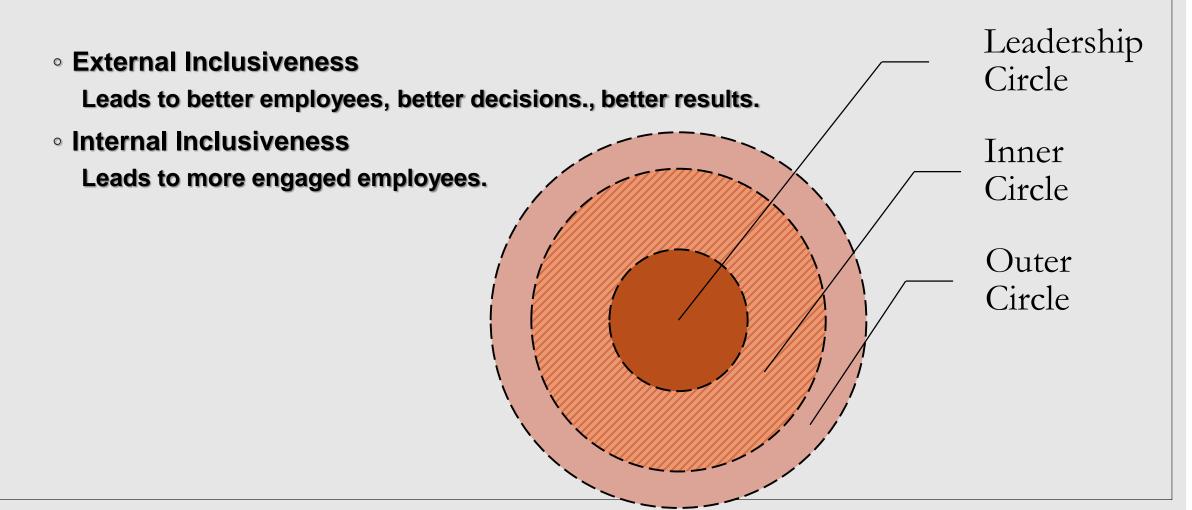
CREATING INCLUSIVE ORGANIZATIONS THROUGH SHARED OWNERSHIP, PARTICIPATION AND PROFITS

Humanity at Music: Mondragon https://humanityatmusic.com/en/



Two Forms of Inclusiveness



The Presenters

Raymond Saner (saner@csend.org), CSEND research SDGs RBC , Co-Chair	Frank M. Shipper (fmshipper@salisbury.edu), Salisbury U., Co-Chair
Richard (Dick) C. Hoffman (rchoffman@salisbury.edu), Salisbury University	Marjorie Kelly (mkelly@democracycollaborative.org), The Democracy Collaborative
Joseph Blasi (blasi@smlr.Rutgers.edu), Rutgers University	Nancy B. Kurland (nancy.kurland@fandm.edu), Franklin & Marshall College
Ian MacFarlane (imacfarlane@eaest.com), EA Engineering, Science, and Technology, Inc., PBC	Francesca Nugnes (francesca.nugnes@financier.com), United Nations Inter-Agency Task Force on Social and Solidarity Economy

"The dogmas of the quiet past are inadequate to the stormy present. As our case is new, so we must think anew, and act anew." Abraham Lincoln, 1862



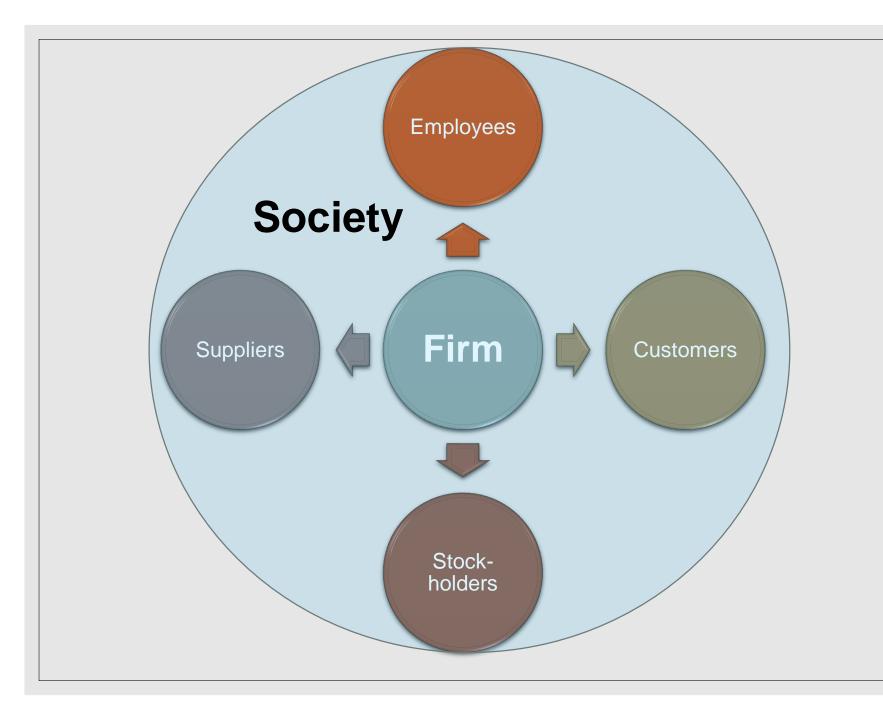




EMPLOYEE OWNED

EMPLOYEE GOVERNED

EMPLOYEE DRIVEN



A Win-Win-Win-Win-Win-Win Model



Creating

an

Internet

of People

(IOP)

IMPORTANCE OF CREATING INCLUSIVE ORGANIZATIONS THROUGH SHARED OWNERSHIP, PARTICIPATION AND PROFITS

Wealth Comparison by Gender and Race	Median Wealth of Single Workers in the U.S.	Median ESOP Account Value of Low/Moderate-Income Workers in Rutgers Survey
African-American Women	\$200	\$32,000
African-American Men	\$300	\$180,000
Latina Women	\$100	\$143,500
Latino Men	\$950	\$200,000
White Women	\$15,640	\$172,000
White Men	\$28,900	\$323,500

Structure of Workshop

- Introduction Frank (10 minutes)
- Presentations
 - How employee-owned firms facilitate inclusiveness in the US -- Dick & Doug (10 Minutes)
 - How employee-owned firms facilitate inclusiveness globally -- Raymond & Francesca (10 Minutes)
 - How inclusiveness has been enhanced within EA Engineering Ian & Nancy (10 Minutes)
 - Learning about inclusiveness from other employee-owned enterprises -- Marjorie (10 minutes)
- Roundtable collaborations on growing inclusive organizations that share ownership, participation and profits (20 minutes)
- Report Out (10 Minutes)
- Wrap-Up Raymond and Frank (10 minutes)

HOW EMPLOYEE OWNED FIRMS CREATE INCLUSIVENESS: EXAMPLES FROM USA

RICHARD HOFFMAN, SALISBURY UNIVERSITY JOSEPH BLASI, RUTGERS UNIVERSITY

How employee-owned firms facilitate inclusiveness in the US

Employee ownership is an important part of the American economy, with 14 million workers and 7,000 companies

Publix Supermarkets	Retail grocer	180,000 emps.	\$32 Billion revenue
W. L. Gore (WLG)	Specialty materials	10,000 emps.	\$3 Billion in revenue
Herman Miller (HM)	Office Layouts and furnishings	8,000 emps	\$2.4 Billion in revenue
Burns & McDonnell	Construction & engineering	5,000 emps	\$2.5 Billion in revenue

Inclusion based on

Ownership —employees share in ownership either partially or exclusively.

Shared leadership – employees have input in decisions beyond their immediate job responsibilities.

Collaboration – every critical function needs to be shared; a collective responsibility.

Shared Culture - centrality of egalitarian relationships and responsibilities appears to be key components.

Firms in Sample

Firm	Industry	Firm	Industry
Atlas Container (ATL)	Cardboard boxes	SRC Holdings	Remanufacturing
Equal Exchange (EE)	Fair trade food & Beverage	WL Gore (WLG)	Specialty materials
Herman Miller (HM)	Office design & furnishings	HCSS (HCS)	Software for construction industry
Maryland Business Ventures (MBV)	Fabricated metal products	KCI Technologies Inc. (KCI)	Engineering and design
Pritchett Controls (PRT)	Building systems control design & Install.		

Inclusion based on Ownership

Agency theory – as owners, employees' financial interests are aligned with those of the firm thereby encouraging behaviors in support of organizational goals.

- As an owner, each employee is expected to invest their whole being into the firm. Has right to vote and right to information (EE).
- Train to be owners –Open book management (ATL, HM, MBV, SRC); Ownership culture committee (SRC)
- Social Contract commitment arises from the psychological connection one feels about the organization, so they tend to focus on its well being.
 - Right to serve as leader on board or elected officer and right to speak your mind (EE).
- -It is about being owners actively committed to the life of this community called Herman Miller, sharing in its success and risk.

Inclusion based on Shared Leadership

Innovative risks – analysis, informed risk taking and commitment to quality.

- Employees selected and installed a million-dollar machine in record time at ATL
- At WLG allowed to take risks but do not sink the ship!

Communicate openly – be open to suggestions, be approachable and available.

- At WLG use a Lattice organization, talk to anyone you need to up or down the organization who can help you with your decisions or action.
- -Eschew hierarchy, anyone can talk directly to CEO (ATL). This was a necessity to harness the power of employees in order to turn the business around.

Make and fulfill commitments – given the freedom to commit to achieve explicit outcomes.

- Team that designed new engine then calculated the payback period and developed the marketing plan (SRC).

Inclusion based on Collaboration

Egalitarianism — degree to which the organization is democratic as characterized by equality of opportunity, broad participation, and fair treatment.

- Anyone can talk to anyone in the organization to get info. needed. (ATL, EE, MBV, PRT, WLG)
- Decisions to overhaul Heath insurance (ATL), adjust profit sharing (HM) followed a democratic process where employees either directly or through reps obtained the info. And solutions were voted on by all.

Community — needed internally for collaboration and cooperation across departments and organization levels and needed externally to bind with the larger community.

- Slow recruiting used in all firms to carefully select and interview candidates by many people. Once hired assigned a mentor, orientation and a development plan.
- Teamwork around new product development WLG & PRT, production processes (ATL, PRT) and office work (MBV), etc. empowered to make decisions.

Inclusion based on **Shared Culture**

Successful employee owned companies appear to have shared cultures (Hoffman & Shipper, 2018) based on two sets of values:

Level one: values that help form affiliation and achievement among individuals such as:

honesty, autonomy, and egalitarianism

Level two: values essential for the functioning of the organization such as accountability, transparency and community

The intangibles embodied in values help foster behaviors related to shared decision making and collaboration; these help leverage ownership to create success!

Why Financial Inclusion Matters?

- Capital ownership and capital income are highly concentrated
- Real wage growth has been flat for most sectors of the population and most of the economic rewards have been in the form of capital shares
- 75% of all capital ownership is in the hands of the richest 10% of families (Piketty, Saez, and Zucman)
- 97% of all income on capital (all capital gains, all interest, all dividends) is in the hands of the richest 10% of families
- Aside from direct payments to families (EITC, UBI) shares of capital ownership and capital income can broaden inclusion directly

Investigating Capital Shares

- The Institute for the Study of Employee Ownership and Profit Sharing
- Looking at the incidence, dynamics, employee/firm outcomes, =/-
- All forms of capital shares such as employee share ownership, ESOPs, equity compensation (ESPPs, stock options), gain/profit sharing
- Assembling administrative databases, creating national surveys and employee surveys, secondary analysis of corporate datasets
- Developing the field with a competitive fellowship program, two annual conferences, and ongoing policy analysis

Shares Are Common in Workplaces

- Recently with my colleague Doug Kruse of Rutgers we analyzed new data from the 2018 General Social Survey* on how common capital shares are in the United States
- Equity shares in companies are held by 19.8% of employees, company stock options by 8.1%, profit shares by 38%, gain shares by 30%
- The intriguing finding is that 46.8% of all adult workers have some combination of shares, 50.2% of all adult employees in for-profit companies, and 57.5% of all adult employees in companies with stock
- Median \$ is \$15k for equity shares and \$2k annually for profit/gain shares
 *With support from The Employee Ownership Foundation of Washington, D.C.

Employee Ownership Can Be Significant

- The average ESOP equity ownership stake in closely-held companies is \$134,000. (Kruse and Blasi, 2018)
- The top quartile of employee owners have mean wealth of \$174,574 and median wealth of \$92,115 based on an analysis of the General Social Surveys for 2002, 2006, 2010, and 2014. (Kruse and Blasi, 2018)
- An analysis of 12,618 ESOP employees by Blasi and Kruse found that the mean account value was \$243,458 with a median of \$95,695 after 20+years of seniority (Blasi and Kruse, 2018)
- The Rutgers-Kellogg Foundation study found that ESOPs reduced the wealth gap between white workers/male workers and people of color/female workers but did not eliminate the gap

Takeaways From Major Studies

- NBER Shared Capitalism Project: the combination of shares with a high performance work system is linked to individual outcomes such as turnover and co-monitoring with lessons on wage substitution and non-hierarchical management paramount (Shared Capitalism at Work Book, 2010)
- The Citizen's Share Project: a) Shares have been a common solution to inequality in American economic history, but need to be updated and adjusted for market risk, i.e. only based on grants not whole purchases;
- b) shares increase in the U.S. economy in response to tax incentives and require managing the \$1 trillion on corporate tax incentives to encourage (The Citizen's Share Book, 2014)
- The Great Place to Work Project: Firms with shares such as equity or profit shares separately and especially together have lower turnover and better corporate performance (Blasi, Freeman, Kruse, BJIR, 2015)

Impacts of Inclusive Organizations

Compared to conventional corporations, employee-owned businesses:

- achieve higher productivity with increased sales (Blasi, Kruse & Weltman, 2013)
- enjoy lower turnover and greater longevity;
- offer better employment opportunities (Kardas, Scharf & Keogh, 1998)
- create real and perceived economic stability and security through asset building for lower income workers (Boguslaw & Schur, 2019)
- shape employees' actions and perceptions related to participation, inclusion, value, trust, equity and fairness (Boguslaw & Schur, 2019)
- retain jobs in-state and avoid relocating out-of-state (Blasi et al. 2013)
- sustain the state tax base through employee and corporate income tax; (Blasi, 2016)
- save costs on unemployment insurance and other state benefit programs (Blasi, 2016)



Creating Inclusive Organizations, Through Shared Ownership, Participation and Profits

AoM Boston, 9th August 2019

Prof. Raymond Saner; University of Basel Director, CSEND, Geneva

Dr Francesca Nugnes
United Nations Inter-Agency Task Force on Social
and Solidarity Economy





SSE Organization Definition



Definition of Social and Solidarity Economy

- As yet there is no formal ILO definition of social economy
- Definition agreed by participants of the 2009 regional conference on 'The Social Economy: Africa's response to the Global Crisis':

"the social economy is a concept designating enterprises and organizations, in particular cooperatives, mutual benefit societies, associations, foundations and social enterprises, which have the specific feature of producing goods, services and knowledge while pursuing both economic and social aims and fostering solidarity"





United Nations Task Force on Social and Solidarity Economy (UNTFSSE)



UN Organisations	UN Organisations	Observers
FAO	ILO	CSEND
UNESCO	UNDP	ICA
UNIDO	UNEP	CIRIEC
World Bank	UN-OG	RIPESS
UNAIDS	WHO	CITIES
UNCTAD	OECD	EESC
	Total: 20	Total: 14





Types of SSE



SSE entities are generally grouped into five categories:

- Cooperatives of various forms and various levels,
- Mutual societies established primarily to organize insurance coverage through mutual assistance;
- Associations and voluntary organizations, provided they are economically active;
- Foundations;
- Social enterprises that combine a social and societal purpose with the entrepreneurial spirit of the private sector.





Principles of SSE







Types of Cooperatives



- Agricultural coops
- Marketing co-ops
- Supply co-ops
- Fishery co-ops
- Dairy co-ops
- Producers co-ops
- Consumer co-ops
- Education co-ops

- Housing co-ops
- Artisanal co-ops
- Credit and savings co-ops (co-op banks)
- Insurance co-ops
- Transport co-ops
- Health co-ops, etc...



What is a cooperative?



Definition

"an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise"

A cooperative is NOT a Charity!!!!





Cooperatives

(source ILO Coop)



The ILO estimates that 100 million jobs are provided by cooperatives amounting 20% more jobs than being created by the world multi-national companies.

Cooperatives are an important factor economic development in industrialized and developing countries.



Cooperative ILO



- Over one billion people around the world are members of a cooperative, according to the International Cooperative Alliance (ICA).
- The country with the largest number of individual members indirectly represented by the ICA is the United States with 305.6 million members accounting for nearly 30,000 cooperatives.



Cooperatives ILO (2)



- The world's largest co-operative enterprises represent collective revenues of USD 1.6 trillion.
- According to the ILO, Financial cooperatives serve over 857 million people
 13 per cent of the world population while Agricultural cooperatives produce 50 percent of global agriculture output.
- International Co-operative Alliance (2010), "Global300 Report 2010: The world's major co-operatives and mutual businesses."



Cooperatives- financial model



 All profits (sometimes called margins) are given back to the cooperative's members. These refunds, also called "patronage dividends," are paid to each member annually according to the proportion of business each does with the cooperative for that year.

Source: ILO Coop news 2019

Diplomacy Dialogue

Worker Cooperative

A worker cooperative is owned and self-managed by its workers. This control may be exercised in a number of ways. A cooperative enterprise may mean a firm where every workerowner participates in decision-making in a democratic fashion, or it may refer to one in which management is elected by every worker-owner, and it can refer to a situation in which managers are considered, and treated as, workers of the firm.

Source: https://en.wikipedia.org/wiki/Worker_cooperative



Worker Cooperative (2)



In traditional forms of worker cooperative, all shares are held by the workforce with no outside or consumer owners, and each member has one voting share.

In practice, control by worker-owners may be exercised through individual, collective, or majority ownership by the workforce; or the retention of individual, collective, or majority voting rights (exercised on a one-member one-vote basis).

A worker cooperative, therefore, has the characteristic that each of its workers owns one share, and all shares are owned by the workers.

Source: https://en.wikipedia.org/wiki/Worker_cooperative



Platform Cooperative





Founded	2012 (became a cooperative in 2014)
Company Type	Multi-stakeholder cooperative
Website	https://loconomics.com
Headquarter	San Francisco, California, USA
Operating location	USA and UK
Number of service providers	Undisclosed, less than 2000
Types of services provided	Home Care, Child Care, Pet Care, Self-Care, Transport, Office, Senior Care, Party Planning,



Case Study





1. Ownership

- Service providers make up the majority of owners.
 No acquisition
- Low fees for cooperative membership

2. Distribution of profits and benefits

- Zero commission
- Profits are proportionately divided among owners based on contribution
- Offers little to no benefit



Case Study





3. Decision-making

- Democratic election of board of director and voting on policies
- Uses digital technology
- Clear disclosure of information

4. Interpersonal Relationships

Collaboration is at the heart of the cooperative

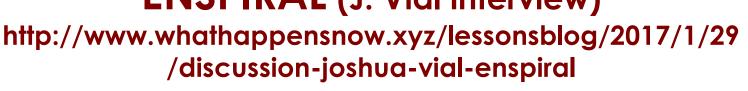


ENSPIRAL (2010-), http://joshuavial.com



- Enspiral began in 2010 with a single freelancer (Joshua VIAL) seeking to collaborate with others who shared similar values. It's grown into a community supporting hundreds of individuals and many companies with ambitious social missions at their core.
- Joshua VIAL: We started out as a professional services cooperative of mostly web developers. The key idea was to help more people work on meaningful things. I set out to find people who cared about global issues, help them find high-paid contract work, so they had time to be self-funded change-makers on whatever they wanted: climate change, global poverty, transitioning, etc. That was pretty much the work I started doing in 2009.
- Annual revenue about 2-3 Mio Euro.

ENSPIRAL (J. Vial interview)





- 40 members: Members have a share in the cooperative. They are basically a citizen of the group. A member is a person that most other members trust.
- 200 Contributors: A contributor is somebody that one member trusts a little bit.
- it takes about 1-2 years to become a member. Contributors need to get to know all members, build relationships with them, until they trust you and give you the power to yourself bring people into the group. Members also have the power to veto. For our decision-making process, we use consent quite a lot and a single member can block a decision.

Diplomacy Dialogue



The ILO and Cooperatives



1919-1932

Albert Thomas, a French cooperator and a member of central committee of the ICA, becomes ILO's first Director (DG)

1932-2012 All subsequent DGs were former government officials

2012-

Election of Guy Ryder, first ever labour union DG

However, ILO tripartite system (government, employer association and labour unions) does not give cooperatives equal representation

rights at ILO





Thank you



On the Road to Inclusiveness:

How "ESOP + Benefit Corporation" drives change

- Intentionality (vision & action)
- Stakeholder Framing & Accountability
- Ownership Culture
- Hopefully: Inclusive Culture

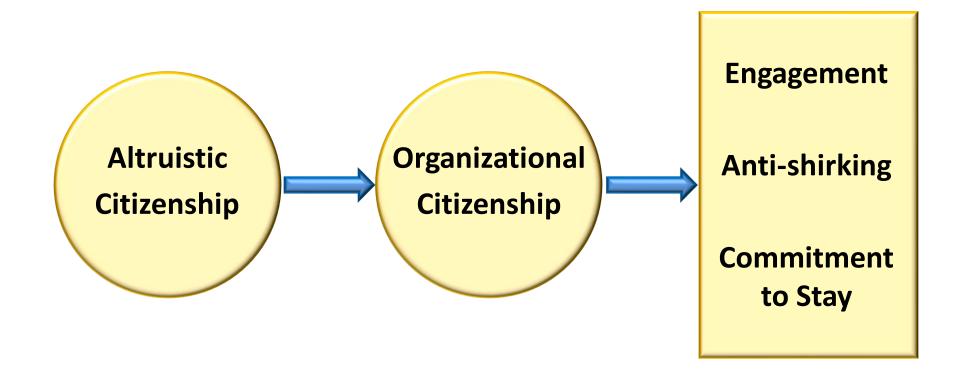
Ian D. MacFarlane
President and CEO
EA Engineering, Science, and
Technology, Inc., PBC
imacfarlane@eaest.com
410-527-2452

Nancy B. Kurland, Ph.D.
Associate Professor of
Organization Studies
Franklin and Marshall College
nancy.kurland@fandm.edu
717-358-4734

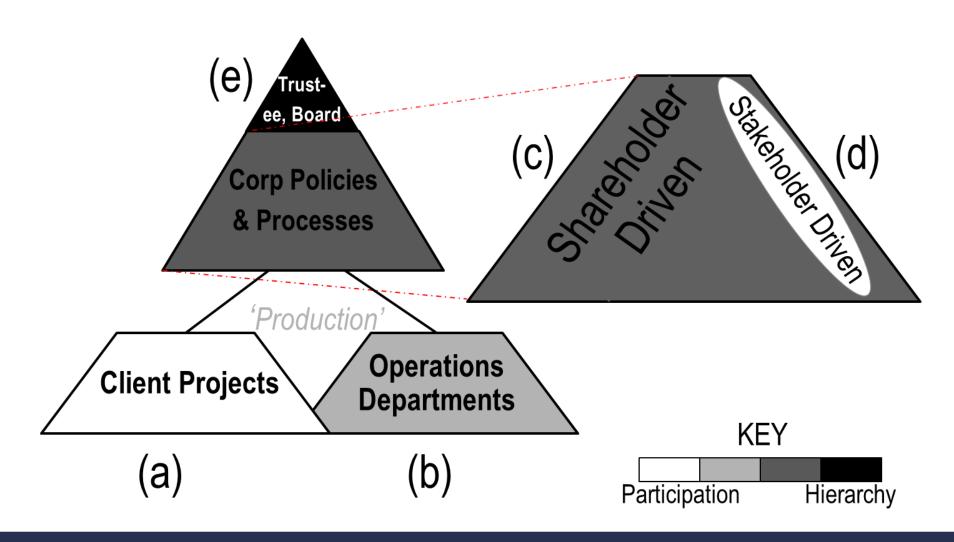
Ownership History

100% ESOP, PBC 2014 Institutional Investor and Management bought out Partial ESOP 2005 Founder sells to ESOP and Management Private 2001 Went private NASDAQ Nasdaq Publically traded, 1986 acquired to diversify Founded 1973 Founded as Ecological Analysts

Promoting Sharing and Caring



The "Intentionality" Model – PBC/CSR Participation as Innoculum



Benefit Corporation Pillars



Strategic Stakeholder Framework



Purpose Realization Pyramid



Employee Scorecard

As Labor

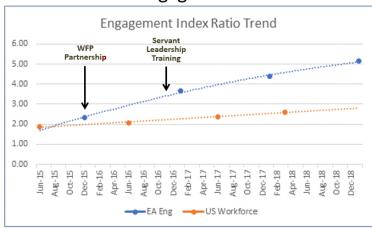
CSR/PBC Employee Participation



Commitment to Stay



Engagement



As Owners

- 12.6% CAGR stock growth pre-100% ESOP/PBC
- 18.5% CAGR stock growth post-100% ESOP/PBC (~15.1% without tax benefits)

As Diversity

- 41.5% female >> better than industry
- 10% minority ~= as industry
- DEI Initiative underway

Further Reading

On EA

- Allen, E., & Williams, J. (2019). Employee Engagement+ Social Good= A Winning Combination. Journal-American Water Works
 Association, 111(1), 52-55.
- Chen, G., Smith, T. A., Kirkman, B. L., Zhang, P., Lemoine, G. J., & Farh, J. L. (2019). Multiple team membership and empowerment spillover effects: Can empowerment processes cross team boundaries?. *Journal of Applied Psychology*, 104(3), 321.
- Hennick, C. (2019). Emphasis on the public good. Engineering Inc. (March/April), 48-51.
- Kelly, M. & Howard, T. (2019). The principle of democratic ownership. In *The Making of a Democratic Economy* (pp 73-84). Berrett-Koehler. Oakland, Ca.
- Kurland, N. B. (2017). Accountability and the public benefit corporation. *Business Horizons*, 60(4), 519-528.
- Kurland, N. (2018). ESOP plus Benefit Corporation: Ownership culture with benefit accountability. *California Management Review*, 60(4), 51-73.

IM's Latest Favorites

- Levillain, K., & Segrestin, B. (2019). From primacy to purpose commitment: How emerging profit-with-purpose corporations open new corporate governance avenues. *European Management Journal*. https://doi.org/10.1016/j.emj.2019.07.002
- Souleles, D. (2019). Another workplace is possible: Learning to own and changing subjectivities in American employee owned companies. *Critique of Anthropology*, https://doi.org/10.1177%2F0308275X19840416
- Summers, J., & Chillas, S. (2019). Working in employee-owned companies: the role of economic democracy skills. *Economic and Industrial Democracy*, https://doi.org/10.1177%2F0143831X19835319

Next Generation Enterprise in a Democratic Economy

Marjorie Kelly, author,

The Making of a Democratic Economy

Exec. VP, The Democracy Collaborative

Academy of Management, 2019



A word on language

Theme of AOM: "Inclusive organization"

"Social and solidarity economy"

"Cooperatives"

"Social enterprise"



At a time of radical cultural disruption, history holds out to us a call for concepts.

Philosopher Jonathan Lear says that, at a time of deep crisis and breakdown, "imaginative excellence" helps us find the new path.

As a new economy, a new social order, struggles to be born, <u>new language</u> is central to emergence.



We are potentially in the passage from one kind of economy to another.

From an Extractive Economy

To a Democratic Economy.

From an economy of the 1%, by the 1%, for the 1%. To an economy of, by, and for the people.

Marjorie Kelly and Ted Howard, <u>The Making of a</u> <u>Democratic Economy</u>, Berrett-Koehler, July 2019.



Extractive Economy

An economy designed for maximum financial extraction by wealthy elite – heedless of collateral damage to workers, community, environment.

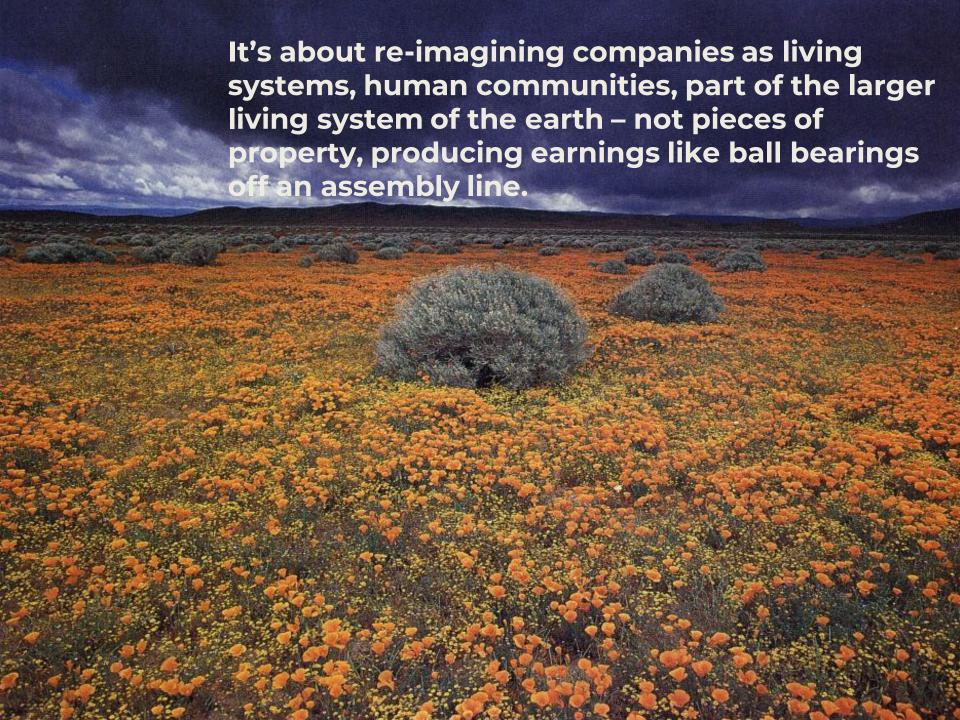
Democratic Economy

An economy that aims to meet the essential needs of all persons, to balance human consumption with the regenerative capacity of the earth, and to be responsive to ordinary people.



This work is about more than small, marginal firms. It's about prototypes of enterprise design for a new era.





System structure is the source of system behavior.







Next generation enterprise

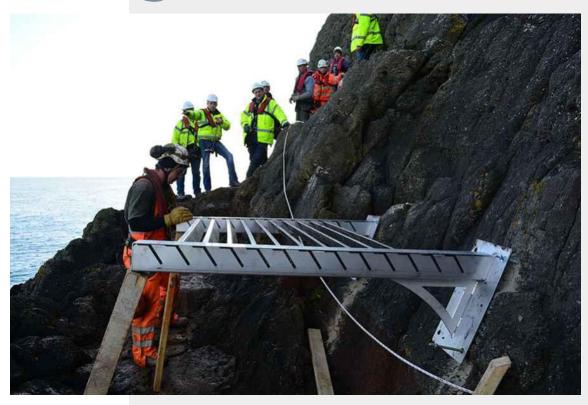
Mission-led and employee-owned.

- Worker ownership is critical to a democratic economy. Whether ESOP, worker co-op, trust: at least 30% EO.
- Authentic mission of creating public benefit.
- May institutionalize mission as B Corps or benefit corps.
- Worker engagement varies: open book mgmt, labor-mgmt committees, board voting.



EA Engineering

- Environmental consulting firm.
- \$140 million revenue.
- 500 employees.
- Mission:
 Improve the quality of the environment, one project at a time.



100% ESOP ownership, benefit corporation



Cooperative Home Care Associates

- 100% employee owned
- Employs 2,100.
- African-American, Latina
- Committed to delivering quality care by creating quality jobs.
- Worker co-op, B Corp.







A company as a living system, designed to benefit life.

Employees paid zero for their shares.



Mission begins with founders. Employee ownership is a way to maintain it.

Eileen Fisher \$440 million revenue 1,200 employees 40% owned by employees, ESOP B Corp.

"There isn't an empty company shell owning this. It will be owned by the people who have put blood, sweat and tears into it."

—Eileen Fisher, founder of Eileen Fisher



More than 50 Next Generation Enterprises already exist

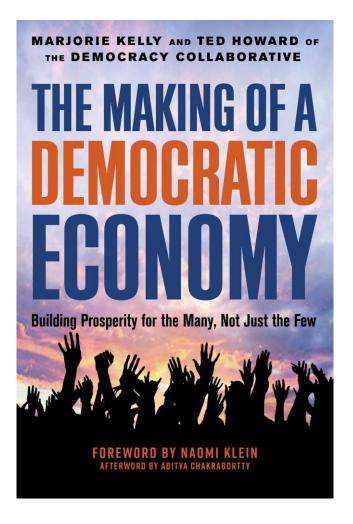
- Eileen Fisher
- New Belgium Brewing
- Dansko
- King Arthur Flour
- Namaste Solar
- ClifBar
- Recology
- Gardener's Supply
- South MountainCompany

- CHCA
- EA Engineering
- Heritage Aviation
- Zevin Asset Mgmt.
- Chroma Technology
- Butler/Till Media
 Services
- Berrett-Koehler
 Publishers
- KeHE Distributors
- Floyd Snider



Next Generation Enteprises create beneficial outcomes.

Among the 47 employeeowned B Corps, 80% were named Best for the World in 2017 or 2018.



Marjorie Kelly and Ted Howard, *The Making of a Democratic Economy*, Released July 23, 2019. Berrett-Koehler. Visit their booth at AOM. Chapters on CHCA and EA Engineering.



Questions and dialogue

Marjorie Kelly MKelly@democraycollaborative.org

democracycollaborative.org community-wealth.org

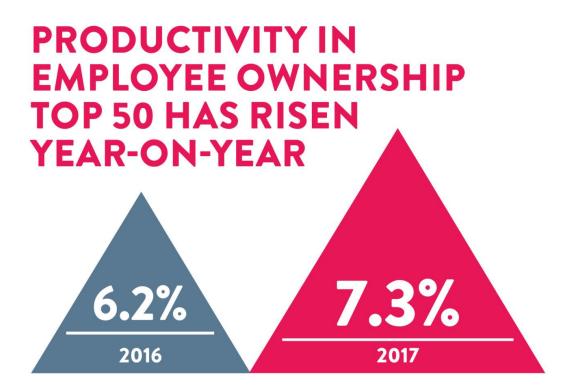


CONCLUDING SLIDES

NCEO Employee Ownership Stock Index Continues to Double Market Returns

Period	EO Index	S&P 500 Index	Russell 3000
Two years	48.1%	24.1%	24.2%
2018-2019	14.6%	8.6%	7.8%
2017-2018	30.3%	15.5%	16.7%





COMPARED TO UK PRODUCTIVITY WHICH FELL BY 0.1% DURING Q1 2017 TO Q1 2018

TOP 50 EMPLOYEE OWNED BUSINESSES 2018

PROOF OF GROWTH – HOW EO HAS BOOSTED SCOTLAND'S BUSINESSES



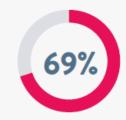
Proportion of EO businesses that have, or will, implement more flexible working practices



Return on investment on gross value added



Proportion of EO businesses that have seen better employee performance to date



Proportion of EO businesses that reported increased employee input in strategic decision-making

Postlude

HUMANITY AT MUSIC: MONDRAGON

https://humanityatmusic.com/en/

