

## More than Merely Sustainable

By Anthony Mathews

The sustainability debate continues in the employee-ownership community. The fear that employee-owned companies will not be strong enough to survive without significant outside capital, which will end their employee ownership, is still very widespread. The fear that employee-owned companies will collapse under the weight of their repurchase obligations is also still very widespread. When you look at the facts, both are completely unfounded, yet they continue and even grow stronger in waves as each challenge to employee ownership is faced. We live in a time when emphatically-stated misstatements pass for the truth if they are repeated often and loudly enough. So, it is not so surprising that these “concerns” about the future of employee ownership persist.

As much as I know it will have no effect on the debate, let’s take a moment to look at what can be verified as facts about employee ownership. Companies with a true culture of ownership (companies that combine broad ownership among employees with a style of management that encourages participation and engagement among employees and is based on mutual respect for contributions and equitable distribution of rewards) are, by every measure, more successful than other similar companies which do not have that culture. They grow faster than their contemporaries; they grow faster than they did before becoming employee owned; they are much less likely to become insolvent; and they enjoy a relationship with their employees (both financial and organizational) that causes them to fill a statistically improbable number of slots among the 100 best companies to work for.

You don’t have to believe me about these things, the National Center for Employee Ownership and many reputable academic researchers have proven these things and many more in the same vein. And in sum, these results prove that not only is employee ownership a sustainable model, it is a superior one.

But this may be one of those issues that will remain no matter how much evidence mounts to the contrary. And we do have one very significant vulnerability that could cause even the best employee ownership example to fail – we are very much dependent on attracting and retaining upper management that can perform with the skill and qualities of leadership that are required of any successful business leader yet who are selfless enough to do so for the benefit of everyone who is contributing to the company’s success (acknowledging that everyone contributes something).

The failures of employee ownership are almost universally the result of a change in attitude among the highest levels of management, which has lost faith in (and commitment to) sustaining the model. The most vulnerable time for a successful employee-owned company is the moment it is going through a transition of management. There will always be a very large supply of business-school-trained executives who will see the success of our companies and covet the rewards for themselves. Thankfully, there are still leaders in the business world who can accept merely generous compensation and appreciate the additional benefits of being a

leader in a company where all employees count in the development of success and all employees have a chance to develop real security for their futures.

We are very fortunate that many such leaders exist. We see them at the helm of successful long-term employee-ownership companies all the time. We also see them being developed in the ranks of the same companies as well as in business schools that have only recently even begun to acknowledge that this form of business is legitimate. It is a real pleasure when we meet people in these positions who just enjoy the role because it is the right thing to do and it is a truly enriching experience to lead in this environment. But developing leadership with these attitudes is perhaps the most significant job we have for today.

We know that the next decade is going to be the scene of a massive migration of private capital from its baby-boomer ownership to somewhere else. This can be a pivotal period for employee ownership if we step up on behalf of employees and assure that the fair share of that productive capital finds its way into the hands of a much broader range of citizens than has been the case for the last several decades in which we witnessed a tightening concentration of wealth in fewer and fewer hands (which, it turned out, was all part of the physics of circling the drain).

We wish you all a joyous and grateful holiday season and a peaceful and prosperous 2011 to come!

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