

Worker Performance and Voluntary Turnover in Worker Cooperatives

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## **Worker Performance and Voluntary Turnover in Worker Cooperatives**

The management, economics, sociology, and psychology literatures describe a multitude of avenues through which organizations attempt to succeed. One of the most traveled of these is the management of human capital, which usually involves attempts to optimize the return on investments in the workforce. These returns are frequently examined in terms of employee job performance and voluntary turnover. Despite voluminous research on how best to facilitate employee performance and to limit turnover, it is unclear how conventional wisdom regarding these crucial behaviors applies when the fundamental nature of the employer-employee relationship is markedly altered. The worker cooperative (WC) provides a particularly salient and substantially understudied example of such an alternative relationship. Distinctly different from organizations that are not cooperatives (referred to hereafter as NWC's), WC's are democratic workplaces characterized by voting rights for workers (members), production and strategic decisions made by workers (often via majority rule), and worker ownership of net income and sharing of profits (Luhman, 2007). This context, with its extreme participation and ownership, relative to NWC's, has unique implications for what constitutes and drives quality worker performance, and for what leads workers to decide to quit. Consequently, given that all that is known about job performance and turnover has been derived from research on NWC's, WC's provide an ideal vehicle for investigating new insights into these important behaviors. Specifically, we explore collectivism, power distance, and materialism as worker characteristics that may be of particular relevance to acquiring and retaining talent in the WC environment.

The primary potential contributions of this study are fourfold. First, the results of this study should inform the WC literature, which is lacking in individual-level examinations of managing the workforce, as to what factors drive worker performance and retention in WC's.

Second, this study should subsequently help to identify specific worker recruiting and selection strategies that will allow WC's to hire individuals more likely to perform at a high level and less likely to quit. Third, by extending the employee performance and turnover research to WC's, the results here will inform the broader management literature as to what predicts these crucial behaviors in situations where employee participation, ownership, equality, and autonomy extend beyond the levels usually present in the NWC environment. This latter contribution will become increasingly important as WC's become more prevalent and as NWC's increase participation, ownership, and autonomy among employees. Indeed, given the generally positive effects on organizational performance of worker participation (e.g., Doucouliagos, 1995; Miller & Monge, 1986), ownership via profit-sharing (Weitzman & Kruse, 1990), and WC's themselves (Craig et al., 1995), the current evolution toward greater employee empowerment, participation, and ownership would seem likely to continue. Finally, this study potentially has at least indirect ramifications for the economic impact of WC's. Such impact will increase to the extent that WC's survive and thrive. These outcomes will be more prevalent, all else equal, when the WC workforce is comprised of higher performing workers that are less inclined to leave. Thus, learning what drives workers to excel at and remain in WC's may yield information that can be used to help enhance WC presence and impact in the economy.

## **CONCEPTUAL DEVELOPMENT**

### **Why Job Performance and Voluntary Turnover Matter**

Job performance is one of the most frequently studied constructs in the management literature. Moreover, virtually every other construct studied in this literature is at some point tested as a possible job performance antecedent or consequence. The rationale behind the attention paid to job performance is simple: as numerous authors have stipulated, higher

performance at the individual level, all else equal, will translate to higher organizational performance (e.g., Becker & Gerhart, 1996). While the direction and existence of the relationship is rarely questioned, it is important to note that the strength of this association will tend to be greater under certain conditions. For example, in service industries, employee performance is of paramount importance, as labor is often both the dominant cost and the dominant determinant of success (e.g., Terpstra & Rozel, 1993). Another condition under which organizational success would appear to be increasingly dependent on worker performance would be in WC's. Here, workers typically make both the key strategic decisions as well as the everyday operating decisions. The fundamental WC tenet of one member-one vote, by definition, puts the WC's fate directly into the hands of the workforce.

To date, however, no research exists that directly addresses what individuals will best handle this responsibility. That is, in WC's, where workers are likely more responsible for organizational success or failure than in otherwise comparable NWC's, we know nothing more about individual performance than what we infer generalizes from the NWC literature. To the extent that this limited knowledge base constrains WC's from selecting those individuals most likely to perform well, the success of these organizations is jeopardized, particularly given the extreme influence of each worker in the WC organization.

As is the case with job performance, voluntary turnover is a key employee behavior that we know much about in general but little about in the WC context. The importance and impact of voluntary turnover is well documented. Financial costs associated with turnover (e.g., separation, recruitment, selection, and training) are quite high, with per-leaver cost estimates of from 1.5 to 2.5 times the leaver's annual salary (Cascio, 2000). Moreover, higher turnover rates in organizations and business units consistently have been shown to yield unfavorable

consequences such as diminished customer service, productivity, and financial performance (e.g., Batt, 2002; Huselid, 1995; Kacmar et al., 2006). Hence, assuming that turnover yields similar disruptive outcomes in WC's, understanding turnover dynamics that are specific to the WC context is of considerable interest.

Relative to the traditional NWC environment, the extreme worker participation and ownership principles of the WC result in an worker experience that differs from the experience in NWC's (e.g., via the group-based financial rewards, the worker participation in strategic and operational decisionmaking, and the egalitarian climate). Such experiences typically are influential in worker motivation and performance, as well as in workers' sense of attachment and turnover behavior. Consequently, the manner in which individual characteristics of WC workers produce high performance and lead workers to quit also may be, at least in part, unique to WC's. To the extent that this is true, the existing explanations for individual job performance and voluntary turnover are likely to be deficient in yielding an understanding specific to WC employment. Hence, given the criticality of individual performance and voluntary turnover to WC performance, the dearth of job performance and turnover research in WC's, and the likelihood that certain performance and turnover dynamics are unique to WC's, our interest here is to begin to explore what individual characteristics best predict job performance and voluntary turnover in the WC context.

### **Worker Fit with the WC Context**

We look to three potential performance and turnover predictors that are both of particular interest from a WC perspective and that may yield predictions that differ from those in the NWC context. A common thread runs through the rationales for each of these three predictors: job performance will be enhanced, and voluntary turnover probability will diminish, as worker *fit*

with the WC environment improves. The fit between worker characteristics and the work environment is an example of individual-by-situation interdependence that is a fundamental tenet of social psychology, both inside of the employment context and beyond. We emphasize that we do not hypothesize about fit per se, but rather infer it from the degree that individual characteristics deemed highly compatible with a WC environment are present.

Chatman (1989; p. 339) defined person-organization fit as “the congruence between the norms and values of organizations and the values of persons,” and most studies conducted on person-organization fit since that time have used a similar conceptual approach, although scholars have often extended fit criterion beyond Chatman’s values focus. Parkes (1994) argued that a poor fit between personal characteristics and the work environment produces negative psychological consequences, but favorable psychological outcomes emerge from a good fit. Similarly, Fernet et al. (2004) maintained that certain individual characteristics affect psychological adjustment as a function of how well they match up with specific work environment characteristics. These perspectives, supported in a variety of empirical studies (e.g., de Rijk, et al., 1998; Salanove et al., 2002), suggests that the fit between the WC context and individual characteristics predicts who will adapt well in WC’s. This fit-driven psychological adaptation, we argue, subsequently should predict voluntary turnover, which is a consequence of worker attitudes and perceptions. The two most studied and well-supported attitudinal precursors of turnover are job satisfaction and organizational commitment (see Tett & Meyer, 1993, for a review). Furthermore, meta-analysis (i.e., a review that quantitatively aggregates the results of all relevant research on a relationship of interest) results indicate that fit strongly predicts satisfaction and commitment (Kristof-Brown et al., 2005). Moreover, fit also predicts voluntary turnover itself (see Kristof-Brown, 2005, and Hoffman and Woehr, 2006, for meta-analytic

reviews), at least in part through such attitudinal mediators (Arthur et al., 2006). Hence, we expect that WC workers that fit best in the high participation, high ownership, egalitarian, cooperative environment will tend to be more satisfied and committed, and thus less likely to leave.

Application of the fit perspective is instructive with regard to job performance as well. For instance, job performance has been argued to be a function of the match between an individual's personality characteristics and the job held (George, 1992). Conceptual explanation for how fit should lead to job performance parallels the turnover dynamic. While Kristof-Brown et al. (2005) and Hoffman and Woehr (2006) found that fit predicted job satisfaction, organizational commitment, and job performance, Arthur et al. (2006) found meta-analytic evidence that the two attitudes mediated the fit effect on job performance. Consequently, consistent with these findings, we expect that WC workers high in certain characteristics will fit better with the WC environment, thus becoming more satisfied and committed, which in turn should lead to enhanced job performance. Additionally, the behavioral correlates of the qualities that lead to a good fit in the WC (e.g., cooperative tendencies) may also be elements of actual performance criteria that are evaluated, which should further contribute to a fit-performance effect.

Because fundamental aspects of the WC are high worker participation in decisionmaking, worker ownership and subsequently shared rewards, and worker control over how the organization is run, we focus on individual characteristics that should yield salient fit within this context. Individuals high in these characteristics should, all else equal, fit better, perform well, and remain with the organization. Thus, our aim is to identify the specific attributes that will contribute to the suitability of the worker in the WC environment. Support for our turnover and

performance propositions will produce practical recruitment and selection implications for WC's and for NWC's moving in the direction of workplace democracy and employee empowerment. It will also provide new insights into the importance of participation and ownership as boundary conditions in existing performance and turnover conceptual frameworks. Although future research in this area will likely expand on our initial set of predictors, it appears likely that collectivism, power distance, and materialism should match well with the WC environment, thereby paying dividends in increased job performance and reduced voluntary turnover.

### **Collectivism**

Collectivism is a cultural dimension that describes the degree to which people in the culture typically behave in a communal way and have their behavior primarily shaped by in-group goals and norms (Mills & Clark, 1982). Recognizing that there is large variation in the extent to which individuals within a culture are actually representative of this group-first mentality that is often used to describe the culture as a whole, scholars have also taken to looking at collectivism at the individual level. Hence, it is well accepted, for example, that there will be people living in very collectivist cultures who are much more individualistic than collectivist. At the individual level, collectivism has been defined as a preference for fulfilling the needs of the group rather than the individual (Cohen, 2007).

The high degree of worker ownership in WC's, and the subsequent shared interests among the workers, promotes cooperation (Leadbeater, 1997). Thus, workers high in collectivism, with their enjoyment of collaborative work (Eby & Dobbins, 1997) and prioritizing of in-group harmony (Clugston et al., 2000), clearly should be more compatible, relative to their low collectivism peers, in the WC environment. Because such person-organization fit is a strong predictor of satisfaction and commitment (e.g., Kristof-Brown et al., 2005), high collectivism



workers should be less likely to quit. In terms of job performance, we would expect that worker cooperatives would be structured such that cooperative behavior was an element of performance expectations and evaluations. Research has shown that collectivists working in simulated collectivist cultures do in fact produce more cooperative behavior than do individualists (i.e., those low in collectivism) in these cultures (Chatman & Barsade, 1995). Furthermore, it has been argued that collectivists' ideological commitment to the group members yields higher levels of motivation (e.g., Jossa & Cuomo, 1997). Consequently, in addition to making turnover less likely, high collectivism in the WC environment should translate to high performance.

H1a: Collectivism will be positively related to job performance.

H1b: Collectivism will be negatively related to voluntary turnover.

### **Power distance**

As a second cultural dimension that has become a construct of interest at the individual level, power distance reflects the extent to which group members accept the unequal distribution of power in organizations (Clugston et al., 2000). Workers low in power distance, by virtue of preferring participation and having their voices heard to top-down authoritarian decisionmaking, should be those that fit best in the WC environment, where decisionmaking power is allocated to all via the one member-one vote principle. Moreover, those low in power distance should be a better fit with the flatter, group-based compensation structure typically seen in WC's, as these more egalitarian systems (lower pay differentials, sharing in profits) are more appropriate when power distance is low (Gomez-Mejia & Welbourne, 1991). Hence, given their participation and rewards preferences, low power distance workers should be energized by the WC decisionmaking structure, extrinsically motivated by (or at least comfortable with) the egalitarian

reward system, and generally satisfied with and committed to the entire cooperative ideal. This suggests the following turnover and performance consequences.

H2a: Power distance will be negatively related to job performance.

H2b: Power distance will be positively related to voluntary turnover.

### **Materialism**

A third individual characteristic that has implications for worker fit in a WC is materialism, which is a personality orientation in which worldly possessions and wealth play a central role in life. For reasons that tap into both financial and social dimensions, materialism would seem to be antithetical to an individual's success and long term happiness in a WC. Cable and Judge (1994) found that materialism had a strong positive linkage to the importance people place on high pay level in jobs. While exceptions no doubt exist, research indicates that WC's often pay less than their product market competitors (e.g., Jackall & Crain, 1984; Rothschild-Whitt, 1976; Staber & Aldrich, 1987), suggesting that materialists' needs may go unsatisfied in this environment. Additionally, materialists are less likely to engage in organizational citizenship behaviors (Torlac & Koc, 2007), which are discretionary behaviors outside of one's job description that are of value to the organization (e.g., helping a new employee). To the extent that such behaviors are highly valued in the WC culture, as we would expect, less materialism would promote better fit. Similarly, Belk (1985) positioned materialism as a positive correlate of envy and nongenerosity, while Kilbourne et al. (2005) found it to be positively related to preferences for authority and power but negatively related to preferences for equality and justice. Hence, materialism appears to be a particularly poor fit for the values, organizational design, and reward structures typically associated with WC's. As a result, we predict that highly materialistic workers will be less likely to be well motivated and well

appreciated, resulting in lower performance, and will be more likely to find the environment disagreeable, thereby increasing turnover likelihood.

H3a: Materialism will be negatively related to job performance.

H3b: Materialism will be positively related to voluntary turnover.

### **Potential Moderation by Cognitive Ability**

In addition to our predictions regarding collectivism, power distance, and materialism (see Figure 1, top, for summary depictions of the relationships), we also examine the potential moderating role of cognitive ability, which is the central construct in the large body of research on job performance prediction (in NWC's). A myriad of studies and meta-analyses indicate that the single best predictor of job performance is cognitive ability (e.g., Hunter & Hunter, 1984), sometimes referred to as general mental ability. While this positive relationship extends across virtually all jobs, it does tend to be stronger as job complexity increases. Given the generalizability of cognitive ability, we expect its relationship with performance to emerge in the WC context.

While the finding of a cognitive ability effect in a WC environment is expected, the more intriguing use of the construct in this context is to examine whether it sheds additional light on our earlier hypotheses. Several authors have argued that cognitive ability and employee motivation interact to produce job performance effects above and beyond the positive impact of each of the two factors. The general contention is that, when ability is high, motivation translates to the capable application of knowledge and skill to the situation, thereby producing high performance; but when ability is low, motivated employees, constrained by low knowledge and skill, are less effective at meeting the performance situation's demands (Wright et al., 1995). Given that fit should lead to commitment, satisfaction, and subsequent motivation, it may be that

the collectivism, power distance, and materialism that we cite as fit predictors in the WC context might similarly interact with cognitive ability. That is, the motivation to perform that results from fit with the WC should be more likely to manifest in higher job performance when the worker has better capability to direct effort wisely and thus translate effort into performance.

H4: Good fit with the WC (i.e., high collectivism, low power distance, low materialism) will be more strongly related to job performance when cognitive ability is high (see Figure 1, bottom left, for a visual depiction).

There is also reason to expect that cognitive ability will moderate our hypothesized turnover relationships. Trevor (2001) argued that job dissatisfaction would be more likely to lead to turnover for employees with more to offer the job market. Employees were argued to be more likely to act upon dissatisfaction when they had better actual opportunity to do so. Cognitive ability yields improved ease of movement in the job market via its positive relationships with externally visible signals of employee quality (e.g., performance on selection tests, performance in interviews, promotions, and performance in work sample assessments). Thus, employees high in cognitive ability, by virtue of enhanced opportunity, enjoy greater freedom to act upon dissatisfaction by leaving. In support, Trevor (2001) found stronger satisfaction effects when cognitive ability was high. We have argued that low collectivism, high power distance, and high materialism increase turnover tendencies via misfit with the WC and subsequent low satisfaction and commitment. To the extent that this is true, high cognitive ability should, by virtue of greater freedom to act upon desire to leave, result in stronger negative effects of fit on voluntary turnover.

H5: Poor fit with the WC (i.e., low collectivism, high power distance, high materialism) will be more strongly related to voluntary turnover when cognitive ability is high (see Figure 1, bottom right, for a visual depiction).

## METHODS

To conduct this study, we require access to a single WC with over 100 workers from whom we can acquire data. Certainly, multiple WC's would enrich the study by providing variation in organizational characteristics that might be of interest (e.g., degree of participation, size of the WC), enhanced generalizability, and greater statistical power with which to observe relationships. For clarity's sake, however, we will continue from this point forward under the assumption that a single WC will house our sample.

Ideally, the WC already would have collected applicant data on all constructs of interest in the study. Because that is extremely unlikely, we would need to follow one of two paths to data collection. In the first, we would institute applicant data collection at a certain point in time and then return about one year later to collect job performance and turnover data. This approach would be advantageous in terms of when the constructs were measured, as the individual characteristics at the time of hire are exactly what we hope to speak to with our study's results. It would, however, also require a relatively large WC so that we could collect data on enough eventual hires in a relatively brief time span (e.g., should it require five years to come up with 100 hires, the context may have changed considerably over time, potentially biasing our findings). The second approach to data collection greatly reduces the problem of sample size accumulation by acquiring data in a concurrent, rather than predictive, fashion. Here, the independent variables would be collected at a single point in time for as many workers (rather than applicants) as possible. We would then also collect job performance data and attempt to

predict performance with the concurrently collected independent variables. Turnover data would be acquired approximately one year after the measurement of the other variables.

The latter approach is likely to be the most viable path for this study. The downside of this approach is that we must assume that the independent variable data collected during employment are representative of the data used in the selection process. The danger here is that a third variable that occurs between hire and our measurement could drive increases both in the predictor and the outcome (e.g., a training program that produces higher collectivism and improved job performance). This potential threat to internal validity, however, is reduced because collectivism, power distance, and materialism are generally considered to be at least somewhat stable over time. To enhance confidence that bias is not present, we could assess a small group of new hires upon our first visit to the WC, and then reassess them one year later when we return to collect the turnover data.

### **Key Perceptual Measures**

Collectivism. We measure collectivism with the cultural scale that Dorfman and Howell (1988) adapted from Hofstede's (1980) collectivism scale; this adaptation brought the (typically) national level cultural focus from Hofstede's measure to the individual employee level. Participants indicate level of agreement with the following statements: "group welfare is more important than individual awards," "group success is more important than individual success," "being accepted by members of your work group is very important," "employees should only pursue their goals after considering the welfare of the group," "managers should encourage group loyalty even if individuals suffer," and "individuals may be expected to give up their goals in order to benefit group success." The items use 5-point Likert-type response formats anchored by "strongly disagree" and "strongly agree."

Power-distance. Similar to the measure of collectivism, we assess power distance with Dorfman and Howell's (1988) adaptation of Hofstede's (1980) power distance scale.

Participants indicate level of agreement with the following statements: "managers should make most decisions without consulting subordinates," "it is frequently necessary for a manager to use authority and power when dealing with subordinates," "managers should seldom ask for the opinions of employees," "managers should avoid off-the-job social contacts with employees," "employees should not disagree with management decisions," and "managers should not delegate important tasks to employees." The items use 5-point Likert-type response formats anchored by "strongly disagree" and "strongly agree."

Materialism. To measure this construct, we use the Richins and Dawson (1992) materialism scale. Examples of the 18 items include: "some of the most important achievements in life include acquiring material possessions," "I usually buy only the things I need" (reverse scored), and "I have all the things I really need to enjoy life" (reverse scored). The items use 5-point Likert-type response formats anchored by "strongly disagree" and "strongly agree."

## CONCLUSION

We will conduct multivariate statistical analyses to infer whether our hypotheses were supported. Various additional data (e.g., worker age, organizational tenure, race, sex) will be accounted for to allow more confidence that these inferences are valid. As noted above, the relationships that we expect to find are depicted in Figure 1.

Because aggregated human capital frequently drives organizational performance, interest in how best to predict job performance and voluntary turnover has always been at the forefront of research in human resource management. Extending this research to WC's has the potential to inform the extant literature as to how best to predict these important behaviors under extreme

levels of employee ownership and participation. Moreover, this work would have specific practical implications for WC recruitment and selection strategies. Given that the fate of a WC, virtually by definition, is a function of the decisionmaking acumen of its workers/members, learning how best to find and keep high-quality members is a worthy undertaking. The economic and societal impacts of worker cooperatives will be enhanced to the extent that they more effectively acquire and retain their members.



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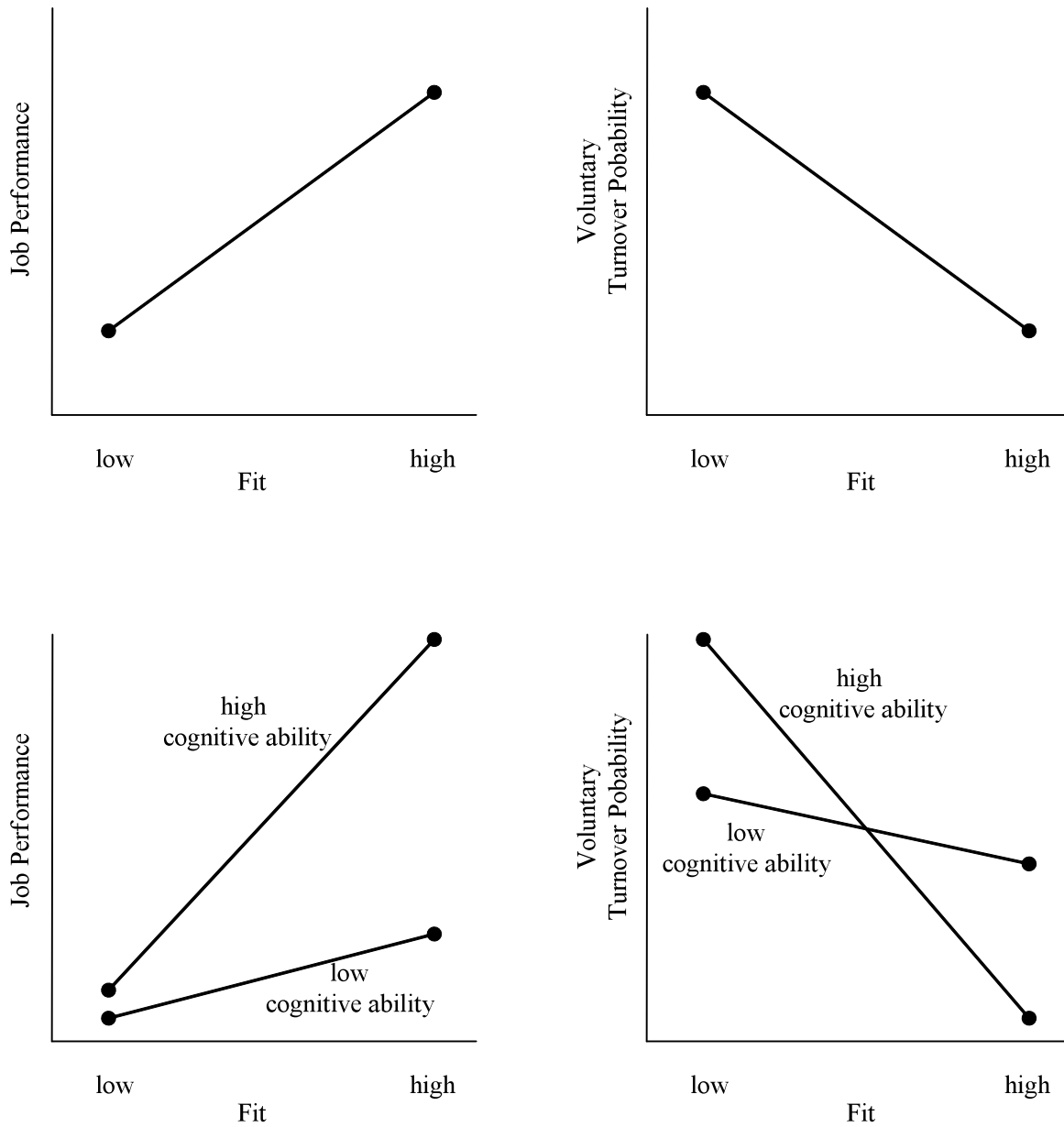
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FIGURE 1

Predicted Main and Moderated Effects of Fit<sup>a</sup> on Job Performance and Voluntary Turnover



<sup>a</sup>“Low Fit” denotes low collectiveness, high power distance, and high materialism; “High Fit” denotes high collectiveness, low power distance, and low materialism.