

**Employee-Ownership Provides
Rich Ground for Expanded Research: A Reflection**

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Employee-Ownership Provides Rich Ground for Expanded Research: A Reflection

Abstract

While the numbers of Employee Stock Ownership Plans have declined over the past decades, the increase in participants and assets suggests, at minimum, interest in employee ownership continues. Publications in employee ownership often emphasize the people or the money side: in a sense promoting the “values” of employee ownership or impact on the bottom line—often within empirical studies, some using large data sources. While the econometric work has pointed to the importance of participation which has the capacity to join these two conceptual bases, overall there seems to be little academic work focused on the broad variety of outcomes of that participation or what may be required in a full organization transition. The purpose of this paper is to suggest timeliness of deeper exploration and broader consideration of elements of change in a corporation’s transition to and implementation of employee ownership such as that afforded to participation following Doucouliagas’ meta-analysis. Doing so may offer possible ground for the study and understanding of employee ownership from the emerging findings of leadership, human and organization (evolutionary/vertical) development and systems change. The national associations encourage workers in employee owned companies and those becoming employee owned to “think like an owner” without it seems fully addressing the changes to workers, manager and the organization that occur or may need to occur during the transition. While employee ownership consultants, often use action research for elements in their client’s transition in order to facilitate it, few academics seem to show interest in the changing relationships or processes of change in personal, organizational or cultural life for those in a company “to think like an owner.” Data from survey elements on cultural change are available from the National Center for Employee Ownership, as it has continued the work that Ownership Associates began in the late 90s. Surprisingly, that data is often not included in serious academic exploration in spite of its easy availability.

Employee-Ownership Provides Rich Ground for Expanded Research Elements: A Reflection

Purpose of this Paper

While the numbers of Employee Stock Ownership Plans have declined over the past decades, the increase in participants and assets suggests, at minimum, interest in employee ownership continues and a recent article suggests its importance within economic policy development.¹

Publications in employee ownership often emphasize the people or the money side: in a sense promoting the “values” of employee ownership or impact on the personal or company bottom line, frequently within empirical studies, some using large data. The econometric work has pointed to the importance of participation which has the capacity to join these two conceptual bases, and yet there seems to be little academic work focused on the broad variety of outcomes of that participation or what may be required in a full organization transition or “to think like an owner.” The purpose of this paper is to suggest timeliness of deeper exploration and broader consideration of elements of change in a corporation’s transition to and implementation of employee ownership such as that afforded to participation following Doucouliagas’ meta-analysis (1994). Doing so may offer possible ground for the study and understanding of employee ownership from the emerging findings of leadership, human and organization (evolutionary/vertical) development and systems change: “functioning whole[s] that cannot be divided into independent parts and be effective” (Ackoff, 1998).

In recent years, deeper exploration within living systems has taken on many forms—a few of which will be seen in later sections of this paper. While beyond the limits of this paper to fully explore, the inquiry and research potential to examine interdependent systems which emerge from communications, interactions and relationships (Bateson, 2016) and, particularly, mutual learning seem tailor made for studies of employee ownership.

Employee Ownership’s Expanding Horizons

Silver Tsunami and Main Street Employee Ownership Act

Discussed within this paper, though beyond its scope to fully address, is the suggestion that expanding research and conversations on employee ownership to include findings from fields studying development and change and additional methodologies may well encourage broader understanding of the elements of change in transitions to employee ownership. These may well as well provide guidance for expanding the study of employee ownership and perhaps encouraging more companies to become employee owned. As will be discussed throughout this paper, the change to employee ownership most likely is more than a signature on a paper change, it may well involve layered complexity similar and so well known to those peeling onions. Yet,

¹ <https://theintercept.com/2018/12/26/esop-plans-employee-ownership-bernie-sanders/>

Pinto notes that the change may not be considered deeply in the ways that are presented throughout this paper:

On the ESOP side, most company owners and managers who are contemplating the establishment of an ESOP will seek legal and accounting advice. Beyond that, the need for outside help depends largely on the degree to which the mission of the ESOP is linked to broader changes in the organizational structure. (Pinto 2016: 36)

A call for prompt and broad attention may be apt considering Joseph Blasi's and Douglas Kruse's essay of August 15, 2018 in *The Conversation*. They present two major occurrences affecting the future of US corporate ownership that could well increase the number of employee owned firms as well as academic interest in the field. The first highlights the number of companies to be changing hands as Baby Boomers² retire. Some have called this upcoming wave of shifting ownership, the "Silver Tsunami"³ given that Boomers own 2.3 million or more than half of the privately held businesses in the United States, employ one in six workers—nearly 25 million people, spend about \$1 trillion on payroll a year and make about \$5 trillion in sales. The article's authors note, "We believe this will represent one of the largest transfers of wealth in American history." The second occurrence involves what was called the "Main Street Employee Ownership Act" before inclusion in the new defense bill signed by President Trump on August 12, 2018. This is said to be the most significant legislation for employee ownership in 20 years. Given the impacts of previous bills supporting employee ownership, this law may well increase the number of employee owned companies and offer them support. The Small Business Administration (SBA) will be able to "make guaranteed loans of up to \$5 million to employee-owned ESOPs and worker cooperatives." The SBA is also tasked with providing information and other assistance to small business owners.⁴

It deserves to be noted here that these two major timely occurrences are more than just signatory changes for business ownership. Given that ownership retirement is involved, many of these firms may be privately owned and some family owned. Employee ownership has the potential to not only change the quality of life for those involved but to also expand the bases for research inquiry. When employees become the owners/shareholders, they change the dynamic and provide a form of democratic capitalism (Kelly 2012, Ellerman 1992) response to Friedman⁵ (1970) as well as increasing the size of the capital ownership pie (Blasi, Freeman, Mackin & Kruse 2010), reducing income inequality, increasing financial stability of the middle class (Blasi,

² The potential for change from these facts may not be fully understood. Russe Heimlich reported for Pew Research that as of January 1, 2011 and "every day for the next 19 years, 10,000 baby boomers will reach age 65. For the full report, see <http://www.pewresearch.org/fact-tank/2010/12/29/baby-boomers-retire/>

³ See Jena McGregor's article on the silver tsunami at https://www.washingtonpost.com/business/2018/08/30/what-silver-tsunami-retiring-baby-boomer-business-owners-could-mean-their-workers/?utm_term=.a97fbc067e50

⁴For the full article, see <https://theconversation.com/small-business-owners-are-getting-a-new-incentive-to-sell-to-their-employees-101515>

⁵ See the Friedman article at <https://graphics8.nytimes.com/packages/pdf/business/miltonfriedman1970.pdf> with its often quoted observation much refuted by proponents of the multiple bottom line: "There is one and only one social responsibility of business — to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud."

Freeman & Kruse 2013) and change the organizational structure to be more focused on the owner/shareholders (Betit, 2015). It may be that employees sharing ownership understand “that to build an organization that’s fit for the future, you must first make it fit for human beings”⁶ (Hamel 2018).

Prompts for Wider Inquiry and Research Expansion

These two occurrences could act as prompts for wider inquiry and expansion of credible research available for findings on employee ownership across the four territories of experience: personal, interpersonal, organizational and scientific, utilizing quantitative/empirical, qualitative (ethnographic, case study), mixed methods and action research designs (Torbert 2000) over a variety of time lines and publication venues. For example, how can delving into the additional dimensions, longitudinal mixed methods research in the field of employee ownership whole system/large group transitions, contribute to present understandings as well as future research? On their face, such questions could provide contemporary links and bridges, which are few, between actual “change” work in the field and the academy (Bartunek, Balogen & Do, 2011).

While beyond the scope of this paper, it can be asked, how can publications of employee ownership research (often published only in elite journals available in universities) be made more available to business students at community and state colleges to promote knowledge of employee ownership? Knowing more about the dynamic of attraction to employee ownership and the transition process may be particularly helpful given the two occurrences shared above and the change dilemmas cited in an article over twenty years ago in *Business Week*.⁷ There seems to be no way of knowing (though it would be a worthwhile study) if any of the reasons ESOPs were declining then may be still be operative today. (ESOP numbers have yet to increase again though participants and assets have. Corey Rosen suggests that some ESOPs may have been set up to benefit executives and that flawed effort could not be maintained.⁸) Reasons cited for the decline by Bernstein in 1996 included resistance by management specifically at larger public firms to employee input and involving employees in decisions; smaller private firms⁹ seemed to find it easier to work with employee input. The article further suggests lack of understanding of the system dynamic, infrastructure or perhaps even, the inherent meanings of changes in ownership. Owners and management seemed unaware of the personal changes they would need to make to increase their leadership capacity to manage change expectations to establish: common ground using collaborative and participative skills; decision-making processes, and changes in governance structure. J. Robert Beyster seems to apply these observations in reflections on changes at SAIC (Science Applications International Corporation), the largest employee owned company in the world. He noted his inadequate decision making around succession planning and the make up of the SAIC board of directors. “...I learned that

⁶ See the following link for Gary Hamel’s blog on his remarks at the Global Drucker Forum 2018: <http://www.garyhamel.com/blog/human-movement>; The Corporate Rebels group notes are particularly relevant as they deal with bureaucracy, authority. The post considered it a high light of the Forum <https://corporate-rebels.com/hamel-speech-drucker-forum/>

⁷ See the full article, <https://www.bloomberg.com/news/articles/1996-03-17/why-esop-deals-have-slowed-to-a-crawl>

⁸ See Corey Rosen’s explanation: <https://www.nceo.org/observations-employee-ownership/c/ESOP-numbers>

⁹ This fact further explored may have relevance to the Silver Tsunami effect which seems to involve the retirement of first-generation sales of a family or partner owned business. There does seem to be little information available on the number of family owned or partnered owned businesses becoming employee owned.

you can spend a lifetime with a management team and tens of thousands of employees building a successful employee-owned company, but that everything you've built can be put in jeopardy if you don't manage the succession and governance and culture issues far in advance." How could academic inquiry help to bring the figure of the ground for such ongoing dilemmas in employee ownership life?

As will be discussed expanding the research horizon may well provide more variety in information connecting owners and companies to the broad forms of employee ownership within succession planning, to understand more fully the elements that can make such a transition an attractive choice as well as provide support and examples for the transition process and successful employee ownership.

A Basis for Broader Consideration for Employee Ownership

The results of Doucouliagos' meta-analysis (a statistical technique for distilling a single estimate from a number of studies) from 43 studies (among other works) appears to have opened the academic conversation to the effects workers' participation had on variables within econometric studies of employee ownership. The results may have provided insights about labor-management that were not well known or understood at the time of the *Business Week* article above or well-utilized corporately¹⁰ then or now¹¹. He reported that

...profit sharing, worker ownership and worker participation in decision-making are all positively associated with productivity. All the observed correlations are stronger among labor-managed firms (firms owned and controlled by workers) than among participatory capitalist firms (firms adopting one or more participation schemes involving employees, such as ESOPs or quality circles) (1995: 58)

These findings are particularly interesting given their similarity to Lewin's group experiment (1939) which focused on leadership rather than participation with similar findings. The Lewin study found the most effective leadership style¹² to be democratic with the leader taking an active role collaborating and involving members of the group. While leadership will be more fully discussed later in this paper as a potential area of study, it seems logical to suggest here

¹⁰ It appears that economists have led the empirical work in studies of employee ownership. It may well be that Doucouliagos' work encouraged the expansion to participation. The inference can easily be drawn that economics offers a certain ease with measures. Derek Jones submitted a history of the field of Participation and Employee Ownership to the field's new *Journal of Participation and Employee Ownership*. For the full article see <https://www.emeraldinsight.com/doi/full/10.1108/JPEO-02-2018-0004>. He notes a strength of the field is its focus on empirical studies and he points out significant gaps in knowledge of PEO as unknowns to be studied.

¹¹ Doucouliagos, H., Laroche, P., Kruse, D.L., & Stanley, T.D. provided a discussion draft of the paper, IZA DP No. 11617 "Where Does Profit Sharing Work Best? A Meta-Analysis on the Role of Unions, Culture, and Values" <https://www.iza.org/publications/dp/11617/where-does-profit-sharing-work-best-a-meta-analysis-on-the-role-of-unions-culture-and-values>. They note, "This positive relationship between profit sharing and productivity holds up in our meta regression analysis. It is noteworthy that the effect is strengthened when accounting for reverse causality, and is stronger in studies that (properly) control for capital intensity."

¹² In contrast, laissez-faire leadership tended to result in groups that lacked direction where members blamed each other for mistakes, refused to accept personal responsibility, and produced a lack of progress and work. Decision-making was less creative under authoritarian leadership. (Lewin 1939).

adding it to the study of participation which seems solidly in place among economists interested in employee ownership.

Examples of how the study of participation in employee ownership has been enhanced through economists' interest can be seen in the following examples:

- In 2018, the 18th volume was published in the book series, *Advances in the Economic Analysis of Participatory & Labor-Managed Firms*. In the spirit of the purpose of this paper, it appears that the Tables of Contents in the most recent volumes suggest a broader span of interest than what may have been considered traditional economic or econometric analysis.
- The International Association for the Economics of Participation met for its nineteenth conference in Slovenia in the summer of 2018. The group's web members continue to focus on employee ownership, cooperatives, labor-management decision-making, co-determination, profit-sharing, non-profit organizations, and economic democracy.¹³ Several of these topics have brought a wider span into the discussion.
- The first issue in the new *Journal of Participation and Employee Ownership* was published in 2018.

While in actual transitions, it appears that consultants study the elements of change in order to facilitate the process, few academics have seemed to show interest in the change process in personal, organizational or cultural life for the transition for those in a company “to think like an owner.” The NCEO emphasizes information sharing of important performance areas, structures for employee engagement and involving all areas of a company. There are data and continuing surveys on culture available from the National Center for Employee Ownership, as it has continued the work that Ownership Associates began in the late 90s—there is little academic work within the infrastructure of the transition change process itself. The NCEO makes its data available to researchers. Many employee-owned companies do the surveys on a regular basis as an ‘annual culture audit’ to assess their progress on NCEO variables and others they choose:

Your customized survey report will demonstrate how many employees trust the plan, understand their role in creating value, and have the tools, skills, and information to act like owners. With this data, you can assess company strengths and weaknesses, measure progress over time, set concrete goals, and focus your energy where you'll get the greatest payoff.¹⁴

In essence transition from a conventional organization to an employee-owned organization entails two major transition issues: (1) Preparing the employees to think and behave differently, and (2) preparing current management to think and behave differently.

In the next section, a few important conceptual roots will be explored in the context of the purpose of this paper for the broader consideration of employee ownership.

¹³ The International Association for the Economics of Participation website is at www.iafefp.org/

¹⁴ See additional information at the National Center for Employee Ownership website <https://www.nceo.org/ESOP-Equity-Ownership-Culture-Survey/id/52/>

A Few Bases Suggesting Broader Consideration for the Study of Employee Ownership

An indication suggesting aspects for broader academic and practical consideration is The New Jersey/New York Center for Employee Ownership at the Rutgers School of Management and Labor Relations' (SMLR) and the Democracy at Work Institute's December 6, announcement for an academic certificate program for participatory management further linking participation with employee ownership. Notably for the purpose of this paper, the announcement linked values, employee engagement, employee ownership (psychological and actual) and productivity with the bottom line:

The New Jersey/New York Center for Employee Ownership at the Rutgers School of Management and Labor Relations (SMLR) and the Democracy at Work Institute announced a new program to help organizations increase engagement and productivity by giving a voice to rank-and-file workers. Modeled on the successful strategies used by many employee-owned companies, the Participatory Management Certificate Program can help businesses boost their bottom line.... Geared toward managers in large firms, small businesses, cooperatives, and non-profits, the program will show participants how to create a values-driven, participatory work environment.¹⁵

Kelly gives root to the generative power of ownership “as the original system condition” (2012: 7) in “five essential patterns that work together to create different kinds of ownership: purpose, membership, governance, capital and networks” (2012: 14). Changes in any of these elements has the potential to alter a company’s basic identity. In considering research elements, it is easy to see how some questions such as performance, profitability, etc. may be studied on a macro-scale while others would require a macro.

For one company becoming employee owned, the change experience is encapsulated in the sense of any ecosystem. Research in employee ownership may not do enough to address the transitions within an ecosystem change: of “the *patterns* among the living participants....Ecology takes us into the realms of shifting patterns, living communication, symbiosis, and mutual learning”¹⁶ (Bateson, 2016).

While beyond the scope of this paper to explore thoroughly, Kelly’s use of ‘essential pattern’ in the context of ownership and its foundational role may be telling. The sociologist Talcott Parsons’ work in structural functionalism noted the role of culture in latent pattern maintenance within a social system. Culture has recently become of an area of interest in discussions at the ESOP Association¹⁷’s and NCEO’s annual meetings. and As mentioned above, through the efforts of Ownership Associates and the National Center for Employee Ownership, there is a

¹⁵ For the full announcement see: <https://www.businesswire.com/news/home/20181206005552/en/New-Program-Helps-Businesses-Non-Profits-Create-Ownership>

¹⁶ Betit, C.G. (2015) explored several of these ideas in a conceptual paper on whole system change based on her longitudinal study of the Carris Companies.

¹⁷ For more information on the ESOP Association, see <https://www.esopassociation.org/about-the-association>

long-standing data base of survey studies on employee ownership and culture. These and their interrelationships may well provide rich elements for further research exploration in employee ownership for use by employee owned companies, those becoming employee owned and companies that want to utilize elements for their own success.

In their recent works, Blasi, Freeman and Kruse (2013, 2017)¹⁸ bring together social values and economic interests from employee ownership and profit sharing within broad social contexts as outcomes for the common good. Through narratives spanning the history of the US from its founding, they describe the legacy of forebears' vision on quality of life for generations following. Outlined are the interrelationship of patterns and systems within systems—persons, groups corporations and government—as the authors encourage not only continuing but expanding the difficult navigation through twenty-first century complexity to promote broad employee ownership to reduce economic inequality. Throughout, they tie vision for the common good, social well-being with economic development, profits and wealth.

In *The Citizen's Share*—chapter by chapter, the authors' cite individual vision and leadership linking patterns and systems with collaboration to effect change for the common good. A telling example involved the efforts to revive the cod-fishing industry early in US history. Washington, Jefferson, Hamilton, etc. worked with ship owners to bring profit sharing to the cod-fishing industry. In the narrative the understanding of systems within systems is clearly delineated. The correspondence further shows how each group's priority was addressed. Tellingly, it was mentioned that seamen with shares would be more “attentive” (2013: p. 4). Another historical example which expanded personal and national wealth involved ownership of land. US founders and leaders wrote on the importance of land ownership for the country's prosperity. The Homestead Act of 1862 provided incentives for farmers settling the western US in what were then remote areas.

Success prompted conversations about similar advances for industry and was encouraged in the 1974 passage of the Employee Retirement Income Security Act (ERISA) which included the implementation of Employee Stock Ownership Plans (ESOPs). Research as recently as 2018 points to ESOP participants having larger retirement benefits.¹⁹ Employee owned companies seem to have a better chance at survival and are more productive (Blasi, Kruse & Weltmann 2013; Kurtulus and Kruse 2017).

Social and economic accomplishments experienced through employee ownership, profit-sharing, capital ownership such as the creation of the middle class, improvements in personal access and quality of life are outlined. In a very tangible sense, in these works, as they weave the historical tapestry of leadership, human and organization (evolutionary/vertical) development through

¹⁸ See “Having a stake: Evidence and implications for broad-based employee stock ownership and profit sharing” at <https://www.thirdway.org/report/having-a-stake-evidence-and-implications-for-broad-based-employee-stock-ownership-and-profit-sharing>. Several of these points were also presented in their 2013 book *The citizen's share: Putting ownership back into democracy*.

¹⁹ For the full report see <https://www.nceo.org/articles/s-esops-retirement-security> ESOP participants represented in this survey have more than twice the average total retirement balance of Americans nationally: \$170,326 versus \$80,339. This difference is not limited to highly paid employees: ESOP participants making less than \$26,000 a year also have on average more than double the retirement savings compared to similar workers nationally.

systems changes, the authors raise the bar of possibility for and impact of employee ownership into the future.

Citing multiple stimuli and developments experienced across the gamut of locales and social groups including culture, and policies within the workplace and government, the authors describe the impacts of companies increased profitability as they share ownership and profits with their workers and the effects on worker and community. (These provide apt examples of the synthesis of the value of inclusion of workers in sharing ownership and profits with the interest of creating a bigger pie and more money for all.²⁰) Their examination of entrepreneurs' and their companies' collaboration, vision, wisdom, will, passion, diversity of skill, knowledge, caring and experience that were brought into play for the common good of those involved—led to “businesses prospering for themselves and their workers” (2013: 226).

Blasi, Freeman and Kruse's path provides a way of examining employee ownership as a system within systems. It also provides a perspective on those with leadership responsibility and their increasing spans of capacity and awareness. Such appear to reduce competition for its own sake and plough the ground, for vision, in the parlance of the twentieth century, to create larger and broader “win-win” situations. It is a premise of this paper that understandings within employee ownership as a system within systems can be enriched and expanded further using findings within the fields of human and organization (evolutionary and vertical) development including the processes of leadership and change. This paper suggests the importance of doing that. Additional concepts will be explored in the remaining sections of this paper.

Developmental, Agreement and Leadership Trajectories for Additional Research in Employee Ownership

The positive accomplishments of difference makers such as those delineated above in the works of Blasi *et al*, are usually described from the perspective of the breadth and depth of impact in the external environment. More difficult is weaving into the descriptive tapestry the complex interiority of a person with its knowing, values, compass, multiple intelligences, consciousness, wisdom and imagination (Waddock, 2015) as these develop and provide important nuance and dimension to the agreement narratives of systems change and leadership as service to the common good and its future. It deserves to be acknowledged that the characteristics cited immediately above are more difficult to measure and in spite of the meanings they hold in human experience, they are often less attractive for study than measurable items that can be more easily quantified.

Development

Much of what is described as human developmental activity can be considered horizontal (lateral) which often provides credentials from education, training, skills to do a given job, etc.

²⁰Acknowledging the complexity of the concept of employee ownership, working then as consultants Christopher Mackin and Loren Rodgers presented a related idea. In lieu of interest and values, they used economic and moral as bases for changes to employee ownership within their article “Managing Complexity”
<https://www.ownershipassociates.com/complexity.shtm>.

Within this paper, the focus is on vertical development, such as Jung (1981) theorizes as the process of individuation that can free deep human potential for the collective.

With varying emphasis on how to support and encourage shifts, developmental theorists basing their work on research and data—among others, Graves (1970), Maslow (1943), Loevinger & Blasi (1976), Kegan (1982), Beck 1996, Wilber (2000), Torbert (2004) and Cook-Greuter (2000) generally agree (with predictable disagreements in emphasis and language) on the development and evolution of consciousness. Theoreticians note when stages are healthy, they all contribute their diversity to the common good.

In vertical development²¹, earlier stages are encompassed (included) and surpassed, (transcended) in a nested way within increasing complexity in the movement, from pre-conventional stages of reasoning (where there is little understanding of the broader system) to conventional reasoning (where the system is generally accepted as it is), toward post-conventional reasoning (which questions the system as it currently exists and encompasses numerous perspectives) (Cook-Greuter, 2016; Wilber 2000). To these Tier I stages, more recent schema has added the characteristics of Tier II as a developmental milestone (Beck and Cowan, 1996). Within Tier II thinking, there is awareness (often inarticulate) of the interior stages of development, of relationship, pattern and interdependence; and the big picture in a more universalistic and inclusive systemic sense (Beck and Cowan, 1996; Laloux, 2014).

These thoughts move beyond the ideas that equate shifts in stages more or less with age or life's tasks and experiences to the “major shift from viewing people mostly as different types to also considering differences in the differentiation and integration of their meaning making capacity” (Cook-Greuter 2016, p. 275). Such perspective may provide a framework to consider needs to shift in “thinking like an owner.”

Another perspective may be that of Jennifer Garvey Berger. Drawing on her experience as a coach and consultant and on her knowledge of constructive developmental theory—a branch of human development theory holding that people actively construct meaning in ways that develop over time—Berger argues that real growth involves a “qualitative shift, not just in knowledge, but in perspective or way of thinking” (2012:17). Accordingly, she outlines four different forms of mind that adults can sequentially develop and that represent qualitative shifts in ways of thinking: self-sovereign, socialized, self-authored, and self-transforming. The forms of mind, can be helpful in seeing key differences along salient dimensions such as perspective taking, relationships to authority, and experiences of paradox.

Berger notes that an individual with a *self-sovereign* mind cannot see and take others' perspectives. In contrast, someone with the more complex *socialized* mind can readily see and take the perspectives of other people, theories, organizations, and religions but becomes embedded within them, experiencing them as personal and feeling torn if they conflict. Meanwhile, a person with a *self-authored* mind can take others' perspectives while distinguishing their own but uses others' points of view to strengthen or solidify their own. Finally, an individual with a *self-transforming* mind sees and understands others' perspectives

²¹ Dr. Susanne R. Cook-Greuter's longstanding work in leadership has focused on what she is now speaking of as vertical development. See her website: www.verticaldevelopment.com (accessed December 2018).

and uses them to purposely transform personal understanding to become more expansive and integrated. Researching these and their implications for thinking like an owner in the workplace might be very worthwhile.

Berger advocates designing programs and practices that deliver on two objectives that have implications for employee ownership: (1) better reaching the uniqueness of individuals and (2) better accommodating the diversity of groups. With respect to the first goal, Berger recommends working at the growth edge, or providing each person with the types of support needed to both operate effectively with the current form of mind and, if necessary, develop the next, more complex form of mind. Expanding on this point, she explains how growth challenges look different for each form of mind. For example, the self-sovereign individual needs help seeing other people's perspectives, while the socialized person needs help distinguishing their own personal own voice from others'. The self-authored individual, however, needs reminders to question personal views and to see value in new, more incorporative possibilities.

Of interest to those who promote "thinking like an owner," Berger introduces techniques for identifying a person's growth edge and demonstrates how working at this edge can promote alignment between development program goals and individual capabilities and priorities. For example, development practices designed to help individuals strengthen their independent judgment are well oriented to the growth edge of socialized individuals who struggle to develop their own points of view. More work needs to be done to support growth of self-authored and self-transforming individuals.

This idea of encouraging development is in line with Kegan *et al*'s Deliberate Development Organization (DDO) concept that will be discussed below, Berger's suggestion involves expanding developmental program designs and teachings to make them more psychologically spacious, or more accommodating of the unique thinking processes and growth priorities of as many different forms of mind as possible.²² Her propositions include, for example: developing multiple entry points into new content, each oriented toward a different form of mind; helping groups relate to knowledge and truth in multiple ways that accommodate the authorizing tendencies of different forms of mind; and defining an array of success measures targeting different forms' growth priorities. It seems this kind of investment in employee owners would benefit their companies.

Notably, Wilber (2000), Beck and Cowan (2006) among other note that no stage and Berger that no form of mind is inherently superior, since each works best in different contexts. None of these theorists posit development of a more complex form of mind as a universal goal. Stages and forms of mind represent different levels of complexity and integration of the thinking process. Each successive form offers greater versatility, affording the capacity to more fully understand environments spanning more degrees of complexity. (A similar idea as surpassed/transcended and encompassed/included presented above.) As such, development of a more complex mind is indeed an imperative for those who lead, or seek to lead, twenty-first-century organizations. This point will be repeated below in the section on Leadership.

²²Consultants consider this aspect as usual and customary in their facilitative work.

McIntosh suggests that awareness as interior consciousness and culture coevolve with exterior developments in institutions and technology with the development of values “perhaps the single most important factor in understanding cultural evolution overall...*it is through the gravity of values that consciousness and culture are drawn toward ever-higher levels of evolutionary development*” (2012).

The developmental and forms of mind shifts described may be unobserved, unstudied pivotal factors for changes required in awareness for employees to think like owner. An application may be helpful here. In the following observation, the idea of individuals being self-aware in a system appears to have similar meaning as the seamen being attentive in the correspondence regarding cod fishing shares cited above and the lack of awareness in J. Robert Beyster’s example.

When the individuals in a system are *self-aware*, they come to see that they need to get beyond their habitual ways of thinking, doing and being. When people are *system-oriented*, they are able to appreciate *all* the stakeholders (including suppliers and customers), not just their department. Combine the two and everyone involved can see how they relate to each other and to the outside environment, resulting in a healthy system that knows what to do next and is capable of acting quickly. More important, though, is that their self-awareness enables participants to understand how they, themselves, are collectively responsible for what is happening in the current system. This awareness brings a keen understanding that the *system* will not transform until they *personally* transform. When that “moment” comes, when people clearly see their system-at-work, often like a thunder clap, a whole new range of possibilities emerge, along with the necessary energy and focus to enable them to succeed, now and over time. Experiencing such newness, like learning to ride a bike, never goes away. (Scherer *et al*, 2010, 66)

The capacity for each aspect of a system (including individuals) to see itself seems a foundational principle to vertical development (Cooperrider 2012; Kegan *et al* 2014, 2016). Scharmer *et al* are consistently refining methodology for vertical development on a large scale through a series of Massive Open Online Classes (MOOCs). These began with “Transforming Business, Society and Self with U. Lab” described as “a profound approach to change...to build a new economy by co-sensing and co-creating the emerging future.” More than 45,000 people from 182 countries participated in that 2015 class, learning of reflection and mindfulness as ways of “bending the beam of scientific observation back on ourselves” and then deciding to take action to facilitate the “shift from ego-system to eco-system” in service to the emerging future (Scharmer 2018). The approach puts into practice Neal’s observation that

In order to see positive change, occur in the world, we must shift our consciousness to a high level of thinking and being, but we must also have systems or approaches that scale up, so that there is a collective shift in consciousness in groups, work teams, villages, governments, and corporations. (Neal 2018)

Historical accounts show how difference makers such as the founding fathers, corporate heads, financial specialists described above by Blasi et al (2013), often have the ability to generate increasingly developmental and complex modifications from focus on self to larger realities incorporating understanding and high regard for systems' interrelatedness and interdependence. 2). These relate directly to thinking like an owner—a point well understood by J. Robert Beyster who stands out among corporate heads with understandings of the synergies involved on several levels thought not all as seen above. At S.A.I.C. (Science Applications International Corporation), Beyster looked for the 'right people' with the mix of technical, complexity and management know-how. He gave autonomy and increasing stakes in the business and it grew. Within its success, he encouraged expanded employee ownership.

Reports of the passion in conversations with employee-owners at the Annual Meetings of the NCEO and the ESOP Association suggest that the shifts cited below occur at some level in many of the transitions to employee ownership. A question becomes, how can these shifts and enlarged understandings be researched and studied to be utilized to benefit other transitions?

When you make a *quantum (transformational) leap*, there is a shift in the way the world occurs for people, such as:

- The strategic intention or the “Big Idea” behind the enterprise is understood and embraced by a majority of the organization.
- Employees start working together in completely new ways.
- A sense of accountability and “ownership” becomes personal and present at all levels in the system.
- Leaders lead from a more authentic, related, and integrated stance.
- Decision-making becomes more collaborative, and conflicts are handled instead of avoided.
- Communication becomes more honest, especially *up* the organization.
- Change is always embedded in transformation, but the opposite is rarely the case. (Scherer et al, 2010: 60).

Knowing more of these factors which relate to awareness, participation and how they work in a transition and following might can add to the knowledge of employee ownership. They may be also pivotal areas beyond this discussion for changes required in leadership to facilitate the shift for employees to think like owners. As a bridge between development and leadership, the nature of agreements will be discussed briefly. The notion of the importance of the social contract seems to be natural and important within the context of corporate life as well as that of a democracy. Given Kelly's observation of ownership “as the original system condition”, there may be too little research in the nuanced shifts in agreements in the transition to employee ownership.

Together awareness of development and agreements may serve as infrastructure to further understanding leadership and levels of change in play and that may be placed in play. It is a premise of this paper that the employee ownership field of practitioners, academics and employee owners may greatly benefit through examining and utilizing the forces of change for good in its shared hands.

Agreements

The social implication of agreements seems a rare discussion topic and yet on its face to be a natural one in the shift to employee ownership. James Ritchie-Dunham has done extensive work on agreements. In elaborating his overall theory of ‘ecosynomics’ as “principles of collaboration... the social science of agreements that guide human interaction” (2014: xxiii) James Ritchie Dunham surprisingly grounds the principles in abundance (in contrast to ‘economics’ emphasis on scarcity). He points out that creating mindfulness of underlying agreements affecting collaboration and trust²³ around resources, allocation, values and relationships widens the span of awareness for individuals, groups and organizations regarding the here and now and future possibility, from an expanded realm of choice. “This is the process I see happening when people recognize the agreements they have accepted and begin to engage their will, to shift scarcity-based agreements to healthier forms, or to take on new agreements.” (2014: 284). Those familiar with strengths-based approaches (such as Appreciative Inquiry (Cooperrider 2012; Cooperrider & McQuaid 2012; Lewis, Passmore & Cantore 2008) for whole systems²⁴ efforts, would quickly recognize the potential generative power in such a shift for individuals and the groups they participate in.

Moving beyond assumptions toward mindfulness of agreements in play often seems to prove easier said than done. In daily life, agreements can carry many labels: traditions, customs, culture, rules, procedures, guidelines, protocols, expectations, manners, etc. Adding complexity for consideration are the values, structure, content and process basis for agreements. Though pervasive and embedded in the relationships of individuals, groups, organizations and societies guiding interactions and even when applying principles from systems theory, decision sciences and social psychology, some agreements are not easily seen for what they are and as subject to reexamination, negotiation and new choices for change. In transitions to employee ownership, it may be particularly difficult to see agreements and to make choices to retain or change:

When we are unaware that we are in an agreement; when we do not see the judgments about values and facts that inform the structure of the agreement and when we do not see how the different perspectives of the people participating in the agreement influence each other. (Ritchie-Dunham 2014: 54)

It is easy to understand that the lack of awareness of how the assumptions and premises underlying agreements act as infrastructure affecting the nature and quality of collaboration and trust that is so important in participation for employee ownership and its transition. We can recognize that developmental changes and conversations can help to bring underlying assumptions, principles and agreements to light. As these are met collaboratively in trust with awareness—their importance, salience, meaning and

²³ Reina and Reina’s (2010) work internationally on building trust within organizations has seen some extraordinary outcomes. For more information see <http://reinatrustbuilding.com/about-reina-trust-building/>

²⁴ For application within employee ownership, see the conceptual paper based on a transition case, Betit, CG (2015) Employee ownership and governance: The Carris Companies making change impacting the whole. *Journal of Corporate Citizenship*. 159-178

attractiveness may be questioned and prompt the seeing of new possibilities and choices, potentially enhancing the effort.

Agreements can be seen impacted by developmental experience and together they are important for leadership awareness and action discussed in the next section.

Leadership

James MacGregor Burns is said to have founded the field of leadership studies with the publication of his book *Leadership*. In the context of the discussion of Blasi, Freeman and Kruse's work (2013, 2017) above, Burns' focus on the relationship between leaders and their constituencies and how "leaders and followers make each other advance to a higher level of morality and motivation" (Burns 1978: 19) becomes more relevant. "A strong contribution was his teaching that transformational leaders seek to raise the consciousness of followers by appealing to higher ideals and moral values" (Neal 2018). This consciousness seems a critical factor underlying shared ownership, participation and the company as a common good within and outside its doors.

These characteristics have been known in employee ownership since the 1980s. Rothschild says of the Whytes' book (1988):

As for the Whyte's book on *Making Mondragon*, I consider in there to be their main contribution how the *culture* in the Basque region (with its strong bonds of community and trust) provided a community or regional context that well supported the Mondragon co-ops. This was true in spite of the larger (oppressive) context of Franco's Spain. Another key point the Whytes make in their book is about the essential role of leadership. In this case, the introverted priest in town, Father Arizamendi, inspired and laid the groundwork for the subsequent development of the Mondragon co-operatives by working intensively with a small group of men, showing them how key values in Catholicism supported the development of cooperative work organizations that could seed further cooperative development in the region, providing dignified and much more egalitarian work to many.²⁵

This short observation is in line with the discussion above that Blasi, Freeman & Kruse (2013) offer regarding difference makers' understanding of systems within systems, change, values, interest, vision and collaboration. From his long-standing work in leadership Anderson brings the need idea forward by stating its counterpoint:

The critical flaw in the way most organizational change efforts are constructed is that they pay too little attention to the deep personal changes that are required of people at every level. The flawed assumption is that we can create the new culture

²⁵ Correspondence with Joyce Rothschild, Professor Emerita School of Public and International Affairs Virginia Tech.

out of the level of consciousness, thinking, and behavior that gave rise to the old culture.²⁶ (Anderson undated: 2)

The literature of employee ownership going back to the 90s is replete with how that assumption may have impacted a variety of ESOPs such as United among others. One obvious possibility may well be the lack of understanding of development, agreements and the role of leaders in transitions to employee ownership as well as the shift in meanings and relationships required to experience oneself as an owner.

A question going forward may well be what developmental characteristics leaders need to foster for the 21st century in employee owned companies?

Berger and others working in executive, life and leadership coaching and training appear to suggest: crafting multiyear visions, managing conflicting needs of multiple stakeholders, and accounting for complex task interdependencies—all of which contribute to increasingly nonlinear relationships between the leader’s actions and organizational outcomes and increase the experience of ambiguity and paradox. These have implications for employee ownership. They appear on their face alone to have relevance to “thinking like an owner” and participation and perhaps as well the free rider and cynic problem so well documented in the employee ownership literature.

Hibbert, Beecher & Siedlock speak to how “how leadership formation is not simply about the development of an individual, nor about the development of a collective, but rather about both. That is, we have described how formation concerns the development of individuals in the context of community, in a relational process” (2017: 619). This expanded perspective of system within systems permeates a great deal of the focus in contemporary discussions of leadership and can be seen to be very relevant to the field of employee ownership.

In *The Whole Systems Approach* Adams & Adams (1999) “detail six interlocking systems that must be tended during major organizational change” and are part of the developmental cycle:



²⁶ From the Whitepaper “Mastering Leadership” available at the Leadership Center website https://2y3l3p10hb5c1lkzte2wv2ks-wpengine.netdna-ssl.com/wp-content/uploads/2018/03/Mastering_Leadership.pdf

“Ensuring that these six systems are aligned and functioning well is the responsibility of the organization’s leadership, which is itself a system to be continually improved.²⁷” With close examination of the visual, we can see addressed in the model, those concerns and interests that arise in writings and conversations about employee ownership though rarely researched or seen in systems perspectives that would show interrelationships and the aspects of change through transitions.

In the model below, Anderson presents Four Quadrants of Change²⁸ which he notes must be addressed for change to be successful. In the context of employee ownership, the focus on internal and external environments of the individual and the organization deserves to be mentioned. Within the model, we can be reminded of the span of our discussions within this paper: values, interests, culture, patterns, meaning, participation, development, agreements and leadership.



²⁷ See more information in this segment at this link <https://leadershipcircle.com/products/the-leadership-system/>

²⁸ See <https://2y3l3p10hb5c1lkzte2wv2ks-wpengine.netdna-ssl.com/wp-content/uploads/2018/03/Spirit-of-Leadership-Whitepaper-APR2016.pdf> Quadrant 1 is the individual/internal aspect of change. This is the interior reality of people. It is the area of cognitive, psychological, and spiritual development. In this quadrant leaders attend to the inner development of people, recognizing that no substantive change is possible without a prior change in consciousness.

Quadrant 2 has to do with the individual/external aspects of change. This is the domain of technical and interpersonal skills as well as the science (physiology/neurology/psychology) of peak performance...It is where leaders pay attention to developing peoples’ skills and supporting the physical and psychological ingredients that spark motivation and peak performance.

Quadrant 3 deals with the collective/internal aspects of change. This is the domain of culture. It is the interior, often hidden, territory of our shared assumptions and images that direct what happens when we come together. This the domain of myth, story, unwritten rules, and beliefs. It reminds leaders to pay attention to the deeper meanings of symbols, purpose, vision and values-not so much as written, framed, statements, but, as the subtle messages encoded in our day-to-day interactions.

Quadrant 4 has to do with the collective/external aspects of change, the social /technical/ organization system. It is the quadrant of organizational design, technology workflow, policies, and procedures. This quadrant reminds leaders that system design determines performance and that if we want to get the system to perform at a substantively higher level, we must design for it.

The new efforts toward Deliberately Developmental Organizations (DDO) seem to have particular relevance for bringing the elements of this paper and those immediately described above together for employee ownership. The Deliberately Developmental Organization offers a way for a system to see it self and to be...

something very different from all of these emerging new models of “great places to work” or corporate responsibility; it represents, instead, a rethinking of the very place of people-development in organizational life... A DDO is organized around the deceptively simple but radical conviction that organizations will best prosper when they are deeply aligned with people’s strongest motive, which is to *grow*²⁹ (Kegan, Lahey, Fleming, Miller & Markus, I. 2014: 1)

An Everyone Culture: Becoming a Deliberately Developmental Organization (Kegan, Lahey, Fleming, Miller & Helsing 2016) explores the practices underlying deliberate development and applies them in three organizations and then describes how to build such a culture—developing everyone. The comprehensiveness of the DDO model, also returns the span of discussions within this paper regarding expanding research potential to values, interests, culture, patterns, meaning, systems, participation, development, agreements and leadership. DDO offers a way of seeing systems within systems in the context of change.

Continuing this paper’s inquiry, how might research on the following question grow the parameters of the field: What would the impact be in employee owned companies, “if a company did everything in its power to create a culture in which everyone could grow their capacities in daily ordinary life in the workplace?” How would this impact “thinking like an owner?” What would change in the research on employee owned companies if the focus was shifted to people—the human element?

The DDO with its emphasis on personal growth and the development of capacity to work with more complexity offers itself, it seems indeed an imperative for those who lead, or seek to lead, twenty-first-century organizations as Whole System Transformation (WST).

Even though many—or even all—of the specific operational changes set in motion during our WST interventions fade with time, we have often seen that something lasting does “stick” within the system. Perhaps what is sustainable are *who people become*—effective leaders and unleashed employees—and *what the system learns* about cross-functional teamwork, breakthrough thinking, and about the process of transformation itself... the “sustainable” part of whole system transformation means assisting people in the development of a *replicable and evolving enterprise-wide capability to transform the way they do things again and again in a chaotic, ever changing world.* (Scherer *et al* 2010: 58-59).

²⁹ Thank you A. Fleming, Way to Grow INC. LLC for permission to cite the March 2014 white paper (no longer available) Kegan, R., Lahey, L., Fleming, A., Miller, M., & Markus, I. “The Deliberately Developmental Organization.”

This is the richness of the DDO. For those who say that “organizations grow with those who can and those will,” it can be reassuring that organizations are putting in place deliberately, opportunities to build their capacity through their people.

Conclusions

Several avenues offering potential for future research were presented above to suggest timeliness of deeper exploration and broader consideration within the field of elements of change in a corporation’s transition to and implementation of employee ownership. Just as Doucouligas’ work in participation and his meta analysis opened the field, the current climate of possibility may open more areas for the study and understanding of employee ownership from the emerging findings of leadership, human and organization (evolutionary/vertical) development and systems change. Examining more closely the elements in change “to thinking like an owner” may encourage research that bridges values, interests, economics, relationships as human concerns within employee owned companies and the field of employee ownership.

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