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*The following article, written by John Abrams (author of The Company We Keep: Reinventing Small Business for People, Community and Place, Chelsea Green Publishing, May 2005) may be published free-of-charge by your media outlet when media attribution is given to the author, title of the book and book publisher—as outlined in John's bio at the end of this article. This content is also available for downloading online by visiting: www.chelseagreen.com/cwk10reasons. Photographs featuring John Abrams and the co-owners at South Mountain Company (and the cover of his book, The Company We Keep) are available for free media download, reproduction and use by visiting: www.chelseagreen.com/2005/items/companywekeep/illustrationsphotographs. As a courtesy, we would appreciate being notified that you plan to run this material in your media outlet. **WORD COUNT: 1,000.***

**SHARING THE REINS:
10 REASONS TO SELL YOUR COMPANY TO YOUR EMPLOYEES**

by John Abrams

In 1987 I sold my business, South Mountain Company, to my employees (and myself). My sole proprietorship became an employee-owned cooperative corporation. It was a hinge point in the history of the company. Ownership has become available to all employees, enabling people to own and guide their workplace. The responsibility, the power, and the profits all belong to the group of owners.

Shared ownership and control is our method at South Mountain. "Every employee, an owner" is our intention. More than half of our thirty employees are full owners. Each time another comes in, and each time a new management invention encourages more voices to be heard, we move steadily toward the goals of democracy, fairness, and transparency. This is not about a sense of ownership or a sense of control. Corey Rosen of the National Center for Employee Ownership once said that giving employees a "sense" of ownership is like giving them a "sense" of dinner. This is the whole meal.

I first contemplated the conversion to find a way to retain long-time valued employees, who wanted to stay in the company but felt they needed more stake than working for an hourly wage. At the time it was both frightening and exciting. I had the power, and the greatest financial and emotional investment; therefore, I had the most to lose. Under my ownership the company had become a viable, profitable entity with a strong reputation. Sometimes, during the early discussions, it felt like control was slipping away, like I was tugging on the reins of a runaway horse. But it occurred to me that perhaps I had the most to gain. Aside from the lure of clearing this new path and seeing where it led, the possibility of shared responsibility and ownership promised new freedoms for me and new achievements for the company. But the full implications of what I was doing were not yet clear to me.

Our ownership system has indeed turned out to be an important aspect of the stability of the company. People do tend to stay. But there are other reasons why we are lucky to have made this change. Nearly 20 years later, I am

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fully convinced that the conversion to employee ownership has been a critical factor in the long-term success of our company and an important reason why I think I have the best job in the world. Here are ten reasons why you may wish to consider, sometime soon, sharing the ownership of your business with your employees:

1. **Maturity.** Once the entrepreneurial leap of starting a new business has been achieved without constraints, and a viable company has been established, restructuring to employee ownership can be a natural part of the maturation process.
2. **Commitment.** Employee ownership encourages a sense of empowerment and promises deeper connections and greater commitment (and length of employment) among the employee owners.
3. **Freedom.** The potential loss of control for the founder is more than balanced by the new-found freedom that comes with shared responsibility.
4. **Participation.** If you keep the entry fee low enough (we keep ours to "the price of a good used car") full participation will be encouraged.
5. **Equity.** By using a system of internal capital accounts through which the profit is shared and equity is measured, employee owners can track their stake in the company and accumulate a nest egg that they take with them when they depart.
6. **Effectiveness.** Over 11,000 companies nationally, with 8.5 million employees (and \$400 billion in assets held by these employees) have some form of employee ownership. Maybe these companies know something.
7. **Legacy.** Employee ownership is the ticket to good legacy and smooth transitions. By sharing ownership early on, the difficult question that comes when founders are ready to retire - what to do with this business - is avoided.
8. **Justice.** The inherent injustice of our current economic system (all wealth goes to the shareholders) can be tackled, through employee ownership, by shifting wealth to the real stakeholders, those who actually create it.
9. **Productivity.** A democratic workplace gives meaning to our work lives and encourages good performance. A happy workforce is a productive one.
10. **Accountability.** If the people who make the decisions are the people who will also bear the consequences of those decisions, better decisions are likely to result.

In thinking about the dynamics of employee ownership, I am reminded of the way the Roman army handled daily rations. Rations were in the form of large loaves of bread, each sufficient to feed two soldiers. This presented a problem, since when the soldiers had little to do, they tended to fight among themselves, particularly over who got the bigger half of the loaf. The Romans developed a nifty solution. They passed a regulation that one soldier had to divide the loaf and the other chose which half to take. Employee ownership is a similarly self-enforcing system. Each owner's actions on behalf of the others, and the company, are actions on his or her own behalf at the same time.

I understand that employee ownership is not the only way to encourage more responsible and more democratic business practices. But it's clear to me that at South Mountain, due to employee ownership, we've become, at once, better problem solvers and better dreamers. There's a lot to be said for ownership and the responsibility it encourages. Ownership is big. As Tom Friedman once observed, "In the history of mankind, nobody has ever washed a rented car."

John Abrams is the president of South Mountain Company (www.somoco.com), an employee-owned build/design

firm on Martha's Vineyard. This article has been adapted from his new book, The Company We Keep: Reinventing Small Business for People, Community, and Place (Chelsea Green Publishing, www.chelseagreen.com, May 2005) in which he explores the role of small business in promoting community, creating social equity, and maintaining ecological balance.

The Company We Keep: Reinventing Small Business for People, Community and Place

By John Abrams; Chelsea Green Publishing Company, May 2005; \$27.50 USD; ISBN: 1-931498-73-3; Hardcover; 328 pages; Available at bookstores nationwide and through the publisher at: (800) 639-4099.

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