Learning to Own

Building Cultures of Ownership, Making Profitable Businesses, and Saving the Middle Class

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They Give Them the Company?

Think of the worker, the banker, and the big-boss-man. Is there any good way to make them all happy? To make them all rich? I find myself wondering this a lot in our era of sky-high income inequality. The disparities between the lowest and highest paid workers continue to grow, and the federal minimum wage hasn't gained in purchasing power for a few decades now. Given all this, it can often feel like we're inevitably headed to a crisis. How can our country work without a middle class? What does it mean to have a Senate and a Cabinet full of million and billionaires? How can a democracy survive if average people can't get ahead, can't work and save, and can't build a life for themselves? What is the way out? It's not obvious from headlines full of doom and gloom. But, I'm an anthropologist, and I write, not based on headlines, but based fieldwork that I myself undertake over years at a time. I think I've figured one way out of our current mess, and it's my hope that this book will offer a partial answer in showing how Employee Stock Ownership Companies (ESOPs) and Ownership Cultures are one way we might make better and more stable workplaces, thereby growing a middle class. What's more, we already have a lot of these ESOPs in plain sight that make for great examples. But before we can get there, we've got to go to happy hour…

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Sometimes it felt like the truth didn't come out until after three or so drinks. If you add up all the beers Alvin and I had shared over the last two years, we were probably a few dozen across the border, into the land of disclosure. Remember, I'm an anthropologist. And, Alvin, a private equity analyst, was one of my informants. Like most anthropologists, I study culture, the way groups of people make sense of their worlds, the meaning systems they use, the social processes they have, and the social silences they avoid. However, unlike most anthropologists, I work in the United States, studying inequality—how wealth is created, and why only a select few get to keep it. Alvin was an informant in a study I did from 2012-2014 on private equity investors. And he was also a bridge to a study I ran from February 2015 through February 2017 on employee owned companies. Taken together, this is how I ended up doing fieldwork in the narrow basement of an Irish dive bar on the upper west side of Manhattan, trying to learn about private equity and selling businesses. Alvin was helping me, and this is where he went after work.

A few years ago, during that first study, my questions about inequality led me to a study on private equity investors—the Mitt Romneys of the world. Private equity investors use borrowed money to buy companies, manage them as investments, and sell them at a profit[1]. In 2014 Private Equity and Venture Capital investors managed around $3.8 trillion[2], at a time when U.S. GDP was $17.393 trillion[3], and the top .1% of the population held as much wealth as the bottom 90%[4]. The top three largest PE deals in 2014 were Tim Hortons fast food restaurant ($11.53 billion), Safeway grocery stores ($9.5 billion), and PetSmart pet stores ($8.7 billion)[5]. This should give some sense that private equity investors will invest in most any sector. Moreover, they're notoriously indifferent to the fate of workers who end up in companies they own, focusing instead on profitability and eventually being able to sell the company at a premium[6]. Simply and stereotypically put, they hope to buy businesses cheap, pull as much wealth out as possible, and then sell the business to someone else, collecting a profit. Given all

[1] Appelbaum and Batt 2014.
[2] Elvin 2015:7.
[3] World Bank Group 2016.
[4] Monaghan 2014.
[5] Elvin 2015:105.
[6] E.g. Burrough and Helyar 1990, Holland 1989.

this, it was a bit of a shock to hear Alvin mention that his private equity firm had just sold a company to its workers and created an ESOP. Alvin and I were talking about typical private equity transactions that he had done with his firm. He started to tell me about a home remodeling company, and began giving a typical story about having trouble working with management, issues with workflow, and then, seemingly out of nowhere, this private equity firm made a lot of employees much richer. They seemed to do it, too, in a way that helped the company grow and paid out the investors. Here is Alvin in his own words[7] (imagine loud talking, glasses clinking, and Journey's music, all in the background):

Alvin: Actually, it was one we did as an ESOP.

Dan: ESOP?

A: Employee Stock Ownership Plan.

D: Oh.

A: Did I tell you about this?

D: It sounds like…could you explain?

A: What it is, you effectively sell the business, well, not sell, you give the business to the employees, the whole idea here is that you don't pay taxes.

D: Oh.

A: But not in a sketchy way.

D: So, they buy it from you, but they don't pay taxes on them buying it from you?

A: No…you sell the company to the employees but the employees don't actually, they don't really choose to buy it, but they don't pay any money either. So, the company

[7] Dialogue that is offset from normal text or in quotation marks comes from notes and or transcripts of interviews and events. All other reported speech (which there shouldn't be too much of…) is reconstructed.

is 100 percent owned by its employees...so our investment was not equity, but rather hybrid debt security, there is a lot, I won't bore you with the details.

D: Please, do.

A: We have limited upside, but the business doesn't pay taxes because it is an employee owned trust. It essentially gets set up as a retirement plan effectively. So, at a sale of the company, the employees reap the benefit. And, it grows as the company does better, and the longer it's been held as an ESOP. So, there's a lot of stuff that goes into it. I won't get into it here. But it's good for employees; it's good for us, because we…if this is going to be a good company with steady-eddy growth, you can eliminate your federal tax bill which means you have more cash flow to pay off your lenders, it means that effective leverage on the business, you've got more cash flow to pay off your lenders. Less risky for the lenders, less risky for you—you've a structured component of your return combined with a little bit of upside depending on how well the company does and the employees get some money too. Everybody wins.

D: That's fascinating.

A: Yeah.

And then we went on into talking about the rest of the deal.

This was confounding to me. Alvin was describing a situation in which a bank, a private equity firm, and run-of-the-mill line employees in a construction company would be happy with what was happening to their company. He assured me that none of this was, "sketchy." This was not a story of a union defeating finance people and out of town corporate hacks. Nor was this a story of a shutdown factory with a few executives golden-parachuting to safety. In my work, I'd become so accustomed to a winner-take-all, devil-take-the-hindmost brand of capitalism, the sort of capitalism that has seen most wages stagnate for the past forty years but has seen the ratio of CEO to lowest worker pay go from something like 20:1 in the mid-sixties, to a present ration of 300:1[8], that I did not know what to make of an American business in which workers, owners, and bankers were all happy, some mystical third way, all via a retirement plan. The story of this book is the story of how an ESOP does just that, is what it feels like to work in an ESOP, and offers a way out of our dreary economic present.

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ESOPs may be one of the best kept secrets in American business. From February 2015 through February 2017, over the two years I was conducting my project, going to conferences, visiting employee owned businesses, and conducting dozens of interviews with ESOP employees and people in firms that support ESOPs, I heard over and over again, how happy people were with their own ESOPs and a genuine puzzlement that more people hadn't heard of them. As I learned more, I began to share my informant's puzzlement. The National Center for Employee Ownership (NCEO), a non-profit membership organization for the ESOP community, has compiled a sketch of ESOPs in the United States. Drawing on Department of Labor data, they note that, as of 2012, there were 6,908 Employee Stock Ownerships Plans in the United States, with 13,824,000 employees participating, and, all together, worth $1,059,067,628, or just over $1 trillion[9]. It's worth noting, too, that in 2012 there were 141,584,000 working in the United States[10]. Put another way, of all employed people in the United States in 2012, just under 10 percent of them worked in an ESOP. If, in 2012 you lined workers up randomly, odds are every tenth person would have been in an ESOP. And despite all these people, if you do a google

[8] Mishel and Davis 2015.
[9] National Center for Employee Ownership 2015a.
[10] Rhode Island Department of Labor and Training.

search for “ESOP” you return 3,190,000 results; “Employee Stock Ownership Plan,” brings you 411,000 results. This is in contract to “private equity” which returns 28,900,000 results.

It’s possible that most of us aren’t aware of ESOPs because we might assume that employee ownership only works in some type of business (say, small restaurants, like coffee shops) or in certain parts of the country (like in college towns). The actual distribution of employee owned companies, across industry and region, suggests this is not the case. Figure 1 shows a chart of the 20 largest ESOP companies in 2015[11].

Company	**Location**	**Business**	**Employees**
Publix Super Markets	Lakeland, FL	Supermarkets	175,000
Daymon Worldwide	Stamford, CT	Food Distribution	39,000
Lifetouch*	Eden Prairie, MN	Photography	25,000
Houchens Industries*	Bowling Green, KY	Supermarkets & other services	18,000
Penmac*	Springfield, MO	Staffing	17,000
Amsted Industries*	Chicago, IL	Industrial Components	16,800
Parsons*	Pasadena, CA	Engineering & Construction	15,000
WinCo Foods	Boise, ID	Supermarkets	15,000
Alliance Holdings*	Abington, PA	Holding Company	14,670
Black & Veatch	Overland Park, KS	Engineering	10,285
W.L. Gore &	Newark, DE	Manufacturing	10,000

[11] National Center for Employee Ownership 2015b. The chart I created is drawn from a larger chart that the NCEO published which lists America’s 100 largest Employee-Owned Companies. I have only listed the top 20 companies that were exclusively ESOP companies. Some other forms of employee ownership that they list are “profit sharing,” “stock purchase plan,” and “stock incentive plan.”

Associates			
HDR, Inc.	Omaha, NE	Architecture & Engineering	9,200
The Burnett Companies Consolidated, Inc.*	Houston, TX	Staffing Services	7,040
Brookshire Brothers*	Lufkin, TX	Supermarkets	7,000
MWH Global	Broomfield, CO	Engineering & Consulting	7,000
Schreiber Foods	Greenbay, WI	Dairy Company	7,000
Austin Industries*	Dallas, TX	Construction	6,500
Sterling Global Operations, Inc.	Lenoir City, TN	Security & Munitions Services	5,500
Rosendin Electric*	San Jose, CA	Electrical Contracting	5,300
Blue Tee Corporation*	New York, NY	Industrial Machinery Distribution	5,000

Figure 1: 20 Largest majority employee-owned ESOPs.. *Indicates 100% employee-owned.

A cursory glance of Figure 1 shows companies across a range of sectors, everything from munitions to supermarkets, and from service work to highly-trained engineering work. The companies are also across a wide range of geographic areas. From deep blue California, to blood-red Nebraska, ESOPs don't seem to pay attention to the prevailing political winds. So, contrary to the image we might have of employee ownership that lends itself to geographic specificity, small-size, and only some industries and not others. It seems that ESOPs are fairly well distributed every which way one might imagine. Moreover, and perhaps not represented in the above league table, there are a number of well-known ESOP brands. To name a few: New Belgium Brewing Company, the Harpoon Brewery, Clif (of Clif bar fame), Dansko shoes, Eileen Fisher, King Arthur Flour, and so on.

Given the diversity of industry and geographic location that characterizes ESOP companies, why haven't more people heard of them? It doesn't help that ESOPs are allowed under the Employee Retirement Income Security Act (ERISA), a 1970s federal law that mostly governs pension and health and welfare funds. Most attorneys and bankers don't know much about ERISA, and it's treated as a fairly niche area of legal practice. It likely doesn't help, too, that business schools don't often spend much time talking about various forms of corporate structuring, or ways to share participation and wealth, taking, as they do, a Delaware-style publicly-traded company, or a closely held top-down private company as a one or another default[12]. A business is either publicly traded on a stock exchange with a charismatic CEO calling the shots and being a visionary, or a business is a private family affair with the firm control of a patriarch passing a company on intergenerationally. Employee ownership is seen as something that is niche, or fringe, or perhaps best left to the few labor-relations programs that are out there. To my mind this adds up to a generally biased view of business life. Companies are either big publicly traded entities, or privately held family affairs. Taken together, and across either default, there is an idea that companies are basically autocratic entities in which very few people monetarily benefit from their success. We don't seem to have the imagination for the 175,000 employees who work in and own Publix supermarkets. How on earth could such a situation come about?

[12] C.f. Mackin 2014.

In trying to answer this very question Joseph Blasi, Richard Freeman, and Douglas Kruse[13], in their book *The Citizen's Share: Putting Ownership Back into Democracy* illustrate just how widespread employee ownership is in contemporary American society, and how employee ownership goes back to at least the American revolution. They note that, despite his wealth, "George Washington sometimes sympathized with the goal of broad-based distribution of property."[14] They elaborate, saying that, "living at least partly off capital income and having meaningful capital ownership is similar to the founders' concept of living from the property ownership of land and "reaping one's own harvest"—supporting oneself and one's family form owning a piece of the economy."[15] In a less politic vein, John Curl, in *For All The People: Uncovering The Hidden History of Cooperation, Cooperative Movements, and Communalism in America* points out that forms of shared ownership have been ever-present players on the nation's economic stage, taking all manner of shape and form through America's history[16]. So, from the craziest Oneida perfectionist all the way up to Washington's ideas on what liberty might look like, there has been a steady stream of cooperative formations and businesses in American life. At a minimum, ESOPs, though having legal origin in the 1970s, aren't really anything new on the American scene.

So, if ESOPs, aren't especially new, the question does arise, are they different? Companies, after all, are meant to be owned by one smart, hard-working, tenacious entrepreneur who should capture most of their wealth. Or alternately, companies should be run by charismatic executives who heroically return all of the companies wealth to themselves and shareholders.

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[13] Blasi, Freeman, and Kruse 2013. It's worth noting, too, that the research for this book was completed under a grant from the Rutgers School of Management and Labor Relations which Blasi and Kruse have a hand in administering.
[14] Blasi, Freeman, and Kruse 2013:5.
[15] Blasi, Freeman, and Kruse 2013:15.
[16] Curl 2012.

Surely without this sort of individual genius, or at least without this incentive to get one person fabulously rich, ESOP companies would not perform as well? Right? If it's such a great, long-lived business model, wouldn't I have hear of it? Wouldn't market forces have taken over and made it ubiquitous? More on those later questions in a moment. For now, though, we can definitely answer those questions about the performance of employee owned companies. In brief, they seem to perform better than comparable non-employee owned firms.

In *Shared Capitalism at Work: Employee Ownership, Profit and gain Sharing, and Broad-Based Stock Options*, published by the National Bureau of Economic, Kruse, Freeman and Blasi (editors)[17] report on a large scale study of firms with some form of employee ownership. The NBER administered a survey of 80 to 100 questions to workers at 14 firms and 323 work site, all of whom had some form of shared capitalism (everything from 401(k)s to stock purchase plans, to ESOPs[18], moreover, they were able to compare their findings to information in the General Social Survey which gives a snapshot of life across America. Generally speaking, they report on six main findings 1. Shared Capitalism is a Significant Part of the US Economic model (somewhere near 50% percent of firms have *some* kind of shared ownership); 2. Worker Co-Monitoring Helps Overcome Free Riding (that is, when ownership and the gains of productivity are broadly shared, people keep an eye on eachother, don't tend to tolerate freeloading, and need less managerial supervision); 3. The Extra Risk Of Shared Capitalism is Manageable (there's an idea that employees will have too much of their retirement in one place if they get investments from the firm. This is overcome by offering other retirement plans in addition to an ESOP or stock purchase plan); 4. Shared Capitalism Improves the

[17] Kruse, Freeman, and Blasi eds 2013.

[18] On their sample they note that, "these are mainstream companies operating in the highly competitive US market, not strange entities operating under peculiar rules or regulations (per the worker-managed firms in Yugoslavia). To the exten that our questons relate to issues that face all firms and reflect basic human nature, there are reaons to expect the findings to generalize to a broader population" (Freeman, Blasi, and Kruse 2010:27).

Performance of Firms; 5. Shared Capitalism Benefits Workers; and 6. Shared Capitalism Complements Other Labor Policies and Practices[19]. Of particular concern to our questions about ESOPs are numbers 4 and 5. In terms of firm performance, Kruse, Freeman and Blasi find that some form of shared capitalism leads workers to report that, ""they are not likely to search for a new job," "would turn down another job for more pay," have "loyalty to the company," and are "proud to be working for the employer" when they are paid with shared capitalist compensation,"[20] as opposed to more conventional schemes of compensation. Moreover, "shared capitalism is associated with better working lives and greater wealth relative to otherwise comparable workers paid by conventional means."[21] Taken together, the findings of the NBER study seem to suggest that, as compared to non-shared-capitalist firms, firms with some form of shared-capitalism keep workers longer, make more money, pay workers better and have to supervise them less. Kruse, Blasi, and Park, in a later chapter observe that, "Over the last few decades many economists have said about various shared capitalism practices: "If it makes so much sense then why do we not observe more firms and employees doing it?" The response put forward by these [our research] is: "It appears to have spread through the economy, so what does that mean?"[22]

Taken together, the picture that emerges from *Shared Capitalism at Work* is that in America today there is widespread shared capitalism, of which an ESOP is one large plurality. In general, too, it seems that firms with some form of shared ownership perform better insofar as workers stay longer, are more reliable, and require less direct supervision. More generally, Freeman, Blasi, and Kruse observe that, "The interactions of the effects of shared capitalism with

[19] Kruse, Freeman, and Blasi 2013:11-22
[20] Freeman, Blasi, and Kruse 2010:17.
[21] Freeman, Blasi, and Kruse 2010:19
[22] Kruse, Blasi, and Park 2010:68.

other corporate policies suggests that the various shared capitalist and other policies may operate through a latent variable, "corporate culture."[23] That is to say, the firm and the people in it likely have ideas, aspirations, and practices that distinguish an employee owned firm from differently owned competitors. Moreover, "the skills needed to manage a firm with significant employee ownership and profit sharing are likely to differ from the skills needed to manage a standard firm…"[24] And this is where the point and plot of this book come in. The studies mentioned above give us a sense that there is and has always been a lot of shared ownership and shared capitalism in America. The review of the state of ESOPs in America show that they are dispersed geographically and in many different lines of business. Yet, in fundamental ways ESOPs, as a type of shared capitalism seem to be different. They often seem to have different forms of management, and even more basically than that, often seem to have an idea of ownership. Employees understand themselves and their relationship to their firm differently, particularly when some form of participatory management meets up with some form of shared ownership. How this happens, and what it feels like to be in a firm like this, given all the imaginative headwinds that seem to exist in America, is the subject of this book.

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In the second year of my research on ESOPs, for most of 2016, I spent my time focusing on how exactly you make an ESOP. Remember, Alvin took great pains to explain to me, about as sympathetic a listener as you can imagine, that what he and his firm did was not sketchy. So to understand an ESOP I set myself the task of doing ethnographic work with an ESOP firm (a defense contractor we'll call Saphire Systems), an ESOP banker (we'll call Vole Transaction Associates, and an organizational consulting firm (we'll call action advisors). Generally

[23] Freeman, Blasi, and Kruse 2010:22.
[24] Freeman, Blasi, and Kruse 2010:9.

speaking, these are the three legs of the ESOP stool—pull one away and you fall flat on your back. And in this particular case, Saphire and Vole, and Vole and Action had worked and continue to all work with each other. An ESOP transaction requires loan money and an annual ongoing valuation, or a price. Without this, no owner buyout and no employee owners with priced, stock shares. An ESOP company also requires some way for employees to learn how to be owners. This is not natural or normal for most people in America. Most people come from hierarchical workplaces, and are accustomed, for most of their lives to more or less unquestioningly listen to authority figures, whether teachers, cops, doctors, lawyers, judges or the big-boss-man. While there is no fixed way an ESOP manages itself, and while most do maintain a traditional hierarchical structure, something has to give for employees to feel like owners. This can take the form of ESOP communication committees, group strategic planning, or even pass through voting. There is no one-size-fits-all solution. But, there has to be something, and it almost always needs to be taught by outsiders. So, for the second leg of the project, I studied an organizational consulting firm, Action. And, of course, without a company, without owners who sell, and managers who like their employees, and without workers, there is no ESOP, there is no Sapphire.

More than this, the interaction of an organizational consulting firm, transaction bankers, and an ESOP firm, illustrates the different parts of the American economy and American society that need to come together to make an ESOP. Vole Transaction Associates are finance people. They went to college, majored in business, finance or economics, occasionally have MBAs, and talk about money and spread sheets. They live in big, hub cities, wear business casual or suits, and travel to their clients, often in the hinterland. Action Advisors are by and larger liberals who care a great deal for social justice and human flourishing, take a keen interest in interpersonal dynamics, look like rumpled college professors, and are ideas people. They can imagine institutional change and help others see it as well. As a gross stereotype, though they also went college like the members of Vole Transaction Associates, they are not numbers people. Vole and Action think about business differently, and see different things as important in a firm and in the world. Yet they are both necessary to create an ESOP.

Similarly, and perhaps it goes without saying, but you can't have an ESOP without a company. While both Vole and Action provide professional services, Sapphire actually produces something, (engineers for hire, as it turns out). In addition to doing directly productive work, Sapphire is in a smaller Southern city, in a smaller Southern state. Insofar as people have gone to college they have gone to regional schools, and have selected the city they live in because it's a great place to raise a family. They don't live in major urban hubs, and never really talked with me about politics. And yet, despite these differences, Action, Vole, and Sapphire all have to work together to create a company with broadly shared employee ownership. The story of how this happens, and how we might imagine a firm that works better for the people in it—how liberal consultants, investment bankers, and out of the way southern engineers collaborate to make an ESOP, and thereby offer a way out of our current economic dysfunction and inequality—that is the story of this book. And at the core of this story is what does it mean to be an owner and how do people get that idea in their head?

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The three intertwined companies we just met, they who collaborate with one another to make ESOPs and who all have some manner of ownership culture, are going to be the heroes of our tail: Sapphire the engineering contractor, Vole the investment bank, and Action the organizational consultants. And any good hero has an origin story. In our case, we should know how these different companies came to the idea of worker-owners and sharing prosperity while still making founders rich and turning a profit? What dying star blessed us with such life forms? What revolution gave us these new people? Where, in short, do the founders of these companies come from?

Greta talks fast, with enthusiasm and at variable volume. She also knows the world of employee ownership well, having been with it her entire career, and even before that. It was in her office, on the second story of an old brick office building in a leafy enclave of a large Northeastern city, an enclave populated with cooperative grocery stores and rainbow pride flags hanging from the windows of Montessori schools and mainline protestant denominations, that we got to talking about how exactly Greta got into employee ownership, and founded Action Advisors. She said that she grew up in the Northeast with a brother and two parents, and, upon reflection said that, "I think they were a classic middle class striving family." Her dad was an insurance broker and owned his own firm. Greta's mom had stayed home to take care of the kids, and Greta's father never let Greta's mom work despite having secretarial training. Business striving and business success was the family's MO. When a country club formed nearby, Greta's father was one of the first members because it was a good place to do business. Greta observed too, that her father basically never stopped working. He carried on in his brokerage business until he was 85 or so. All this added up to a sort of respectable "enlightened republican side of the world." She said they had a pet parrot named "Rocky" after Nelson Rockefeller.

For a while Greta took all this for granted. But, as she came of age, she became skeptical. When she was a teenager, her dad made Greta work for him for a couple of weeks in the summer, and she, "really hated it." She, "never really wanted to be in business." At Cornell she got interested in what she called "affective education," or a way to think about educating the whole person. But, to her mind, the break with her father's politics and worldview came with her church's teenage youth group. There she had a young minister who had progressive politics that seemed to transcend the "little white community," she grew up in. She then went away to camp and met people of different colors as equals. She noted that, in her neighborhood, the only people of color had been either on the streets or in people's houses. She reflects that, "this was one thing that took me down a path of, wait this sort of stuff I'm learning from my family doesn't seem right." The world started to seem bigger than the brokerage, and the country club, and the servants. She said that, "I'm meeting real people and having other experiences."

As she started Cornell, she noted that radical politics were in the air. She herself was a member of a few socialist women's groups. She said that, at school there was a lot of upheaval. People were taking over the student union and they had rifles and guns and the whole place was shut down. She noted that she and a lot of her friends were peripherally involved in a lot of that. For Greta, a lot of this came together in her professional interest in employee ownership:

> Dan: Going back to the seed, in this direction, all the other career trajectories or jobs that people in your family have done, would it be safe to say that for whatever reason the difference is an awareness of social issues and the politics of the time and participating and being open to that? Then, letting that steer where you go?
>
> G: Yeah, I think to some degree I'd say yes. I don't think, it would never occur to me to do any of the things anybody in my family did. It wasn't inspirational.
>
> D: That's what you were looking for?
>
> G: Well I guess, yes, I was going to work in student services, you know that's where I started out. That's why I have a degree in counselling. Then, I got really interested in sort of movement politics, got interested in the feminist movement. And then I

> discovered Co-ops and collectives, which there were a lot of in Ithaca, started studying them, that's where I stopped and then went backwards. Got interested in them because they were a different institutional structure, there were less layers of power, power was thought about really differently, even though I could understand why. I could understand why participation, employee participation, employee engagement, they didn't call it engagement then, would be a good thing. It didn't make any sense to me if you were asking people to kind of put more of themselves, there's the affective education, more of themselves into thinking about their work and whatever if it's just going to make someone else wealthy? Why do it?

And here Greta stumbled into the paradox of capitalism. Why work for someone else if you're just going to make them wealthy? Where does motivation come from if you don't have a piece of what you're doing? Why should an employee care about what they do if they don't have a share in where it's all going? To Greta, this realization made intuitive sense and flowed from her political awakening, her education, and her distance from her family. But the thing about Greta is that she didn't go and start a commune or move to a monastery, or anything else we might associate with the 60s. She helps run a profitable business consulting firm. She lives in a nice part of town, dresses well, has a beautiful golden retriever, has sent kids to college, and advises other profitable businesses.

But before that, Greta ended up in her Northeastern city not so much to make money, but to work in a nonprofit. She notes that she, "wasn't looking to do a business." She wanted to work somewhere that she believed in. She ended up in a non-profit sponsored by the Ford foudnation working on employee ownership and culture. And then, the Ford foundation changed its mind, and they were all out of work. Greta said that at the time she was doing a lot of organizational development work, and she looked at the non-profit's lawyer and said, "this is a business. We can make this a business." She also notes that they got really lucky because an adjoining state was putting together a center for employee ownership. They, in turn, had hired a bunch of people who knew nothing about employee ownership, who hired Greta and co. to train them. The folks then at the employee ownership center started sending Greta and co. business referrals for consulting. On how all this came together, Greta said, "I was lucky, right place right time. Cause otherwise, I don't know, I have no idea how you start a business! People say how do you start a business, a consulting business. I have no idea! Get lucky!"

Greta, though, perhaps misleads. She may not have intended to start a business, but she and her cofounders had very clear ideas about how work would be structured, given their commitment to ownership. In brief, Action employees have a high level of benefits, a low level of supervision, and are either owners or given a path to ownership:

D: So tell me about the benefits, tell me about the firm.

G: We very thoughtfully built our firm, part of it is that we are trying to build a firm that is a role model for what we are trying to get our clients to do. So, we're very careful about thinking through what is going to be good for people. So, to be even more specific about that, one of the things, I think I said this to you in passing, one of the things we know about the consulting business is that it's kind of inherently, what's the word I want, it can go up or down, it can be hot or it can be cold. One of the things we specifically wanted to do was protect people from that. So, part of our thinking about benefits has been, and also compensation frankly, has been to use those benefits to have people feel as secure as they can in a kind of environment we're in. You know, we're not in a university environment where you get a paycheck and like everything is good, hope they don't cut your department.

We went on to discuss the specifics of Action's benefit plans—fully covered health care, generous retirement contributions, professional development funds, even an occasional rebate to buy a briefcase or messenger bag. Greta's whole idea is to take care of people, to trust them and give them space to do their job. She sees this not only as the logical sensible thing to do—after all, from her point of view, why would you want to work for someone else? But she also sees Action as a model firm of sorts of the types of practices, processes, and possibilities she sells to other larger businesses in a variety of sectors—everything from women's fashion to waste disposal.

At another point I asked Greta about leadership and who tells whom to do what at Action, and she demurred:

D: Given that you've seen many many organizations, how does that model of leadership compare to other organizations?

G: Oh, I think we're totally different. And we're trying to do something very different. We're much more distributed than most other organizations. We're much less focused on titles, dividing things up by titles, plus we want everybody to be owners, and once you're an owner you have responsibilities, you get responsibilities around the infrastructure it's in the firm. That's part of the leadership. So, the notion is everybody will move into some role with that. Doesn't mean that somebody—we still have this president. Because somebody has to really own responsibility for looking across the whole firm. But, it doesn't mean they don't have to involve other people in decisions. You can't do command and control in our organization.

D: Right right right.

Despite growing up the daughter of a country club-going insurance broker with a pet parrot named for a famous republican, Greta learned to own. She found her way through the politics of her time, learned its lessons, but rather than go deeper into the counter-culture, she built a business with the best of its lessons. Full benefits, a path to ownership, and lots of autonomy, all allow people to both space to be consultants and a living example of what is possible to the companies they advise. Greta trusts the people who work at Action, and, in turn, Action flourishes.

Now, if we took Greta's case as a stand-alone, it might not amount to much. Sure it may be easier to have an ownership culture in a small, specialized consultancy, a consultancy that only needs a dozen or so people working at any time, in a liberal enclave of a liberal city. But, that would be missing the larger point that for all the things that makes Action special—dozens of other, perhaps more "normal" companies seek Action out for emulation and advice. Moreover, Action is not the only type of company that is necessary to create an ESOP—you need the bankers, the money people to both lend money to finance a transaction, as well as value the company annually so owners know how much their shares are work. This valuation is done by dollars- and cents-types, people who are good with accounting, good with financial models and tend to understand companies through this lens. At Vole, I talked to most people in their ESOP division and not a one talked about the armed occupation of a university building. They tended to have a less fraught relationship with their circumstances and their lives, tended to be more on board with business and capitalism, and yet, they still trumpeted the values of ownership.

Boscoe Bantam was the founder and leader of the ESOP division at Vole. A native mid-westerner, he was born in a large city, to "two wonderful parents." Boscoe idolized his dad as, “one of the most unique individuals, most genuine people I’ve ever met.” Boscoe’s dad taught him, “a lot about life, dealing with people and how to act in business.” Boscoe’s dad was an accountant by training and owned a check exchange store in a rough part of town. In Boscoe’s telling, folks in the neighborhood felt comfortable doing business with his dad on a handshake, and his business work embraced the golden rule. Boscoe ultimately went to business school, and got a job in a regional bank, followed by, a few years later, a job in a transportation holding company, and finally he landed at a major investment bank. In Boscoes telling, too, this was all more or less straightforward. His father had shown him an honorable way to do businesss, a way to do business that simply required trust and a handshake, and Boscoe was off to the races.

It was in the ten years or so at the investment bank, most of the 1980s, that Boscoe learned about ESOPs and ownership. ESOPs had been formally allowed in the mid to late 1970s under ERISA, and Boscoe’s firm was building a sizable ESOP practice, learning how to sell ESOP transactions, value firms, and navigate US Department of Labor supervision of their transactions. Toward the beginning of the 90s, Boscoe moved on to a smaller, specialized financial advising firm to lead an ESOP division. But at the smaller firm, Boscoe felt that people were not treated well, and that his group wasn’t given the resources it needed to grow:

D: What were the resources you needed to grow?

B: You know the funding, the way we were compensated at [the smaller firm]. What they tried to do was limit the amount of compensation everybody got except the two owners. A lot of it was quantitatively derived. What they would want to do was take away some of my compensation and other people, rather than pay people what they deserve.

From a father who was a business man, through business school and investment banking, Boscoe, despite being of a similar age as Greta, is no radical. He shares almost none of Greta's cultural touchstones, and yet, he found himself pondering Greta's big question—why *would* you work for someone else who doesn't give you a piece of what you make? And again, this is not usually a sentiment I found driving organizational life in financial services firms. Ultimately Boscoe came to the conclusion that at the small firm, "they actually thought that people were replaceable…they did not have the view that…it's like any other team. It's not necessarily the best group of individuals, it's the best team of individuals." By contrast, Boscoe feels that people at Vole get that. And despite not having a formal ESOP, they do profit sharing and offer a route to stock ownership. For Boscoe, this makes all the difference:

> B: So if your guys are being overwhelmed you gotta shift it over. We're stronger as a team than as individuals and if we get a big case at the end of the day we share in the profitability. And, I have showed them: the better the group did, the better everyone did. So we do have that ownership culture, and that the better we do, the more money you'll make. Although there is no document, there is no significant stock certificate, it's just at the end of the year, people get paid more. We have better years they get paid more, and it's been going on for a number of years, and people have bought into it, and I think that is similar to the ownership culture that an ESOP has.
>
> D: Yeah, it really is. Do you talk to your ESOP clients about that?
>
> B: Yes, to an extent. You know we talk about compensation all the time with clients, we'll go out, we'll visit clients and have dinner with them, and we'll talk to CEOs, shooting the shit, how do you motivate employees? This is what we do… I always talk to my clients. And we talk, most of them, a lot of companies we have, a lot of engineering

companies and their assets go up and down the elevators every day, and they have to incentivize their people, and most of them do it based on equity based incentives. And it can be equity based incentives, when they leave the get a big chunk of change, or it can be comp. And you know, right now we have a cash and carry type, some of us within the group have equity…within the group, [we] basically distribute everything we make that year.

D: OK, has the group always worked that way?

B: That's why we left [the smaller firm] and went to [Vole]. And I'm trying to—one thing I'm probably the most proud of in my career, two things, I was able to go to business, but then I was able to treat people the way I wanted to be treated and pay them for their contributions, rather than, a lot of times people at [the smaller firm], their philosophy was how little can I pay them? And, I think the proof has been that we have a lot of senior people that have been here forever.

Boscoe and Greta both allow ESOPs to happen. Boscoe and his group of financiers have a portfolio of ESOPs for whom they do financial valuation and transaction advisory work. They give the numbers that let a company become an ESOP. Greta and the consultants at Action help employees in an ESOP understand what it means to be an owner, and help teach ways of collective decision making—everything from culture committees, groups of employees that educate new hires and do event planning, to open-book management, and collective strategic planning. Boscoe gives the numbers, and Greta gives the ideas. Both, too, though managing different types of firms, with different types of people, believe in ownership as the most effective and most fair way to structure their employee relationships. All of this, though, might be a curiosity were it not for the nearly 7,000 firms who have already become ESOPs, and to some degree or other made the decision to empower their owners. Sapphire is a good example of this.

Defense contracting is a notoriously volatile business. Not only are you only as stable as your most recent contract, you rise and fall with the tidal motion of America's federal government. Often defense contractors are working on government sites under the supervision of government employees. The actual contracting company that employs them can become little more than an idea, a label on a badge, and a holding company to take a cut of contract money and handle your payroll and benefits, all from some far off office to which you never go. Occasionally contracts will switch hands, go to entirely new companies, and the line employees will not notice a difference—they will continue to go to the same government facility, continue to do the same work under the same government clients, but notionally be fired from one company and hired to another. This can happen overnight. Moreover, when a contract runs out, it's rare for a contractor to do anything proactive to find new employment for their contract-less employees. Given the instability and fragmentation of contracting, Llewellyn Larch's achievement at Sapphire is all the more remarkable. When I talked with Llewellyn, Sapphire was a defense contractor with nearly 600 employees and was rapidly expanding, all with high pay, retention, and morale. Llewellyn attributed this all to the ESOP and making employees owners.

Llewellyn grew up in the south with coal miners on his dad's side of the family, and local businessmen on his mom's. He first went for a business major, dropped out, then came back for a math major. He eventually went for a PhD in physics, but left without finishing his dissertation, master's degree in hand, to work as an engineer. Good at what he did, he rose through the ranks of the large defense contractor he landed at, and ultimately ended up in management. And then the large defense contractor got sold:

D: What did you think of the sale?

L: Well, the sale was very interesting. You know, at initial blush we got a little bump in the stock price, so it created a little bit of value, so there was a little bit of positive reaction from that standpoint. From another standpoint, it created an environment for me that really changed a lot the way I thought about things from a business perspective because the sale itself really didn't, wasn't consistent with my personal beliefs and morals. It's not saying that the company was bad for selling or the company was bad for buying, as I worked my way through the organization and got myself into a position where I had a lot of control over the future of the organization that I ran, I had achieved a level of success where I could make commitments to people where I could say things like if you will achieve the following goals, then I'll see that you get a bonus for it. You know, for x amount of dollars or stock options, or you'll get promoted or whatever. And I was in a position to follow through on that.

The minute that sale went through, I was no longer in that position. All the rules had changed, you know, my ability to influence things was gone or severely diminished. And so, you know, you find yourself as a senior level manager there with commitments to people that you suddenly can't honor. It's a very awkward. It became an unpleasant situation, and you know, that's not criticizing either of the companies, that's just it was what it was for me. Not everyone felt the same way. But, you know, a number of us did. So, it created a little bit of a non-optimal situation. So, ultimately as time passed, my job got less and less important, and soon became clear that it was going to be phased out, so had we not sold I probably would have stayed at [the big contractor] and collected the gold watch and retired.

So, you know, at the time as we went through that it became one of the worst periods of my life. You know, I have to say, it's probably one of the best things that's ever happened to me as a result we went up and founded [Sapphire] and this company has been very successful. And that's been personally very rewarding and financially rewarding. Both in a magnitude that I probably could not have achieved at the company the way it was.

D: Could you tell me a little bit more about your personal beliefs and morals? What are you thinking about when you start talking about that?

L: Well you know, I'm a person who believes that if you make a commitment to someone you should follow through on it if they follow through on their part of it, and that you should honor it. You know, I like to write things down because my memory fades, but, I'm of the opinion that if we agree on something and shake hands then that should be as good as any contract you should ever draw up. Just a personal very conservative, very ethical, classic ethics you know and commitment, commitment to people, believing in people, giving them opportunity, you know, real core beliefs. You know, I think people are good, [and] given the opportunity, they will do exceptional things. There are exceptions to that. But, the majority of people are good, and in the right situation they'll excel. It's just up to us to create that situation.

Business, physics, engineer, defense contractor—again, we've got a successful business person who has no notable political agenda, finding himself in a place where he feels like, in a very basic way, he can't be a moral person; he can't treat people fairly. What's more, he's in a business that seems culturally incapable of treating workers well. He felt like he couldn't honor his commitments to people, and support people the way he wanted to as a manager. His firm's buyout basically left him behind. Again, we find Greta's question, wondering why would you work for someone else?

Prior to starting Sapphire, Llewellyn spent a few years working at a smaller defense contractor that happened to be an ESOP, and he got to see first-hand how an ESOP, how an ownership culture, could make a business work more fairly. Llewellyn came to some strong conclusions:

> B: It's the best environment for people, I think the employee ownership model, the way we do it…The way we do it, everybody has a stake in the success of this company, and a stake in this outcome… Everybody has a vested interest in seeing the company do well. So, you know it breaks down barriers, this'd fit right into your anthropology area, it breaks down barriers in companies. That creates success that we would not have if we didn't have the common ownership.
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> D: Do some examples of that come to mind?
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> B: …Let's say there's a proposal we have to bid. And that proposal is going to be done out of group A, and you need group C to help you do that proposal. In an ordinary company, group C is going to ask group A, I have some resources, you have to pay my people to work, or you have to, what are you going to do for me if I send my people over to work. And so, it is often easier to go team with *another company* outside the organization than to team internally. In our organization, if group A calls over to group C, I need help, group C will say, "what time do you need the people there and what kind of people do you need, or who do you need." So, group C is sitting over here saying instead of saying, "I'm not going to get anything out of it, it's a waste of my people's time because we're not going to benefit from it, they're sitting there saying we all have

> ownership in the company." If they grow 100 people, then my ownership value is going to grow, so let me go and help them out. And so, I think the industry win percentage is maybe 30 or 40, maybe 30 percent on competitive proposals. Ours is double that.

Not only does Llewellyn see the ESOP with an ownership culture as the best environment for people, but he shows how it turns the logic of defense contracting on its head. Instead of having warring fiefdoms jealously guarding their resources, because everyone feel they have a stake in the success of sapphire, they bend over backward to help each other out. Not incidentally, they also succeed at contracts at double the industry rate. Reflecting a bit more, Llewellyn said that when everyone is actually and feels like an owner of a company, "you don't have to control people, then. They'll do the right thing."

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When we think in big picture historical terms about where the American economy is and what it's like to work a job in the United States, it can be hard to take a positive outlook on things. Wages for most people have stagnated over the last 40 years, while a small portion of the population has gotten very rich. If people make it to college they often take on a lot of debt and have a tough time starting in life. We hear, too, about people switching jobs at ever higher rates, and what jobs that do remain being unable to compete with robots or cheaper labor abroad. We also know that those who do work are often working longer hours in companies that don't seem to care much about employees. Union numbers are down and states make organizing increasingly difficult. Anyone who wants to start a conversation about loyalty is looked at as a weird throwback to a bygone era. Insofar as there is any business advice that has any currency, it is all of the wary, lonely variety, of branding yourself and becoming a company of one[25].

[25] Lane 2011.

It should be heartening, then, that, perhaps under the radar, so many ESOPs are out there, in all sorts of states and all sorts of industries. Moreover, the workers in these industries own a piece of the business they are in, they own a capital share. So, while wages have remained flat, that rate of return on capital has generally gone up[26]. ESOPs give normal everyday workers a way to own capital and grow their wealth. Moreover, they don't do it at the expense of financiers or owners, and they don't do it at the expense of a viable business.

Others, like Blasi, Kruse, and Freeman above, have looked at how ESOPs work form a big picture point of view, and shown how successful, in general, they can be. I'll leave the big numbers to the political scientists and economists. What I aim to do here is show how you make an ESOP with an ownership culture. More specifically, I aim to tell the story of the people who teach how to be owners, the people who do valuation account, and the people who work in a company. I'm going to show you what ownership-work-cultures look like, and how they grow. And I'm going to show you how people feel in these firms. Ultimately it's my hope that you, the reader, will see something of yourself or your firm and workplace in these pages, and know that ESOPs and ownership are a possibility for where you work. If you've ever wondered how you can build a company that can last, make some money, and give back to the workers who make it all happen, an ESOP might be right for you. And if you're a legislator, or a financial advisor, or a business school professor, it's my hope that the stories in these pages show you that we, as a society, should probably encourage ESOPs and ownership culture every which way we can, particularly if we think that a stable middle-class is essential to our democracy. Taken together the story of making an ESOP from the point of view of the people in these pages should expand what you think is possible in a business.

[26] Piketty 2013.

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