by 8 employees since 2006	CEO/owner Employee/owner Previous owner
Hälsorum	Healther center	22	/	Citizen cooperative since 2010	CEO/owner Chairwoman of the board

Table 3: List of industry experts

Name	Profession
Sophie Nachemson-Ekwall	Financial journalist & researcher at Stockholm School of Economics
Leif Tyrén	Verksamhetsledare at Värmlandskooperativen

REAL Fastighetssystemet

REAL Fastighetssystemet was founded in Degerfors, Sweden, in 1991 by Lars Törnqvist. The company develops, maintains, services, and sells systems for economic real estate management systems. Starting as a regional venture, since 2008 the company provides the only fully web-based system in Sweden and currently serves 700 company clients and 2,500 users throughout Sweden. Since 2008, REAL Fastighetssystemet has tripled its profits and invoices around 12 billion SEK in invoices every year. The company's goal is to simplify the administration of real estates for their caretakers and to make their everyday work fast, simple, and fun. The soft values are especially important and REAL prides itself in creating the 'world's best service' for its clients. Thus, long-lasting and mutually profitable client relationships are at the core of the company.

In 2015, Lars Törnqvist decided to go into retirement. To do so, he needed to sell the company. While he could have profitably sold the company in the open market, Lars decided to approach his employees in autumn 2015 with a proposal to take over the company. As Björn Reimers, the current CEO and one of the co-owners remembers, *"there was not much deliberation. We said yes quite quickly."* In overall, four employees took over REAL formally on April 20 2016; Stefan Johansson, Renée Strandberg, Fredrik Bertilsson (CHECK amount of owners) and Björn Reimers, who also took over as CEO. All employees had long experience working in the company and had been part of its growth. They all see the main value in their knowledge and capabilities developed over time.

Reflecting about what has changed since they took over, Björn sees that all decisions are now made by the employees and that they now have a saying about how to use the company's funds. However, there was little change for the customers since the employees had been running the company for many years already. To him, personally, there was little change when he became CEO; "*it's mostly a title and a responsibility. We work as a collective"*.

Carlhag

Carlhag, situated in Karlstad at the north end of lake Vänern, was founded in 1982 and bought in 1995 by Bosse Carlsson och Mats Hagman, who moved the company in 1998 to Karlstad. Carlhag is one of Swedens largest providers of crane equipment by Abus and offers broad service solutions to customers around Sweden. Currently, the company employs nearly 40 employees in Karlstad, Örebro, Sundsvall, Umeå, Gävle and Piteå. In 2017, Carlhag recorded their highest turnover ever, 102mio SEK.

Bosse and Mats early on talked about their plans to sell the company when they were older; already in the early 2000s, Bosse decided he would step out when turning 55. When Carlhag recorded their best year in 2006, the mood in the company was great. Yet, the kick-off event to 2007 took an unexpected turn when Bosse and Mats openly announced their plans to sell Carlhag, potentially to German Abus, who was interest in taking over the company. This led to discussion among the employees who were naturally wondering about what would happen to the company and their jobs. Already at this event, several employees gathered to discuss the possibility of taking over the firm themselves. One of these employees was Johan Hammarström, who in 2018 is still CEO of Carlhag. The employees discussed among themselves what was needed to take over the firm. As Johan recalls in 2008, "we did it with hand signs. Who felt that they could bring in their own capital?". In the end, it was six employees who stepped forward to take over Carlhag.

While the decision to take over the company by themselves was made quickly, time was of the essence, since the final plan had to be ready by April 30 2007. First, the employees set up a plan of how to develop Carlhag, which they presented to Abus. Furthermore, the new owners gelled well and the ownership constellation seemed to be working well. After securing Abus' cooperation, the main question to solve was the financing, since none of the employees had the funds to buy the company completely. The final solution was that each of the six employees went in with 10% equity, while Almi provided 20% through a loan. The remaining percentage was covered by a bank loan. Both the bank and Almi agreed under the condition that Carlhag took over the real estate of the company as well, which would then work as a further security. While the success in 2006 was on the one hand a strong signal about the viability of the firm, it could have proven an obstacle in buying the company. Yet, as Johan recalled, Bosse and Mats were clear that they wanted to sell, and the 6 employees were willing to take over. In the end, there was little discussion about the price; *"we stuck to the main rule of not paying more for a company than three yearly profits"*. In the end, there was little discussion about the price tag and both parties ended up satisfied, especially since Bosse and Mats wanted to leave their company in a state to allow it to further develop.

Asked for why they had decided to take over the company, Johan argued that the six employees had been part of the company since the start and were a large part of its development. *"This is why it felt like a calling to take over the company, like a natural next step. We know the company and we belief in it. If we hadn't seen it as a well-running firm, we would have never entered with our own capital."* Asked for the reasons that he became CEO, Johan argued that it was the explicit wish of the employees to take over. Given that he had closely worked with Bosse for many years, had been responsible for the economic side of the firm and was furthermore involved in questions of HR, the Carlhag personnel felt that he was the right person. Yet, the transition was not easy, as Johan recalls *"the situation posed a lot of questions. Am I the right guy and person to steer the company? What is a CEO? Am I too inexperienced? How will the employees react? […] It was nice to have their support. But still a lot of it is new to me."* Many of the challenges that Johan faced in 2008 were of positive nature. The company continued to perform over budget and was well towards its goal of being debt-free within five years. Moving forward in time, in 2018 Carlhag is performing better than ever with Johan still at its helm and has just surpassed the 100mio SEK milestone for the first time in the company's history.

Maskinsystem AB

In 1983, Krister Källström founded Maskinsystem in the small city of Vik, between Falun and Borlänge in Dalarna. Maskinsystem AB is engaged in specialist product of machinery and prides itself on its build quality and flexibility. Dan Kjellberg, the company's CEO, is aware that the company could earn more if it would reduce its build quality. Yet, the focus on quality is part of the company's culture. Today, Maskinsystem AB employs 11 people and record a turnover of around 15mio SEK.

Having passed his 60th birthday, Krister decided in 2006 to sell Maskinsystem. However, after contacting potential buyers, he was not able to find one who felt right. Given his local roots in Vika, he was unwilling to risk that the company could be closed down or moved to another place. At the same time, the employees of Maskinsystem had already worked together for a long time and formed a tight group, as Dan argues: *"We are alike, we react to things in the same way, and we never really argue"*. Thus, the both sides took the decision to pass on the company to the employees in 2006. In order to finance the transfer, the employees and Krister agreed on a five year amortization plan that allowed Krister to receive the company's worth, and provided the employees with the means to take over the firm without taking on a loan. In order to foster the transition, Krister founded a new company, into which the employees bought themselves into. This company also received the old title 'Maskinsystem AB'. The new, employee-owned company then bought the machines and equipment from the old company and over a few years paid out Krister. It is interesting to note that Krister himself continued working at Maskinsystem AB for several years, even after he sold the company. His old company still owns the property of Maskinsystem AB and he has an office on the premises.

Krister enjoys being able to go back and greet his old colleagues, and he is happy the company still exists. While Krister could have potentially received more money by selling Maskinsystem to an outsider, he highlights that he enjoys being able to visit Maskinsystem socialize with his former colleagues: *"Now you can just drive there and visit them and check what they are up to [laughs]. That's quite interesting!"*

Dan, who became CEO a few years later, jokingly remarked that Maskinsystem AB is *"run in communist way"*. While it certainly is as capitalist as any other SME, the solidarity among employees and their commitment to the firm is rather exemplary. *"The company is flat as a pancake, and it's tough to have it differently if you think of our ownership structure."* There are clear rules in place and Maskinsystem has high transparency regarding its decision making and economic structure. While not all employees are equally interested in deciding about the firm, they all share the same commitment. If anyone wants to leave, he or she therefore have to sell the shares to the other owners. However, there has been little conflict around these issues so far, as the current owners take care that new members of the firm receive the chance to become owners over time.

Taking over, however, was far from easy initially. In 2008, Sandvik, a large customer, declared an investment stop for 12 months as a direct result of the financial crisis; from one day to another, Maskinsystem's turnover was reduced by 35%. As a result, the employees decided to reduce everyone's salary by 10%, while continuing to work full time. As Dan recalls, *"there was actually no one against it. I think this wouldn't have gone as painless in a larger company where you hardly know who the owners are; why should you make such a sacrifice then? Reducing the salary was a powerful sign of the situation."* Stefan Forsberg, who is also part of the supervisory board, agrees; *"it was not fun to reduce your salary for a year, but if you want to save the company it's better to take a little bit than to have to shut down entirely"*. Dan and his employees are convinced that their ownership transition saved the company. As another employee, Fredrik Sahlander, comments, *"if we had been bought in 2006 I don't think we'd still be here."* Indeed, several competitors in the region who had been bought by larger actors had been closed down. His father Stig, who had worked in the company for over 30 years, agrees, saying that he sees no downside in owning together: *"people do well together and have a connection to Vika and the villages around"*. To Fredrik, the success of Maskinsystem AB lies in the social aspects of the team: *"we as employees and owners work extremely well together. […] We are socially competent, honest, and we adapt to one another."*

Maskinsystem learned from its mistakes and nowadays has a broader base of clients. Yet, it still is only a small player in the industry and thus reliant on the terms dictated by larger organizations. This makes it tough to create enough space for innovation in the organization. As Dan highlights, being the CEO in such a company has its own requirements. *"I have known the guys for 20 years, it would have been crazy if I had gone around and be the boss. I wouldn't have work if I had told them how they were supposed to do their jobs; all are owners themselves. I try to downplay my CEO-ship as much as I can."*

Ljuders Nickelsilfverfabrik

Ljuders Nickelsilfverfabrik was founded in 1876 in Hovmantorp. Originally, the company was built to refine Nickel from a nearby mine. In 1980, the company was taken over by its employees. Currently, it employs 20 workers and creates a yearly turnover of about 31mio SEK. Ljuders now produces parts for several Swedish companies, such as SJ. While the company is still owned by its employees, the current CEO, Sven Johansson, outlines that while the company in many aspects runs like a regular firm, there is a special kind of energy in the company: *"how we run the business mostly doesn't really differ from other companies. I mean, we have a CEO and a leadership team [...], just like everyone else, and the labor agreements in place apply to us as well, regarding working hour and so on. So from this perspective, there is no difference, but already when you started working in the company you felt that there was a different feeling in the company and an intrinsic motivation which I have not seen before!"* Also the previous CEO, Hans Svensson, reiterates this point: *"It's important to differentiate between shared ownership and running the firm. Here, we have different roles, and I cannot act differently than in whatever other company."*

In 1980, the owner decided to step down an proposed his employees, at that time 36 people, to take over the company. As Hans, who had worked in the company since 1971, recalls, the employees were quite skeptical in the beginning: *"First, we were doubtful. There must be something not quite right about it!"*. Yet, when put to the choice between taking over the company or facing the risk of someone else buying it and shutting it down, they chose to take over the company. Half a million SEK were loaned from a local bank, while the rest of the capital came from the employees. From the beginning, Ljuders set up the ownership of the company within a shareholder association, which owns the company. As an employee, you buy yourself into the association, yet, every employee can only hold one share. This process is financed through a supplement from the salary that allows employees to finance their share over several years; buying a share costs 40000 SEK. By setting up the ownership in this way, attaining and passing on ownership to new employees is made possible, even if the actual value of the company has risen over time. Anders, a long-term employee, argues that in this way, the company has avoided speculations with the company share. Furthermore, it allowed the company to keep the employee ownership alive for nearly 40 years by fostering the ownership transition toward younger employees as owners: *"You can't own shares if you don't work here. Because of this, the control was always in the company's hands. It doesn't, like, stray around outside. Just those who work there have control over the whole thing. In this way, there was a generational change. Some of the older ones disappered and younger ones came who became members and part owners. So this has actually worked quite well!"*

Thus, even after nearly 40 years, Ljuders still offers its employees to buy themselves into the company. Oskar Kanstedt, a new employee, looks forward to becoming an owner: *"I'm super content. Here, you work together, take responsibility together, and you help one another."* When employees end their employment, they have to sell their share and get back their initial investment in addition to some interest. While all owners set the board of directors, the regular running of the company is done through a CEO and other management functions. The employees themselves select the board of directors, which then appoints the CEO. The previous CEO thus cautions employees thinking about taking over their firm to *"differentiate between running and owning. All part owners cannot be part of all decisions. It's important that there is a leadership and CEO as in a regular company."*

Sven argues that being an employee owned firm *"is something extra that pushes you, creates motivation and joy at work."* While the company has been doing well over the last years and has employed several new employees in the past two years, Sven sees that the company needs to find new goals to achieve. Originally, the main reason to take over the company was the urge to preserve the jobs, as Sven sees it: *"everyone was thinking along the same lines: 'yes, our jobs are safe, we've done it', but this was a long time ago. So the question is, which goals to we have now? [...] We nevertheless need to have a common goal, which does not necessarily need to be the same one it was at an earlier point in time"*. Accordingly, Sven has driven discussion among the employee-owners, both in the board of directors as well as in smaller groups, to consider where to take Ljuders next: *"we have just started this process. What do we want? What is our aim in the long run? And what are our plans in the coming year, at the very least? Do we want to grow? Do we not want to grow? Do we want to broaden our customer basis or is it good the way it is? These kinds of things, I mean. So, it has just started."*

Considering what makes Ljuders a special place to work, both Anders and Sven agree that everyone has a larger interest in knowing what's going on. Both highlight that the engagement of the employees is extremely high, which Anders thinks stems especially from knowing that the employees as Ljuders work for themselves: *"you feel that when we put in an extra effort, it's us who profit from it. There's no one else who comes and takes away the profit. It's just us who take the joy from it!"* This organizational culture and success as an employee-owned company was awarded in 2015 with the Swedish Jämlikhetspris. The reasons for the award is that *"Ljuders shows that the democratic and equal ownership form has been a strength that has increased the employee's involvement, economic understand and meaningfulness at work"*, as Per Sundgren, the founder of the 'Jämlikhetsfonden', argues.

Currently, Sven has noticed an increased interest in employee ownership, and he was asked several times for interviews and was invited to panel discussions. Reflecting about how others see the employee ownership at Ljuders, Sven is convinced that it is a positive signal: *"[being employee-owned] is something we will absolutely push, and we do that already. When we have customers, or meet prospective ones, I always tell them about it. And many can at least recognize themselves in there: 'man, how cool, that's why you perform so well!', and we do it quite well, I have to say."*

Hälsorum

Hälsorum, situated in Offerdal outside of Östersund, has a rich history of employee-ownership. Existing since the 1970s as a health center (vårdcentral), it has seen two changes in ownership. In 1992, Hälsorum became an employee-owned health center in order to overcome external pressure and keep the health center locally rooted. In 2010, it again transformed, yet this time turned into a 'citizen cooperative' (medbogarekooperativ) with around 700 members, encompassing both employees as well as residents from the local communities that Hälsorum serves. Hälsorum's current CEO, Robert Björngard, is positive about the development of the health center and especially the choice to become a cooperative: *"I'm burning for this! It requires hire engagement and a little daring, so that you don't look in the back mirror but keep on going forward and test out new things. We have grown from a regular health center to even proving company health services, all as part of the same cooperative"*.

Agneta Bäckman has been with Hälsorum since 1977 in different roles and was a crucial part of both transitions. Regarding the decision to take over the health center in 1992, she recounts that there were three distinct reasons. First, Hälsorum faced external pressure from a policy change; part of the service that Hälsorum provided was supposed to be taken over by another service of the municipality. However, Hälsorum wanted to keep the whole patient-care in their hands and thus tried to work proactively in making this happen. Second, the changes were threatening the survival of the health center; if the employees had not acted, it would have most likely been forced to close down, providing the local community with no means of health care except for the next center 25km away. Lastly, the employees at Hälsorum were fed up with not being able to influence the direction of the health center. As Agneta recounts, *"we had enough from being told what was going to happen. We wanted to decide ourselves and to influence what happened with our resources!"* In 1991, the 13 employees gathered together and decided to take over Hälsorum, turning it into a cooperative. The employees gained further support from a local Jämtland organization supporting the development of cooperatives.

In hindsight, Agneta was surprised how quick things went: *"There was basically no resistance; we just got into this 'positive flow'!"* Hälsorum was fortunate that in the early 1990s, the municipality was open to try out new kind of organizational forms, an area that fit Hälsorum's idea perfectly. Despite initial doubt, Hälsorum received a three year contract with the municipality to proof that their organization could handle the requirements. As Agneta recalls, they were working a lot with improving the quality of care provided. Simultaneously, the work was reorganized, as employees had the freedom to take on additional tasks and thus shape their everyday work. As a reward for their hard work, Hälsorum received a five year contract in 1995 and subsequently aquired the real estate of Hälsorum in 1996. In the end of the 1990s, Agneta took over the leadership at Hälsorum, just in time for the next crisis. Another policy change threatened the existence of Hälsorum in 1998, over which several health centers in the region where closed. However, Hälsorum again proved to be proactive, inviting local stakeholders, journalists and politicians to a meeting. In the end, it was decided that Hälsorum was supposed to be continued, and for the next decade the health center continued to grow.

In 2006, Robert Björngard joined the cooperative and became its CEO in 2009. A year later, the organization again faced a large crisis. A new law was introduced that worsened the economic conditions for Hälsorum, while simultaneously forcing the health center to make large investments in infrastructure to go on. At the same time, Hälsorum was facing a generational change as well, since only few of the original employees who had taken over Hälsorum in 1992 were still in the company. There were, according to Agneta, only two options *"either we find something new to do, or we close down."* Under the leadership of Robert, Hälsorum chose to fight and be proactive in broadening their operations. As a first step, Robert realized that Hälsorum needed another type of ownership as well as the local support. Thus, he got into contact with the local communities and called for a meeting in Offerdal's community center in early 2010. Expecting around 50 locals and employees, in the end more than 250 people showed up. The support for Hälsorum was important and it was clear that the local community was adamant to keep Hälsorum alive. Thus, in August 2010 Hälsorum became a citizen cooperative. For 400sek per share, everyone can become member of the cooperative. Every member has one vote, notwithstanding the number of shares. In late 2018, the cooperative has around 650 members. Robert mentions that there are even members from Stockholm who bought a share in order to support the organization. The members of the cooperative elect every year seven members for the supervisory board, who are supplemented by two employees. Since stepping down as the CEO, Agneta has taken over the Chairmanship of the supervisory board.

While the ownership transition solved the issue of the generational change, the financial situation still looked dire. However, Robert and his colleagues had prepared a business plan with which they proactively address the local municipality and even the ministry of health in Stockholm. In order to survive, Hälsorum was planning to move into company health services, which they would integrate with their current work and offer to local businesses. This plan went to save the company. From 10 employees in 2010, Hälsorum has grown to 22 full-time employees and seven part-time consultants in 2018. While the health center does not work profit-oriented, it produces a yearly profit, which is reinvested in the organization. Hälsorum in 2018 serves around 23,000 patients and has been awarded with the prestigious Swedish "Stora jämlikhetspriset" prize, worth 100,000sek. As Per Sundgren, the founder of the 'Jämlikhetsfonden' argues, the reason for awarding the prize to Hälsorum was clear: *"We have chosen to award the prize to a cooperative that is owned by the whole community and is led democratically. Offerdal's health center shows how well you can run a business without profit focus."*

Robert and Agneta describe the organization as an extremely positive workplace in which their employees thrive and can shape their work. Both highlight that the employees are enormously engaged in their work and take up many issues without being told so. There is, according to Robert, a lot of engagement to try out new things and improve the service at Hälsorum. *"The employees here enjoy a lot of freedom*", say Robert, *"there is an incredible team feeling. Sometimes you can to be sad, other times you can laugh together. That's what we're trying to manage. It's important that it works like it does!"*. While Hälsorum is a very inclusive company – even the part-time consultants feel like they are part of the team – Robert realizes that this type of workplace does not fit to all types of employees; one needs to have a certain drive to thrive in this environment: *"We believe in participation and the possibility to influence something! A lot of this is linked to the cooperative thought that everyone should be participating. This means that you have high autonomy and have to lead yourself within your own profession."*

The goals of Hälsorum are clear as well, as Robert argues: *"Profit is not the main goal for us. We see ourselves as societal entrepreneurs."* Having the support of the community and better relations to the locals is an important part of Hälsorum's success: *"The locals see a great benefit. It's easier to remain in the village. Together with the school and some shops, the health center creates a feeling of community, a real infrastructure."* At the same time, Robert sees the challenge in keeping the engagement up and having people engage in the cooperative. For instance, he argues how important it is to explain at the yearly meetings the changes that are going on in the health center and why some ideas cannot be put into reality. This pertains also to the everyday work at Hälsorum, keeping the cooperative spirit alive.

Findings – challenges and opportunities in the ownership transition process

Based on the empirical material we have collected from the six employee-owned firms, several observations stand out. The first one is that we were surprised by how different the employee-owned firms were in some regards. While the general discourse on employee-owned firms tends to paint them as a somewhat homogeneous group (Cheney et al., 2014; O'Boyle et al., 2016), especially in opposition to non-employee owned firms, our findings indicate that there is an intriguing heterogeneity among employee-owned firms, which we will further explore below. For instance, our findings indicate that there are highly diverging reasons for employees to take over their firms. While one group of owner-employees took over their firm in order to *preserve* the organization and the jobs, another group of owner-employees saw employee ownership as a chance to further grow and develop the company. Thus, two highly diverging reasons led to the same ownership structure in the end. Another surprising finding was that only few of the owners we interviewed had planned to one day lead and own a company. Few of the interviewees described themselves as risk-takers or classic entrepreneurs. Instead, often opportunity, necessity, and the right timing turned regular employees into owners. The owners-employees we interviewed thus highlighted that the transition for them was either a necessity or a natural step to take.

In the following, we organize our findings according to three phases of the employee ownership transition process. The *pre-transition phase* encompasses the period before the decision to take over the firm was taken; it thus contains the reasons and contextual factors that influenced the transition process. The *transition phase* encompasses the period from when the decision was taken to take over the firm to when the process was finalized; it thus contains questions regarding the ownership setup and financing. The *post-transition phase* starts after the transition was completed successfully; it pertains to the consequences of the transition and how the organization has changed. For all phases, we outline challenges deriving from our empirical material. Figure 2 gives an overview about the three phases and our findings.

Pre-transition phase – why organizations come to be employee-owned

Our empirical findings from the pre-transition phase highlight drivers of the ownership transition process. First, the chemistry inside the ownership group is an important aspect that both fostered and triggered the transition process. Second, our findings highlight the importance of contextual factors, especially regarding the timing. Last, we find two diverging motivations for undergoing the transition – a *preservation* and *development* motive.

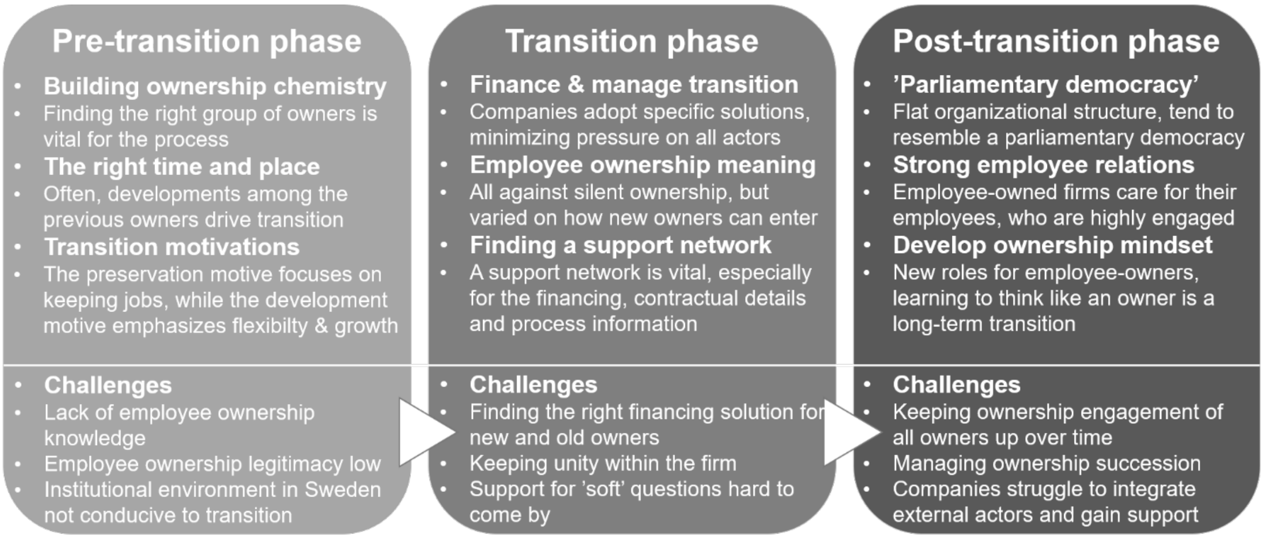

Figure 2: The employee ownership transition process

Building ownership chemistry

Why do employees decide to take over their company together? One of the most important reasons is that they enjoy each other's company. The findings point toward the importance of the right interpersonal chemistry between those aiming to take over the business together. Every company we interviewed described a tight group of owners that had formed prior to taking over the company. While the interpersonal chemistry was an important factor driving the successful transition process, in several cases it was indeed a necessary condition for the employees to consider taking over their firm. As several interviewees highlight, buying a company together is a huge undertaking; high trust and chemistry is thus necessary among employees taking over a firm. As one employee owner recalls, previously there had been the option to take over the firm; however, *"they offered me to be a partner and I said no, because it was six different partners in this company when it was opening up and I didn't know them"*. It wasn't until a few years later that the right group of employees came together who took over the company. The owner-employee reflects about when the idea of taking over the firm formed: *"it was maybe the beginning of a feeling that I wanted also to own this part, because I did find, for the first time, partners that I wanted to own together with. And this was also what I was looking for. I don't want to own companies with people that I don't choose."*

While in some cases, the presence of chemistry represented the starting point for the process, in others it came into being during the process. As the case of Carlhag shows, the short time frame the employees faced to come up with a functioning transition plan brought them closer together and demonstrated both to internal and external stakeholders that they would be able to deliver as owners: *"We showed that we were able to handle a stress situation. [...] We were stress-tested and pulled off a heroic effort in a short period of time. And that sent signals both internally and externally that yes, they are able to fix this critical situation, and that's what we did."*

Such type chemistry was based on a deep, interpersonal connection, which had often formed over years before the employees decided to take over the company. But also the complementarity of skills and characteristics that the employee owners brought to the table played an important role. Several of the interviewees mentioned that the ownership group works especially well because different owners have unique strength that are very complimentary. Last, the ownership groups we interviewed seem to have also developed a good process of how to deal with conflict and disagreement; instead of avoiding such moments, they seem to be able to solve them. As one of the owners of The Line describes: *"what I also like with us three [owners] is that we can have these fights, that no one is afraid of bringing up things to the table and we always leave the room with a big smile after a fight."*

The right time and place

Another aspect that was important in all case companies was the context in the pre-transition period. Throughout the cases, we see several contextual factors that triggered the transitioning process. The first factor is the question of timing. In most cases, the impetus to start the process derived from the previous owners. In several of the cases, their wish to sell the company triggered discussions among the employees about whether they actually could take over the business. Often, the solution to sell to the employees was not the first option that the previous owners took into consideration; in several of the cases, they first contacted external buyers before addressing the employees. Especially at Carlhag, the trigger was clearly coming from the previous owners. The employees received the news out of nowhere with a tight deadline, as Johan recalls: *"'What do you want to have for the firm?' So, we received a number they wanted to have for the company, and that was January. And they said that 'last day of April this should be done'."* In other companies, however, the trigger was found among the employees who thought that they could do more with the company than the previous owners. Several interviewees describe how the previous owners had become less interested in the firm, as this quote illustrates: *"[the previous owners] were always like 'Okay, we don't like that company really [...]" So I also felt like 'Okay, they're not interested. Should we buy it?' And we asked and they said yes."*

While the transition process thus was triggered either by the previous owners or employees, it often did not come out of thin air. While the case of Carlhag illustrates the trigger as a shocking event for the employees that came out of nowhere, other cases highlight how the transition process had been implicitly going on for a long time before talks about ownership transition were started. Lars, the previous owner of REAL, highlights that it was *"really natural to pass over [the firm] to the employees"*. As he had slowly moved away from the business during the previous years, the employees had taken over increasing responsibility; transitioning the ownership thus felt as if it was part of a gradual development. Lastly, also the personal development of the employees played a part. Most employees had come to know their firm inside out, which enabled them to take the next step continue the company. While few highlighted their innate wish to be owners or entrepreneurs, they were ready to own the company they were working for.

Transition motivations – preservation or development?

Last, throughout the cases we saw diverging motivations regarding why employees finally decided to take over their companies. As an owner-employee outlines, it is important to consider why exactly one takes over a firm: *"you should reflect and think 'why are we doing this?' So you are careful with it, as well as in the process: 'what is the reason we take over the company?' [...] I think this is important, so that you are aware. You shouldn't just do it because it's fun but think it through well."* In case of the employee, the answer of why they were taking over their company was simple – they did so in order to *preserve* the company and their jobs. Fearing that the firm was either closing down or being bought and moved, the employees of Ljuders decided in 1980 to take the ownership of the company into their own hands.

We found the preservation motive among several of the companies in our study. Especially when the transition processed was trigger by external factors, such as the decision by the previous owner to sell the company, there was a high amount of uncertainty, which seemed to trigger the preservation motive. Several factors played a role for this. The most basic driver of preservation was the fear of losing one's job, as highlighted above. But also the thought of an imminent culture change was a motivation to keep the company as it is. Last, the local embeddedness of firms and their employees plays an especially strong role. Asked about whether keeping the company in its home region was important, an owner-employee answered the following: *"Yes, for me it is extremely important. I'm really in love with my home area, and we know that we make a difference, we create job opportunities, we know that people enjoy working in the job, do well here and… so I just don't want this company to move somewhere* *else!"* Taking over the company thus becomes a way to make sure that the company will remain in the region and provide work to the people around. Especially in case of Hälsorum, the local embeddedness played a key role. While they provide job opportunities, they also fulfil the larger role of providing health care to the region; if they close down, it would mean that members of the community would not be treated locally anymore. Thus, the reason to preserve companies has implications beyond the organization itself.

The case of Hälsorum, on the other hand, shows a different motivation why the organization was taken over. As Agneta, one of the first owner-employees highlights, *"we felt, well, that we had enough of being told what we were supposed to do and what not. We wanted to be able to influence the development of our organization based on our own capabilities and what we saw was needed within the environment."* The motivation of taking over was thus based upon the idea to *develop* the organization further and to be able to influence their own resources. Especially in a highly regulated industry, such as healthcare, gaining additional flexibility through owning the company allowed Hälsorum to pursue and create new opportunities.

While we see both motivations as separate, they do not necessarily exclude each other. Hälsorum's mission was very much based on preserving patient care within the region. Carlhag, on the other hand, started the transition process based on the motivation to preserve the firm, yet, developed and grew it over the years after.

Challenges in the pre-transition phase

We have identified several challenges of employee ownership during the pre-transition phase. First, none of interviewees in our study were knowledgeable about questions of employee ownership before they started the transition. Many employees who later became owners had indeed never thought about taking over the company until the right time and circumstances arose. Indeed, it is interesting to note that in several of the cases, the employee ownership transition represented a last resort for the previous owners after other attempts to sell the company or pass it on to a family member had failed. Therefore, the solutions that the companies found are often very idiosyncratic for the local context. Awareness about the possibility of employee ownership transitions and knowledge about ways of doing so could have potentially aided several of the transition processes.

Second, while several of the case companies, such as Maskinsystem or Ljuders, were able to manage their ownership transition relatively independent from external stakeholders, other companies were struggling with creating legitimacy for the employee ownership transition. One owner-employee highlights the struggles to convince the main partner of their solution: *"They were most worried about that there were so many owners involved: 'How will you be able to take decisions effectively? How do you solve that?"* While the employees were able to address such concerns, it nevertheless shows that a lack of legitimacy of employee ownership can strongly impede the process, even before it really starts.

Last, the expert interviews highlight that the institutional environment in Sweden is not conducive to employee entrepreneurship. Often, existing solutions are not geared towards transition processes that include a large part of the employees. Especially the tax system in Sweden is not geared toward fostering employee ownership transitions, creating both problems for the current owners and the soon to be owner employees. Indeed, several of the previous owners described problems in finding ways of not losing too much capital to taxation. Such factors and difficulties may become serious obstacles and may stop a transition before it has even started.

Transition phase – how organizations come to be employee-owned

As the case descriptions already allude to, the case companies have adopted very heterogeneous approaches to employee ownership. From employee ownership that resembles a management buyout to flat, democratic organizations and citizen cooperatives, there is a plethora of solutions addressing the question of how the transition should be led. We especially find differences among the financing process and the general idea of what employee ownership means. Further, our findings highlight the importance of a support network during the transition.

Financing and managing the transition

After deciding to take over the company, the next question naturally became how to finance such transition. As highlighted above, most owner-employees were rather risk-averse, which is why many of the solutions were geared toward avoiding loans and too much debt. Further, the transitions both from the perspective of the previous as well as new owners were geared toward minimizing the financial pressure on the individual employee owners and the organization.

An important aspect for the transition is the amount of turmoil it creates. While extant research highlights that ownership transitions can often be messy and disruptive for the organization, our findings indicate a potentially higher ease of transition in employee-owned firms. First, employees taking over often intimately know their organization, customers, and their co-workers. The CEO of Carlhag describes the situation in the following way: *"we didn't see [the transition] as such a big thing, you know, that we came in as owners, because we came in and bought it ourselves. I said 'it's done on Friday', and on Monday it was business as usual. We came back straight back to our regular workday life, it was… Because this was nothing new we started, I still had the same login… the same office"*. Thus, most companies were able to carry on their work immediately, which eased the transition. Further, many clients, who are often worried about such transitions, often got to know little about the ownership transition. In case of Maskinsystem, it was done without most customers realizing that the ownership of the firm had actually changed.

Further, our findings highlight different approaches to financing the transition. Some of the owner employees were able to finance the transition with their own means. Both The Line and Ljuders were financed through the employees financial means. In case of Ljuders, every one of the 36 employees who took over the firm in 1980 paid 14,000SEK to gain a share of the company. In other cases, the new owners were forced to take on bank loans. The transition of Carlhag for instance was mainly financed through loans granted by a local bank and Almi. Given the size of the company already at that time, the six employees were not able to finance the transition with their own means. Another option utilized to finance the transition are amortization plans. Both REAL and Maskinsystem build the transition on payment plans that were supposed to pay out the previous owner over several years. While REAL utilized both bank loans and an amortization plan, Maskinsystem's transition was fully realized without bank loans. As the current CEO Dan recalls: *"I was clear that if the setup had been that you would have been forced to go to the bank and loan money to buy this company, it would have been quite a lot of money. But we did it so that we set up a repayment plan over five year where we repaid from the company's profit, you could say. So that's what we did, we took our profit money."*

Hälsorum represents an outstanding case in financing the transition. While the first transition needed a bank loan in order to finance taking over the real estate of Hälsorum, the second ownership transition was financed by becoming a citizen cooperative, allowing all members of the community to become part owners. While this transition raised money that helped Hälsorum, it was the legitimacy and the local embeddedness that was the biggest gain. Thus, it is interesting to note how financing forms can provide more than just means to finance the transition.

Agreeing on the meaning of employee ownership

The question of how to organize the employee ownership is another important aspect of the transition process. Who shall be an owner? What happens when an owner leaves the firm? Can new employees become owners? And does employee ownership equal a democratic organization? As our findings show, the solutions to what employee ownership means are in many cases as heterogeneous as the financing approaches outlined above.

An interesting commonality among all case companies is the rejection of 'silent ownership', which is the common type of ownership in publicly-listed firms, in which the owners are not operationally active in the company. Instead, apart from one case, all companies made it clear that in order to be an owner, you need to actively work in the company. Keeping shares even after your employment ends is not a possibility. As one owner-employee argues, the ownership agreement states that *"you are expected to be operative, we shouldn't have any silent partners. […] And I like that… it's a given for us."*. Thus, the case companies handle employee owner exits similarly. The main difference among this is the impact on the organization. In agreements in which employees directly own shares of the company, employee exits can be costly for the company. One of the companies has prepared especially for such types of exits: *"we founded the joint ownership agreement directly, so it states plain and simple how we shall handle an exit. There's an estimation model for the company which will tell you how much the shares are worth and that's what you get the day you leave."*

The ownership agreements on the other hand differ quite substantially regarding how to bring in new owners and what to do when employee owners want to exit the company. Both Ljuders and Hälsorum built their ownership agreements in a way that allows and even encourages new employees to easily become owners in the company. As an employee of Ljuders describes, *"this encompasses that those who newly join the company have the possibility to become part owners if they want. Receive an offer, and if you want to do it and have a full-time job, you can join in. And when you quit you have to also sell your share."* Hälsorum goes even a step further by not only inviting employees to become owners, but also every member of the community. The current CEO recalled that the company even has owners from Stockholm who joined the citizen cooperative because they loved the concept. While Hälsorum and Ljuders explicitly invite new employees to join as owners, in other case companies the employee ownership transition was seen as a one-time occurrence, and the ownership agreement does not incorporate plans to broaden the ownership base. Maskinsystem is a case somewhere in the middle. While the current CEO welcomes new employees as owners, the ownership setup does not easily allow them to become owners; to buy shares, current owners need to sell theirs.

Several owner employees further highlight the importance of setting an ownership agreement early. Partly, such an agreement can ease the worries of stakeholders, for instance regarding conflict among the owners. But it also provides a safety in case the company is not doing as well anymore. As an employee owner argues: *"This is probably one of the most important advices I got and that I keep with me until today, it's to make sure to write an ownership agreement directly when you are good friends and you haven't gone into business as owners, yet. It's much easier doing that when everyone is happy and positive that… now we're here, now we should clearly write down the rules of the game among us. And I am really glad for that, especially since the company has done so well."* As Hälsorum has shown, such an agreement does not need to be set in stone. Transitioning from an employee-owned organization to a citizen cooperative, Hälsorum realized that it needed to change the rules of the game in order to remain flexible and cope with the situation.

Last, even though the literature often equals employee ownership with 'democratic' organizations, the understanding of employee ownership as democracy differed between the companies. While some of the companies highlighted the importance of flat organizational structures, others did not put much emphasis on the democracy aspect. Indeed, while the CEO of Maskinsystem half-jokingly remarks that *"we own [the company] in a communist spirit"*, another one interviewee outright stated that *"I don't believe in flat organizations!"* Thus, our findings clearly highlight the heterogeneity among the different understandings of what employee ownership actually means.

Finding a support network during the transition

As indicated above, there generally was little knowledge about how to transfer ownership to a group of employees. How can such a transition be financed? What are the legal implications? How can we design an ownership agreement that survives eventual conflict? As our findings indicate, in many cases, the owner-employees found support with various external actors who became crucial in the transition process. From lawyers who helped draft agreements to banks that helped outline the financing process to local institutions, there is a plethora of actors who assisted.

The most common type of support was related to questions of contracts, taxes, and financing. Often, the employees taking over the firm had no background in business administration, being engineers, IT specialists, or nurses. Reflecting about the transition process, employee owners at REAL highlight the importance of external help: *"we had an accountant that has helped us a lot. [...] He knew the company as well and was our accountant before, who knew the company, and was, well, a support. And then even the lawyer who wrote the contract, with whom you could also discuss ideas with and so on. [...] I think we haft had quite a good support around us there, and people we could trust in, which we know, who are not new to our world, but whom we know."* As the quote illustrates, the help often came from people close to the company. However, other companies had to venture further to gain support.

The case of Hälsorum illustrates the importance of the support network well. During their first ownership transition in 1991, Hälsorum was in need of help to foster the support; consisting mostly of medical personnel, the was little knowledge about how to transform their organization. As Agneta recalls: *"So we reflected a little while about 'how could this work? And what are the implications?' I think that there were not many of us who had any idea about what an employee owned company, what it actually encompassed. So then we looked for help from 'Kooperativ Utveckling i Jämtland' (Cooperative Development in Jämtland), how it was called then, who can down to us and informed us about what this actually is. And they continued helping us during the process as well."* Ljuders also profited from the assistance of a local association, which guided them during the process. It is noteworthy, however, that this help often remained fragmented, and it was up to the owner-employees to seek it. Thus, our findings show that the solutions are often highly idiosyncratic.

Challenges in the transition phase

Our findings indicate several challenges during the transition phase. First, our findings show how the financing of the transition can be a huge challenge for the employees. As highlighted above, there is little information available on models of how to transfer ownership to employees. This potentially explains why the financing approaches that we see among the case companies differ so drastically. Further, while our report only considers successfully transferred companies, our expert interviews highlight that companies often do not find the right way to finance the transition. As both Sophie Nachemson-Ekwall and Leif Thyrén outline, this has impeded several transition processes, where instead of passing on the company to employees it was shut down. Looking at the empirical findings, it seems indeed to be coincidental whether local banks supported the transition or not. Further, many of the companies included in the study were comparatively small when they were taken over. As several employee owners mention, it would have been much more difficult to pass on ownership to employees in larger firm sizes. Thus, there seems to be an apparent need for financing concepts that fosters the ownership transition.

Second, the findings underline the importance of receiving support during the transition phase. While banks, auditors and lawyers can provide support for the 'hard' questions pertaining financing and contractual details, there is considerably less support for the 'softer' questions of employee ownership. What kind of meaning can employee ownership take? How can you build functioning governance structures? How can you establish a more democratic organization? Such type of support it seems is much harder to come by. This has especially implications for crafting an ownership agreement, as many potentially important issues might be overlooked.

Last, in order to successfully complete the transition, it is adamant to keep unity in the company. As the discussion above about the reason of transitions shows, they often derive from the need of the previous owners to sell the firm. Thus, the transitions can be stressful and uncertain even for those employees not directly involved in the transition process. As the case of Carlhag shows, the transition process can often happen in a short period of time, bringing the involved employees and the organization under a tremendous amount of stress. While it is easy to forget about the everyday work in the company during such a period, owner-employees need to uphold the unity so that the company can continue functioning after the transition. As the CEO of Carlhag recalls, it was extremely important to have all the employees on board.

Post-transition phase – what it means when organizations come to be employee-owned

Our findings from the post-transition phase outline the implications of employee ownership for the organization and its employees. First, our findings highlight that employee ownership does not turn into any kind of democracy, but in our cases comes to resemble parliamentary democracies. Second, we find that employee ownership strengthens the relationship between the organization and its employees, even though keeping this relationship strong is an important challenge that employee-owned firms face. Lastly, our findings indicate the importance and struggles of developing an ownership mindset among the employee owners.

Employee ownership as a 'parliamentary democracy'

Throughout all the cases, it was apparent that the employee-owned organizations all had very flat organizational structures. While this may partly be explained by their size (see Table 2), all interviewees highlighted the importance of creating a flat and often 'democratic' organization. While our expert interviews highlight that public opinion often equals employee ownership with nearly 'communist' types of organizations, our findings highlight that they often tend to resemble parliamentary democracies.

Asking about what made their organizations special, several owner-employees highlighted the flat structure and inclusive decision making, as this quote illustrates: *"We want to have this familiar atmosphere. We have an extraordinarily flat organization. Sure, there are titles. I'm the CEO, there's a chief of sales somewhere, but it's flat […] and there are short decision-making processes and we have an enormous trust in our employees that they take wise decisions, and they feel that they have this authority."* Especially among the non-managerial employees we interviewed, the feeling of being able to influence what happened in the company was pervasive. As an employee illustrates, *"you feel that you're in control over your workplace. [..] It's us who decides if… should we achieve a million SEK in profit, it's we who decide: 'What shall we do with this profit? Shall we distribute it among ourselves or invest it in the company?' […] There is no one else who decides."* Thus, among most of the companies, there was also a high level of transparency, allowing employees to gain insights into what was happening to their organization.

While the employees are thus an important part of the decision making in the companies, all companies highlight that they nevertheless need to work like a 'regular' organization as well. Our findings indicate that employee-owned organizations rather resemble parliamentary democracies. In many of the firms, the owner-employees decide about who represents them in the board of directors. As the CEO of one of the companies argues: *"You have the board of directors and you can influence it during the shareholders' general meeting, but in the daily business it's not anymore… on paper, it's more democratic than anything else, but… […] Even if I had been CEO in another company that was not employee-owned, I would be doing the same things than today, delegate a lot of decisions. So we don't… we have nothing extra democratic… […] if everyone takes decisions about everything, there is still the risk that there hardly will be any decisions."* This rather pragmatic view on what democracy in employee-owned firms means was shared among several companies in our study. Especially since not all employees have the same interest in shaping the company, such solution allowed the employees to voice their opinion without compromising the ability of the company to take decisions.

While our findings thus highlight the democratic character of these organizations, several owner-employees explicitly highlighted the importance of certain individuals in the transition process. Agneta, the Chairwoman of the board of directors and previous CEO of Hälsorum, calls them the 'driving spirits' that help the group overcome problems: *"I think it's important that there are 'driving spirits' who can convey… even if things are a little cumbersome and tough, that they can convey that it is possible, to work for something positive. […] And to ttry to convey this also to the rest of the group, to not give up but roll up your sleeves!"*.

In overall, employee ownership as an organizational form seems to be able to accommodate a wide range of employees and different levels of commitment. By relying on ideas of parliamentary democracy, all employees have a say in the fate of the organization, without, however, having to be active on the same level. An owner-employee sums up this argument well: *"It's super important that we have this dialogue with each other. But then, if not everyone is super interested, you have to accept that. Then there are those who are extremely engaged, so there is space for everyone, really. But there is no one who should feel like I never got the chance to say something or give my opinion."*

Strong employee relations

Regarding the implications of employee ownership, our findings show that it improves the relationship between the organization and its employees in several ways. All companies highlight the strong engagement of their employees and special culture that is in place. Owner-employees seem to be more willing to go the extra mile for their organization and even take cuts in pay when things do not go as planned.

In all companies we interviewed, the care for the employees was evident. While profit and growth are per se not unimportant, they take a backseat over job security and the wellbeing of employees. One CEO explicitly makes the case about this trade-off: *"I can certainly see relinquishing some of our profitability in order for our employees to feel well, and for our company to continue; that's the most important for me. Then I don't need to make sure that I as an owner receive money but can relinquish it instead."* Indeed, throughout all companies, the employees outside of the management indicated that they were very happy and were doing well in their workplace. Several of them described feeling valued in their organization and that their work was more meaningful, since they were basically working for themselves. Accordingly, the employee-owned companies we studied saw an overall low turnover rate.

This relationship, however, is mutual, and our findings indicate a high level of commitment to the organization and engagement in the everyday work. Employees recount feeling a higher level of responsibility for their work and having more freedom to shape their jobs. This freedom results in increased engagement and a strong bond to the company, as for instance the CEO of Hälsorum explains: *"There is an enormous engagement in driving the health center and making sure it remains here […]. Those who are employed… we have an incredibly low turnover. […] If you've started working here, you hardly ever quit."* This engagement for the organization seems to not only hold in good times, but especially helps during moments of crisis. When Maskinsystem lost one of their main clients during the financial crisis in 2008, the employees agreed to lower their salaries by 10% for a year, something that would be unthinkable in most other organizations. As Dan, the CEO recalls, *"there was no one who complained"*; instead, the move sent a powerful signal to both internal and external stakeholders. Ljuders also had found itself in a similar situation in the 1980s and was able to overcome a crisis as well.

This positive relationship between the organization and its owner-employees was also evident in how the interviewees described their organizational culture. The phrase of the owners being a 'tight group' popped up in nearly every interview, like the notion of having a special 'we-feeling' in the organization. Especially as the employee-owned organizations were growing, the owner-employees tried to make sure that this feeling survived. Thus, several of the companies abstained from too fast growth in order not to damage their company culture.

Developing an ownership mindset

An important aspect of the post-transition phase in nearly all companies was the development of an 'ownership mindset'. Moving from an employee toward an owner-employee entails a new set of responsibilities and a different way of thinking about the business. Further, many employees took on new managerial roles when taking over the business, which in turn added to the complexity of what it means to be an owner-employee.

A point that was especially apparent for those owner-employees active in the running of the company was the addition of new roles. While previously, many of them were regular employees, they now had several roles to balance. As an owner, it was important to think about such things as the taxation of the company and investments to be made. Further, those that took on new management roles had to balance being employees, managers, and owners at the same time. Transitioning into these new roles was therefore not always simple, as the CEO-owner of one of the companies explains: *"We actually have three hats. I'm the acting CEO, I am... what's it called, part owner as well, and I am also an employee. So, it's just extremely hard to know which hat I'm wearing when we discuss certain questions. […] Is the question in the right arena? Is it a leadership question, or a question for the board of directors, or is it an ownership* *question? And especially when all owners sit in the same room and discuss, it can be tough for us to dissociate this. What's best for me as an employee or what's best for me as an owner?"* Given the prevalence of managerial and employee roles in the everyday work, it is thus not surprising that in several cases, the ownership role received least attention.

Several of the cases show that it took several years for the employees to grow into the ownership role. This is especially linked to the development of the corporate governance in the companies. Reflecting about how their work as owners has changed, an owner-employee recalls how early meetings of the board of directors were preoccupied with detail-oriented operational questions. It had taken the owner-employees several years to develop a more strategy-oriented work in the board of directors. The owner-CEO of another company also highlights that the owner meetings are still too much grounded in everyday routine work, instead of focusing on strategic work. Several of the companies thus highlight that they currently work on bringing more focus toward long-term goals of the organizations.

It is interesting to note that only few of the companies had a well-defined goal outlined for their employee ownership. Often, the original aim of taking over has remained as the guiding idea. Especially for those owner-employees who have taken over the ownership in order to preserve their jobs, the findings indicate that it is difficult to find a new aim. What do you do when your job is secure? Where should you go after? An owner-CEO illustrates this situation: *"The goal is to keep the jobs. But still, you need to kind of maintain a reason are for us to be employee-owned! […] Is it to keep the jobs? To make money? To grow? So, at least to talk about it. I think that it's easy to forget about this."* Accordingly, several of the companies have recently begun a dialogue around the goals and vision of their business to better understand why they are employee-owned.

Challenges in the post-transition phase

Based on our empirical findings, we have identified several challenges in the post-transition phase. First, several of the companies outlined the challenge of keeping the engagement and feeling of ownership among the employees alive over time. The question of keeping many owners involved and interest in the business is indeed an important issue. As highlighted in the literature review, the 'degeneration' hypothesis, which states that employee-owned businesses move towards failure over time, largely rests upon organizations not being able to keep up the ownership engagement. Thus, these organizations face the challenge to proactively work against a loss of interest among their shareholders. As the above discussion shows, and important part of achieving this seems to be the creation of a common goal and vision.

Second, employee-owned companies face the challenge to renew the employee ownership over time. Several of the companies included in this report started out with a high number of employee owners, which has, however, reduced over time. While for instance family firms often only face one time of succession, when one generation passes down ownership and management to the next generation, employee-owned firms need to foster a continuous ownership succession in order to keep their ownership form alive. As the companies that have been employee-owned for the longest time, both Ljuders and Hälsorum have addressed and managed this challenge by fostering a favorable way to introduce new owners and ease out leaving owners. Hälsorum further shows that employee owned companies need to ask themselves whether their ownership model is still the right form. In case of Hälsorum, the transition to a citizen cooperative brought new opportunities to the company.

Last, our findings indicate that the lack of external support can become a problem for employee-owned companies. Several interviewees mentioned that they would like to introduce an external to the board of directors to help with strategic work and developing a long-term goal. While this does not have to be an issue per se, it increases the danger of falling into group-thinking. Even though strong chemistry between the owners can be a good thing, it might impede the process of changing the company and reacting to new development. Thus, being able and willing to integrate external actors is a key challenge for employee-owned firms.

When employees take over – implications for practice, policy and research

The main goal of this report was to investigate the process of when employees take over their firm. In order to go beyond the current status quo investigating mostly large, publicly-listed firms and their ESOP programs, we investigate the ownership transfer in small- and medium-sized enterprises in Sweden. Doing so, this report provides new and insightful answers to the following questions:

- How does the process of ownership transition to employees unfold?
- What are the organizational implications of employee ownership, and how does work change when employees take over?
- What are challenges and opportunities when employees take over companies?

First, our report shines light on the heterogeneity of employee-owned organizations. Most of the current literature implicitly understands employee ownership either as ESOPs or cooperatives, (Cheney et al., 2014; Kim & Patel, 2017; O'Boyle et al., 2016). In opposite to this, our findings highlight a broad range of solutions that each work in their specific context. Especially regarding the financing structure, ownership agreements, and transition motivation, our findings show how and why employee-owned firms come to differ. Further, by investigating the combination of control and return rights, we research employee-owned firms that empower their employees. Thus, our report calls for more research into how specific forms of employee ownership come into being and may develop over time.

Second, our findings shed light on the employee ownership transition process, investigating how 'regular' organizations become employee-owned. Splitting the process into three phases, we outline elements of the process as well as challenges that owner-employees face in each of the phases. Thus, we extend the employee ownership debate into the realm of ownership succession, which so far has mostly been treated by the family business literature (Nordqvist et al., 2012). Especially in the context of Sweden, understanding how and why organizations come to be employee-owned, and what the implications are for the organization and its employees is important (Nachemson-Ekwall, 2018). Employee ownership might thus be a way to strengthen rural regions and communities (Baù et al., 2018).

Last, our findings add to the growing knowledge on the implications of employee ownership. Going beyond studies on the performance of employee-owned firms (Kim & Patel, 2017; O'Boyle et al., 2016), our findings indicate that employee-owned firms represent a special type of organization-employee relationship (Coyle-Shapiro & Shore, 2007). This relationship is characterized by mutual care and engagement. Employee ownership thus might be an important ownership type to build positive organizations that cater to the wellbeing of their employees (Dutton & Ragins, 2007; Fisher, 2010).

Given the recent interest in the topic of employee ownership especially in the Swedish context (Jones, 2018; Nachemson-Ekwall, 2018; Tyrén et al., 2014), our findings have clear implications for practitioners and policy makers.

Practical implications

Our report has clear implications both for business owners contemplating about the ownership future of their company as well as for employees thinking about taking over their firm. In the general discourse on ownership transitions, the three most common alternatives are to sell the firm, pass it down to a family member, or shut down operations. Selling the company to the employees is often not even on the radar of most business owners. Indeed, our report indicates that most of the ownership transfers to employees were only initiated after attempts to sell the company fell through. In none of the cases, ownership transition to a family member was an option. While the employee ownership solution thus became a 'last resort' before closing down the company, it does not have to be. Indeed, selling the company to your employees might provide to be the best of both worlds. On the one hand, the previous owner of the company will get paid for the company, similar to selling it to an outsider. As the cases indicate, such payment does not even need to be significantly lower than the market price. On the other hand, such a solution keeps the business and oftentimes its culture and values alive, similar to a family ownership transition. All of the previous owners we talked to were glad that their company remained and was in good hands. Being able to see it thrive and visit it occasionally was an important part of their decision.

For prospective employees who contemplate taking over the company, our findings indicate the importance of starting the process early and taking time to find the right group of people and solution for the transition process. Most of the transition processes were triggered when the current owner was about to sell the business, or, in case of Hälsorum, by an organizational crisis. Starting the process proactively may allow to find a long-term solution to both financing as well as allowing for a longer transition period, in which both old and new owners work together in the business. The case of Maskinsystem, in which the previous owner remained for another five years as an employee-owner, is an example of how to simplify the transition process and allow the new owners to learn the ropes of the managerial side of the business. Moreover, it allows for contemplation about the goals of taking over the company that go beyond preserving the jobs.

Starting the process early also allows for a longer period of preemptively talking to important stakeholders. Both for current and prospective owners, it is vital to find and build a support network for the transition process. Several of the owner-employees had entrusted professionals, such as accountants or bank representatives, who helped them in managing the transition process. Further, as our empirical findings indicate, local associations and the community around can be surprisingly important in fostering the ownership transition process. Several companies relied on the help of organizations such as Coompanion or, in case of Hälsorum, Cooperative Development in Jämtland, a smaller local organization. Working closely together with such actors might increase the legitimacy of the ownership transition and can help to successfully undertake the ownership transition.

Policy implications

Further, our report raises several issues for policy makers. As our findings clearly show, employee ownership as an alternative form of organization lacks both awareness as well as legitimacy. The lack of awareness is problematic because it essentially takes employee ownership off the menu as a viable option for most organizations. Thus, a company that closes down might well have been taken over by employees if the option to do so was wider-spread. Furthermore, as our findings indicate, employee ownership often takes the role of a 'last resort' before closing down operations. In such situation, there is often less time to plan the transition, which complicates the process and may even end it before it has started. The lack of awareness is closely linked to the low legitimacy for employee ownership as well. The case studies show that often, the institutions that the owner-employees were in contact during the transition had little knowledge about employee ownership and were thus doubtful and cautious in supporting the transitions. Thus, for policy makers, it is important to increase awareness about employee ownership, and through this, increase its legitimacy as an alternative organizational form that can nevertheless work. This report, along with other current publications on the topic (Nachemson-Ekwall, 2018; Tyrén et al., 2014), hopefully plays a part in increasing awareness. Initiatives such as the Swedish Jämlikhetspris, which both Ljuders and Hälsorum have received over the last years, further raise awareness and showcase companies that have successfully transitioned into an employee-owned company. Supporting such initiatives is therefore a viable way to strengthen the discourse on employee ownership.

Furthermore, policy makers face the challenge of incorporating employee ownership into the existing framework of ownership structures. Our expert interviews and empirical findings indicate that the Swedish system is not well-suited to support employee ownership transitions. Instead, it disincentivizes employees and current owners through high taxes and a lack of institutional support. Further, as the different approaches that the companies engaged in to navigate this environment show, there is no clear and easy way for employees to take over their business. Such issues may both hinder the process as well as keep potentially interested employees from taking over their firm. It is therefore vital to lead a discussion about different types of employee ownership in order to understand which type of employee ownership is desired. Doing so allows to further incentivize and ease the transition through financial support systems and programs geared toward helping employees finance the transition. As the case of Carlhag illustrates, without the help of Almi, the transition would not have been possible. Financial programs and support could thus strengthen employees during the transition process.

Last, our findings show that governmental support often works especially well through locally-embedded organizations. Such organizations often understand regional differences well and have long-standing ties to local communities as well as financial partners, such as banks. Furthermore, being part of the local community, they have an extra motivation to help keep companies alive. Since ownership transition processes often only happen once for employees, it is important to strengthen organizations that garner knowledge of many employee ownership transition processes and are able to support organizations without such experience. Given especially how many family firms for instance face an ownership succession over the coming years (Nutek, 2004; PwC, 2012), new options to keep such type of companies alive are needed. With the help of locally embedded organizations, employee ownership can become a viable option to strengthen rural communities and avoid the shutdown of local companies. Programs fostering locally embedded organizations that can support the employee ownership transition process may thus pay off in the long run.

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