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Commentary

Commentary on Bryer's "Conscious practices and purposive action: A qualitative study of accounting and social change"

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ABSTRACT

This paper seeks to provide a general and informative commentary on Rose Bryer's paper, "Conscious practices and purposive action: A qualitative study of accounting and social change" (2011), which explores the role of accounting in the specific setting of *empresas recuperadas* (ERs). ERs (reclaimed enterprises) are businesses that have been brought back into operations as a cooperative by the workers when they were thought to be bankrupt. The commentary presented here focuses primarily on Bryer, but also discusses additional elements that may shed light on the unique phenomenon of ERs. As case studies, ERs provide an ideal context in which to research accounting change and test critical perspectives in accounting. This commentary focuses on the particularities of the socioeconomic environment that became the fertile ground of ERs, while also offering a long-term view of the phenomenon ten years after it was initiated. In particular, it undertakes a comparison between the initial situation and the situation in 2012. The commentary makes two key arguments: first, that accounting is an instrumental technology; and second, that the constructs that existed in 2001 have evolved significantly—and have even become partially obsolete—as diverse management forms emerged in successful ERs. This evolution is analyzed along five dimensions: (1) hierarchical organization; (2) property rights and the concept of profit; (3) community action and its links with access to financial resources; (4) the duality of members and non-members; and (5) the role of accounting reporting and discourse.

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1. Introduction

Rose Bryer's paper, "Conscious practices and purposive action: A qualitative study of accounting and social change" (2011) contributes a relatively fresh way of looking at accounting through a qualitative study of a particular entity in a turbulent environment. The following commentary focuses on Bryer's case study of the company named 'Gráficas El Mar' during 2004, in which accounting was used as a tool that allowed the members of the cooperative to find their independence through social action. This commentary discusses additional elements of analysis, in an aim to foster understanding of the unique phenomenon of *empresas recuperadas* (ERs) in the context of early 2000s Argentina.

By taking a longitudinal approach to the phenomenon, this commentary casts some doubts on the sustainability of the situation described in the case of Gráficas El Mar. The particularities of the socioeconomic environment that gave rise to ERs ignored the rule of law and did not provide a clear account of ownership of assets (Mondino, 2006). The major contribution of

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the longitudinal study is its illustration of the actual magnitude of the phenomenon of ERs. Several unreliable sources, such as blogs and published interviews of activists and politicians, indicated that there were more than 600 or 800 ERs by 2002¹, while more reliable data indicate that when the movement was organized there were 162 or 173 by 2009 (depending on the sources). These data suggest that either the size of the movement was small or the survival rate was low. In order to find more details, a simple study was conducted with ERs located in the province of Cordoba. This study involved visiting a specific ERs situation, which was, in fact, regarded as one of the most successful case of ER (Lewis and Klein, 2004).

Although this commentary agrees with the [Bryer \(this issue\)](#) that accounting is an instrumental technology, it must be noted that the constructs that existed in 2001 have necessarily evolved, having been rendered obsolete by a new management form that has emerged within the surviving ERs. Bryer's reported objective was to find out how accounting enabled the small enterprise to keep afloat after the original owners went bankrupt, and also, how it helped the employees find freedom and meaning within the community. However, the facts in 2012 reveal that the very successful ER visited had adopted a limited consensus-based decision making process, relied on expert advice regarding the company's accounting, and had devoted more time and effort to company's activities than community activities. Another clear example of change of constructs was provided by the ER that was visited for this commentary and by some of the sections of the new bankruptcy law passed on 2011: the segregation of ER workers into members and non-members ([Bryer, this issue](#), p. 7).

This commentary is built around three main sections, none of which deals with the theoretical perspectives used, such as interpretive accounting or labor process literature. First, the commentary presents the socio-economic context of Argentina in the period 2000–2002 to situate the emergence of ERs in their proper context. This same section offers some views of how Argentina and its economy evolved until 2012. Second, a case of an ER that is still active and regarded as the most successful is explored in detail. This section aims at discussing how accounting use changes when certain factors from the context and from a longitudinal perspective are brought into the analysis. Third, it summarizes the key arguments from the article pointing out five critical aspects: (1) hierarchical organization, (2) property rights and the concept of profit, (3) community action and its links to governmental subsidies, (4) the duality of members and non-members and (5) the role of accounting reporting and discourse. The commentary closes with a conclusion that summarizes the evolution and changes experienced by ERs; highlights the characteristics of a successful ER in 2012 and discusses the implication of doing research in turbulent environments.

2. Effect of Argentina's macroeconomic and social context on ERs

Empresas recuperadas (reclaimed enterprises) are businesses that have been brought back into operations by their workers when they were thought to be bankrupt: they are often re-named and re-structured as workers' cooperatives (Vieta, 2010). It is impossible to identify a single event that explains the emergence of the ERs in Argentina. A combination of economic, political, and social factors created a situation so severe that continuing to operate an enterprise without having cleared all property rights was seen as a viable option for survival.

2.1. Argentine economic and social conditions

The economic crisis Argentina experienced at the turn of the millennium was a huge contributor to the birth of ERs. The situation in 2001 is rooted in a key decision made in 1991: the tying of the Argentine peso to the American dollar as a way out of the hyperinflation created by the uncontrolled printing of money. During the 1990s, Argentina was perceived as one of the most successful emerging economies, which allowed the country to issue significant quantities of bonds on foreign capital markets. By 2001, Argentine bonds accounted for 25% of J.P. Morgan's benchmark index of emerging-market bonds (Fanelli, 2002).

Yet, in December 2001, the democratically elected President resigned amid some violence, and the convertibility regime that had been introduced in 1991 was abandoned. Argentina did not react immediately to the international crisis of the late 1990s due to the electoral process it was immersed in. According to [Fanelli \(2002\)](#), as uncertainty about the future rose steadily due to a recession that was causing deterioration of the banks' assets, depositors rushed to cash their deposits (total deposits in the financial system fell by 16%). By December 2001, several banks experienced serious liquidity problems. With the intent of stopping the bank run, the government froze all bank accounts, big and small, but this decision, popularly known as '*el corralito*', drove the masses into a panicked frenzy as it prevented the public from having access to their funds deposited in the banking system ([Bortot, 2003](#)). At the same time, the liberalization of the exchange rate resulted in a significant devaluation of the Argentine peso (50% between December 20th 2001 and January 28th 2002). The freezing of all bank accounts, the debt default, and the depreciation of the peso induced an across-the board failure with respect to contracts and property rights. [Fanelli \(2002, 26\)](#) clearly describes the situation:

“the rate of utilization of resources is currently so low because the institutional and contractual infrastructure of the economy collapsed as a result of the abandonment of the currency board. Under such circumstances, it is very difficult

¹ Data mentioned directly or indirectly by various institutions that group and organize ERs: Federación de Cooperativas de trabajo de la Provincia de Buenos Aires (FECOOTRA), Federación Nacional de Cooperativas de Trabajo Reconvertidas (FENCOOTER), Movimiento Nacional de Fabricas Recuperadas por los Trabajadores (MNFRT), Comisión de Solidaridad con las Fabricas Retomadas, Movimiento Nacional de Empresas Recuperadas (MNER).

Table 1
Indicators of the Argentine economy.

Year	Inflation ^a	GNP ^b in millions of pesos of 1993	GNP % change with previous year	Capital stock ^c in millions of pesos of 1993	Capital stock % change with previous year	Exchange rate ^d 1 US\$ = pesos
1988	387.74%	NA		NA		
1989	4923.57%	NA		NA		
1990	1343.93%	NA		511,780		
1991	83.99%	NA		516,379	0.90	
1992	17.55%	NA		525,076	1.68	1
1993	7.36%	236,505		543,164	3.44	1
1994	3.85%	250,308	5.84	564,398	3.91	1
1995	1.61%	243,186	−2.85	580,001	2.76	1
1996	0.05%	256,626	5.53	593,887	2.39	1
1997	0.33%	277,441	8.11	615,345	3.61	1
1998	0.66%	288,123	3.85	636,592	3.45	1
1999	−1.81%	278,369	−3.39	652,937	2.57	1
2000	−0.73%	276,173	−0.79	663,113	1.56	1
2001	−1.55%	263,997	−4.41	668,841	0.86	1
2002	40.94%	235,236	10.89	661,870	1.04	3.338
2003	3.66%	256,023	8.84	666,660	0.72	2.935
2004	6.10%	279,141	9.03	670,982	1.70	2.975
2005	12.33%	304,764	9.18	698,645	3.05	3.032
2006	9.84%	330,565	8.47	727,256	4.10	3.062
2007	8.47%	359,170	8.65	NA		3.149
2008	7.24%	383,444	6.76	NA		3.452
2009	7.69%	386,704	0.85	NA		3.800
2010	10.92%	422,130	9.16	NA		3.976
2011	9.51%	459,571	8.87	NA		4.304

^a Source: INDEC, historic series of General Consumer Prices in the Great Buenos Aires, base April 2008 = 100.

^b Source: INDEC, Gross Domestic Product at market prices in 1993. Data prior to 1993 is not comparable and it is not provided by the national office of statistics, INDEC. Also the source indicates that the GNP data from the years 2000–2011 is still provisional.

^c Source: INDEC, historic series of aggregated capital stock at prices of 1993. Last official data available is for the year 2006.

^d Source: BCRA, Official Effective exchange rate as of December 30 or the closest prior day with bank operations. The source does not provide data prior to January 1992 when a new currency was introduced. As of January 1992 the Peso replaced the Austral, which was the Argentine currency since June 15th 1985. In turn, the Austral replaced another currency, the Peso Argentino which was introduced on June 1st 1983. One Austral was equivalent to 1000 Pesos Argentinos and each Peso was equivalent to 10,000 Australs, therefore 1 peso of today is equivalent to 0.0001 Australes or 0.0000001 Pesos Argentinos. In less than 10 years (1983–1992) the Argentine currency eliminated 7 zeros, which is a clear indication of hyperinflationary processes.

to define property rights properly and precisely. Hence, a considerable proportion of agents have no incentive to put the available resources to their best use.”

Supporting this description of the 2001–2002 situation, Mondino (2006) mentions that the political crisis—five presidents in two weeks—translated into a relaxation of the rule of law.

The government's extreme measures, Argentina's shaky politics, and its free-falling economy led to a frustrated, panicked, and desperate society. With employment rates quickly declining, fewer and fewer citizens had a way of making a living. It was amidst this chaos that the first ERs were born. Unable to find employment elsewhere and not able to comprehend why companies were closing despite having assets, workers took matters into their own hands. In most cases workers began by camping outside, then occupying the facilities, and then initiating some operations while forming workers' cooperatives that were granted the temporary exploitation of the company by the bankruptcy judge.

Argentina's economy after the crisis grew 94% for the years 2002–2011, which was the fastest growth in the Western Hemisphere for this period (Weisbrot et al., 2011). Some argue that Argentina's rapid growth can be explained by a “commodity boom” driven by high prices for its agricultural exports such as soybeans, but the data in Weisbrot et al. (2011) does not support this view. The Argentine solution to the 2001 crisis involved a default large enough to reduce the country's debt burden to a manageable level. Macroeconomic data shows that GDP growth was driven by increases in consumption mostly, with little impact from foreign direct investment. On the government side, revenues and social spending increased significantly in real terms (revenues increased from 15% of GDP in 2002 to 23.4% in 2009 and social spending grew from 10.3% of GDP in 2002 to 14.2% in 2009). Table 1 offers a synopsis of selected data that reflects the two crises (1989 and 2001).

2.2. Empresas Recuperadas

The documentation of the emergence, survival and organization of ERs is very fragmented, and actors do not agree with the number, size or importance of the movement. A reliable but partial source, the National Movement of Recovered Factories has compiled a list that complements and expands upon others (Montiel, 2003; Palomino, 2005; Mondino, 2006), but is shorter than more recent ones (Labiano, 2011). A list made public by Lavaca Editora (2011), has a total of 161 ERs, which closely corresponds to the 162 mentioned by Labiano (2011), with the peak of formations in 2002 (see Table 2 for

Table 2

Date of formation of empresas recuperadas (Lavaca Editora, 2011).

Year	New Empresas Recuperadas
Prior to 2000	18
2000	6
2001	24
2002	48
2003	37
2004	24
After 2004	4

details). Palomino et al. (2009) indicate that there were a total of 32 ERs that did not survive within the 170 mentioned in their study. Some sources mentioned that there were more than 600 in 2001 although they are not properly documented, but if this data has any validity, it is suggestive of a low survival rate (Carbonetti, 2006; Montiel, 2003).

Although the economy in Argentina has improved significantly since 2002, the survival rate of ERs is not clear. There are no documents to support the claim made in 2002–2004 that several hundreds of ERs were formed—and further, the data collected by Palomino et al. (2009) suggests that not all ERs survived. If ERs have a survival rate lower than the average of small and medium sized enterprises in Argentina in this period, then it is fair to ask: is this reality due to a lack of accounting systems and controls, to the horizontal and very flat organizational structure that can be perceived as a disorganized way of making decisions, to an over-emphasis on activism relegating value added activities to a lesser role, or to a lack of clarity about property rights?

Among these possible reasons for the low survival rate of ERs, only the lack of clear property rights has already existing data available; the others have yet to be explored. A detailed study of 33 ERs found that only one had clear property rights since its inception (Carbonetti, 2006). In relation, it was suggested that having clear property rights allows ERs to have access to various sources of financing, which in turn improves their chances of survival. A follow-up of the property rights of the ERs documented in *The Take* shows: Brukman was expropriated in late 2003, yet property rights remain unclear; Forja San Martin's use of assets has been extended for another five years in a judicial resolution of August 2012; and Zanon, which was formally expropriated in 2010, will have clear property rights once the Government of the Province of Neuquén pays \$23 million to its original creditors as determined by the Justice in November 2012. The fourth ER² profiled in *The Take*—which had a clear delimitation of property rights since the beginning—not only survived but also, as of 2012, is one of the most successful stories of the ER movement. In 2001 Pauny SA manufactured only 15 tractors, while in 2011 they made more than 1000, exporting close to 40%; in the ranking of businesses by revenue of the province of Cordoba, Pauny SA qualified as 57th in 2009 and 60th in 2010.

3. Current situation of a successful ER: Pauny S.A.

This section briefly summarizes the origins and current situation of Pauny S.A. and one of its partners, the Workers' Cooperative. Although this section does not report a complete case study that uses data triangulation and tests of relevance and reliability (Yin, 2002), it provides some elements that help evaluate how certain key factors have evolved in this ER from their beginnings until today.

3.1. Zanello S.A. 1951–2001

Zanello S.A. was an agricultural/forestry tractor and bus manufacturer based in the city of Las Varillas (pop. 13,000 inhabitants), in the province of Cordoba in Argentina. Pedro Zanello started it in 1951 as a metallurgical shop, and in the beginning its main business was metal sheet cutting and welding for truck covers. By 1970 the first agricultural tractor with the brand Zanello appeared in the market and by the late 1970s Zanello was the principal manufacturer of agricultural tractors in Argentina. Under the leadership of Pedro's sons, Carlos and Luis, the company continued, for decades, to add new products and technological advances to the tractors and other agricultural equipment. Zanello had an extensive network of dedicated dealers within Argentina, but also exported products abroad.

Zanello S.A. was declared bankrupt on September 12th, 2001 by the judge who was in charge of the process in the city of Buenos Aires. The total amount of debt was close to 100 million pesos, and among them, 6 millions were in respect of salaries and benefits payable. On January 3rd, 2002, operations continued on the basis of a lease agreement signed between a new company called 'Pauny S.A.' and the bankruptcy judge. In December 2002 Pauny S.A. paid off the mortgage on the factory building for an amount close to 15 million pesos and became the formal owner of all factory buildings and land. On December 2003 the remainder of the assets of Zanello SA were auctioned among three bidders. The winner was Pauny S.A. with a total

² The company used to be known as Zanello S.A. but in 2001 it went bankrupt and a new company, Pauny S.A., took over the operations within a judicial agreement (Avila, 2006; Boccardi, 2010).

Table 3

Companies that manufactured and sold Zanello tractors.

Logo of the defunct Zanello SA that went bankrupt in 2001, the complete legal name of the company was Construcciones Metalurgicas Zanello SA (SA stands for 'sociedad anonima' and indicates the legal form is a corporation).



Pauny—Pauny S.A., headed by Raul Gaii Levra; formed and owned by the workers of part of the former Zanello. They manufacture under Pauny, Pauny Zanello, Zanello Pauny and Pauny Rino brands. In the agriculture market, Pauny builds tractors, sprayers, water and fuel tanks, and on-site living trailer. For construction, Pauny offers front-loader tractors and graders. For forestry, a forestry truck and log-skidders. Other products include bus-chassis, mini-buses and buses. Pauny S.A. was founded in 2001, has a second plant in another Province of Argentina, in 2009 opened the first plant in Venezuela and in 2010 the second plant. In 2011 began to build a factory in Brazil in partnership with Stara, a Brazilian company.



Industries Villa Maria S.A. manufacturer of Trac-Za tractors. Trac-Za Zanello tractors are built in Villa Maria, province of Cordoba in Argentina. IVM S.A. was founded in 2002 with the purchase of the Q-Trac series of Zanello tractors before Zanello SA went bankrupt, and the tractors were renamed Trac-Za. The company is headed by Luis and Carlos Zanello, both former owners of Zanello S.A. In 2004, Trac-Za started a joint venture with a Russian tractor manufacturer.



Abati S.A. produces tractors in Argentina under the Abati Titanium brand. The company also uses the name Zanello Argentina, to help relate it to the former Zanello tractors. It is based in Buenos Aires, Argentina, and manufactures tractors in the city of Pergamino, in the north of the province of Buenos Aires.



Zanello Maquinarias SA has recently emerged and advertises as being "100% Zanello". It is headed by Luis and Carlos Zanello, who were owners of Zanello S.A. and were also heading up Trac-Za. Zanello Maquinarias S.A. is a tractor and construction equipment manufacturer based in Córdoba, Argentina.



Construcciones Metalurgicas Zanello SRL (metallurgical constructions Zanello as a limited partnership) is a company that belongs to Luis Zanello and his family, their main line of business are graders for road construction, which are also manufactured by Pauny. In 2012 CMZ manufactured an average of 4 graders per month and their sales are domestic, most of them are leased to municipalities in the vicinity. The company is located in Las Varillas, Cordoba.

ZG Trac S.A., headed by Dario Zanello, began manufacturing new Zanello's tractors in 2006 in the city of Rio Tercero, province of Cordoba. Dario is the son of Luis Zanello, who formerly co-led the original company Zanello SA. Zanello ZG-Trac builds articulated tractors and row-crop tractors. As of 2012, nothing can be found about the company, so it may be defunct.

payment that was between 20 and 28 million pesos³. In the meantime, the property rights of intangible assets were unclear—for instance, Pauny SA registered the trademark of tractors as 'Zanello,' because various parts of the company that went bankrupt were sold off to new companies, which resulted in more than one company building tractors from the same blueprints and bearing the Zanello brand name. A total of six companies have used the brand Zanello since 2001, with four distinct commercial logos (see Table 3).

3.2. Pauny SA and the workers cooperative

Pauny S.A. is a corporation that was formed in the year 2001 to take over the operations of Zanello S.A. Pauny S.A. has three major partners, who hold 33% of the shares each: a workers' cooperative, four Zanello's former top managers, and a network of 50 dealers. A fourth partner is the municipality of Las Varillas, which holds 1% of the shares. The president of Pauny, Mr. Raul Gaii Levra, was the CEO of the former Zanello S.A. and retained a central role as the company underwent changes. As discussed above, Zanello S.A. ceased operations during the year 2001, and in December 2001 the bankruptcy process was well advanced and the judge transferred the company to the newly formed Pauny S.A. (Caffaratti, 2004). The process was modeled on other ER cases, and the involvement of various government actors—such as the Ministry of

³ There are differences in the amount depending on the source consulted.

Industries of the Province of Cordoba and the Instituto Nacional de Empresas Sociales (National Institute of Social Businesses)—was fundamental. The origin of the corporation is not clear, as it was an existing corporation without activity that was identified by the top managers and brought by them to the negotiation table with the other major partners in order to reach an agreement to present to the judge.

Among the four partners of Pauny S.A., the only one that reflects a similar reality to the one described by Bryer (this issue) is the workers' cooperative, and it is for this reason that the cooperative was studied. The worker's cooperative known as 'Cooperativa de Trabajo Metalurgica Las Varillas Ltda.' was created in 2001 as the result of the difficult situation the workers were experiencing with Zanello's bankruptcy process. The workers organized to mount 'custody tents' to prevent the owners of Zanello S.A. from removing raw materials, fixed assets or even blueprints of the products. The subjects interviewed for this study were Mr. Edgar Maidana, the president of the cooperative, and Mr. Fabian Bustos, the treasurer, both of whom were union leaders in 2001. Based on the visit and interviews, a set of ERs characteristics showed convergences and divergences between the cases of 'Graficas El Mar' (Bryer, this issue) and Pauny SA; these five characteristics are analyzed in the next paragraphs.

3.3. Nature of the hierarchical organization

The hierarchical organization did not change significantly between Zanello S.A. and Pauny S.A.; however the relation between managers and workers is significantly different now. The top four managers of Zanello S.A. are the same four top managers of Pauny S.A., however the owners from the founding family are no longer around, and now all partners have voice and vote in Pauny's decisions. Pauny S.A. has a board of directors with five members, of which two are from the cooperative: Mr. Maidana and Mr. Bustos. The cooperative has an accountant who periodically reports and explains the accounts of Pauny SA to the worker's cooperative, but the accountant is an independent professional who operates as one of the cooperative's control mechanisms over Pauny S.A. During the interviews the cooperative's President emphasized that the hierarchical structure *does* work and is very efficient for organizing work, allocating responsibilities and measuring performance. He also indicated that the members' assemblies are essential to instil a sense of ownership among the workers, as otherwise they cannot always see their contribution, given the size and complexity of the company.

3.4. Clear delineation of property rights

The idea of profit is central to Pauny SA. Profit has been clearly defined from the beginning because Pauny SA was an ER that made an effort to clarify, limit and delineate ownership rights since the very beginning. Pauny S.A. bought the factory building for 15 million pesos and later bought the remaining assets of the liquidated Zanello S.A. for approximately 20 million pesos. The purchase was arranged through a bank that lent the money using all the fixed assets as collateral, business was conducted under a special agreement, and the transaction was directly supervised by the president of the country, who traveled to the city of Las Varillas to make it effective. The debt was to be paid out of the profits of the new company. This factor illustrates clearly why profit was a central concern for Pauny S.A.; its survival, both short and long-term, depended directly on earning enough capital to repay its debt.

3.5. Commitment for community action

The worker's cooperative is also concerned with contributing to the society of the city of Las Varillas. Since the beginning the cooperative has run workshops designed to train people for new jobs. They have also built and run a community center, and are working on both a pharmacy and a supermarket that will offer discounts for members and competitive prices for non-members. Although Pauny S.A. has received significant support from the government, both at the provincial and national level, members of the cooperative do not feel that this government support is related to their social activities. The members of the cooperative are careful and substantially limit the political activities of their members because they want to be perceived as working to improve the life of the people of Las Varillas rather than perceived as politically interested.

3.6. Coexistence of members and non-members

When operations started, Pauny S.A. had roughly 100 blue-collar workers, all of whom were part of the cooperative, but by 2012 Pauny S.A. had more than 450 workers. However, the membership in the cooperative did not expand accordingly. The difference between members and non-members is not significant but it exists; the major points of divergence are: right to participate in certain assemblies; right to vote on decisions or authorities; and the right to receive dividends on top of salary and bonuses. As this paper was being researched, the cooperative was getting ready to deal with a very challenging event: death of a member. This occurrence poses a challenge because regulations state that the membership in the cooperative is *personal and non-transferable*, which in turn raise the question of what will happen when the last surviving member of the cooperative dies.

3.7. Role of accounting

The overall role of accounting in Pauny is centered in transparency and profit's concept, both directly contributing to the long term perspective of sustainability. In general terms, the significant change observed between the companies is that

Table 4
Changes observed between Zanello SA and Pauny SA.

Dimensions	Zanello SA	Pauny S.A.
Board of directors	Owners, external directors (lawyer and accountant) and the CEO	2 representatives from the Worker's cooperative, 2 top managers and one representative from the Dealers
Short term (daily) decisions	Owners gave general guidelines to the top managers and everybody executed them.	Top managers make them if needed; otherwise they are delegated to middle level managers who decide based on the set of values and premises of the company.
Long term decisions (financing and new products)	Owners made the decisions and everybody executed them.	Board of directors must approve them.
Accounting records	IT system in place, reports accessible to top managers and owners, some special reports were disclosed to other parties.	Same IT systems in place plus some needed upgrades. Top managers, members of the worker's cooperative and dealers have access to consolidated data. When needed and upon request disaggregated data is produced.
Accounting concepts (costs, revenues, profit, fixed assets and debt)	Not discussed beyond the Zanello's family and top managers. It was not clear to the employees their contribution to profit, however labor related costs were mentioned when a restructuring of the company needed to be made.	The nature of the concepts and their measurement is not discussed; however the contribution of each major partner seems to be clear: dealers manage revenues, workers manage costs and top managers decide on debt and fixed assets, in this last case with the input of workers.
Planning mechanisms	Annual budget not known by all members of the company. The desired level of performance to achieve was known only to the Zanello's family and probably by the top managers.	An annual budget with a significant level of detail for the short term is known by all (rolling forecast with details for the next month). The desired level of performance, both in operative and financial terms is known by the majority partners (top managers, workers cooperative and dealers).
Control mechanisms	The main internal control mechanism was top-down and was mostly based on the fear of being fired by the Zanello's family.	The internal mechanisms are top-down and bottom-up as well. Workers not included in the cooperative can be fired, but the majority partners control each other and are accountable for their expected performance. Transparency in reports and decisions is considered the best control mechanism. The cooperative hires a professional accountant who audits and reports back (emphasis in explaining the meaning and implication of accounting treatments). In external control, the tax authority is the major one, however, now the municipality of Las Varillas exercises some controls as a minority partner of the corporation.
Worker's meetings	The external control mechanism was mostly based on the tax authority. Not scheduled, were organized when there was a problem and common action was needed. They were initiated and organized by union leaders.	Minimum of a monthly meeting of the members of the Cooperative where performance of the company is analyzed and future actions are discussed.
Sense of ownership	The Zanello's family and probably some of the top managers.	The four top managers and to a lesser degree the members of the cooperative and the dealers. Also, there is a sense of ownership shared by most of the people of the city of Las Varillas as well.

accounting output was secret knowledge in Zanello S.A., while in Pauny S.A., all partners have access to the aggregated data on a regular basis (at least once a month). Although the members of the workers' cooperative lack the knowledge to understand all nuances behind profit, the major decisions that affect profit are clear. On one hand, the discussion with top managers and dealers makes the business transparent: one can easily identify the various operating and financial decisions taken and their impact on the 'bottom line.' On the other hand, the professional accountant hired by the cooperative prepares a report in which he informs the cooperative how the numbers reported at month end have been achieved. Reports about alternative treatments and their impact on profit regularly mentioned: (1) how to account for depreciation of the building and fixed assets, particularly due to the fact that the building and assets were purchased twice, first in the 1970s by Zanello and then in 2002 and 2003 by Pauny S.A.; (2) treatment of scrap generated in various areas that is treated differently according to its future processing potential (some can be reworked, while some can be sold as scrap); (3) unearned revenues from sales made within an agreement signed between the national government of Argentina and Venezuela; (4) recognition of a bad debt, particularly those resulting from sales made to governmental entities; (5) accounting for subsidies received, particularly in the first years of operation when all employees received a subsidy from the national government and very low salaries; (6) accounting for the exceptional transfer of funds and certain goods to individuals or entities that are not partners of Pauny S.A.; and (7) accounting for the transfer of funds and certain goods to any of the partners of Pauny S.A. for social or community activities that will enhance Pauny's image (for instance this applies to workshops run by the worker's cooperative or relief actions executed by the city of Las Varillas when floods occur). Details of other changes experienced are shown in Table 4, where the concept of accounting is extended to include planning and control systems, as well as corporate governance mechanisms.

4. Use of accounting in Empresas Recuperadas: Graficas El Mar and Pauny SA

Taking Gráficas El Mar as the focus of her case study, Bryer ([this issue](#)) observes how accounting is used as a tool that allows the company's workers to find their independence through social action. Bryer's ([this issue](#)) article explains the background of the company, its previous hierarchical system, and its shift to a decentralized organizational structure. Data was mainly collected through a shadowing of the president of the company, "Carlos," observing his information exchange with other members and attending regular company meetings. Bryer narrates as she watches Carlos struggle to both keep costs down in order to earn profit to stay afloat as a business, and also, to achieve freedom and meaning within the cooperative while reaching out to the community and other ERs in order to gain personal fulfillment. Bryer makes a point of showing the polarized interpretation of the data, which balances profit against community-benefitting choices. The next paragraphs summarize the case of Graficas El Mar along the five ERs characteristics that show convergences and divergences with the case of Pauny SA.

4.1. Nature of the hierarchical organization

From the abstract of Bryer ([this issue](#)):

"The analysis traces the involvement of accounting practices within collaborative dynamics that transformed a hierarchical organisational structure, embedded within accountability systems that manifest prevailing notions of identity and collectivism, into a decentralised organisation that established relations with grass roots societal groups informed by new purposes and values".

There was a change from a hierarchical organization to a collective form of organization; however, a relevant question to ask is: can collective organization be maintained if and when the organization's volume of business increases once the economy of the country emerges from recession. While hierarchies have disappeared in Graficas El Mar, the case of Pauny SA reveals that hierarchies can be desirable insofar as they provide order and efficiency to larger organizations. Palomino (2005) points out the risk of repeating hierarchies that provide a more efficient organization but limit the potential and variety of the work.

4.2. Clear delineation of property rights

Bryer ([this issue](#), p.4) notes: "The case study of Graficas El Mar delineates the collaborative and differentiated dynamics within which organizational members drew on accounting ideas and information as part of a language that represented and defined the purposes of their activities." It is clear that not all members had the same reading of the accounting results being reported, which is understandable given the general state of confusion that existed in these organizations—organizations that, by definition, did not fully abide by the rule of law regarding clear property rights. One interesting question to ask is how fixed assets are considered when measuring profit; another item that should be clarified: which treatment was provided to the existing inventory of raw materials? Neither of the two items—fixed assets and initial inventories of raw materials—had been purchased by the ERs in these cases, yet they were used to generate sales, and therefore the profit of the first periods tended to be higher than the real profit, if all costs were considered. Graficas El Mar as several ERs were authorized by a judge or by decree to operate the company for a certain period of time, after that, a negotiation process with the bankruptcy court should be opened again. That seems to be a less-than-ideal situation; Pauny S.A. deliberately avoided the situation by buying all remaining assets of the old company as soon as possible.

4.3. Commitment for community action

Bryer ([this issue](#), p.5) also mentions: "members often drew on the idea of a social economy as a way of rationalizing how their organizational activity related to wider social life. Many were involved within wider social and political activities." The movement of social economy was initially supported by the government elected in 2003, although this social unrest was a natural response to the state of crisis of 2001 and 2002 (Lewis and Klein, 2004). Here, the critical question to ask is if the

Table 5
Legal situation of a selected group of ERs.

Legal status	Quantity of ERs	Percentage
Expropriation for 2 years	8	24
Expropriation for 2 years plus an extension	3	9
Expropriation (final)	9	26
Agreement to continue with the exploitation granted by the bankruptcy court	5	15
Owners of the building	2	6
Rent another building	1	3
Situation not solved	1	3
No data	5	15

Source: translated from table 1 of Carbonetti (2006).

Table 6

Sources of Financing of a selected group of ERs.

Source of financing	ERs stating it as Principal	%	ERs stating it as secondary
Subsidies	20	60.6	4
Credits (financial institutions with social purposes and government run banks)	4	12.1	1
Suppliers	3	9.1	10
Help from other ERs	5	15.2	5
Advances from chequing accounts	0	0	7
Others	0	0	2
None	1	3.0	0

Source: translated from table 8 of [Carbonetti \(2006\)](#).

involvement in political and social activities was *a true endeavour of the workers* or if it was *a condition to receive parliamentary and judicial support* to start activities (obtain an expropriation—see [Table 5](#)) and, later on, to receive subsidies from the government (see [Table 6](#)), which would allow the ER to continue with their operations ([Carbonetti, 2006](#)). In the case of Pauny, there was a real commitment to community action that served the function of securing the purchase of the company's assets; however, it is not clear how much of this community engagement was motivated by the need to please the government, or how much was due to the general mood in Argentina at the time.

4.4. Coexistence of members and non-members

[Bryer \(this issue, p.7\)](#) comments: “During week 30, members decided to extend their hours from 10 to 12 h, and to employ non-members—temporary workers who earned a monthly salary and were not included in the assembly meetings.” The division into members and non-members presents a reality that is difficult to understand in the context of collective decision-making, inclusivity and search for freedom. The phenomenon of non-members could be the response to a short-term necessity or could be a defensive tactic devised by members, in an attempt to protect their rights. In the case of Pauny SA, it was clear that the core of workers needed to be members because of their struggle to save the company, while the newer employees were not yet at that level of compromise with the company and fellow workers. In light of this situation, the differentiation made complete sense to workers, and was not perceived as a contradiction. [Palomino \(2005\)](#) points out that, due to the market demand, ERs often face restrictions that limit the time and effort available for meetings and assemblies, both within the ER and in the community. And, since ERs emerged as a rebellion against the traditional capitalist model, and accordingly, considered all workers equal regardless of position or qualifications, hiring non-members with different rights does not align with the spirit of ERs. Rather, it is justified by the pursuit of profit.

4.5. Role of accounting

The role of accounting in ERs is more complex than the previously discussed issues. It appears in several sections of Bryer's study, though it is restricted to a discussion of four related concepts: costs, revenues, profit and gross margin ([Bryer, this issue](#); p. 6 exhibit a and p. 8 exhibit b). On the one hand, accounting seems to have a clear, positive and reinforcing effect on the amount of effort exerted by members, because accounting makes visible achievements ([Bryer, this issue](#); p.5) that previously were not observable due to more secretive accounting practices ([Bryer, this issue](#); p.4). However, on the other hand, the process and products of accounting were not understood by the majority of ER members; they commented that accounting data represented a distorted image of their activity ([Bryer, this issue](#), p.7), and seemed to feel that the concept of profit was rendered abstract and alien ([Bryer, this issue](#); p.8). The difference between the pre-ER situation and the ER approach to accounting was that under the ER all members had access to the outputs of accounting. Yet, the process continues to be a black box of sorts, and whoever has the knowledge to understand what is in the black box acquires power over other members, as he or she is able to set the priorities for the ER in accord with accounting reports. Simple business organizations in Argentina have traditionally relied on a cash accounting basis. In keeping with this tradition, Graficas El Mar is not very specific in recording how revenues and costs are measured. In fact, the only information available notes that accounting records are kept daily ([Bryer, this issue](#); p. 4). Therefore, it is unclear if there are sufficient controls and safeguards to prevent those with accounting knowledge from making discretionary changes to the way in which costs and revenue are measured (the typical discretionary decisions can be made regarding fixed asset depreciation, treatment of scrap that can be reprocessed latter, unearned revenues, bad debts, accounting for subsidies received and transfer of funds, goods, and/or workers' time to social or community activities).

4.6. Comparison of ERs in 2004 and 2012

A priori, it seems that Graficas El Mar and Pauny do not have much in common, besides being labeled as Empresas Recuperadas. The same five characteristics examined in relation to Pauny SA can be applied to Graficas El Mar, in order to

Table 7

Comparison between Empresas Recuperadas.

Dimension	Graficas El Mar	Pauny S.A.
Nature of the hierarchical organization	Flat	Hierarchical with top managers, middle managers, workers in the cooperative and other workers.
Clear delimitation of property rights	Not clear at the beginning, which complicates the proper measurement of profit.	Steps taken in the first 2 years of operations to formally own all assets. There are some disputes regarding the use of the brand name Zanello.
Commitment for community action	A significant group of workers was committed to community action and involvement with the broad movement of ERs and its federation.	The workers' cooperative has a real commitment to improve the life of its members and the community of the city of Las Varillas.
Coexistence of members and non-members	It was a fact, but it is perceived as non desirable by the majority of the workers.	It is a fact and it is perceived as a need and somewhat desirable by the members of the worker's cooperative.
Role of accounting	Transparent, helps to see the effect of their actions. Given the lack of formal training of workers in accounting, the 2 members that have the technical knowledge might manipulate the agenda by making technical accounting decisions and not fully disclosing them.	Transparent, helps all managers and members of the workers' cooperative to see what has been achieved and what are the plans for the immediate future. The lack of expert knowledge of the workers has been mitigated by hiring an independent professional accountant who gets full disclosure of all technical decisions, and then translates them to the workers together with the analysis of the financial, economic and operative situation of the company as it is reflected in the financial statements.

identify convergences and divergences in their models. It is worthwhile exploring what has happened in the two cases, and in particular, comparing Graficas El Mar as they were in 2004 with Pauny SA in 2012. Will those successful ERs be true to their origins or will they evolve into organizational forms closer to the traditional companies that they have replaced? Table 7 summarizes the comparison between the two ERs along the 5 dimensions.

5. Discussion and conclusion

Through the qualitative study of a volatile type of business organization known as 'empresas recuperadas', Bryer (this issue) contributes a relatively fresh look at accounting. This commentary aims at providing elements of analysis to supplement understanding of the phenomenon of ERs in Argentina in the early 2000s. If the socioeconomic situation of the country were to be summarized in brief, it would be fair to say that the rule of law was seriously weakened in the years 2001 and 2002, and that, at the same time, the notion of a new model based on social economy started to emerge.

When taking a more long-term approach to the phenomenon, it seems that the situation described in Bryer (this issue) might not be sustainable for several ERs. This commentary chooses to emphasize five elements that reveal divergences between the case reported by Bryer (this issue) and the case of a growing and successful ER. The first element is the hierarchical organization of ERs; while Bryer (this issue) reports that hierarchies have disappeared, the case of Pauny S.A. reveals that hierarchies can be desirable, as they provide order and efficiency for larger operations. The second element is the clarity of property rights; several ERs were authorized by a judge or by decree to operate the company for a certain period of time, on condition that after this period a negotiation process would be opened. This prescription was apparently not desirable, since Pauny S.A. made special efforts to legally acquire ownership of all the company assets. Property rights issues also affect the measurement and meaning of profit; it is unclear how ERs treat the pre-existing assets (e.g. inventory). The third element to question: how natural was the commitment for community action, and how much of it was motivated by the need to please a government to obtain critical subsidies? The fourth element speaks to the contradiction of having both members and non-members among the workers of ERs. And lastly, the fifth element addresses the role of accounting in ERs. Both cases point out clearly that, in the context of ERs, accounting provides transparency to the management's decisions, with the result that all members of the company can see the effect of their effort. One difference between the two cases mentioned is that in the case reported by Bryer (this issue) there was both a distinct lack of technical knowledge of accounting and no mechanism in place to ensure that the amounts reported were accurate. This reality created the opportunity for members with accounting knowledge to manage the agenda or priorities of the company, without being held accountable to other workers. On the other hand, the workers of Pauny S.A. were conscious about their limited technical knowledge in accounting and how it could be used to create a discourse poorly aligned with reality, and therefore they relied on the services of an independent accountant who assessed all technical accounting decisions, in order to communicate their impact to all the workers.

Although this commentary agrees with Bryer that accounting is an instrumental technology, it must be recognized that the constructs and actors have evolved significantly since 2001. By 2012, a new management form had emerged in those ERs that have survived and grown, and in several respects it is significantly different from the original management form. In the beginning of the ER phenomenon, property rights were not very important; by 2012, the acquired rights of members were protected. The case of Pauny S.A. in 2012 reveals a successful ER that: (1) does not attempt to make consensus-based daily business decisions; (2) involves members devoting more time and effort to the company's activities than to community

activities; (3) involves differences among workers (members and non-members); and (4) hired independent expertise in accounting to act as a control mechanism.

This commentary can inform researchers who are engaged in field work in turbulent environments—environments that are exogenous to their past experience. Situations such as the one experienced in Argentina at the turn of the century are both rare and volatile, and although it is a laudable effort to understand and describe them, it is necessary to situate them historically, economically, politically and socially, while taking a longitudinal perspective that allows one to see whether the constructs observed are resilient or fleeting. This contribution is the work of a researcher who, although educated in the northern hemisphere, was exposed to the Argentinean reality for almost three decades, and who, consequently, recognizes that in this reality—especially in periods when the rule of law evaporates—nothing is what it seems to be.

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