

Perpetuating an Ownership Culture

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In its summer, 2003 issue, *Business Ethics* magazine highlighted "The Legacy Problem" whereby the culture and vision of a number of socially conscious corporations was being lost when the companies were acquired by larger firms. The sale of Ben & Jerry's, one of the icons of the socially-conscious corporate world, to Unilever was cited as "a wakeup call in socially responsible business circles, where preventing mission loss when a company changes hands has become the problem of the hour."

There are plenty of formerly employee-owned companies that have been sold, merged and broken up. Nothing lasts forever, of course. Companies are bought and sold all the time. It's a matter of matching a willing buyer and a willing seller. Employee-owners often realize substantial returns when their company is sold; it's hard to argue that that's a bad thing.

But it is equally clear that there are other values to consider than just the price paid for a company. Many companies hope to maintain their independent existence and unique company culture for the long term. Selling to the highest bidder may not always be the optimum solution in terms of preserving company culture, local jobs, a unique corporate mission or simply operational independence. Whether it's preserving a socially conscious corporate mission or a culture of broad-based employee ownership and participation, for those companies the long-term perspective of what it takes to build a lasting corporate culture is worth careful consideration.

It's therefore somewhat surprising how little thought goes into building internal systems to preserve a culture over time that can weather changes in leadership. If employee ownership is more than just providing stock-based compensation, but a different way to run a business, what are the processes and procedures a company can put in place to preserve that ownership culture?

There's no simple solution to the legacy problem, and each company's circumstances will be determined by a variety of factors ranging from market conditions to strategic priorities, but there are several points of reference for companies to consider in building institutional support for preserving an ownership culture. Start with ownership itself:

Who are the owners?

Do founders and/or investors own substantial blocks of stock? Are their long-term interests aligned with those of the employees? Are plans in place for buying those shares over time? How is the ownership likely to change? If substantial ownership is held by an employee trust, as with an ESOP, the plan fiduciaries are obliged to keep employees' interests as investors and future retirees (not necessarily as job holders!) paramount in considering how best to reap the benefit of the employees' stockholdings. What are the circumstances concerning employee voting rights and how can they best exert their influence as owners?

What do your board members think?

Does the board share the same view of employee ownership as the founder and/or

employees? If a board hires a new CEO, will they give sufficient weight to the importance of preserving an ownership culture?

How can employee best communicate their views?

As shareholders, employees can vote on decisions to sell the company, but what about the many smaller decisions leading up to a final sale? What mechanisms exist for ensuring employee input on important strategic considerations such as a change in leadership?

What are the cultural priorities?

Is the goal of employee ownership to maximize financial returns or perpetuate the business? Are employees and other owners cognizant of the potential trade-offs? What are the cultural issues to preserve and what steps have been taken to plan for the transition of key corporate responsibilities over time? Who are the "water-carriers" who can best communicate long-term company values to a new generation of employee-owners? What training mechanisms are in place to prepare for that transition?

Webster's dictionary defines culture as "the act of developing the intellectual and moral faculties, especially by education," and as "the customary beliefs, social forms, and material traits of a racial, religious, or social group." To preserve a corporate culture it's worth giving serious consideration to just what intellectual and moral faculties should be perpetuated and just what customary beliefs and practices best reflect the goals of the company's owners. It's a rare company that will find that its owners speak with one voice on these issues, but companies looking to preserve themselves for the long-term ignore these questions at their peril.

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