

Teaching Note for

The “Avery Hall Way”:

Capitalizing on the Mutuality of Employee-Ownership and Franchise-like Operations

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Avery Hall Insurance company was founded in 1925 by Avery Hall, a civically minded businessperson. His approach to the insurance business ran parallel with his commitment to the community, and he became phenomenally successful providing individual and business policies that were highly tailored to client’s needs. The commitment to customer service in every aspect of each transaction became known as “The Avery Hall Way” and fits well with the employee-ownership structure which was established in 1988. With a firmly established culture and solid financial performance, Avery was able to expand through internal growth as well as mergers and acquisitions over the course of several decades. To propagate the “Avery Hall Way” among acquired companies, Avery allowed several years of development and training for each new location. The objective of this case is for students to analyze the unique culture and operating systems, then to develop a formal plan that can be used to collapse the time required to teach new employees about the “Avery Hall Way.”

2. Teaching Objectives and Target Audience

This case is suitable for both undergraduate and MBA classes. At both levels, the case can be used in courses pertaining to strategy, human resource management, organizational behavior, training, and development, or when high-performance work practices (HPWP) are taught. The case is a good example of a firm that is embarking on the high-performance track, but there are additional practices that it should consider. The case’s HPWP practices can be discussed early in HR classes in terms of recruitment and selection practices, e.g., How does a firm attract employees who best fit its culture? In considering HR approaches, training and development may play a key role. From a strategic standpoint, the goal of the case is to determine a method that will ensure integrity of ‘The Avery Hall Way’ as it continues to expand.

Specific teaching objectives for students include the following:

1. Codify the tacit value of the “Avery Hall Way,” including the ESOP, into a structured operating plan.
2. Define and develop the content of the newly expanded “Avery Hall Way” operating plan.
3. Explain the method of implementation to existing employees and offices.
4. Form a strategy for using the new operating plan to attract entry-level and mid-level talent

3. Teaching Approach and Strategy

This case can be used in a variety of ways. For HR students, the case has obvious signs of HPWPs that are yet uncoded. Researching how organizations have been able to establish and build a culture of HPWPs is an excellent approach to studying the case. HR students can conduct more focused research concerning specific HR practices that might offer insight to the leadership

concerning stable and continued growth. These might include the areas of recruitment, selection, compensation, and training. Applying best practices in these areas to the case would make a dynamic learning experience. High-performing organizations often reflect mission, strategy, direction, and culture like those of mature employee-owned companies.

How can the research on HP organizations contribute to the field of employee-ownership and vice versa? The focus of the case is to create an operating environment that exhibits characteristics of such an organization and what else it needs to do to reflect the characteristics of shared ownership, shared leadership, and shared values more typical of HP organizations. Of course, the case lends itself well to discussion for a strategy class as the case provides information on Avery Hall’s goals for long term growth and profitability. Questions to guide some of the analyses:

- A. Questions on High Performance and Human Resources Issues
 1. How would you describe the firm’s key strengths and weaknesses?
 2. What was being done at Avery to recruit, select, develop, engage, motivate, and retain employees?
 3. What more could be done to get the employees to (a) grasp the value of employee ownership and (b) see working at Avery as a career?
 4. What strategic recommendations would you suggest to the firm’s President as he prepares to retire and hand over the company?
- B. Questions to Broaden the Discussion to Strategic Issues
 1. Avery’s commitment to growth is limited by the indoctrination of the ‘Avery Hall Way.’ How can this tacit knowledge become more codified? How will this information be disbursed throughout the organization?
 2. What can Avery Hall provide, in terms of traditional training and development, to help solidify the ‘Avery Hall Way’ throughout the organization?
 3. How can Avery continue to enjoy a competitive advantage as it grows? What geographic markets might be attractive for Avery Hall’s expansion efforts?
 4. How might a solid operating plan enhance the company’s ability to expand more rapidly?

Potential Reponses to Questions

Analysis

The class discussion can be started by asking the class to name all the kinds of insurance available. The point of this 5–10-minute exercise is for the students to learn to some degree the knowledge base needed to be in a sales position in a firm such as Avery Hall.

Below is a list. It is not a comprehensive list.

Accident	Disability	Motorcycle
Annuities	Farm	Pet
Automobile	Health	Renters
Boat	Homeowners	Travel

Business	Jewelry	Travel Medical
Burial	Key Person	Umbrella
Classic Car	Liability	Uninsured motorist
Condo	Life	Vision
Cyber Liability	Long-Term Care	Wedding (and other events)
Dental	Mortgage	

Of course, these are not all the insurances available. For example, there are at least five kinds of life insurance including whole life insurance, universal life insurance, burial life insurance (this is not a typo 😊), variable universal life insurance, and survivorship life insurance.

Where do you go to learn about what type of insurance you need? Naturally, you could search on the internet, or you could go to an insurance agency – either one that is associated with a national firm such as Equitable, New York Life, Prudential, and State Farm, or an independent agency.

Independent agencies can be a one-person office or one with multiple locations such as Avery Hall.

How do you choose which one you go to – advertising, reputation, or random choice?

Questions on High Performance and Human Resources Issues

1. *How would you describe Avery Hall's key strengths and weaknesses?*

Resources or capabilities	Strengths	Weaknesses
Strategy	<ul style="list-style-type: none"> . Clear and consistent mission -- finding the best solution for each customer. . Focused on customer satisfaction & community involvement. . Proactive in terms of training, certification, and licensing. . A full-service insurance agency. 	<ul style="list-style-type: none"> . Dependent on insurance carriers who provide a wide variety of insurance policies.
Operations	<ul style="list-style-type: none"> . Well defined process – The Avery Hall Way . Flexibility to pull employees together when needed while maintaining autonomy in day-to-day operations. . Operations are well choreographed with freedom to improvise as needed. 	<ul style="list-style-type: none"> . The nature of the business is hours and hours of routine with unpredictable moments of immediate need when clients need service now.

HRM	. See answers to question 2 below	
Management	. Fairly lean team . Focused on both achieving performance goals and serving the community. . Senior agents including the president serve as team leaders and mentors. . Promotions from within.	. No outsiders on Board
Employee owners	. The non-management ESOP committee educates employees on the benefits of profit. . Stockholders' meetings at which employees gain an understanding of the value of the ESOP. ESOP contributes to a sense of community, responsibility, and motivation	. Employees do not always see the benefit of ownership, especially daily. . The frequency of communication regarding the ESOP to all employees is unclear.
Company culture	. Strong positive culture . First name basis	. Difficult to find talented new employees who share the company values

2. *What was being done at Avery Hall to recruit, select, develop, engage, motivate, and retain employees?*

Avery Hall Insurance has recognized that its people are its most important asset. In service industries, such as insurance, recognition of the employees as the competitive advantage.

Currently the firm recruits new employees using internal posting, the internet, visits to college campuses, and internships. Recruitment for management positions is mostly from within the company.

The theme used in recruiting and selecting new employees is, “right person” first and skills second. The right person is someone who fits with organizational culture and is accepting on the “Avery Hall Way.” Once hired, a new employee would have a mentor. That person is responsible for the acculturation of the new hire.

Training and development are stressed at Avery Hall. It provides both time-off and reimbursement for licensing, certification, and other training.

As owners, employees attend meetings on how the company is doing and how its stock is performing. They are also given information on their personal accounts. The non-management ESOP Committee explains how ownership is beneficial and how the plan works.

3. *What more could be done to get the employees to (a) grasp the value of employee ownership and (b) see working at Pritchett as a career?*
 - a) More could be done to help the employees understand the value of ownership. Reviews of high performing employee-owned enterprises have found that there are regularly scheduled meetings to go over the financials of the work unit and their contributions to the firm's success. In doing so Avery Hall would be practicing open book management and demonstrating management's trust of the employees
 - b) Employees need to be taught how to read and understand basic financial statements so they can be informed investors. Many of the agents already do, but all employees should be able to do so.
 - c) At present, Avery Hall has a natural gain sharing with the sales agents – commission. Thought should be given to developing a gain sharing program for the supporting staff. Combining that with the ESOP would strength the connection between performance and financial rewards by increasing the frequency of the stimulus (performance) and response (gain sharing).
 - d) Given the low turnover and longevity of employment, Avery Hall is a desirable firm for career planning. Presently, Avery Hall does many things such a two-year development program, mentoring, multiple forms of sponsored development, and an ESOP to make it an attractive employer to potential applicants. Research on employee-owned companies suggests that simply owning stock is not enough to have employees behave more like owners rather than hired help. Owning stock does not provide a daily reminder of their status as owners; an ownership culture does. One effective way to create an ownership culture is to survey the employees with a survey that focuses on the appropriate practices and then use the aggregated feedback to establish priorities and plans on how to improve. This should be in conjunction with the employees. Avery Hall already has a non-management ESOP Committee. Using a survey, such as the National Center for Employee Ownership's, The Ownership Culture Survey could provide the committee with some suggested areas on which to focus its effort. The output from this survey includes comparison data from over 18,000 respondents at more than 100 companies. Lacking such information, the following suggestions are made:
 - i. If not already present, consider having a board representative elected by the non-management employees. This would provide the non-management employees with a sense of responsibility for the firm's and

their stock's success. This would open a line of direct communication between management and non-managers and would demonstrate trust, an important attribute of an ownership culture.

- ii. Emphasize team management by having everyone participate in appropriate training. Such training should increase teamwork on specific projects. In addition, if team management principles were applied to accomplishment of routine tasks, employees might feel a higher degree of accountability for both their results and also for those of their unit. This should increase feelings of responsibility, another attribute of an ownership culture.
- iii. Employees as owner managers should feel free to provide suggestions for improvements anywhere in the organization where they see opportunities. This requires a free flow of communication up-down and across the organization. This can be formalized by ensuring that employees from all levels are represented on task forces or committees developed to work on improvements in the organization. This would increase feelings of openness and trust, both attributes of an ownership culture.
- iv. Realistic job previews should emphasize that the firm is seeking people who want careers as employee-owners and not just a job. As owners, the employee has a responsibility to see the firm does its best work and that they will be empowered with opportunities to provide input to decisions achieve this. This would increase feelings of responsibility earlier in the employee's career and help to establish feelings essential to an ownership culture.

In other words, management must be ready to open the management of the firm's activities to all employees not just those holding a manager's title. This will enhance the ownership culture of the enterprise.

4. *What strategic recommendations would you suggest to the firm's CEO to help move the firm forward in the coming years?*
 - a. The overarching recommendation is that the firm move from a simply shared ownership business model to one that incorporates principles of shared leadership as discussed previously. This begins by empowering employee owners with regular information on the firm's performance and having sufficient opportunity for decision input affecting firm performance. This can begin by having employee owners elect one amongst them to represent them on the firm's board.
 - b. Recruitment is critical to Avery Hall's future. It should examine its high-performing recent hires. It should focus its recruitment on from where these employees came. In addition, it should use these employees as recruiters.

Alternative approaches:

1. Before meeting have the class submit specific recommendations that the company should consider, and use these as talking points wherein students must defend or critique the recommendation and back into their analyses in that way. The discussion of each recommendation must end with the class voting on whether the firm should pursue the recommendation before moving onto another. Some lively discussions have ensued using this or similar approaches.
2. Use of a worksheet to guide student analyses of issues in the case.

For example: High-Performance Work Systems (HPWS) Worksheet Instructions to students: HPWS theory hypothesizes that an enterprise must have a number of attributes to be successful, including participation, mobility (upward), training, staffing, job description, appraisal, job security, and incentive rewards. Provide examples for as many of these as you can from the case.

For the instructor: A completed sheet follows.

<i>Attribute</i>	<i>Example</i>
Leadership ¹	
Recruitment/Selection/Staffing	
On-boarding/Acculturation	
Training & Development	
Participation	
Mobility (Upward)	
Job Description ²	
Appraisal	
Job Security	

¹ Leadership is not commonly included as one of the attributes of HPWS, but it has been hypothesized to be a critical factor in shared entrepreneurship and found to be a critical factor in organizational research.

² There are at least two schools of thought on job descriptions. First, there is the traditional school that maintains that job descriptions should be tight. This school of thought is sometimes called Taylorism. It is often reinforced by work rules in a union contract. Some will defend it because it reduces role ambiguity, and thus, may reduce role stress. It is also defended due to the perceived legal protection offered by tightly defined jobs. Another school of thought on job descriptions comes from the job enrichment literature. This literature maintains that tight job descriptions lead to jobs that are stressful because they are boring. In addition, tight job descriptions are perceived by the proponents of job enrichment to stifle creativity. Both schools maintain that their perspective increases productivity. The proponents of tight descriptions argue that tight job descriptions increase productivity because everyone know precisely what is expected of them. The proponents of job enrichment maintain that by allowing employees to contribute ideas as well as labor will lead to increase productivity. In other words, the former is often seen as advocating for employees to work harder and the latter, for employees to work smarter.

Incentive Rewards	
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Completed HPWS Worksheet

<i>Attribute</i>	<i>Example</i>
Leadership ³	Avery Hall can be considered a visionary leader for his use of stakeholder leadership as he founded the company on principles that included service to customers and community over 60 years ago. In addition, he introduced employee-ownership into the company over 30 years ago. The current leadership seeks to continue this tradition.
Recruitment/Selection/Staffing	Recruitment was largely based on reputation in the local area and in the insurance industry. Selection was based on finding the “right person.” In other words, attitudes were considered as well as skills before an offer was made. Selection was followed by a 90-day probationary period.
On-boarding/Acculturation	Typically, a new employee was assigned a mentor. They were placed on salary for two years and received both formal and informal training during that time. This was unusually long for the industry. After the two years, salespersons were transitioned to commission-based compensation.
Training & Development	Avery Hall’s training and mentoring program were to help perpetuate the culture. Training for licenses and certifications was strongly encouraged. Avery Hall provided both time-off and reimbursement for training expenses. An important part of AH’s T & D was cross training to provide great customer service and stimulate teamwork.
Participation	Avery Hall prides itself on its culture of empowerment and teamwork. As one employee explained, “Our management team works with our employees. It's not a dictation of what you should and should not be doing but how we can do things together. And so, our management team, including the president, would come and sit at my desk with me, probably once a week and ask if there was anything on my desk that they could help with. He (the president) would ask if I had questions or if there was an account, he wanted me to visit with him. He made me feel more comfortable and confident. It was truly a team environment from the top down.” However, “There was no defined team structure throughout the organization and teams were formed on an ad-hoc basis.”

³ See footnote 1.

<p>Mobility (Upward)</p>	<p>In the industry, promotion is based primarily on sales. At Avery Hall sales are important, but so is customer satisfaction. As one employee explained, ““At the end of the day, you really are helping yourself. So, it's important that you do your best to try to help each customer, because when you do, you are putting money in your own pocket.” Upward mobility is seen as being achieved at Avery Hall by having high sales numbers and high customer satisfaction.</p>
<p>Job Description⁴</p>	<p>There are not rigid job descriptions, Employees are expected to assist each other regardless of title. As explained by one employee the “... jobs that employees performed included: interfacing with customers to determine their needs, finding the best coverage from the partner carriers, writing certificates of insurance, processing payments, and managing claims. In another departure from industry norms, once a policy was sold the account executive maintained the account for servicing. The account executives were assisted by account managers, who were usually assigned based on their knowledge of the type of policy being considered.” In other words, the employees at Avery Hall had a high degree of autonomy while being supportive of each other. As another employee explained, “The president down to your commercial and personal line managers and everyone on staff were all servicing our clients. The philosophy was that if you're going to be a good manager, you need to let your peers and the folks under you see you working alongside of them. So that's the model that we see here. Our management team works with our employees.”</p>
<p>Appraisal</p>	<p>Appraisal beginning with screening was multi-faceted. Avery Hall wanted people who fitted into the Avery Hall culture and were capable of being high performers.</p>
<p>Job Security</p>	<p>Job security was high at Avery Hall as indicated by its high retention rate. Many employees had worked at Avery Hall for decades without interruptions.</p>
<p>Incentive Rewards</p>	<p>Avery Hall’s agents worked on commission. In addition, all Avery Hall employees participated in an ESOP, Employee Stock Ownership Plan. Each year 15-20% of the annual salary was used to purchase stock for individual accounts. The size of the contribution each year depended on Avery Hall’s overall profitability. In addition, the stock in individual accounts tended to appreciate each year as the company grew.</p> <p>In addition, there were significant psyche benefits from work at Avery Hall. For example, employees had a high degree of autonomy in their work practices. In addition, employees</p>

⁴ See footnote 2.

	<p>were involved frequently in decisions, especially those that affected them. Furthermore, both a team and family atmosphere existed at Avery Hall. Within it, workers were part of a community and Avery Hall took immense pride in being part of the communities in which it operated.</p>
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To bring the case to a close, individual students, teams or the entire class should try to codify the tacit value of the “Avery Hall Way,” including the ESOP, into guiding principles for on-going operations. This codification should be helpful in explaining the essence of the Avery Hall way as it exists in the development and implementation of plans for existing employees and offices. In addition, it should be helpful in attracting entry-level and mid-level talent. Furthermore, it should be helpful in explaining the Avery Hall Way to prospective acquisitions and assist acquisitions understand, embrace, and implement the “Avery Hall Way.”

1. Codify the tacit value of the “Avery Hall Way,” including the ESOP, into a structured operating plan.

Much of Avery Hall’s organizational knowledge is tacit – in that it is held in the minds of senior staff and communicated verbally during unofficial mentoring and team experiences. Tacit information is valuable but expensive to transfer one-on-one. In this case, the students must identify where and how this tacit transfer of information takes place, and start a process of documenting the knowledge so it can be shared freely. Resources concerning the value of tacit and explicit knowledge may be added as additional resources.

Methods of codification vary but always include some sort of written account of the information to be shared at the appropriate time. Writing policies and procedures in an operating manual is only one method of codifying information. Options include company newsletters, a website or knowledge repository, and, of course, training programs beginning with the onboarding process. For question 1, students should identify opportunities for initiatives that will bring Avery Hall’s unique, but intangible, attributes to life in solid form including written accounts, videos and other forms of media Here are a few examples:

- When new employees come onboard, start the communication process concerning the ESOP with a series of videos. Even before employees are formally owners, newsletters, bulletins, meetings, videos and onboarding material should include ESOP information.
- Avery Hall might want to work on ‘open-book management’ wherein the company trains employees how to read financial statements and understand them as owners. This type of training might be offered at least annually, and it would take the place of tacit transfer of information concerning ‘how the company is doing’ generally. Financial statements should be available to employee owners on a quarterly basis with some discussion of their meaning and implications moving forward, Q &A at such sessions is important.
- Codify the recruitment and selection process to transfer to new units, including multiple interviews, probationary period, and salary first commission later (about 2 years) with experience.

- Install a formal team management structure that would include all employees, some might even be on more than one team depending on their responsibilities. Teams would be self-managing and responsible for specific results.
- Team leaders would meet formally to coordinate and document efforts, then review progress toward quarterly or shorter-term goals
- Training programs might be created with the following core elements:
 - Customer service ethic – do not sell customer product they do not need. Do not try to have them switch brokers unless you can provide them with similar or better coverage at a lower cost.
 - Team management - The president down to your commercial and personal line managers and everyone on staff all service AH's clients. The management team works with employees. It's everybody's job. Cross training on jobs is a must Every employee is a mentor to others who come on board. This should be formalized in the operating manual.
 - Cultural orientation with periodic reinforcement to the “Avery Hall Way” emphasizing integrity and honesty with co-workers and clients

2. Define and develop the content of the newly expanded “Avery Hall Way” operating manual and create a plan.

An operating **manual** is the foundation for a **plan** that can be put in place to affect change, or growth, in an organization. Avery Hall has an operating manual that should be updated with the codification of tacit knowledge that was identified in question 1. Students should determine what portions of the ‘Avery Hall Way’ can be reduced to writing and included in the company manual. This is important because an operating manual can be used to hold employees accountable to its contents, and should result in predictable performance.

An operating plan will define how the manual is used to achieve desired outcomes. In the case of Avery Hall, there are some specific goals concerning unifying offices in various locations and onboarding new employees. The student will look to the case to determine goals, objectives, or milestones that might be met. Then, the operating manual will be incorporated into the plan along with initiatives that were produced from question 1. This may include communication strategies or training on the new operating manual. All of this is part of the plan that will be used to meet the goals of the organization. Some elements of an operating manual and corresponding plan might include:

- Published workflow manuals for each position might be rolled out for various work units such as customer services.
- Communication strategies that explain the value of the Avery Hall Way can be used with a set of templates for use with social media highlighting products/services and community activities.
- Support materials and resources for open book management including some self-paced online programs can be used by employees to learn and or update their understanding of basic finance.
- Operational guidelines for developing, managing, and evaluating teams.

- Codify marketing programs such as use of Google AdWords and Analytics, monthly marketing campaigns, newsletters and the like.
- Define and schedule community service – Make it part of the marketing budget, encourage and provide opportunities for employees to participate in volunteer activities to help the community. Make such opportunities available and provide time off to contribute. Reflects well on current and future customers.

3. Explain the method of implementation to existing employees and offices.

With an updated manual and plan in place, the next step is to implement the plan. An implementation plan contains specific, measurable, action items that must be carried out to ensure outcomes are met. Students will use the new manual and operating plan, along with initiatives from question 1 to bring the plan to fruition. There are several elements to program, or plan, implementation. The first is clearly stating goals, which was accomplished in question 2. All initiatives require resources in terms of money, manpower, software, and other expenses. The implementation plan will help predict these costs and any risks that might be involved. Depending on the level of the course, resources might be provided on the specifics of managing complex implementations including the use of project management protocols and scheduling software.

The next step in developing an implementation plan is to schedule activities. These should be specific and include the initiatives developed in both question 1 and 2. The final step is for the student to determine who in Avery Hall might be responsible for these action items and then to allocate resources. The implementation plan might answer questions from the management team concerning how long the process will take to achieve results and how much will it cost. The instructor should make clear what elements are expected because implementation plans can be very detailed depending on the type of course and level (ex. Undergraduate vs MBA). Some examples of action items that might be incorporated in the implementation plan include the following. Note these are ideas and not inclusive of details necessary for a good implementation plan:

- Draft new operating manual – Management and Administration – 3 months
- Develop internal ESOP communications schedule – ESOP Committee – 1 month – Run each month
- Create newsletter – Team Leads – Commit to quarterly schedule
- Overhaul onboarding process – Management and Administration – 3 months
- Develop financial skills training – External Consultant – 6 months (\$5,000)
- Organize ‘communication corner’ on company intranet – Administrative Staff – Add information with key word search capability – ongoing imitative

4. Form a strategy for using the new operating plan to attract entry-level and mid-level talent.

Avery Hall expressed that recruitment and early career retention are areas for improvement. After the first year, employees begin to understand the value of the ESOP, but the long onboarding

process and extended path to commissions tends to hamper Avery Hall's recruitment efforts, and especially among entry level employees. The primary method of recruitment is through referrals, so students should find ways to leverage a combination of other programs/initiatives to bolster recruitment. For instance, the external newsletter – or social media posts providing insurance customer tips might include career opportunities. Community events might provide recruiting opportunities.

For the purposes of answer this question, students should offer ideas on leveraging the ESOP which might include explaining the benefits of employee ownership on the company website or on social media. Ideas for highlighting the benefits of employee ownership might be:

- Learning to be an owner – not just an employee
- Superior team management and support as all co-workers have a stake in the company
- Training and credentialing designed to create the best agents possible because all contribute to the bottom line.
- Deploying the message using social media to create awareness of the unique attributes of Avery Hall and what differentiates it from other insurance companies.

Insert

Before proceeding the participants should be provided with examples of guiding principles of phenomenally successful employee-owned enterprises. Four such examples follow:

W. L. Gore & Associates Guiding Principles⁵

At the heart of our culture are four guiding principles developed by Bill Gore that guide us in our daily interactions and decision making.

Freedom: We believe in each other, and we will allow, help, and empower our fellow Associates to grow in knowledge, skill and scope of responsibility.

Fairness: Together, we are responsible for sustaining an engaging enterprise built on inclusiveness, striving to be fair with each other and everyone with whom we do business.

Commitment: We make and keep our own commitments to demonstrate personal responsibility to each other, our teams, and our customers.

Waterline: We are all shareholders, and we will consult with the appropriate Associates before taking an action "below the waterline" that could cause serious damage to the long-term success or reputation of our enterprise.

⁵ W. L. Gore & Associates Guiding Principle. Source: <https://www.gore.com/about/the-gore-story>. Accessed: May 29, 2023.

Equal Exchange's Mission Statement⁶

Equal Exchange's mission is to build long-term trade partnerships that are economically just and environmentally sound, to foster mutually beneficial relationships between farmers and consumers and to demonstrate, through our success, the contribution of worker co-operatives and Fair Trade to a more equitable, democratic, and sustainable world.

Publix's Mission Statement & Guarantee⁷

Our mission

Our mission at Publix is to be the **premier quality food retailer in the world**.

To that end, we commit to be:

- Passionately focused on **customer value**,
- **Intolerant of waste**,
- Dedicated to the **dignity, value, and employment security** of our **associates**,
- Devoted to the highest standards of **stewardship** for our **stockholders**, and
- **Involved** as responsible **citizens** in our **communities**.

Our guarantee

We will never knowingly disappoint you. If for any reason your purchase does not give you complete satisfaction, the full purchase price will be cheerfully refunded immediately upon request.

Ten Basic Principles of Mondragon⁸

1. Open admission

Mondragon is open to all persons who can carry out the available jobs. There is no discrimination based on religious or political grounds, nor due to race, gender, age, or socioeconomic levels. The only requirement is the acceptance of these basic principles.

2. Democratic organization

Workers are owners, and owners are workers. Each cooperative is managed by a system of "one person-one vote."

3. Sovereignty of employee's work over capital

Workers join Mondragon and become owners after making a capital contribution at the end of a trial period. All workers are entitled to an equitable distribution of profits. The return on saved or invested capital is just but limited, and it is not tied up to the surpluses or losses of the cooperatives.

4. Subordinate character of capital

Capital is a means to an end, not an end. Available capital is used primarily to create more jobs.

⁶ Equal Exchange's Mission Statement. Source: <https://shop.equalexchange.coop/pages/about-us#mission>. Accessed: May 29, 2023

⁷ Publix's Mission Statement & Guarantee. Source: <https://corporate.publix.com/about-publix/company-overview/mission-statement-guarantee>. Accessed: May 29, 2023.

⁸ Roche, O.P., Calo, T.J., Shipper, F. and Scharf, A. (2023), "Eroski, a Mondragon coop: overcoming challenges and facing a new one", , Vol. ahead-of-print No. ahead-of-print. <https://doi.org/10.1108/TCJ-09-2021-0178>

5. Participatory management

Worker-owners participate in decision-making and the management of the cooperatives. This implies development of self-management skills. Formal education and adequate information are provided to improve worker-owners' ability to participate competently in decision-making.

6. Payment solidarity

Remuneration is regulated internally and externally. Internally, an agreed differential between the highest and lowest paid job is applied. Externally, a remuneration level is maintained in relationship with similar local industries.

7. Intercooperation

Cooperatives form groups to pool profits, to absorb worker-owner transfers when necessary, and to attain synergies. These groups associate with each other to support corporate institutions. Mondragon associates with other Basque cooperative organizations to promote the cooperative model.

8. Social transformation

Mondragon cooperatives invest most of their profits in the creation of new jobs. Funds are also used in community projects and in institutions that promote the Basque culture and language.

9. Universal nature

Mondragon proclaims its solidarity with other cooperative movements, with those working for economic democracy and with those who champion the objectives of peace, justice, and human dignity. Mondragon proclaims its solidarity, especially with people in developing countries.

10. Education

Mondragon cooperatives commit the required human and economic resources to basic, professional, and cooperative education to have worker-owners capable of applying all basic principles mentioned above.

The Seven Principles that Empower John Lewis Partnership⁹

Purpose

1 The Partnership's ultimate purpose is the happiness of all its members, through their worthwhile and satisfying employment in a successful business. Because the Partnership is owned in trust for its members, they share the responsibilities of ownership as well as its rewards – profit, knowledge, and power.

Power

2 Power in the Partnership is shared between three governing authorities, the Partnership Council, the Partnership Board, and the Chairman.

Profit

3 The Partnership aims to make sufficient profit from its trading operations to sustain its commercial vitality, to finance its continued development, to distribute a share of those profits each year to its members, and to enable it to undertake other activities consistent with its ultimate purpose.

Members

4 The Partnership aims to employ and retain as its members people of ability and integrity who are committed to working together and to supporting its Principles. Relationships are based on mutual respect and courtesy, with as much equality between its members as differences of

⁹ John Lewis Partnership plc Annual Report and Accounts 2015, p. 15. Source: <https://www.johnlewispartnership.co.uk/content/dam/cws/pdfs/financials/annual-reports/john-lewis-partnership-plc-annual-report-2015.pdf>. Accessed: May 28, 2023.

responsibility permit. The Partnership aims to recognise their individual contributions and reward them fairly.

Customers

5 The Partnership aims to deal honestly with its customers and secure their loyalty and trust by providing outstanding choice, value, and service.

Business Relationships

6 The Partnership aims to conduct all its business relationships with integrity and courtesy, and scrupulously to honour every business agreement.

The Community

7 The Partnership aims to obey the spirit as well as the letter of the law and to contribute to the wellbeing of the communities where it operates.

One way to expedite this endeavor is to ask the participants to briefly state Avery Hall’s guiding principles that can be inferred from the areas listed in the left-hand column of the chart that follows. In the right-hand column is an example what this exercise might yield:

Leadership	At Avery Hall multidexterous leadership is required beginning with service leadership. A leader at AH serves the community, the customers, the partners, and other employees. In addition, a leader is encouraging and supportive of others, Furthermore, leaders at AH share leadership responsibility with others.
Values	All employees are always honest and will follow the golden rule – treat others as you would like to be treated.
Recruitment/Selection/Staffing	AH seeks to recruit, select, and staff with the best people available and will take extraordinary efforts to do so.
On-boarding/Acculturation	Every new hire will have a mentor who is introduce the AH Way to them. In brief, the purpose of the mentor is to integrate the new hire into the processes and practices that make AH unique. All other AH employees will share in this responsibility, too.
Training & Development	Initial training is essential to get a new hire to be a productive member of AH. Development is essential to ensure that all members of AH are current in their work areas and beyond,

Participation	Avery Hall prides itself on its culture of empowerment and teamwork. It seeks to have an intellectually engaged and innovative workforce.
Mobility (Upward)	Promotion from within is emphasized at all levels. AH pays for training to prepare all for rewarding careers.
Job Description	AH does not have rigid job descriptions because they stifle initiative and creativity.
Appraisal	Appraisals are done for purposes of improvement
Job Security	Job security is high at AH and will continue to be so if the principles and practices that constitute the AH Way continue.
Incentive Rewards	Both tangible and intangible rewards are important. AH prepares its employees to be above average earners through earnings and its employee stock option plan. Intangible rewards come from many sources. AH wants all employees to feel they are members of the AH family and part of a winning team.

A final question that could be asked is, “Why is it so important to have a set of guiding principles?”

The two primary reasons are that (1) so that everyone knows how the company is to operate every minute of every day, and (2) companies that tend to have a set of principles/values tend to outperform their competitors.¹⁰

¹⁰ Satell, G., & Windschitl, K. (2021). High-Performing Teams Start with a Culture of Shared Values. Source: <https://hbr.org/2021/05/high-performing-teams-start-with-a-culture-of-shared-values>. Accessed: May 29, 2023.

Further Readings:

Theoretical Linkages – This case has multiple theoretical linkages at the micro-organizational behavior level (e.g., job enrichment, expectancy theory and behavior modification), but it is best analyzed and understood at when examined at the organizational level.

Shared Entrepreneurship:

Shipper, F., Manz, C. C., Nobles, B., & Manz, K. P. (2014). Shared entrepreneurship: Toward an empowering, ethical, dynamic and freedom-based process of collaborative innovation. *Organization Management Journal*, 11: 133-146, DOI: [10.1080/15416518.2014.949613](https://doi.org/10.1080/15416518.2014.949613).

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Shared Leadership:

Manz, C. C., & Pearce, C. L. (2018). *Twisted leadership: how to engage the full talents of everyone in your organization*. Maven House Press.

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Pearce, C. L., & Manz, C. C. (2005). The new silver bullets of leadership: The importance of self and shared leadership in knowledge work. *Organizational Dynamics*, 34: 130-140.

Simmons, N., & Striley, K. (2014). Twisted leadership: a visual example of leadership style using a human knot. *Communication Teacher*, 28(2), 80–84. (A Classroom Exercise).

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Combs, J., Liu, Y., Hall, A. & Ketchen, D. (2006). How much do high-performance work practices matter? A meta-analysis of their effects on organizational performance. *Personnel Psychology*, 59: 501–528.

P. J. Patel, J. G. Messersmith, & Lepak, D. P. (2013). Walking the tightrope: An assessment of the relationship between high-performance work systems and organizational ambidexterity. *Academy of Management Journal*, 56: 1420-1442.

ESOP (Employee Stock Ownership Plan):

Rosen, C. M., & Case, J. (2022). Ownership: reinventing companies, capitalism, and who owns what (First). Berrett-Koehler. Retrieved March 14, 2023, from <https://search.ebscohost.com/login.aspx?direct=true&scope=site&db=nlebk&db=nlabk&AN=3219084>.

Shipper, F., & Blasi, J. R. (2021). "Employee Ownership." In R. Griffin (Ed.), Oxford Bibliographies in Management. New York: Oxford University Press.

Dudley, T. & Rouen, E. (2021). The Big Idea Series / Getting Serious About Stakeholder Capitalism / The Big Benefits of Employee Ownership. Source <https://hbr.org/2021/05/the-big-benefits-of-employee-ownership>.

Tacit vs. Explicit Knowledge

Lei, H., Gui, L., & Le, P. B. (2021). Linking transformational leadership and frugal innovation: the mediating role of tacit and explicit knowledge sharing. *Journal of Knowledge Management*, 25(7), 1832-1852.