Mission-led employee-owned firms: The best of the best

By Sarah Stranahan and Marjorie Kelly

FIFTY BY FIFTY

Mission-led employee-owned firms embody a powerful model of enterprise design for a new era of environmental sustainability and social equity. These companies have much to teach the business world about ownership design for the 21st century and beyond.

This report shares the story of this emerging model, embodied in 50-plus firms that are employee-owned B Corporations and benefit corporations, plus dozens more employee-owned firms with strong social and ecological missions.

The multiplying crises we face today are entwined at their root with the way companies are owned, governed, and financed. Among the 100 largest economies in the world, 69 are corporations.

The design of these investor-controlled corporations traces its roots to the 19th century and the early days of industrialization. In that vanished world of seemingly unlimited resources and perpetual growth, the publicly traded corporation was a useful vehicle for raising capital to fuel the growth of resource-intensive, hydrocarbon-powered companies, building the wealth of a new financial aristocracy. Today, massive investor-controlled corporations and their capital-focused designs hinder our ability to adapt to a new era of finite resources, ecological fragility, and growing inequality.

If we hope to build a sustainable and equitable economy, we need to re-envision enterprise design. The current design embodies an unconscious picture of corporations as machines churning out earnings, like ball bearings off an assembly line. Investors are remote from enterprises, implicitly viewing them as objects for financial extraction.

It is time to re-imagine companies as living systems, designed to benefit the larger living system of the earth. Companies are human communities and should be recognized as such. The people who go there every day, doing the firm's work, are members of those communities, emerging stewards of mission, not disposable resources for wealth extraction.

The closest existing model embodying these principles is the mission-led, employee-owned company. More than 50 such companies already exist in the United States. They represent a coherent emerging sector — a new model not previously recognized, even by the firms themselves — representing an innovative enterprise design for a new era of environmental sustainability and social equity.

This is next generation enterprise design. These companies have much to teach the larger business world about what is needed for ownership design for the 21st century and beyond.

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If we hope to build a sustainable and equitable economy, we need to re-envision enterprise design.

Employee-owned B or benefit corporations are the best of the best.

They appear in vastly disproportionate numbers among the Best for the World honorees list compiled by B Lab, recognizing B Corporations that create the most positive social and environmental impact. These companies earned impact scores in the top 10 percent in one of seven honoree categories among 2,945 Certified B Corporations worldwide.

Among the 45 US employee-owned B Corporations we identified, an impressive 37, or 82 percent, were named Best for the World in 2017 or 2018.

The Model: The Mission-Led, Employee-Owned Enterprise

Ownership by workers, combined with mission-driven governance, is an emerging model—viable in today's economy—that embodies critically needed design elements required for true environmental sustainability and broad prosperity. The model is the mission-led, employee-owned enterprise.

Ownership of these firms takes multiple forms—Employee Stock Ownership Plans (ESOPs), worker cooperatives, or trusts—yet in each, employees own at least a 30 percent stake as the threshold for creating a genuine employee ownership culture.

A second design element is a clear and authentic mission of creating public benefit, including environmental and social benefit. Such a mission is inaugurated by founders and executives and becomes part of the

A worker at Chroma Technology, an employee-owned B Corporation making advanced optical filters.

living culture of a firm. Many mission-led firms have chosen to institutionalize mission by embedding it in their structure as B Corporations (certified by the nonprofit B Lab) or as legal benefit corporations (an incorporation framework in the law of 34 states).

Mission-led, employee-owned firms are designed to protect and preserve environmental and social mission over the long term, and to share wealth with those who help create it. Founders of these firms have avoided sale to financial owners, instead passing ownership to employees as stewards of company culture and mission, while embedding a commitment to social and ecological benefit in governing documents.

We have identified more than 50 employee-owned B/benefit corporations. In addition, we have found more than two dozen employee-owned firms with strong social or environmental missions that have not yet chosen to formalize these commitments in their corporate structures. For some, the certification process is too arduous or expen-

An employee-owner of Zevin Asset Management, a 100 percent employee-owned B Corporation, at the 2014 People's Climate March.

sive, particularly if there is not a direct benefit for their brand. This choice does not indicate that the company is any less dedicated to its environmental or social mission. But for many, institutionalizing mission in structure is a way to make it more likely to endure over time.

We call these employee-owned and mission-driven companies “next generation enterprises.” These companies are combining design elements to create new enterprise forms that solve persistent problems arising from our dominant corporate design, the publicly traded company. Those problems include income and wealth inequality, unhealthy workplace cultures, poor quality jobs, environmental harm, and lack of community accountability.

Exceptional and Varied Firms

Many CEOs of these firms are leaders in sustainability and workplace democracy. All of these companies are experimenting with multiple approaches—participatory management, multi-stakeholder governance, alternative leadership models—to create businesses that are good for employees, good for the environment, grounded in community, and governed by mission.

These are exceptional firms. They appear in vastly disproportionate numbers among the Best for the World honorees list compiled by B Lab, recognizing B Corporations that create the most positive social and environmental impact. These companies earned impact scores in the top 10 percent in one of seven honoree categories among 2,945 Certified B Corporations worldwide. Among the 45 US employee-owned B Corporations we identified, an impressive 37, or 82 percent, were named Best for the World in 2017 or 2018.

Among these exceptional companies, there remains tremendous variation. Next generation enterprises range in size from fewer than 20 employees, in the case of Zevin Asset Management in Boston, MA, to thousands of employees, as at Recology (San-Francisco, CA), a waste management and recycling firm that employs 3,500 and is 100 percent employee-owned, with revenues of $1.2 billion.

Some of these firms, like Cooperative Home Care Associates, which employs 2,300 mostly low-income women of color, were founded as social enterprises with employee ownership and a quality jobs mission designed in from the start. But most, like nationally known brands, Eileen Fisher (Irvington, NJ), The King Arthur Flour Company (Norwich, VT), and New Belgium Brewing Company (Ft. Collins, CO), converted to employee ownership and B/benefit corps after years of more conventional ownership design.

These next generation businesses operate in many industries. Heritage Aviation is a fixed base operator providing airport services at the Burlington (VT) International Airport. There are advanced manufacturing companies, such as Chroma Technology Corporation, a rural Vermont company making optic filters, as well as knowledge-based businesses such as dojo4, a tech cooperative in Boulder, CO, and Butler/Till Media Services, a Rochester, NY, media and communications agency. Some are in profitable niche markets, while others operate in rapidly changing industries, including Berrett-Koehler Publishers (Oakland, CA) and KeHE Distributors (Naperville, IL), a food distribution company.

A significant concentration of companies are in the environmental solutions business, including Recology and the environmental consulting firms EA Engineering, Science, and Technology (Hunt Valley, MD) and Floyd Snider (Seattle, WA). Among this group is a remarkable cohort of ten employee-owned solar firms that are members of the Amicus Solar purchasing co-op.

Moral Leadership

Despite their diversity, these next generation enterprises have something important in common: moral leadership. This is what makes them exemplars for a new era of sustainability and shared prosperity.

How can the deep design of companies allow and encourage decision making by moral agents?

What are the ownership and governance structures that create positive social and environmental outcomes?

Carina Millstone, in her book *Frugal Value*, argues that conventional, investor-owned firms are not capable of valuing sustainability over profit because they are primarily motivated by financial gain. While the “business case” for sustainability is an important driver of reform, only about one third of firms can successfully make this case, according to MIT research. True sustainability is fundamentally a moral aim.

The question then becomes: How can the deep design of companies allow and encourage decision making by moral agents? What are the ownership and governance structures that create positive social and environmental outcomes? The principles of living systems point the way.

As Millstone observes, we need to look to firms owned by those who are fewer in number, close to the firm, engaged in daily operations, committed to a mission, and connected to their communities. In such a configuration—exemplified by the mission-led, employee-owned firm—owners can be moral agents.

If We Can Keep It

When asked, on emerging from the Constitutional Convention, "What kind of government have we got?" Benjamin Franklin famously responded, "A republic, if you can keep it."

Founders of mission-led firms face the same challenge: how to keep mission alive. Because it takes capital to grow, and because no founder lives forever, sooner or later ownership of companies will change hands. They face a fork in the road: do they pass control to financially oriented owners, often seeing mission squeezed out? Or do they pass control to employees who are committed to the mission and are more likely to act as stewards? It is this second path that allows founders to become "cathedral builders," in the words of John Abrams of South Mountain Company (Martha's Vineyard, MA), building a mission-led firm that will last far beyond the founder's life.

Employee ownership alone is not enough to ensure a company will never be sold to outside investors; in fact, ESOPs tend to attract private equity buyers. In 2015, the employees of Full Sail Brewing Co, who owned 58 percent of the company, voted to sell to a private equity firm. Similarly, B/benefit corporation status is no guarantee of mission lock. When Etsy brought in a new CEO to grow profits, the company jettisoned its B Corporation status.

Can employee ownership, combined with benefit corporation structures, preserve a social mission, which financial ownership is likely to destroy?

Can employee ownership, combined with benefit corporation structures, preserve a social mission, which financial ownership is likely to destroy? Although there has been very little case law, our research suggests the answer is "yes"—the combination of employee ownership and benefit incorporation can provide layers of protection to a firm's mission.

As Ken Baker from NewAge Industries put it, "I am selling the rest of the company to the ESOP and becoming a benefit and B Corp to try to ensure that NewAge Industries will be an independent, 100 percent employee-owned firm 100 years from now."

Dave Stiller, CEO of Heritage Aviation, chose to become a Vermont benefit corporation for similar reasons. "If someone wants to buy the company, the benefit corporation law requires that we consider more factors than just the sale price in exercising our board duties," he said. In other words, the board members can consider the impact of the sale on multiple stakeholders when exercising their fiduciary duty.

No single ownership and governance design will work for every business, yet the existence of common models is useful for owners and boards. The pioneering leaders of next generation enterprises have each, on their own, found their way to the mission-led, employee-owned firm—an emerging model from which others can benefit.

There are challenges to this model. Employee ownership does not automatically create an ownership culture, for example; it takes additional focus and work. Determining the right level of employee engagement in decision making is another challenge. Gathering and reporting on social impact data can be costly and time-consuming. There are also nuances of optimizing the benefits of this model—through approaches such as open-book management, participatory management, profit sharing, and mission-lock elements.

The pioneering leaders of next generation enterprises have each, on their own, found their way to the mission-led, employee-owned firm.

In addition, questions about this emerging model remain. For employee-owned firms, does formalization of mission—by embedding it in bylaws and incorporation framework—make it more durable over the long term? For founders of mission-driven firms, is employee ownership an exit strategy that can help preserve their legacies? Is there a societal benefit in making this emerging model more widely understood? If so, how can we educate business owners, business faculty, attorneys, and others? Through ongoing innovation, research, and education, we have a chance to explore this emerging model more deeply and expand knowledge about how to design enterprises that can help meet the challenges of the 21st century.

Conclusion

Next generation enterprise design is a bottom-up solution that is quietly spreading, reaching places from the grassroots of Wisconsin to factories in California. Visionary entrepreneurs are showing the world that it is possible to build and preserve businesses that operate with strong social and environmental values—and that these values can continue to be realized, long after the founder is gone. The emerging model of the mission-led, employee-owned firm offers a hopeful glimpse of how business might operate in an economy that truly works for people and the planet.

Like our democracy, next generation business is an aspirational experiment in creating better systems for a better future. And as with democracy, vigilance and care will be required to keep this alive. A new and better era of corporate design is here. Let's keep it—if we can.

CASE STUDIES

Eileen Fisher
EA Engineering
Amicus Solar
Cooperative Home Care Associates
Recology
South Mountain Company
Heritage Aviation
Gardener's Supply
King Arthur Flour

Eileen Fisher: Business as a force for good

1,100 employees

40% ESOP ownership

B Corp and NY State benefit corporation

Eileen Fisher, Inc., which designs and markets women's clothing, is a $400 million company that is a leader in human rights and sustainability practices. Founder Eileen Fisher's vision is of a world where business is a force for good. As the company website says, **"Our vision is for an industry where human rights and sustainability are not the effect of a particular initiative, but the cause of a business well run. Where social and environmental injustices are not unfortunate outcomes, but reasons to do things differently."**

Fisher at one time thought about selling to another company. When Fisher met the CEO of Liz Claiborne and asked why she wanted to buy the company, that CEO said, "We can't meet our mandated target of 10 percent annual growth without buying other companies." As Fisher said, "I realized that most people were interested in what they could get out of the company, not what they could give to it."

The Employee Stock Ownership Plan (ESOP) was a perfect fit for the company and for Fisher. The ESOP ensures that, when Fisher retires, the company will be owned by "the people who put their blood, sweat, and tears into it; the people who love it and care about it and think about it every day," as she put it. That's very different from those who see the company only as a way to extract maximum profits.

In its environmental practices, Eileen Fisher offsets 100 percent of its carbon footprint. In addition, it is the first US fashion house to pursue a safe chemical-certification program for its textiles, and the company is on track toward a goal of using 100 percent organic cotton and linen by 2020, collaboratively developing more transparency in textile industry supply chains, and launching a program to buy back and resell its own used garments.

EA Engineering—founded by Loren Jensen, an ecological scientist at one time mentored by Rachel Carson—is an environmental consulting firm with a mission of "improving the quality of the environment, one project at a time." While many founders dream of taking a company public, Jensen found this dream proved to be a nightmare. This firm based in Hunt Valley, Maryland, for a time traded on NASDAQ. It found itself cycling through three presidents, seeing morale plummet, and getting in trouble with the Securities and Exchange Commission over accounting misstatements. Pressure for aggressive growth had clashed with the company's scientific culture, damaging its environmental mission.

Jensen led a move to buy the company back in 2001. New president Ian MacFarlane transitioned to 100 percent ESOP ownership and benefit corporation status. The company has been profitable and strong ever since. Its design keeps environmental mission in the hands of genuine stewards, employees, rather than in the hands of absentee owners removed from the organization's life.

"We returned immediately to the task of understanding environmental problems and knowing what to do about them," Jensen said. "Nobody buys stock except in the hope of a good return on investment. The problem this poses for a company like EA is you confuse the goals. It was very difficult to manage in that environment." Had Jensen sold the company to an outside buyer, he could have made "millions more," he said. Does he regret the choice? "No," he said. "This company is my life. Even when I took it public, I did it to help the company grow." He did not cash out any of his own stock in that process, unlike most founders.

Employee ownership played a role in restoring the identity and financial health of the company. The company's ecological mission "couldn't be cooked into quarterly earnings," said MacFarlane. He emphasizes that ecosystems and enterprises should be designed along the same principles. **Because ecosystems are inherently long term and multi-stakeholder, enterprise design must be the same.**

EA Engineering: A costly detour through NASDAQ

500 employees, revenue $140 mil.

100% ESOP

Delaware benefit corporation

Amicus Solar: Spreading next generation enterprise design across an industry

52 company members, revenue > $500 mil.

Purchasing cooperative

B Corp

Amicus Solar is a purchasing co-op founded in 2011 by six independent solar companies, including Namaste Solar, an employee-owned B Corp. The Amicus co-op today is owned by 52 solar photovoltaic (PV) installers and developers. Amicus members collaborate on business issues such as operational efficiencies and sales and marketing strategies. Small solar installers face intense competition from large national companies such as Solar City and Sun Power. By coming together in a purchasing co-op, these small businesses increase their competitive advantage while staying autonomous and local. Serendipitously, the purchasing co-op also demonstrates how a contagion effect can spread next generation enterprise design across an industry.

Amicus is a B Corp, and at last count, 23 of its member businesses are B/benefit corps. Ten Amicus members—A and R Solar, Positive Energy, PV Squared, Revision Energy, Sky Fire Energy, South Mountain Company, Sun Light and Power, Sunbug Solar, and Technicians for Sustainability—are also employee-owned, largely inspired by the initial example of Namaste. These Amicus members receive some of the highest B scores of any industry group.

In 2017, Amicus members founded the Clean Energy Credit Union (CECU), which received the first federal charter for a new credit union in Colorado in 31 years. CECU's mission is to promote clean energy, environmental stewardship, and cooperative enterprises. Using the federally insured deposits of its members, the credit union provides consumer loans to reduce the cost of clean-energy products and services.

"We envision a world where everyone can participate in the clean-energy movement," said board chairman Blake Jones, co-founder of Boulder-based Namaste Solar. This new credit union "will make it easier for people to both invest in and use clean energy in order to help protect our environment and improve our economy."

Amicus CEO Steve Irvin says the organization seeks consensus in decisions, which "can take time," but builds "engagement and commitment." Democratic governance has contributed to the purchasing co-op's success and shown members that ownership, mission, governance, and culture matter.

Cooperative Home Care Associates: Creating quality jobs for low-income women of color

2,300 employees, revenue $65 mil.

Worker cooperative

B Corp, unionized

Cooperative Home Care Associates (CHCA) in the South Bronx – with revenue of $65 million and in operation for 33 years—is 100 percent owned by its workers and was recognized as one of the "Best for the World" by B Lab in 2017.

It was launched in 1985 as a social experiment in creating good work for home health aides – and in the process, creating higher quality care for low-income elders and people living with disabilities. This company was designed not to maximize profits, but to enhance worker and community well-being.

With 2,300 employees, it is the largest worker cooperative in the United States. And as a certified B Corporation, it has embedded its mission of serving the common good in its governance framework. In a community plagued by generations of unemployment, the company recruits and trains over 600 workers every year, mostly women of color.

Once employed, workers get case managers and peer mentors to help find child care or navigate immigration concerns and work demands.

Workers exercise voice through a union, a labor-management committee, and voting power over eight out of fourteen board seats—seats held by workers themselves. Benefits are generous, and the company is committed to creating full-time work of at least 35 hours a week. The company's turnover is less than half the industry average.

At CHCA, we see a subtle shift in the unconscious view of what a company is. In an investor-centered enterprise, firms are unconsciously viewed as objects; that's the perspective of owners who stand apart from a firm, seeking to extract wealth from it. **When owners stand inside a company doing its daily work, the nature of the firm is transformed from object to community. Ownership is transformed from financial extraction to human belonging.**

CHCA sees work as a way of developing human capabilities. As cofounder Rick Surpin once said, the aim was to create a place where "invisible people can feel visible and valued."

Recology is a waste management and recycling firm with revenues of $1.2 billion, which owns more than 45 operating companies providing integrated services to more than 889,000 residential customers and 112,000 commercial customers in California, Oregon, and Washington. Though Recology has not formalized its mission through becoming a B/benefit corporation, it is powerfully led by an ecological mission, built on its vision of "a world without waste." The company aims to discover and develop sustainable resource recovery practices that can be implemented globally.

The Recology mission represents a fundamental shift from traditional waste management to resource recovery. This begins by building an exceptional resource ecosystem—including recycling, reusing, and composting—that both protects the environment and sustains the local community. The communities Recology serves achieve high landfill diversion and meet sustainability goals.

Recology was founded in the mid-1800s by immigrants who found work doing what no one else wanted to do, picking up other people's garbage; the company became 100 percent employee-owned in 1986. The Recology ESOP provides its employees with a supplemental retirement plan alongside their 401(k) or pension and comprehensive benefits package.

As the largest employee-owned company in the resource recovery industry, Recology has a unique workplace culture that guides how it supports employees, interacts with customers, services its communities, and cares for the environment. As employee-owners, workers have a heightened sense of commitment to the company, its goals, and customer satisfaction.

As Recology puts it on its website, "**We have a strong culture of teamwork and accountability, and our incentive for improvement comes from the inside, as we're not bound to external shareholders.** As a 100 percent employee-owned company, Recology understands that employees' individual and collective hard work and dedication will lead directly to the success of the company in the long term."

Recology: Using teamwork to create a "world without waste"

3,600 employees, revenue $1.2 bil.

100% ESOP

Longstanding zero waste vision

South Mountain Company is an employee-owned, environmentally oriented design-build firm on Martha's Vineyard, off the coast of Massachusetts. For the past five years, it has earned the coveted designation by B Lab, as "Best for the World" overall. In 2017, South Mountain was one of only two companies that were rated best for employees and best for the environment.

South Mountain, with roughly $10 million in revenue and 35 employees, works toward ecological sustainability in everything it does. It creates what it calls "22nd century" buildings that are low impact and energy efficient. A fundamental goal for each building or deep energy retrofit is that the building be net zero, producing more energy than it consumes. South Mountain also has a solar enterprise, which is a member of the Amicus Solar Co-op, a national purchasing co-op of 52 progressive solar companies (see p. 14). South Mountain aims to create a workplace that engenders the spirit of craft, and it finds employee ownership contributes to this spirit.

Founded in 1975, South Mountain became a worker co-op in 1986. According to John Abrams, the founder and CEO, restructuring to an employee-owned cooperative changed people's views, commitment, and level of responsibility. "The people who are making business decisions bear the consequences (and the rewards) of those decisions—and they truly have the power to set the course of the business. That causes a tremendous level of engagement."

Abrams also believes that employee ownership, combined with B Corp certification, is the best guarantee of the company's mission. **"It's hard to imagine that future employee owners wouldn't care about the environmental impact on our community, because people who work here, live here, raise their families here**, and are deeply connected to the island."

South Mountain Company: Designing net zero "22nd century" buildings

35 employees

Worker cooperative

B Corp, Massachusetts benefit corporation

Gardener's Supply Company: Employees as stewards of mission

250 full-time employees, + 150 seasonal workers

100% ESOP

B Corp, Vermont benefit corporation

Gardener's Supply was founded by Will Raap in Burlington, Vermont, in 1983, with a vision of improving the food system through organic gardening and of creating a company where people, planet, and profits all matter. The company has been named by B Lab one of the "Best for the World."

Gardener's Supply remains true to its founding vision, because stewardship of the firm has remained in the hands of the employee-owners who have been part of its living fabric for decades. The company adopted an ESOP in 1987, and became 100 percent employee-owned in 2009.

Raap, now chair of the board, credits current President Cindy Turcot with bringing in employee ownership. **Turcot has been with Gardener's Supply 35 years, serving as an example of how employees can become deep stewards of mission. She began there in customer service and data entry, became chief operating officer, and was promoted to president in 2018.** Today, she is a national leader in employee ownership.

Gardener's Supply is "about how we can grow food closer to where we eat it, not trucking it all across the country," said Turcot. Gardener's Supply carries only organic products — no chemicals. The company's products help gardeners build better soil, recycle waste into compost, conserve water, control pests organically, and grow organic food.

Gardener's Supply's most comprehensive ecological commitment was its restoration of the Intervale, a 700-acre floodplain, a combination of farmland, forest, and wetlands in the heart of Burlington, that had become a dumping ground by the 1980s. Gardener's Supply relocated to the site, restored it, and created the nonprofit Intervale Center. This restored land produces more than 500,000 pounds of food a year; its CSA (community supported agriculture) is one of the largest in the country, serving 350 families. The area also now features the Intervale Conservation Nursery, which grows native trees and shrubs used by watershed groups and landowners in protecting Vermont's watersheds. The Intervale, which has been visited by people from across the world, has been called the "crown jewel" for locavores.

Heritage Aviation isn't the kind of company people typically think of when identifying companies that prioritize social impact. Heritage is a fixed-base operator at the Burlington, VT, International Airport, providing aircraft inspection and maintenance, a pilot lounge, and heated hangars. With over 60 employees, it's a good-sized operation that has grown rapidly over the past several years. That growth, says CEO Dave Stiller, has been fueled by several decisions, including becoming 100 percent employee owned.

"We implemented open-book management," said Stiller, and then "over two years transitioned to 100 percent employee ownership. As a result, we've made huge strides. The business and the employees have really flourished." In addition to employee ownership, the company offers good benefits, including a 401K retirement plan, health benefits, and profit sharing.

Environmental commitment has been important to Heritage Aviation from the start. The company has made important strides toward reducing its carbon footprint, including operating a LEED-certified Gold building with a green roof and installing a wind turbine and solar panels to produce renewable energy. It was in the context of its dual commitment to its employees and sustainability that the company became a B Corp, and recently converted to a Vermont benefit corporation.

To Stiller, the ESOP and benefit corporation work together; businesses don't need to trade profitability for social impact. Rather, he says, "There is a way of doing good in the world that can drive profitability."

In the long run, says Stiller, he thinks being a benefit corporation objectively demonstrates the company's impact on the world in such a way that is relevant to acquisition offers. "If someone wants to buy the company, the board needs to act in the best interest of the ESOP, as the shareholder, including considering whether the ESOP's best interests would be to remain independent. The Benefit Corporation law requires that we consider more factors than just the sale price in exercising our board duties."

Heritage Aviation: Using benefit corporation law to protect its ESOP

60 employees

100% ESOP

B Corp, Vermont benefit corporation

King Arthur Flour Company: Values-driven for over 200 years

365 employees

100% ESOP ownership

B Corp and Vermont benefit corporation

Founded in 1790 as the first flour company in the United States, **King Arthur Flour** today has more than 300 employees and over $100 million in revenue. Its core values are quality, community, employee ownership, passion, and stewardship. When the fifth-generation owners of this 200-year-old company began to consider how to pass on ownership, they realized they didn't want the firm in the hands of disinterested family members or outside buyers who might move the company from its home in Norwich, Vermont. Instead, they sold to the family of employees whom they trusted to maintain the values and mission that had withstood two centuries.

While ESOPs and B Corps did not exist when the company was founded in 1790, the company always managed for the long term, with deep personal ties to its employees, its community, and the integrity of its brand and products. When the opportunity presented itself, King Arthur Flour confirmed these commitments by becoming a founding B Corp in 2007. **"In many ways, King Arthur Flour's corporate culture has always been about long-term value and never about the next quarter's profits," says Suzanne McDowell, one of three co-CEOs.**

In 2012, King Arthur Flour took additional steps to protect its mission and legacy: the employee-owners voted to become a Vermont benefit corporation, with the goal of empowering the board to give weight in decision making to multiple factors, including culture and values, rather than solely financials, to protect the employee ownership structure.

To meet its environmental goals, the leadership team has set an ambitious goal to "reduce King Arthur Flour's overall impact on the planet." The company has taken strong steps to improve its environmental practices on its main campus, but the leadership felt its most powerful impact would be in encouraging best practices among their growers and suppliers.

It recently introduced "Identity Preserved Flour," which is milled from wheat grown by farmers who employ sustainable agricultural practices including no till, cover crops, crop rotation, and reduced irrigation. "Without the B Corp assessment, we might not have chosen to focus on this ambitious goal; the assessment brings focus to our priorities," McDowell explained.

Our Research

We became aware of the exceptional nature of employee-owned B/ benefit corporations almost by accident. At Fifty by Fifty, our mission is to expand employee ownership to 50 million workers by 2050: we already knew that employee ownership is good for workers and for businesses.

We had another question: Are employee-owned firms also good for the environment? With generous support from Partners for a New Economy, we set out to research the environmental practices of employee-owned firms. In the process, we uncovered a powerful new enterprise design, the employee-owned B/benefit corporation.

We did not expect that employee ownership would lead to environmental stewardship. Our hypothesis was that employee ownership and superior environmental performance would mutually co-arise with the presence of a third element: a clear social and environmental mission.

We looked to B Corporations as a proxy for mission-driven firms. While there are more than 5,400 legal benefit firms in the United States as compared to 1,184 US B Corps, B Corp assessment scores provide public data on a wide array of environmental, worker, and governance practices. These scores provided us with the metrics we needed to compare employee-owned and non–employee-owned firms.

In order to test our hypothesis we created three samples of 20 firms each, similar in industry and size. The first sample consisted of mission-driven, employee-owned firms; the second set were mission-driven firms that are not employee owned; and the final sample were employee-owned firms that are not mission driven. We also used a control group of "ordinary businesses"—conventional, non–employee-owned and non-mission driven, firms (benchmark firms). All B scores were provided courtesy of B Lab.

What We Found

	Average B Score	Average Worker Score	Average Environment Score
Employee-owned B Corps	112.87	43.27	23.06
Non-EO B Corps	93.35	21.93	22.45
Ordinary businesses	55	18	7

The Best of the Best

This chart shows that all of the B Corps in this sample, whether employee-owned or not, dramatically outperform conventional businesses, especially in their environment scores, which are three times higher than the benchmark businesses. Additionally, the data shows that the worker scores of the employee-owned B Corps are almost twice that of the non-employee-owned B Corps. While we hypothesized some out-performance on the worker measure, we were surprised to see how much better scores were. Clearly, employee-owned companies are better places to work.

We can also see that the average environment scores for the sample of employee-owned B Corps were only about 3 percent higher than the environment scores of other B Corps, a statistically insignificant difference. This is consistent with our hypothesis that employee ownership and superior environmental performance may co-occur in mission-driven firms. No evidence suggests that employee ownership has a negative impact on environmental performance.

Notably, the average B score (which averages environmental, worker, governance, community, and consumer scores) of the employee-owned B Corps in our sample was 20.9 percent higher than their non-employee-owned B Corps counterparts, and more than double the scores of the ordinary benchmark firms. Employee-owned B Corps had superior overall performance: they are the best of the best.

Employee Ownership Alone Not Sufficient to Save the Planet

We also tested our hypothesis that employee ownership, absent a social mission, does not in and of itself generate superior environmental performance. We compared both B Corp samples with a similar group of employee-owned companies that are neither B nor benefit corporations. We gave each company an environmental score of 0-4 based on readily available public information: a public environmental mission statement on their website; environmental certifications (such as organic or LEED), carbon offsets, and a published Environment score from a B assessment.

Using this rough measure, the employee-owned firms that were not B corps had an average score of less than one point each. Of these companies, 15 scored zero, indicating that they made no public reference to their environmental practices. Clearly employee ownership alone, without a social mission, does not correlate with above average environmental stewardship.

A further hypothesis, being pursued separately, is that employee-owned B/benefit corporations are more likely to sustain environmental mission through ownership changes over time. In other words, sale to employees, versus sale to absentee, financially focused owners, creates a more beneficial environment for sustaining ecological mission. We are looking at four pairs of companies, studying the evolution of mission over time. Our first paired study of Eileen Fisher vs. Donna Karan International confirmed our hypothesis. A similar analysis within one company—EA Engineering—offered dramatically similar findings (see p. 13).

Fifty by Fifty is a project of The Democracy Collaborative, working to catalyze the growth of employee owners to 50 million by 2050. Research has shown that employee owners have more income, more wealth, more retirement savings, and better job security than other workers. Employee-owned businesses enjoy higher productivity, higher profits, and better employee retention. There is strong bipartisan support for employee ownership, including for longstanding tax advantages conferred on Employee Stock Ownership Plans.

Fifty by Fifty sees the expansion of employee ownership as a viable, often overlooked, approach to reducing structural inequality created by the asymmetrical rewards received by owners and workers in our economy. Our work on Next Generation Enterprise includes a comparative analysis of employee-owned and non-employee-owned B Corps as well as in-depth case studies of a dozen employee-owned B Corps and benefit corporations, featured as part of Employee Ownership News. Learn more at **fiftybyfifty.org**

The Democracy Collaborative is a nonprofit research and consulting organization dedicated to developing new strategies for creating a democratic economy that operates within planetary boundaries—designed to create shared prosperity, meeting the needs of the present without compromising the ability of future generations to meet their own needs. Learn more at **democracycollaborative.org**

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The emerging model of the mission-led, employee-owned firm offers a hopeful glimpse of how business might operate in an economy that truly works for people and the planet.

FIFTY BY FIFTY

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This work has been generously supported by Partners for a New Economy.

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