ECONSTOR
Make Your Publications Visible.

A Service of
ZBW
Leibniz-Informationszentrum Wirtschaft
Leibniz Information Centre for Economics

Jochmann-Döll, Andrea; Wächter, Hartmut

Article

Democracy at work: Revisited

Management Revue

Provided in Cooperation with:
Rainer Hampp Verlag

Suggested Citation: Jochmann-Döll, Andrea; Wächter, Hartmut (2008) : Democracy at work: Revisited, Management Revue, ISSN 1861-9916, Rainer Hampp Verlag, Mering, Vol. 19, Iss. 4, pp. 274-290

This Version is available at:
https://hdl.handle.net/10419/78992

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

WWW.ECONSTOR.EU

Mitglied der Leibniz-Gemeinschaft

Andrea Jochmann-Döll, Hartmut Wächter*

Democracy at Work – Revisited**

This article deals with a model of worker participation which was introduced in a German car dealership and repair shop in the 1960s and which goes far beyond the legal framework of German codetermination ("Mitbestimmung"). The model comprises full codetermination in economic affairs, substantial gain-sharing, participation through work teams on the shop floor, and the "neutralization of capital" (i.e., transfer of owner's property rights to a foundation). The significance of these four elements is described in theoretical terms. The development was evaluated by interviewing a representative sample of the company's employees. The economic and social success of the company leads to the question of how industrial democracy can be further advanced in the future.

Key words: **industrial democracy, humanization of work, governance of small and medium-size enterprise (SME), codetermination**

---

* Dr. Andrea Jochmann-Döll, GEFA – Research and Consultancy, Am Gerichtshaus 73, D – 45257 Essen. E-mail: Jochmann-Doell@gefa-forschung-beratung.de.

Prof. (em.) Dr. Hartmut Wächter, Universität Trier, Fachbereich IV – BWL, D – 54286 Trier. E-mail: waechterh@uni-trier.de.

** The authors like to thank the employees and the management of the company Martin Hoppmann GmbH for their cooperation and their willingness to give information.
The project was financially supported by the Hans-Böckler-Stiftung under number 2007-043-2.

Article received: December 14, 2007
Revised version accepted after double blind review: October 28, 2008.

management revue, 19(4): 274-290
ISSN (print) 0935-9915, ISSN (internet) 1861-9908, © Rainer Hampp Verlag, www.Hampp-Verlag.de

1. The context

In Germany, the late sixties and early seventies was a remarkable time of new departures. It was the era of the first coalition of the Socialdemocrats and the Liberals in the Federal Government, and Willy Brandt coined the slogan of "dare more democracy" ("Mehr Demokratie wagen!"). Under the label of "humanization of work" a large government program was introduced. It resulted in a considerable number of applied research projects in the areas of job design, work organization, and the upgrading of skills in the wake of technological change. In 1972, the Work Constitution Act (Betriebsverfassungsgesetz, BetrVG), which had been in effect since 1952, was overhauled. This brought about a considerable strengthening of work council's rights, while still retaining the original philosophy of the law, which ultimately left capital owners' rights untouched. It was argued that democracy, successfully installed on the political level in West Germany after 1945, must be extended to the sphere of work and business enterprises in order to be fully achieved.

One of the disputes over the revision of the BetrVG concerned the introduction of an attested right of co-determination at the shop level or, as it was named at that time, "co-determination at the workplace" ("Mitbestimmung am Arbeitsplatz"). The unions were fiercely against such an initiative for fear of weakening representative co-determination and creating a body which would possibly compete with the works councils and be too accommodating towards employers' pressures. An outspoken, although minority fraction within the Metal Workers Union (IGM) demanded co-determination at the workplace, but was not able to convince the heads of the union and was subsequently expelled from the union (in particular Matthöfer and Vilmar; cf. Vilmar 1971). This is the social and political climate in which the project we will present here came into existence, although the first steps in creating the "Hoppmann model" predate these political developments.

The firm Hoppmann, a car dealer and repair shop in Siegen, an industrial town in the south of North-Rhine-Westphalia, was founded in 1937. After suffering heavy destruction during the war, the company was rebuilt after the war and became a leading dealership of Opel cars. The sudden death of the founder in 1957, left his son, Klaus Hoppmann, at age 30, in a precarious situation. He was heavily dependant on long-term employees for advice on running the business. He also felt a moral obligation towards the employees for their part in rebuilding the shop. He was convinced that decisions in a business should not be based on the more or less accidental fate of inheritance, but should be legitimized differently.

The first step towards a new form of governance was the introduction of profit sharing in 1961. After a revision in 1969, this plan stipulated that the yearly profit should be shared 50 – 50 between employees and employer, after a deduction of a 7 % interest on equity, paid to the company. Half of each employee's share was to be credited as a loan to the company (paid out only when an employee left the company, usually at retirement), and the other half was to be paid out partly on a monthly basis, partly at the end of the year.

The rationale behind this gain-sharing plan is the conviction that both labor and capital contribute jointly to the success of an enterprise – labor through energy and

knowledge, and capital by securing the survival of the company in a competitive environment and by bearing the ultimate risk of investments. In this respect, wages and interests are considered instalment payments on the gains of the enterprise. These can only be judged at the end of a year.

The underlying philosophy of gain sharing has its roots, in Germany, in idealistic thinking of the 1920s (and ultimately goes back to early utopian socialists, like Proudhon or Owen, in the 19th century). It is deeply embedded in the social thoughts of both the Catholic and Protestant churches. The Protestant social philosophy was particularly important in creating the Hoppmann model (Belitz 1998; Symanowski/Vilmar 1963). This rationale is markedly different from the utilitarian assumption that profit sharing should be put in place in order to boost shareholder profits.

Gain sharing was, even at the time of its introduction into the Hoppmann company, not a particularly revolutionary act. The logic of sharing profits implies realistic information and a say in company decision-making. The latter was introduced in form of an economic committee ("Wirtschaftsausschuss", WA), a body also provided for in the BetrVG as a consulting entity. However, in Hoppmann the WA is a much more important body of equal representation of employer and employees (parity) with decision-making power in all economic issues and full information on current affairs. Since it was felt that decision-making in the WA was too detached from the shop floor and everyday issues, co-determination at the workplace was introduced and "work teams" ("Arbeitsteams", AT) were inaugurated.

The ultimate step towards "democratizing" the company was effectuated in 1974, when the owner, Klaus Hoppmann, transferred his property rights of the company entirely to a foundation, called "Demokratie im Alltag" (democracy in everyday life). He handed over all decision rights to the board of the foundation, which he chaired until 2002, although he had already stepped down as head of the company in 1990.

In the 70s, this transfer of capital to an anonymous body, the foundation, was called the "neutralization of capital". This concept was much inspired by scholars who had had experience in the Yugoslavian "worker self-management" (Arbeiterselbstverwaltung) and the plans to reform the Czechoslovakian economy in the wake of the aborted revolution of 1968, like Pejovich, Svejnar, Sik, Kosta and others (Huber/Kosta 1978).

The building blocks of the Hoppmann model are, thus

- Gain sharing 50 – 50
- Parity on the economic committee with full decision-making power
- Work teams
- Foundation (neutralization of capital).

The model is unique with respect to the transfer of full decision power to employees and the management of the firm, "from above" so to speak, and to the installation of work teams on the shop floor with substantial grievance and initiative rights, from "below".

The Hoppmann case has become well-known in the relevant literature and has been documented and evaluated several times, most extensively in a book "Demo-

kratie am Arbeitsplatz" which was a result of a project sponsored by the "Humanization of Work"-Program (Hoppmann/Stötzel 1981) and in a publication within a series published by the "Evangelischer Kirchentag" (Belitz 1998). Based on these publications and on other sources, we, in our project, wanted to look, in our project, at how the company and the model have fared over the last 30 years and to evaluate the present situation. The aim of the project was, specifically, to answer the following questions:

- Which forms and instruments of participation have proved to be viable and persistent?
- What are the critical points at which the success or failure of such a model are determined? Can the findings in this particular case be generalized?

After several initial contacts, the empirical study was conducted in January and February, 2008. We conducted 20 interviews of a stratified random sample of employees (of about 200 employees, without apprentices). We also participated in a two-day seminar of the combined Foundation board and economic committee – a sort of steering committee – which takes place once a year. Additionally, we interviewed the local heads of the union and the employers' association. The project was financially supported by the "Hans-Böckler-Stiftung".

2. Theoretical reflections

In order to place the Hoppmann model in perspective, we would like to confront it with the standard critique of the labor-managed firm and point out in what respect this model differs. Subsequently, the apparent weak spots of the model will be listed. These considerations will then form the basis of the following interpretation of our data.

In the literature on the "labor-managed firm" (Pejovich 1992), a concept of a firm where labor hires capital – not vice versa like in ordinary capitalist firms -, the standard argument against the labor-managed firm is its propensity to under-invest. Workers are prone to evaluate current income (consumption) much higher than future gains from capital investment. In the Hoppmann model this problem cannot emerge, because workers do not own the firm. Property right belong to the foundation, which is held by statute not to sell or liquidate the firm. The firm has a statutory right to receive a 7 % pre-profit interest on its capital. This is supposed to cover the reproduction costs of depreciation. In addition, the firm receives 50 % of the remaining profits and thus can self-finance investments. The financial participation of workers in the firm consists of non-redeemable loans which are paid out only in the case of termination of the job, usually at retirement. At that point, the loan which was accumulated over the years is paid out over a period of 4 years. These loans are, by now, a considerable source of quasi-equity capital. (Equity capital amounts to about 50 %, the loans to about 25 % of the passive side in the balance sheet.)

Since workers are not directly participating financially in the firm, the main critique of many gain sharing programs, i.e., that there is an accumulation of risks (both work place and savings) does not fully apply. The loans are not equity capital. However, in case of bankruptcy these loans would be lost. An insurance of this risk, stan-

dard procedure for all company pension plans, would considerably reduce the profitability of the loans, and, consequently, is not implemented. The employees receive an annual interest rate of 7 % on their loans, just as is paid on company capital. (This interest rate was reduced to 6 % recently.) Thus, private ownership does not longer exist, but it was not replaced by employees' ownership of the company. In the words of the founder: "If the workers cannot own the firm capital and the capital owner should not own it, then one has to allocate it to a neutral agency, if it is not to be nationalized. A foundation is the obvious solution." (Hoppmann/Stötzel 1981: 36)

Another potential problem of the labor-managed firm, which could be a problem for Hoppmann as well, is the lack of leadership and entrepreneurial zeal. Here the question arises whether the assumed individual selfishness of man, the basic assumption of neo-classical micro-economic theory (which is also the basis of theories of the labor-managed firm), will be changed to a different social behaviour if the control of private property is taken away. Individuals would still pursue their personal interest but their behaviour would be directed into a more acceptable social form. This, of course, is a rather general question which has been addressed by many social scientists. We follow here the theoretic thoughts of Franz Oppenheimer. Still, the question of whether under these conditions a Schumpeterian entrepreneur as "constructive destructor" would emerge, remains.

A third general concern about a model like Hoppmann is the fear of the decay of employee morale and discipline. This was apparently a crucial problem in the firms of the Yugoslavian Worker Self-management and was one major cause for its ultimate demise. It will be interesting to find out how discipline and morale are maintained in the Hoppmann model.

Looking in more detail at the features of the model, a number of specific issues arise:

1. The foundation cannot be involved directly in company affairs. Otherwise it would loose its tax-exempt privilege, which is linked to its maintaining a charitable status. How, under these conditions, can effective control over the managing director be exerted? Vice versa, where does the considerable power imbued in this position take the company? Is control from below efficient?
2. The gain-sharing scheme has probably high motivational potential, because the amount paid out per year is considerable. During peak times in the early 90s it was up to two to three monthly wage payments. Moreover, the short time lag between information on monthly results and the bonus being paid creates a strong link between worker effort and output. It could be assumed that in times where profits are low or non-existant, worker motivation will drop considerably and rapidly. Is this true?
3. Large German corporations have had long experience with co-determined bodies, such as the supervisory board (Aufsichtsrat) of corporations (AG). In order for employee representatives to fulfil their role, it is vital to receive sufficient information prior to making decisions in the board meeting. They would also profit from a separate strategy meeting of the employee "bench". Do similar problems

of information asymmetry emerge in Hoppmann? Do decisions run along the line "they (management) versus us (workers)"? How are conflicts resolved?

4. Parity in the economic committee may lead to unresolvable conflicts or – in case consensus is aspired to – to postponement and/or slow decision-making. Is this a real problem?
5. The shop floor teams were conceived by the founder as a sort of "basic democracy". It can be assumed that this idealistic view of the teams does not correspond to the real existing teams. They will, instead, take on many different forms, depending on the composition of the group, the personality of the team leader and the encouragement from the supervisor.
6. Since there is not any fluctuation to speak of, the model is being carried by the "old guard", people who have experienced the development of the model over the years. Younger employees and employees in recently acquired subsidiaries will reveal a much more pragmatic view of the company and their jobs.

3. Interpretation of the empirical data

Interviews were conducted with 20 employees of the company (of about 200 altogether), including the managing director, the head of the personnel department, the chairman of the works council, and its deputy chairman, who is also a member of the foundation board. The other persons interviewed were from different functional sections and subsidiaries, senior (over 15 years in the firm) and younger employees, male and female. The interviews took place on the premises of the company during working hours. They lasted between 50 and 100 minutes.

In order to code and interpret the interview data we used the following framework, which was developed on the basis of the existing literature and prior knowledge of the company. This framework is an input-transformation-output model which tries to link the effects of the different parts of the Hoppmann model with behavior and overall outcomes. The data from the interviews were coded in order to illustrate, and make more concrete, the variables. On the basis of this step, the above-mentioned propositions were further developed.

Table 1: Framework of analysis

Environment	Model - formal structure	Personal and social attributes	Intervening variables*	End-results **
Automobile market, manufacturer (Opel)	Gain sharing	Personality of director and other managers	Working climate corporate culture	Profit
Region	Economic committee	Shorter or longer employment in the company	Communication - patterns - intensity	Market share and customer satisfaction
History of company	Work teams	Male or female employees	Job satisfaction	Growth
	Foundation	Employees in the head company or in a subsidiary	Decision processes	Employment security
				Fluctuation

* Results which cannot be observed or measured directly

** Results which are being pursued and which can be measured

3.1 The perception of the model's four components

Gain sharing (Erfolgsbeteiligung, EB)

In previous years, particularly in the early 90s, the amount of the employees' share of yearly profit was substantial – up to two monthly salaries. It should be remembered that the same amount is credited to the loan accounts of the employees. The older generation has accumulated up to € 27,000, which will be paid out after retirement.

In recent years, the EB was much lower, due to a downturn in the automobile business and stiffer competition from other car makers. Presently, it is often not more than a couple of 100 € per year. It is nevertheless much appreciated by employees. This may have something to do with the way the monthly and yearly bonuses are paid out: It is handed over by the supervisor in cash! It is also evenly distributed among all employees, irrespective of their rank or salary. This schemed was adopted after a group of women pressed hard for an even distribution of bonusses. As a result, the proportionate distribution based on salary was stopped and the equal distribution was installed in 1989. This is seen as equitable by all employees. "Everybody tries according to his ability" (Interview P), is the general feeling in the company. Some employees also see that dividing up the money differently would create all kinds of accounting problems without providing more perceived equity.

Most employees do not have the faintest idea of how the yearly profit is determined. Even the works council members on the economic committee rely heavily on the financial officer of the company and the CPA, whose mandate is renewed every year. However, there is a clear feeling among employees of how well the company is doing. This is due to the monthly communication of key numbers (cars sold, repairs done) to all employees.

Contrary to the assumption that a reduction of profit to be shared would cause worker satisfaction and attitude to drop, employees seem to be even more motivated by bad numbers. This again is due to the information policy and to the fact that the numbers presented can be trusted. The drop in profits is seen as a signal for a possible jeopardy to job security, although the company has over the years laid off only a very limited number of employees. Job security is the main concern of all employees and a motivator of the highest rank. The employees, particularly the older ones, are even concerned about paying out monthly profits. They would rather consolidate payments over time, maybe partly out of fear for the security of their loans.

The way the EB is handled seems to be quite clever. It is not only an additional "titbit" ("Schmankerl") which is "nice to have", but also a strong means of communication to the employees on how the company is faring.

Economic Committee (Wirtschaftsausschuss, WA)

The composition of the WA is laid down in the co-determination statutes of 1969, revised in 1978. Five members are delegated by the works council, and five members are "employer representatives". This term is a little dubious because these members are also employed by the company, and only the director, who is one of the five members, is being appointed by the foundation, the legal owner of the company. In fact, the ap-

pointment and promotion of heads of sections or subsidiaries lies in the hand of the director.

Since there is parity between employer representatives and work council members, one group cannot outvote the other. A stalemate results in a motion being turned down. It is, however, possible to raise the issue again in the next session and consult a "neutral member" to reach a decisive vote. This member is appointed in manner similar to that in which the neutral member on the supervisory board of large corporations in the coal and iron industry (Montan-Mitbestimmung) is chosen. These formal procedures are, however, mere theory. When questioned about the significance of the neutral member, even the WA members could not remember his name. Apparently he does not exist. Most decisions are made unanimously, and even if there are deviant votes they do not follow the works council – employer divide. This proves that consensus seeking is of high importance.

The WA meets once a month to discuss the current situation of the firm and to determine the bonus to be paid out. In addition, all decisions which involve expenditure beyond € 30,000 have to be put to a vote. In most cases the discussion does not end until consensus is reached.

In the views of rank-and-file employees the WA works satisfactorily, although the yardstick by which they measure this, is very vague. "We are doing well, so I think they must be doing a good job" (Interview B), is a typical statement.

Providing information and taking initiatives is clearly a function that is expected from the managers. The works council members believe what is presented, and only take part in the discussion in a limited way. In fact, the managers on the board meet and interact frequently, almost on a daily basis and prepare the issues on the agenda of the WA in a separate meeting. The works council does not find such a meeting of their "bench" necessary. As a result, the level of information is very unbalanced.

The works council members apparently have the role of transmitting information to the employees. They are more conservative in their outlook on the company than the managers. They are particularly sceptical about expansion, although the management has convinced the employee representatives on several occasions and acquisitions have been made. In the perception of an interviewee, who is not a member of the WA: "Of 10 ideas that the director has, we kill two because they are crap (sic!) and may really cost money. The fact that this way we also may kill two brilliant ones …..o.k." (Interview L)

In this context it is necessary to look at the relationship between the works council and their members on the WA. The company tries to make a clear distinction between issues which are being dealt with in the realm of the BetrVG, such as grievances, promotions, pay issues (within the collective agreement), or lay-offs (very few), and the role that work council members should play on the board of WA. There their role is clearly that of co-manager, both formally and perceptionally. The conflict between the two roles is not easily resolved. It seems to us that the works council is more "malleable", less insisting on the formal rights bestowed upon them by the law. For instance, it was agreed upon to work longer than the collective agreement stipulates (35 hours per week), and there is no problem if a supervisor orders overtime,

sometimes even without extra pay. All in all, the works council members see the model and the viability of the firm as more important than insisting on the BetrVG. This puts the works council in a difficult double bind.

From the point of view of the employees, this attitude is generally accepted, and long standing works councilmen are usually re-elected. However, some employees have a distorted view of "Mitbestimmung" insofar as they believe that co-determination could, for instance, determine how many people work on a shift or who will be promoted to supervisor. This is definitely a management prerogative, although such decisions usually pass the WA with the votes of employee representatives. As a reaction, this minority of disappointed employees rush to the conclusion "that we do not have any co-determination at all" (in our firm).

It should be mentioned at this point that the company is heavily unionized, which is quite rare in this type of industry and for the size of company. It is one of the most unionized companies in the region. Works council members are usually members of the IG Metall. The actual bargaining situation in the industry sheds some light on a potential conflict. A labour conflict concerning vacation time and holiday pay is pending. The employer association demands concessions from the union. The IGM members of Hoppmann will most probably, at least symbolically, take part in a strike when it is called, although their company will, at least in the short run, not apply a revised collective agreement.

Work Teams (Arbeitsteams, AT)

The work teams (AT) are both the most ambitious and the most precarious, and varied, part of the Hoppmann model. Initially introduced as an instrument to balance the "co-determination from above", to instil democratic virtues in the workforce, and to curb supervisors' arbitrary behaviour, they have taken on quite different forms, ranging from active problem-centered group meetings to practically non-existant. Although the AT are composed of employees of a workshop (like repairs, paint shop) or a work unit (salespersons), they are not identical to the offices or organization units, headed by a supervisor. Workers of a unit have the right to discuss issues among themselves, with or without the supervisor present, and pass their opinion up the line, if they wish. The head of an AT is always somebody from the rank and file members.

The initial idea was apparently that of a countervailing power. At the time these groups were conceived, a co-operative leadership style was not widespread in Germany. As mentioned above, co-determination at the work place was an important claim within a general movement towards more democracy. This included a sceptical attitude towards a possible dominance of union officials and representational co-determination. These initial ideas are not often found in real life of the groups today.

One can discern several functions which the AT fullfil today:

- The ideal form conceived of by the founder – practically non-existant.
- Forms of self organization on the job. The meetings of the group as a whole are rare, but subgroups meet spontaneously to discuss problems of work flow, time schedules and the like.

- Grievance groups. The group meets to discuss, and hopefully resolve, problems that have arisen within the group or between the group or individual group members and supervisor(s). The group is aware of their formal rights (to by-pass the supervisor and address the director directly), but only uses this instrument as a last resort. "It is nice to have something like that up one's sleeve", as one interviewee puts it (Interview B).
- Official meetings, which are called by the supervisor, have replaced the AT. The main function of these meetings is the transmission of information to workers.
- The final function is that of a social gathering. The group (usually not as a whole) meets off work, often because work stress and different time schedules prevent meetings during working hours. The group goes to a restaurant (on company costs!) or takes a boat ride. Members of this type of group either see no problems at work to deal with (usually older workers) or – more frequently – have found different ways to express themselves directly and individually (about their job, possible promotion etc.).

With the AT being perceived, by the foundation and most managers, as an important corner stone of the Hoppmann model, management has repeatedly started initiatives to revitalize the groups. There exists an excellent brochure on how to run group meetings, based on group dynamics and communication theory. As one means to activate the groups, the AT were requested to at least meet once every three months, a request, which however is not really enforced. Recently, the AT have been asked to elect a new speaker, following a formal procedure by which it should be avoided that the group appoints a speaker arbitrarily or pick a person "who is stupid enough not to put up a fight" (when asked to be speaker). These rules are being enforced by a person from outside the group, such as the heads of the works council member or the personnel department.

The benefits and future of the AT are a hotly debated issue, at least on the level of the management group and the board of the foundation. It can be postulated that the company today would function well even without the existence of the AT. However, the deterioration of the AT would jeopardize the model as a whole, and thus the long-term existence of the foundation and ultimately the firm. It could be said that the AT have had, and still have, a humanization effect, but do not achieve the stated goal of democratization.

The Foundation (Stiftung)

The construction of the foundation is quite clever. Being a legal body obliged to pursue charity projects and to not be directly involved in running the company, it has found ways to support the company indirectly. The statutes stipulate that the foundation should advance "democracy in the world of work". It fulfils this purpose by providing seminars to employees which could be categorized as general training (like communication skills) and political education. These may or may not have a positive effect on co-operation and conflict resolution in everyday business.

Furthermore, the foundation provides money to social projects which have a positive effect on the image of the firm and the car selling business in the region. An

increased awareness of this important function has led to a renaming of the foundation, so that the name "Hoppmann" is a part of the foundation's name. It is now called Hoppmann-Foundation Democracy in Everyday Life.

The role of the foundation in the everyday business of the firm is negligible. Most employees are, however, aware of the important function of the foundation as an owner, who cannot pull out his money "and buy a Porsche" or "buy a villa in Malle (i.e., Mallorca)", as one interviewee put it (Interview L). It is a symbol of stability and a link to the legacy of the founder, who stepped down from the board of the foundation only in 2002.

The limited role that the foundation can, and actually does, play in day-to-day business allows for professional management to develop, but it has its drawbacks, too. It is not clear where the ultimate control lies and how, and if, control is being executed. It seems as if the apparent void of control that exists today leads to an accrual of the director's and section heads' power. This is not a problem as long as management itself is deeply committed to the social ideas of the model, as seems to be the case today. However, the reliance on personal integrity could be precarious, and may prove to be insufficient, in case, for instance, the foundation picked the wrong person as director succeeding the incumbent. It could also become problematic if the firm were to land in turmoil, for instance, in case of severe losses or a bad deal on an acquisition. Therefore, it would seem wise to set up a separate body within the foundation that could serve more as a supervisory board (Aufsichtsrat), which would set long-term goals and control more effectively. Before moving in this direction, the effects of such a move on the morale and commitment of present managers would have to be taken into account.

3.2 Personal and social attributes

The four elements of the Hoppmann model are, of course, only one part the picture. The actors, their characteristics and their interactions are another aspect to consider when evaluating the model. Under this heading a number of issues are grouped together, of which only two, the role and personality of the director, and the career system, will be discussed here.

During our interviews we have not heard one negative or critical word about the director of the company (abbreviated "B. K."). He is being praised by everyone in the company. In the words of one interviewee: "The manners of B.K. are just great. He is perfect." (Interview P) He is a shrewd manager, effective communicator and a symbol of the social ideas of the model. The man is impressive, but the high praise is almost frightening. To take a concept from psycho-analysis: The employees collectively construct this image of a perfect man in order to rationalize away their own shortcomings (AT) or lack of initiative. This is potentially dangerous in the long run.

The present director was selected by the founder well in advance of his own retirement, which took place in 1990. He was carefully prepared for his role by the founder. He has a background as an active union member and was apparently an effective team speaker. Apart from being the assistant to the old boss, he served different functions in the firm, but was never department head.

As can be inferred from the construction of the foundation, the director has great power. He uses it to consolidate the firm, for instance, by the acquisition of new subsidiaries in order to strengthen the company's position in the region, and to have more bargaining power towards the car manufacturer (Opel). He was also the driving force behind a diversification, when the company became the local concessionary of Fiat. This move was seen very critically by many employees, partly because of the relatively poor image of Fiat in Germany. Today, this expansion is seen as a success, particularly because jobs would have been lost otherwise.

The director is appointed by the foundation and is committed to its mission. A great concern is the ultimate stepping down of B.K. which will take place in 2017, the latest. There is a special project group that discusses this problem and the way a successor can be found. It seems to be open as to who this will be.

The power concentrated in the position of the director is enhanced by the management team which forms, together with the director, the "employer bench" in the WA. Most managers started as apprentices in Hoppmann and moved up the line to their present position. It can be assumed that their careers are much dependent on B. K.'s judgement. Two of the present section heads and members in the WA have a background as works council members.

Today the younger, qualified and ambitious employees in the company apparently do not follow this pattern. They seem to be less interested in works council membership and a possible career there. They orientate themselves much more toward their supervisors and could well imagine becoming part of the management team by internal promotion. This interpretation is backed by the observation that the real power lies with the management team, which is attractive to ambitious employees.

3.3 Outcomes

We have divided the outcome of the system into two categories, intervening variables and end results. Intervening variables are the produced effects of the system which are instrumental to the measurable results. They are social constructs which cannot be observed directly but can only be inferred. They are the real "value drivers" of the company. The end results, on the other hand, are the stated or implied goals the company pursues. They can usually be measured, be it in monetary terms, be it in non-monetary quantitative measures.

Intervening variables: Working climate, communication and job satisfaction

The interviewees find the work atmosphere in their company very good. "One does not have to fear anybody, not the boss nor anybody else", says one female-employee. The model fosters a free expression of opinion and encourages co-operation. Critique is generally welcome and encouraged. The supportive atmosphere is appreciated. People feel that they are taken seriously by both their co-workers and supervisors. The good climate is considered by some as the most important success factor of the company, as was expressed in Interview P, who works in a recently acquired subsidiary: "One ought to give something back to the company if one is treated in this way. It is one's duty to bend over for the company."

Those employees who received their apprenticeship training in the company point to the good quality of the apprenticeship and the fair treatment during this time. Compared to other firms in the region, the apprenticeship in Hoppmann is more comprehensive in the sense that the apprentices are exposed systematically to different technical areas of their job and are not abused as just cheap labour. They also acquire an understanding of the economic and market contexts in which their work takes place. As a result, Hoppmann is an employer which is sought after. The firm can, and does, chose the best applicants from a large pool. However, the social commitment of the firm comes into play here, too. A certain number of apprentices is taken from disadvantaged social backgrounds and from the under-privileged areas of town. These boys and girls, who often lack a good school education, receive at least a two-year training with a certificate which gives them a chance to apply successfully elsewhere. They are seldom employed by Hoppmann after the training period, though. This initiative is accepted by the employees who actually have to deal with the young apprentices on a day-to-day basis, even if this sometimes slows down the work progress. The good atmosphere in the company is also reflected in customer relations and is an important factor in strengthening customer loyality.

It was already mentioned that there is a monthly information brochure which summarizes the economic situation of the company and also includes other items which seem of importance for the employees. Most supervisors give additional information. During the apprenticeship training, open communication, expressing oneself freely and speaking in front of others are important learning goals.

Information flows upwards, too. This is not only due to an open-door policy which most supervisors practice, but is also insured by the circulation of the written minutes of the AT meetings (if they take place!). Information also flows horizontally. This is supported by so-called "cross-section seminars", in which employees from different units and locations take part. Their main goal is to enhance communication and co-operation between sections along the work flow. This is witnessed by one employee from a subsidiary. These subsidiaries are much smaller than the mother company in Siegen, where in some areas jobs are highly specialized, for instance understanding and repairing the electronic equipment of certain types of cars. Since the workers know each other from one of the cross-section seminars, there is no problem in seeking advice, and offering help, on special repair problems, if this knowledge is not present in the subsidiary because it is less specialized. This also plays an important role in terms of satisfying customers.

Job satisfaction is a very complex issue, and is easily distorted when asked directly. Although we did not apply any social science instruments to measure job satisfaction, it is quite clear that employees are very satisfied with their job and their company. "I like to work here." (Interview I) "I even come here prior to the beginning of my work in order to have a cup of coffee." (Interview L) "I go to work with a smile on my face." (Interview R) These are statements, sometimes even unsolicited, from some of the interviews. Some employees compare their company to other employers and find their job much more attractive. "This is my home. I feel good here", remarks an employee who was an asylum-seeker from Africa and who got the chance, through the initiative of one of the foundation members, to learn and work in Hoppmann.

Most of the reasons given for this positive attitude have something to do with open communication, with the security of employment, with co-operation with fellow-workers and with the possibility to grow as a person.

Can this all be true? As mentioned before, subjective expression of satisfaction (with the job, with a partner, with life in general) is bound to be problematic. Someone might express satisfaction, in a resigned way, when she or he does not see a realistic path of changing the situation. Conversely, another person may feel dissatisfied but is nevertheless optimistic and productive if she or he sees realistic ways to change a dissatisfying situation. Applied to the Hoppmann interviews, one can come up with some differentiating interpretations.

Employees in the subsidiaries, particularly in those which have been acquired recently, are extremely grateful to work in this company, where one is treated fairly and the monthly salary is paid on time. A bad experience with previous employers or the former owner of the shop, makes this gratitude quite understandable. It can be hypothesized that these employees do not feel the urge to get involved in activities, like AT or works council, beyond their immediate job.

The senior employees in the Siegen firm are generally quite satisfied because the feeling that this is "their" company is particularly strong in their group. They also do not have any realistic alternative to work elsewhere. The junior employees, also in Siegen, feel satisfied as long as and if they see chances for individual advancement in the firm. If these prospects are missing, which is the case with most women in our sample, satisfaction is considerably lower. AT with a majority of women (back offices) are also more active than other AT. It can be assumed that women have more to complain about (dead-end jobs, no promotion, less pay) than men. Although there are no signs of open discrimination, and in fact the company stresses its policy of fairness and against sexual harassment, the perceived feeling of women that they have fewer chances then men persists.

End-result variables: Profit, market share, growth, and job security

The company has always been profitable. The employees are aware of the fact that the quality of their work is at the bottom of profitability. "Everybody knows, if I botch something, it costs our money." (Interview B) Since the distribution of the profit (50 - 50) is transparent, people know what and who they are working for. "The money we earn stays in the company." (Interview H)

As a consequence of the accumulation of profits in the company, the ratio of equity capital to the balance sheet total has increased continuously, from 16 % in 1973 to almost 50 % in 2004. Employee loans, also almost like equity capital, amount to another one sixth of the balance sheet total. Combined, this is a percentage of almost 64 % of own sources. The average equity ratio in this industry is much lower (5 to 10 %). From a strict shareholder value perspective, this situation would be considered suboptimal. An increase in outside capital (debt) would make profits surge dramatically (leverage effect). This financing alternative is apparently not contemplated in the company or the foundation. The company exchanges low profitability with security (of jobs) and independence. Being unrestrained by creditors and the capital market is much appreciated by employees and management (Interview E).

Self-financing (from profits) and a high ratio of equity capital provide opportunities for expansion and acquisitions. "In our company all the cars which you see in the yard (to be sold) have been paid for." (Interview L) This situation relaxes the burden to sell cars at almost any price just in order to fulfil the quota set by the car manufacturer. It also provides the company with more flexibility in their price policy and their efforts to retain customers in the long run.

The company has followed a strategy of consolidating its regional market. By now, it is the undisputed number one in the region, as far as Opel cars are concerned. This expansion strategy has put some strain on the organization since the subsidiaries acquired are spread out over a rather large area and are obviously not well integrated into the company culture.

The ongoing concentration process of the car dealerships in Germany finds Hoppman well prepared. So far, they are definitely on the winning side. Market share and a minimum size of the company are essential for survival and for securing the necessary know-how in the organization. The financial background of the company has made it possible to grow appropriately. "Other firms lay people off, Hoppmann creates new jobs," remarks one employee (Interview M).

Job security is an absolutely important goal of the company. "The person who gets fired here, is more or less to blame himself. They (the company) hardly ever lay off people for economic reasons." (Interview J) There is one rare example: Until a couple of years ago, the company employed their own decorator (for the sales shops). He was laid off and the task was sourced out to another firm. The works council did not oppose this decision. After a reorganization of the repair shop several jobs were cut, but nobody was laid off. Some employees retired and others were transferred to other shops. When one person could not work anymore in the paint shop for health reasons, he was transferred to the towing team, "although they (Hoppmann) probably did not even need him there." (Interview R)

Feeling secure in the company is the basis for job satisfaction and productivity. However, supervisors (Interview H) complain that people feel too secure or put the preservation of the company in its present state above everything else. This leads to idleness in some cases.

It is not surprising that hardly any employee quits his job. "I would be stupid to throw everything away here." (Interview S) Fluctuation is thus virtually non-existant. The average period of employment in the company is over 21 years.

4. Tentative conclusions

Hoppmann is in many respects a quite "normal", successful company. It has – compared to its competitors – a number of advantages, such as the safe capital basis and a deeply entrenched corporate culture with a positive working climate, open communication, fair conflict resolution and open career paths for ambitious employees. All these features are very important for a business in which, as in other industries, knowledge of employees and service to the customer play an increasingly important role. Many suggestions in current pragmatic management literature are already reality in Hoppmann. They were not introduced as new management concepts or gimmicks, they have developed more or less organically from corporate culture and the unique

constitution of the company. In this sense, a comprehensive co-determination system proves to be up to date to face the challenges of today's markets. As long as the relatively low interest on own capital is accepted, the company will remain a powerful player in its market. Getting out of this market and investing in another business is most unlikely and does not seem necessary. It would be difficult to achieve.

The co-determination model functions under the particular conditions of this case: Local market is protected (you normally don't buy your car in Romania). Selling cars may get more difficult, but it is quite a stable business. Pressures from the car manufacturer may be more threatening than the competition from other dealers. The stable work-force allows for investing in human capital, which is quite profitable and contributes to the positive working climate.

A crucial point in the future will be the succession of the present director. It seems essential that the foundation play a more active role in controlling the firm. This could be achieved, for instance, by creating two separate bodies in the foundation, one to pursue the social goals and one to function as owner-controller. The present director could chair the second body in the future. The composition of the WA should be rethought. In order to function better, it should be smaller. Works council members should become more professionalized. This raises, of course, questions about representation of the rank and file. However, since the work teams are in existence, they should assume a more prominent role, not only as grievance bodies but as bodies that promote new ideas and discuss, as well as challenge, company plans and strategies.

In a way, co-determination has reached its end in Hoppmann – in the double meaning of the word. The company fares well because of its stable corporate culture (of which co-determination rights are an important corner stone) and its strong capital basis. Is this all co-determination can and should achieve? It would be logical to go beyond the present boundaries and venture into new fields of democratization (Demirovic 2007). This would entail a much more active role of the work teams. Also, the foundation ought to assume a more active role of entrepreneur, which otherwise is under-developed in the company. One direction could be to financially support new projects or start-ups in the region which promote economic democracy and pursue alternative goals, for instance in the area of alternative traffic systems. The true "dividend" of such investments would lie in strengthening local networks and local purchasing power, which, in the long run, would profit the Hoppmann company and possibly transform it into a provider of mobility in the region with, but also beyond, the automobile.

The ambitious Hoppmann model has managed to survive and do well over the years. There had to be some adjustments. Certain procedures did not prove to be effective or had to be given up for economic reasons. All in all, the model has been true to its principles and still adjustable to fluctuations in the market. Economic democracy is alive and working, at least under the special circumstances of this company. The model is not a relict from the reform-prone sixties and seventies, but has the potential to show the way into a future economic system beyond the dictate of capital markets and the sole regiment of the profit motive.

References

Belitz, W. (Hg.) (1998): "Vorwärts und nicht vergessen…" Das Reformunternehmen Hoppmann 1961 – 1997. Hille.

Brock-Rosenthal, E./Hachmeister, H./Sorge, A. (2007): Mitbestimmung am Arbeitsplatz. Göttingen.

Demirovic, A. (2007): Demokratie in der Wirtschaft. Münster.

Dietl, H./Royer, S./Stratmann, U. (2007): Wertschöpfungsorganisation und Differenzierungsdilemmata in der Automobilindustrie. Working paper no. 64, Institute for Strategy and Business Economics, University of Zürich.

Hoppmann, K./ Stötzel, B. (1981): Demokratie am Arbeitsplatz. Schriftenreihe „Humanisierung des Arbeitslebens", Band 20. Frankfurt a.M., New York.

Huber, J./Kosta, J. (Hg.) (1978): Wirtschaftsdemokratie in der Diskussion. Frankfurt a.M.

Leminsky, G. (1969): Mitbestimmung am Arbeitsplatz, im Betrieb und im Unternehmen. In: WSI-Mitteilungen, 22: 34-41.

Pejovich, S. (1992): A Property Rights Analysis of the Inefficiency of Investment Decisions by Labor-managed Firms. In: Journal of Institutional and Theoretical Economics, 148: 30-41.

Symanowsky, H./Vilmar, F. (1963): Die Welt des Arbeiters. Junge Pfarrer berichten aus der Fabrik. Frankfurt a.M.

Vilmar, F. (1971): Mitbestimmung am Arbeitsplatz. Neuwied und Berlin.