

# Case Study: COMEBO Industries

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## Introduction

The 2019 award to COMEBO Industries of the annual “Coup de coeur des initiatives inspirantes” prize (“our favorite inspiring initiatives”) by the national association of French worker-owned cooperatives (Confédération Générale de SCOP) was both a welcome surprise, and recognition long overdue. The award was in recognition of COMEBO's creative implementation of “mini-SCOPs” (small autonomous factory units within the cooperative), as well as their commitment to cooperative education and training, and an effective working relationship with the co-op's labour union local. It marked the culmination of 50 years of effort and experimentation by the cooperative to show that a more creative, democratic and participatory structure of work is possible, even in the tradition-bound manufacturing sector.

The firm that was to become COMEBO Industries began in 1970 as a SCOP (a worker-owned cooperative under French law—see sidebar below) formed by a group of eight workers who wanted to create more stable jobs and better working conditions for themselves and their peers. The first years were very difficult for the new co-op. The original eight members, although “young and without fortune”<sup>1</sup> were fortunately hard-working and dedicated.

Pooling their collective savings of 10,500 francs (about \$14,500 USD or 12,200 euros in 2021 funds) the company launched as a subcontractor engaged in welding for other larger companies in the area. While growth was steady, it would be 20 years before the cooperative made its first allocation of a profit-sharing bonus to workers; several times they came to the brink of bankruptcy but were always able to recover and continue on. Today, the co-op has 82 total workers, of whom 78 are full co-op members and four are recent hires or apprentices; an additional eight people work on an occasional basis and are thus not eligible for membership.

The cooperative manufactures a variety of specialized machinery and equipment for customers in agriculture, logistics and construction, and public works. Its customers are usually large companies that design and sell under their own brands, assembling and distributing their own machines worldwide. COMEBO Industries acts as a key subcontractor for these firms, building customized steel frames and other parts ready for assembly. COMEBO Industries' fabrications are mainly made of sheet metal. Its expertise and

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<sup>1</sup> <http://www.comebo.fr/historique/>

processes run from initial cutting, drilling, bending, rolling, assembly through welding, and painting.

Bressuire, where the co-op is based, is an ancient and picturesque town of 20,000 located about 380 km Southwest of Paris with history dating back to the 11th century. It may seem an unlikely place for an innovative advanced manufacturer of industrial equipment, but COMEBO is not a typical company. From the beginning, COMEBO has focused efforts not only on providing stable jobs and fair wages, but also on worker safety, participation in decision-making, and the opportunity for members to develop their own personal skills and expertise. Paired with their founding commitment to job quality for worker-members was a similar commitment to embracing the interests of other stakeholders, including customers.

## Member and stakeholder participation

Of the eight original founders, seven joined immediately as worker-owners. Several had union backgrounds and all of them "didn't want to rule the company the way they had seen it in other companies"<sup>2</sup> noted General Manager Jérôme Mathieu. The members elected one of themselves to act as General Manager. The next year they selected a different member, who then stayed in the top management position for the next 32 years.

## What is a SCOP (Société Coopérative et Participative)?

SCOPs are a distinct legal entity designed for worker cooperatives under French law. Noteworthy characteristics of a SCOP include:

- **Worker control:** Workers must have at least 51% of the capital, and 65% of the votes;
- **Indivisible reserves:** A minimum of 16% of surpluses must be placed in reserves that are permanently owned by the co-operative;
- **Tax incentives:** SCOPs have some tax advantages; under certain conditions they can deduct the share of profits that are paid to employees and are exempt from tax on indivisible reserves.
- **Stock Redemption:** a member who leaves the co-op can recover any capital invested but is not permitted to earn any financial return on the funds;
- **Management:** Managers enjoy the same social protections as other employees.
- **Mutual Aid:** There is a voluntary reinvestment of 0.3% of revenue to finance the larger worker co-op movement. These reinvestment fees are distributed between federations supporting worker co-ops and other cooperative finance tools.

Source: Co-opLaw.org; Pierre Liret

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<sup>2</sup> Interview with J. Mathieu by M. Lund and P. Liret, June 26, 2021

Everyone who holds a permanent position at COMEBO is required to join as a member of the cooperative within their first year of employment;<sup>3</sup> it is part of the expectation when someone takes a job. Therefore, the recruitment process is thorough. "It is clear that individualistic people will not succeed in our organization, or we will not succeed with them" says Mathieu "even the most skilled individualist will destroy our organization." Once a person is hired, they are given an introduction to the cooperative and its structures to help

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them learn about their rights and duties as future co-op members. This session is led by two board members. All new members also attend a paid three-day training seminar hosted by the local workers' cooperative network organization where members meet with others in the worker cooperative movement.

The required capital investment (which is reimbursable to the member when they leave) is the equivalent of six month's salary, but members can finance the payment over a long period of time with a payroll deduction of two percent of their salary per month. At that rate, it would take a member 25 years to pay in their full membership share, and some COMEBO members have stayed with the co-op that long and more.

One of those is welder Yannick Souchet. He started with the cooperative 30 years ago on a 15-day temporary assignment, and has never left. "When I arrived, I felt a mutually supportive environment among the workers. We were a small team and got along well, it was not cliquish . . . I had a little trouble believing it [at first] . . . in my mind, a company was the boss on the one side, and the workers on the other. But that wasn't the case with COMEBO . . . I quickly felt comfortable at COMEBO and wanted to stay."<sup>4</sup>

## **Organizational structures**

The cooperative is governed by a Board of Directors, with one-third of the seats turning over every year. The General Manager is also an elected position, selected annually by the Board of Directors. The General Manager is allowed to serve on the Board, but this is not mandatory, and practice has varied over the years. The General Manager may also theoretically be elected by his or her peers to be President of the Board. It has happened at some points in the co-op's history that the same person has held both roles (Board

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<sup>3</sup> There are also some temporary workers who are not required to be members.

<sup>4</sup> Interview with P. Liret 16 July 2021.

President and General Manager) but there have also been periods when these roles were separate, and others when the General Manager has not even been on the Board. Each of the mini-SCOPs (see below) is encouraged to put forward at least one candidate for the Board, but it is not required, and all members vote on all candidates.

In order to be elected to the Board, a member must have the support of at least 50 percent of the voting members. Anyone interested in running for a position on the Board of Directors must agree to participate in a six-day training course to ensure they have basic knowledge of the business, industry and financial statements as well as the cooperative's governance and decision-making processes.

Plans are in place for members of the Board to soon engage in up to six additional days of training on the topics of communication and collective decision making, in recognition of the difficulty that self-governance sometimes presents to workers who have to act as both board members and employees. This will include training not only on fostering better communication within the Board, but also support for how to most effectively solicit input from other members before a decision is made, and how to communicate board decisions and their application to members after the fact. The co-op plans for managers to attend the communication trainings as well; in the future, the cooperative aspires to provide such training in effective communication and collective decision-making to all members of the cooperative.

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**Longtime member Yannick Souchet**

There is a high level of commitment in general to training and development for all cooperative members. Every 18 months, each worker is invited to create or update a professional development plan for themselves, which may include formal training in a range of areas. “It is an important aspect of cooperative life”, noted one member, “training is above all a state of mind, the desire to pass knowledge from one to the other”. On average, about 50 percent of employees attend some kind of paid, professional education every year, and the cooperative invests about 2.5 percent of revenue in training for workers, not including salaries of participants.

While the everyday work structure at COMEBO is highly participative (see below) it is not based on direct democracy; workers are consulted, but do not vote regarding shopfloor issues. The General Assembly and Board of Directors are the primary mechanisms by which members govern their cooperative. Participation in the General Assembly and Board elections is traditionally very high, with 86 percent of eligible members, for example, voting in the 2021 election.

Not all members are comfortable with participating in cooperative governance, and of course, not all dialogue leads to agreement. But for members like Lydie Régnier, the co-op structure is a better way. "When we promote

**"The most important thing in a cooperative is to have honest, fair practices, dialogue, and a certain transparency"**

**Member Lydie Régnier**

expression and open up to dialogue, necessarily not everyone agrees with the guidelines or decisions of management . . . but the cooperative model allows one to express oneself in meetings more constructively than with a simple protest."<sup>5</sup> "The most important thing in a cooperative is to have honest, fair practices, dialogue and a certain transparency."

The Board of Directors has also established three standing sub-committees to help guide the Board: an Economic Affairs Committee; a Corporate Citizenship Committee (which monitors wage equity, social benefits, training, safety, the firm's environmental footprint and is also charged with addressing any ethical issues that might come up, including with management); and most recently (June 2021), a committee on Cooperative Life. The new Cooperative Life Committee was established as the Board became more and more aware that the degree to which members participate in, and are engaged with, the cooperative was actually a very strategic aspect of COMEBO's development. Its charge is to encourage dialogue, collaboration and cooperation on a daily level between all workers in the company.

These standing board committees are made up only of board members. In addition, there is a Health and Safety sub-committee which reports to COMEBO's Social and Economic committee (the CSE or works council – see below). Ad Hoc committees are also formed around particular issues, such as to research the purchase of large new equipment. These

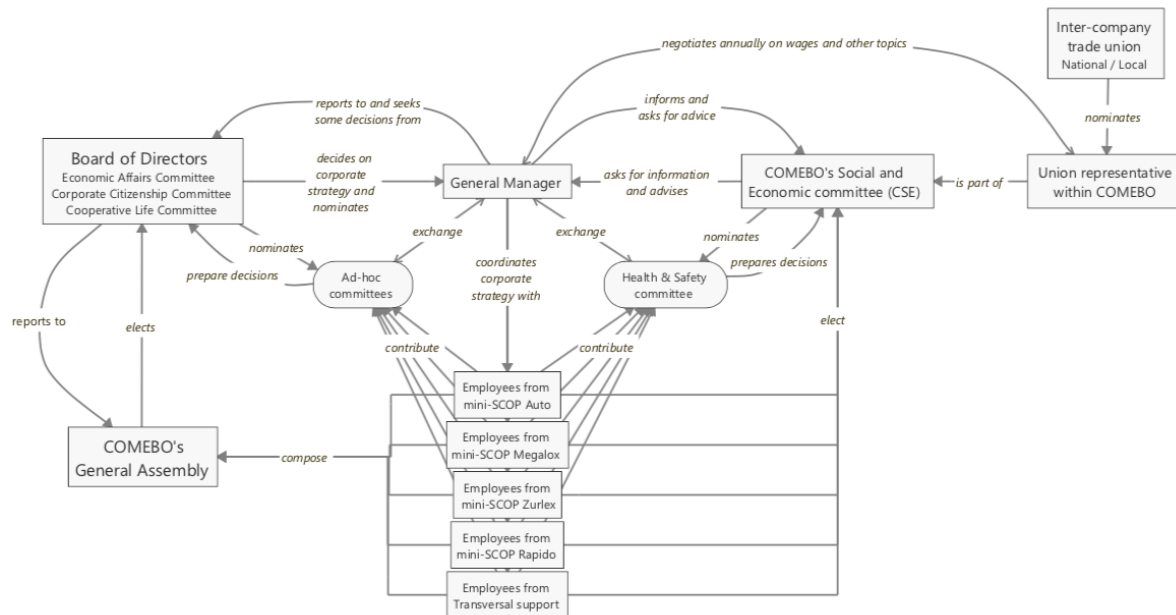
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<sup>5</sup> Interview with P. Liret 13 July 2021.

may include other members in addition to those on the Board. All of the committees are advisory rather than decision-making bodies.

In addition to the General Assembly and Board of Directors for members, all employees (members and non-members) at COMEBO have a separate avenue of influence which is through the CSE and their union.<sup>6</sup> CSEs are company-wide works councils that are mandatory in France for any company with 11 or more employees; if the company is unionized, as COMEBO is, the union generally works as part of the CSE, sending one or more union representatives to be part of that body.

### COMEBO cooperative practice – organisational chart



Source: COMEBO General Manager Jérôme Mathieu

The cooperative has experimented with various ways to combine the sometimes-competing and sometimes-collaborative roles of the CSE as representative of the workers, and the cooperative board as representative of the worker-members. When the firm was initially unionized<sup>7</sup> in 2011, the two bodies (the employee-elected CSE and the member-

<sup>6</sup> The particular union is the CFDT Métallurgie Deux-Sèvres; CFDT is the national union, Deux-Sèvres refers to the local level of government. In France, unions are national or sectoral bodies and generally deal with issues at that level; the CSE is the body that would deal with grievances and other issues at the company level.

<sup>7</sup> In France, it is only necessary for a single employee to request representation by a trade union for the union to be involved with the company. In the case of COMEBO, this happened at a time where there was to be a change



elected Board of Directors) were very separate. This was quite stressful for the management staff, who had to attend two sets of monthly meetings presenting much of the same information and going over many of the same issues at each. There was competition and conflict, and in 2015 the Board faced the decision to either fully engage with the CSE and bring them into decision-making, or else to relegate the CSE and union to a much smaller role in company affairs. They chose the former, and board members decided to run for election as staff representatives to the CSE. Most were elected, and the cooperative was then able to combine meetings of the board members and employee representatives into a single meeting (an unofficial “single council”), where all aspects of a decision could be discussed—both social demands and economic constraints—and all information shared.

The move helped to build trust and create more peaceful relations between staff and management. Since 2019 the meetings of the CSE and the Board have been held separately again, but three of five staff representatives to the CSE are also board members, so information continues to be widely shared. The improved climate between parties has remained, although information-sharing has become more cumbersome, so the cooperative is currently considering returning to the single-committee meeting once again.

## Participatory process

Current General Manager Jérôme Mathieu joined the co-op from outside during one of the company’s periodic times of financial crisis, in 2011. “When I joined the company in 2011, my task, the mission I was given by the Board of Directors was to make the company

**“There was a difference . . . that difference was democracy”**

**General Manager Jérôme Mathieu, discussing his observations upon joining the cooperative from the outside**

profitable” he remembers. Everyone was focused on that single goal, and “we were just business oriented at that time . . . I can say we were not that different in [terms of] the management and the choices we were making from other companies” and yet “there was a difference . . . yes, there was a difference. The difference was democracy . . . a lot of democratic principles were still applied”. Democratic structures like the General Assembly and annual Board elections were well-respected even in crisis, and Mathieu noticed, as an outsider, something more: there was also a deep consensus about saving the company, and

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in the General Manager and some leaders of the CSE thought it would be beneficial to have the support of a trade union during that process.

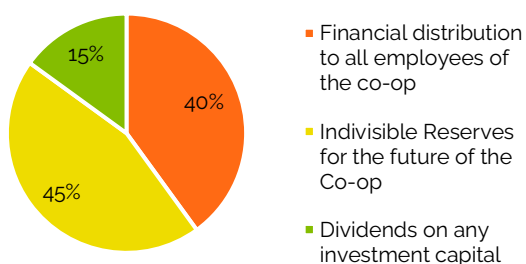
a willingness to pull together to make that happen. It got Mathieu to thinking: What would COMEBO be like, he wondered, if it truly acted like a cooperative every single day, and not just at the General Assembly?

There was at the time a business book<sup>8</sup> that was fashionable in France that advocated for “enterprises libérée” (liberated companies or unchained companies)—those with horizontal management, where workers were given autonomy to make decisions. Mathieu saw a documentary about such companies on television one night, and it made him angry he said. Those companies, he thought “are doing what we should do”; or at least we should be doing something like that. It took Mathieu and other company leaders several months to think about how participative management principles could best be applied in a cooperative context at COMEBO.

### How indivisible reserves and profit-sharing work in French SCOPs

SCOPs in France are required to place a minimum of 16% of any surplus in indivisible reserves for the future of the enterprise. They also must share at least 25% of annual surplus with ALL employees (not just members) and can only allocate a maximum of 33% of surplus to pay dividends to any investors.

Average distribution of surplus for French SCOPs



In practice, the average SCOPs in France allocates 45% of surplus to reserves, shares 40% of surplus with employees and only uses about 15% for payments to investors.

One thing, they decided, was that at 110 employees at that time, the company was too big to work as a cooperative in the everyday fashion they envisioned. So, they decided to experiment with smaller, autonomous teams or mini-factories, known as “mini-SCOPs” (technically unités coopératives autonomes, or autonomous cooperative units) after the French worker co-op statute of organization. The plan's implementation was very successful, and by 2016 they had organized the whole cooperative along these lines.

Now four mini-SCOPs operate as autonomous companies within the cooperative. Three (Auto, Megalox, and Zurlex) are focused each on a particular small sub-set of external customers, and responsible for meeting the needs of those

<sup>8</sup> Brian Carney and Isaac Getz, “Liberté & Cie”, English title “Freedom, Inc.”

companies. The fourth (Rapido) serves the other mini-SCOPs as internal customers; it fabricates on-demand the components required by the other three, which then assemble the final products for their customers.

Each mini-SCOP has the freedom to adapt their work structure and rules as needed to respond to their customers' needs, without the requirement to implement hierarchical practices or rules throughout the company. They are free to spend up to 10,000 euros themselves, and up to 30,000 euros with the approval of the General Manager. Anything above that amount requires approval by the Board. The four mini-SCOPs are supported by a company-wide staff of 10 administrative team members (Transversal support) who take care of common needs like IT, Human Resources, accounting and payroll, customer-order shipments, and facilities management. Pay is determined on a company-wide basis as are bonuses and profits, so the independence that the mini-SCOPs enjoy is really from a work management perspective. Because the teams in cooperative units are small (15-20 people each), all team members have the opportunity for direct engagement in key decision-making on a daily basis.

While independent, the mini-SCOPs also act as core members of a single team. Every morning at 8:45 a.m., the managers of the four mini-SCOPs meet together to raise issues, and brainstorm about how to support each other and collaborate. At first, some of the mini-SCOPs ran more effectively than others, so some were giving more help than they were receiving, but now, states Mathieu "I can say that everyone helps each other".

COMEBO's members are, in general, highly skilled workers. Technical expertise is required, but so is big-picture thinking, discernment, and an understanding of how different elements of production interact. The degree of skill and

**"We thought about what we wanted and we said 'we want to build together a quality future . . . the jobs had to be quality jobs'"**

experience needed is not often found amongst workers in the general labor market, so COMEBO has a robust training program for its workers. As an indication: Two of the four mini-SCOPs General Managers come directly from the shop floor with no formal higher education in management studies; everything they know about management, and specifically management of a worker cooperative, has been learned on the job. The other two managers have some formal business training, but also had significant shop floor experience before being elevated to a management role. Actually working in a cooperative

manufacturing environment is seen as much more important experience for a manager than any classroom training in business studies.

Mathieu credits the mini-SCOP system with returning the cooperative to a position of stable profitability. "We have more people in the company who are highly committed, highly responsible and who contribute a lot more" now, he noted. Former Board Chair Régnier agreed: since the change, "input from the teams is more sought after, and we can be more involved in the direction of our company."

At the same time, the mini-SCOP structure supported another change that Mathieu and cooperative leaders wanted to make.

"Before [making the changes], we thought about what we wanted. And we said 'we want to build together a quality future—we want to build together a desirable future' and to do that, they needed much more than just profitability . . . the issue was not to make as much revenues or profits as we might . . . it was not to employ a lot of people. The idea was that the jobs had to be quality jobs . . . and that's led us to say 'we want to choose our customers, we want to choose our markets'."

Not all customers, they realized, would support quality jobs. At one point the company had reached peak revenues of €18 million (a figure more than double their current level). But to reach those sales, they had to carry out contracts for large, multinational companies who routinely put considerable pressure on small suppliers like COMEBO, leading to more centralized bureaucracy and lower pay.

Now, the cooperative has consciously chosen a different path instead. Sales volumes for each product are small, and projects are more complex and specialized. The skill level required of cooperative members is higher, and one team member is usually responsible for machine assembly from beginning to end. To do that, each worker must have a deep understanding of what the customer really needs and wants. The mini-SCOP structure allows that intimate relationship between production workers and their customers to develop and be supported. "If you simplify the organization, if you enrich the tasks, you allow people to gather more information and thus allow people to contribute more to decision making" notes Mathieu. In this way, a commitment to job quality has facilitated and reinforced a commitment to

**"If you simplify the organization, if you enrich the tasks, you allow people to gather more information and thus allow people to contribute more to decision making."**

product quality as well. "We are more expert in our field and closer to our customers" under the new system, noted one worker proudly.

It has also helped the cooperative to work better as a co-op. Longtime member Yannick Souchet was nostalgic for the early days of the enterprise, when a small staff of 30 members worked collaboratively. As the co-op grew, some of that collegiality was lost in his opinion. But the mini-SCOPs have brought it back. "The decision to transform services into autonomous mini-factories . . . has improved the cooperative spirit for everyone" he noted. Quality systems Manager Lydie Règnier, who has been with the cooperative 19 years agrees. "If COMEBO wasn't a SCOP [worker cooperative] we could not have split the organization this way", she says, "the change allowed the teams to become more autonomous . . . we are making faster progress . . . there is less supervision, but . . . we have gained in flexibility and innovation" as a result.

The orientation toward quality in jobs as well as products has also influenced how the cooperative makes decisions about issues such as technology implementation. "COMEBO has been able to adopt technical innovations to increase productivity" notes longtime member Yannick Souchet. "But it is not done just to make money for a few shareholders, or to lower costs by cutting jobs. On the contrary, technical adaptations are designed to increase jobs and benefit employees, to make production easier."

## Change management

COMEBO has faced several financial crises over the years, but has managed at each turn to hold the company together and survive. The worldwide financial crisis of 2008 was one such time. That year, the company was in the middle of an investment program of more than €3 million, linked to a single new piece of equipment; by fall, the financial crisis had hit and revenues at COMEBO declined by 50 percent.



The cooperative could no longer distribute profit-sharing bonuses as they had in previous times (as there was no profit to share), and any increase in wages became very limited. This change in compensation, made by the Board, was accepted by workers, but it was a difficult time. With technical assistance from the national SCOP federation for their sector (Fédération des Scop de l'industrie), however, the company was able to make it through. Today, overall employment has decreased from a high of 140 to its current level of 80-90 workers; but thanks in large part to their restructured organization of work, financial performance is much more stable, with the co-op posting a small surplus in each of the last four fiscal years.

"We are better prepared today than in the past"

**"We are actors of our own future"**

notes quality manager Régnier. "We have

created a structure for the organization and implemented various tools we did not have before (e.g. sales forecasts, budgets, commissions, working groups)". These have helped to make the company more stable and profitable. The new orientation toward quality has also reinforced COMEBO as a desirable place to work. "In the past" says Régnier "the ambition was to make or save jobs . . . our goal today is rather to have quality jobs. Make people feel good at work, avoid injuries, gain skills and earn fair wages". That is the COMEBO approach, and, as their recent award makes clear, it is one that is admired by their peers, and has made them an inspiration to others in the French worker cooperative movement.

## Future prospects

While COMEBO has found financial as well as organizational success in recent years, challenges remain. "One issue that is very difficult to tackle" notes Mathieu "is the ability of people to express themselves and give their opinion, to articulate their thoughts and put forward an argument in a discussion." COMEBO members are highly skilled and good at their jobs. "They know how to assemble complex machines with their hands," but contributing to an abstract team discussion is challenging for some, and that is an issue the cooperative is still contending with.

**"Make people feel good at work, avoid injuries, gain skills, and earn fair wages"**

"There are tensions, as in all businesses" agrees

Souchet. "The important thing for a [worker

cooperative] is to work in an environment that we

like, with good working conditions . . . A SCOP is a company in which we are happy to get up in the morning and go to work." We talk to our manager, but "no one is breathing down our

necks . . . we have no policemen, we feel a sense of freedom." The cooperative has met many challenges in its 50 years, and has proven itself an organization willing to adapt and change to make situations better for the worker-members. "In a cooperative" says Souchet, reflecting on his own 30-year history at the co-op: "We are actors of our own future."