Corey Rosen, John Case, and Martin Staubus **Equity: Why Employee Ownership Is Good for Business**
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After decades of being largely ignored by business schools, it is encouraging to see that Harvard Business School Press has published a new and comprehensive book on employee ownership. It is even more encouraging to see that this new book is so compelling.

Rosen is the long-time executive director of the National Center for Employee Ownership. Case is the former senior editor at Inc. magazine, author of Open-Book Management, and a leading journalist covering the subject. Staubus is Director of Consulting at the Beyster Institute for Entrepreneurial Employee Ownership at the Rady School of Management at the University of California in San Diego.

While the book provides an overview of the research on employee ownership, as well as the mechanics of various plans, its focus is on what the authors call the “equity model.” The authors chose the term “equity” very intentionally. On the one hand, it refers to equity in the sense of the many ways ownership can be shared: ESOPs, employee stock purchase plans, 401 (k) and profit sharing plans invested in company stock, broad based stock options, restricted stock, and similar plans. At least 25 million U.S, workers now own stock in their company in one way or another (and often in multiple ways in the same company).

This enormous growth has largely been under the radar of much of the business press and almost all business schools. This has been very odd indeed since the very same business schools bring in the CEOs of highly innovative and successful companies like P&G, Cisco, EBay, Amgen, SAIC, and others who showcase employee equity ownership inside their companies. It is odd that the business schools and the leading business magazines themselves choose to focus on a “personality cult” version of success in re-telling these stories, while avoiding laying out a more nuanced picture. The book, Equity, changes all of this. It looks at small, medium, and very large corporations in a variety of businesses, so it is a good handbook for individuals in many different kinds of companies.

“Equity” also is used by the authors in the sense of fairness. Companies following the equity model both spread ownership broadly and create an organization that shares financial and other performance information widely and deeply; provides employees with structured and meaningful opportunities for input into decisions affecting their jobs; and gives employees the needed training not just in their jobs, but also in how to be better business people. Extensive research is cited to show that companies following this model perform much better than would otherwise have been expected and create more wealth for employees.

Much of the book makes this case through stories. The book opens with the tale of Stone Construction Equipment Corporation in Honeoye, NY, a 200-employee, 100% ESOP-owned manufacture of small construction equipment. At a time when all of its competitors are either gone or overseas, Stone manages to compete very profitably by engaging its employees as owners. Monthly meetings go over key financial numbers, employee committees tackle shop floor issues, customers talk about problems directly with employees who make the products, and small group “cells” of workers meet daily to plan out their tasks. The resulting ideas range from fairly big ones—new software to maximize the number of parts created from a single sheet of steel—to hundreds of smaller ones—creating an adjustable grinding table or finding a better cleaning fluid, for example.

The book looks at dozens of other examples, often in-depth, ranging from the small hardware store (Jacksons Hardware in San Rafael, CA) whose profits increased after Home Depot and West-Coast chain Orchard Supply moved in next door to such major companies as W.L. Gore and Associates (maker of Gore-Tex), Science Applications (with 41,000 employees), Southwest Airlines, and Whole Foods. Different as they are in many ways, all share a passion for getting people involved in finding ways to improve the company.

But the book is not an uncritical argument for employee ownership. One chapter looks at the implosion at United Airlines, pointing out that United never chose to follow the lessons of other equity model companies. Instead, after a brief and successful experiment with employee involvement, both union and management leaders knowingly chose to revert to more comfortable adversarial roles. Employees owned a lot of stock, but they were treated as owners only fleetingly. United never implemented a cash profit sharing plan to share the new productivity gains with employees. United never implemented a serious attempt at employee involvement or management training recommended by experts. And the United Board of Directors did not try to manage the corporate culture of the company as a key strategic asset. The authors do not view the ownership of company stock as an unmitigated blessing. They say that companies need to make sure employees investing heavily in company stock in 401(k) plans, for instance, need to be very aware of the risks involved. They are also critical of companies that share token amounts of ownership through options or similar means while front-loading executives with obscene amounts of ownership.

Rosen, Case, and Staubus have written a much-needed book. It is, without a doubt, the best book of case studies yet done on employee ownership. The authors brilliantly tell the stories of how equity model companies have generated high-performance through employee ownership. This is, in short, the most practical, down-to-earth, and insight packed book on how to create and implement equity systems that work. But the book goes beyond this. It integrates the philosophy of ownership, the social science behind an ownership culture, and the important politics of having senior management support, into a very readable whole. I strongly recommend this book. It is a great read and is also a good choice to give to employees, managers, and students.—Joseph Blasi,

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