

Worker-Ownership Information and Resources

A. Allen Butcher • 2002, Revised May, 2005

Worker-Owned and Controlled Business

Benefits of worker ownership and control:

- Worker ownership and control improve company performance, helping the company outperform comparable conventional firms in productivity, job creation and overall corporate performance.
- Worker ownership is a flexible method of closely holding company stock.
- Employee Stock Ownership Plans (ESOPs) enjoy significant tax advantages, low cost financing and tax deferred income for employees.

Principles of Worker Self-Management:

- Democratic Principle – The workforce controls management, policies and the use of capital on the basis of one person/one vote, or through a representational democracy.
- Equity Principle – After a trial period of employment, all workers must become members. Any surplus, profit or loss belongs to the members and must be equitably distributed among them so that no member gains at the expense of another. (Employee Stock Ownership Plans are one method.)
- Voluntary Principle – Within the employment needs of a worker-owned firm, participation in the workforce is open to anyone, without discrimination, who is willing to accept the responsibilities of self-management. (Member Education – a primary emphasis must be upon ongoing training.)
- Openness Principle – All meetings and records are open to all fully vested members. Mutual aid is to be promoted at all levels through education of members, officers, managers, the general public and other worker owned and controlled businesses. (Financial Literacy – each worker knows how their work impacts the company's bottom line or profitability.)
- Limited Returns Principle – Where labor employs capital, a clear distinction must be made between reward for labor (wages based upon skill and seniority), and capital (retained earnings, dividends).

From: *Putting Democracy to Work*, Adams and Hansen. H'uligosi/Berrett-Koehler, 1987, p. 26.
ISBN: 0938493-03-5

Open-Book Management

As certain aspects of worker owned and controlled businesses have been seen to be beneficial, those aspects have been adopted by traditional, non-worker-owned businesses. A good example is "open-book management."

"The beauty of open-book management is that it really works. It helps companies compete in today's mercurial marketplace by getting everybody on the payroll thinking and acting like a businessperson, an owner, rather than like a traditional hired hand." So wrote John Case, senior writer at *Inc.* magazine in 1995 ... Now, years later, companies are still debating the merits of opening their books to employees and vendors alike. Many tout the benefits, such as improved bottom-line results and employee retention. Still others warn of open-book pitfalls, such as employees using their newfound knowledge against the owners. Guide to the best resources available on Inc.com that relate to open-book management:

<http://www.inc.com/guides/hr/23178.html>

CEOs who open their books and share financial information with their employees will most likely be rewarded with greater productivity.

Open-book management has been called the most important management trend in the country. Definitions of open-book management vary but it is generally accepted to include the following components:

- Sharing the income statement and balance sheet with most employees;
- Sharing other data with employees (such as productivity and plant utilization/quality data);
- Encouraging employees to use the information in their daily work;
- Training employees to understand financial numbers; and
- A program for sharing financial results.

http://www.nceo.org/library/obm_nceostudy.html

The Great Game of Business - Open Book Management: www.greatgame.com



Grassroots Economic Organizing

<http://www.geo.coop>

<http://www.geo.coop/whatsgeo.htm>

GEO's Mission: To help build a nation- and world-wide movement for a cooperative social economy based on democratic and responsible production, conscientious consumption, and use of capital to further social and economic justice.

GEO (Grassroots Economic Organizing) Newsletter is a bimonthly publication that reports on worker cooperatives and community-based economies in the U.S. and World wide, and their development through local cooperative action. GEO also provides a global forum for the cooperative movement. Newsletter Mission statement: GEO provides news and a bi-monthly forum on grassroots organizing to build and finance worker-owned, democratically run, community based, ecologically sustainable enterprises. GEO promotes networking to encourage the growth of a self-conscious movement for economic democracy.

GEO covers crucial issues such as creating solid jobs for everyone, revitalizing communities that face economic and ecological decay, and combining diverse community, labor and environmental priorities.

GEO is published by EDINA, The Ecological Democracy Institute of North America, with support from the Cooperative Charitable Trust. GEO is a member of The Independent Press Association.

Our mailing address is P.O. Box 115, Riverdale, MD 20738-0115. 1-800-240-9721

“An Economy of Hope: Annotated National Directory of Worker Co-ops, Democratic ESOPs, Sustainable Enterprises, Support Organizations and Resources,” compiled and edited by GEO Newsletter staff. Lists 300 alternative enterprises, plus support organizations and educational resources.

From the introduction: “A new and hopeful and inclusive economy is beginning to take root in these United States, one that offers a democratic challenge to TINA, the obnoxious myth that ‘There Is No Alternative’ to doing business, or to creating work, in the same old corporate capitalist way.”



Industrial Cooperative Association

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The ICA Group is a national not-for-profit organization seeking to create and save jobs through the development and strengthening of employee-owned and community-based businesses. As Venture Catalysts, we create model employee owned companies and community income generating projects that save and create jobs.

Employee Stock Ownership Plans (ESOPs) are an employee benefit program offering significant tax benefits to business owners while retaining local jobs and giving employees a stake in their company's future. ESOPs can be an attractive means of assuring the continued operations of a closely held company when the founder retires. The ESOP provides a ready buyer for the company and enables the seller to significantly reduce capital gains taxes. ICA provides a full range of services to analyze and structure ESOP transactions for maximum benefit.

Business and Financial Consulting ICA develops integrated financial projections to determine if an ESOP is viable and how the transaction should be structured. **Legal Services** ICA assists with ESOP design to address employee eligibility, vesting, allocation, voting, and other key issues. **Workforce Education and Participation** ICA educates employees about the ESOP and can design participation and communication programs to help cultivate an ownership culture.

What is an Employee-Owned Company?

All employees (management, clerical, and shop floor) together own a majority of the company stock.

If a Company is Employee-Owned, do the Employees control it?

Not necessarily. Employee owners need at least two things to ensure democratic control of a company: 1) voting rights - the Board of Directors is elected by the employees, and 2) participation - all employees receive information about company progress, and the opportunity to participate in day-to-day operations.

Employees should help develop the corporate structure. Otherwise, the Employee-Owned Company may end up being controlled by banks or by top management. If employees want a democratically controlled company, there are two types of legal structures: worker cooperatives or democratic Employee Stock Ownership Plans (ESOPs). Whether employees choose to be organized as a worker cooperative or a democratic ESOP usually depends on the tax or financial situation of their particular company.

How many Employee-Owned Companies are there in the United States?

There are approximately 10,000 ESOPs covering approximately 10% of the American workforce. Employees own a majority of the shares in approximately 1,500 of these ESOPs. However, employees only have democratic control in a handful of these companies. There are approximately 500 worker cooperatives in a wide variety of industries all around the country.

ADVANTAGES of WORKER COOPERATIVES

The worker cooperative structure has many advantages, especially for a relatively small business serving a local market. They are:

- Simple to create
- Inexpensive to establish
- Offers significant tax benefits
- The structure can be easily understood by the worker owners.

While they have many advantages, worker cooperatives also face some difficulties due to the lack of experience in the traditional financial and business communities with this ownership structure. This lack of understanding makes some loan officers and investors reluctant to invest in worker cooperatives. Over the last few years however a growing number of non traditional financial institutions, in particular the Community Development Loan Funds, have moved actively to fill this financing gap. Many of these funds, which include ICA's sister organization, LEAF (the Local Enterprise Assistance Fund) provide both subordinated debt and equity financing.

PUBLICATIONS

ICA has compiled a list of publications about worker ownership and creating worker-owned enterprises.

STARTING A WORKER COOPERATIVE: James Megson. A brief outline of the key steps in creating a worker cooperative.

PUTTING DEMOCRACY TO WORK: A Practical Guide for Starting Worker-Owned Businesses Second Edition Frank T. Adams and Gary B. Hansen. The first comprehensive guide in English on worker-owned businesses. H'uligosi/Berrett-Koehler. 298 pages.

THE DESIGN OF GOVERNANCE SYSTEMS FOR SMALL WORKER COOPERATIVES: Janet Saglio and Richard Hackman (Harvard Business School), Rev. 1992. This paper discusses the governance of small worker cooperatives, presenting a model for establishing member influence over companies, and ensuring that the individual rights of co-op members are protected and exercised. 27 pages.

WORKER COOPERATIVES A BASIC ORIENTATION: A sample study guide for use individually or in groups, on the basics of Worker Cooperatives. 20 pages. Individual copies or package of 15 with Discussion Leaders Guide.

ILLUSTRATED GUIDE TO THE INTERNAL CAPITAL ACCOUNTS SYSTEM: This practical guide explains the ins and outs of the capital accounts systems for worker cooperatives. 30 pages.

ORGANIZING WORKER COOPERATIVES: Peter Pitegoff, 1985. This Law Review article describes the lawyering process in worker cooperative development and illustrates ICA's interdisciplinary approach to organizing. 5 pages.

ICA MODEL BYLAWS FOR A WORKER'S COOPERATIVE (VERSION III): This looseleaf includes model bylaws for a worker cooperative with a Mondragon-type legal structure, along with detailed annotations, explanations, and model forms. Also available on disk.

WORKERS' COOPERATIVES: THE QUESTION OF LEGAL STRUCTURE: David Ellerman, 1984. A non-technical explanation of the rationale behind the Mondragon/ICA model legal structure for worker cooperatives. 18 pages.

THE MASSACHUSETTS LAW FOR WORKER COOPERATIVES: MGL CHAPTER 157A Peter Pitegoff. Explanation, test, and legislative history of the first American statute exclusively for worker cooperatives, enacted in Massachusetts in 1982 and used as a model for similar laws enacted in CT, ME, VT, WA, OR, and NY. 17 pages.

EMPLOYEE STOCK OWNERSHIP PLANS

THE DEMOCRATIC ESOP: Peter Pitegoff, 1987. An introduction to Employee Stock Ownership Plans (ESOPs) and their potential use in building democratic worker-owned corporations.

ESOPs, UNIONS, & THE RANK AND FILE: An ICA Shirt-pocket Book for Union Members in Businesses with ESOPs Third Printing Frank T. Adams and Gary B. Hansen. A publication of the ICA Working Knowledge Program. 63 pages.

THE LEGITIMATE OPPOSITION AT WORK: The Union's Role in Large Democratic Firms David Ellerman, 1987. This paper discusses a role for unions in large worker-managed firms and other aspects of democratic structure. 16 pages.

BRINGING YOUR EMPLOYEES INTO THE BUSINESS: An Employee Ownership Handbook for Small Businesses. Daniel Bell and the Northeast Ohio Employee Ownership Center of Kent State University, 1988. An introduction for the owners of small businesses to the advantages and alternative mechanisms for making employees owners.

CASE STUDIES AND SURVEYS

COOPERATIVE HOME CARE ASSOCIATES: FROM WORKING POOR TO WORKING CLASS: Frank Adams, Fred Gordon, & Richard Shirey. This ICA case study chronicles the success of the South Bronx worker-owned home health care company that has become a model for similar companies in other inner city communities. 18 pages. (1991)

WORKERS' OWNED SEWING COMPANY: MAKING THE EAGLE FLY FRIDAY: Frank Adams & Richard Shirey. This ICA case study chronicles the history of this successful, worker cooperative from its creation in 1978 to the receptions of its North Carolina General Manager at the White House in 1993.

LAS FLORES METALARTE: Rebecca Bauen. ICA

case study in English and Spanish of the development of a successful community-based, worker controlled furniture factory in rural Puerto Rico. (1996)

WHEN WORKERS DECIDE: Len Krimerman & Frank Lindenfield, Ed. In a mix of analyses, testimonies, and detailed resources, this book introduces hundreds of worker-run businesses of all sizes and in all sectors of the economy; shares developments in worker and community control of expertise, capital, and education; and explores the relationships between worker-owners, the labor movement, the environmental justice program, and other progressive movements. 308 pages. (1992)

THE DIRECTORY OF WORKERS' ENTERPRISES IN NORTH AMERICA: 1991 listing of 304 firms owned by a total of 102,343 workers with annual sales of nearly \$10 billion. 65 Pages.

YOUR OWN BOSS: DEMOCRATIC WORKER OWNERSHIP: Frank Adams and David Ellerman, 1989. This reprint from Social Policy gives a hard-hitting survey of worker ownership. 7 pages.

OTHER

EMPLOYEE OWNERSHIP: THE VEHICLE FOR COMMUNITY DEVELOPMENT AND LOCAL ECONOMIC CONTROL: James D. Megson and Michael O'Toole, 1993. This paper discusses some of the underlying reasons for the economic decline of our neighborhoods and shows how employee ownership can be used as a strategy for rebuilding the economic base in an equitable and more sustainable way. Appendices: brief case studies and descriptions of ESOP and co-op tax benefits. 25 pages.

HUMANISTIC ECONOMICS: THE NEW CHALLENGE: Mark A. Lutz and Kenneth Lux. Economics based on treating people as persons instead of things. Chapters on the philosophical basis of democratic worker ownership and the Mondragon cooperatives. 352 pages. (1988)

INDUSTRY SECTOR ASSESSMENT FOR CED REPLICATION STRATEGY: This report describes ICA's approach to identifying several industry sectors which we are currently evaluating for possible future replication across a broad range of communities. The sectors are: temporary services, franchises, private security guard services, child care, wood recycling, and lead abatement. 100 Pages. \$7.50

The CCT Forum is a semiannual meeting of selected managers of and consultants to worker-owned and operated companies. The Forum participants draw on their day-to-day experience to commission research on employee-owned companies.

1. THE END OF WORKER OWNED, INC.: An in-depth case study of the failure of an employee-owned apparel manufacturer. 50 pages.

THE MONDRAGON COOPERATIVES

THE MONDRAGON COOPERATIVE MOVEMENT: David Ellerman. The Harvard business School case study on Mondragon cooperatives. 31 pp.

MAKING MONDRAGON: THE GROWTH AND DYNAMICS OF THE WORKER COOPERATIVE COMPLEX: William Foote Whyte and Kathleen King Whyte .The most authoritative and up-to-date (1991) description of the organizational development and current status of the Mondragon cooperatives.

WE BUILD THE ROAD AS WE TRAVEL: Roy Morrison The story of the Mondragon cooperatives and how more than 21,000 workers have taken control over their communities and lives. 279 pages. (1991)

ENTREPRENEURSHIP IN THE MONDRAGON COOPERATIVES: David Ellerman, 1984. A study of the Mondragon cooperatives and particularly the entrepreneurial function of the Empresarial Division in the central bank of the Mondragon group of cooperatives. 11 pages.

MANAGEMENT PLANNING WITH LABOR AS A FIXED COST: THE MONDRAGON ANNUAL BUSINESS PLAN MANUAL: David Ellerman, 1984. This monograph presents an American adaptation of the management planning system historically used in the Mondragon cooperatives. One major feature in the treatment of workers/members as a fixed factor (a treatment usually reserved for management workers). 56 pages.

MONDRAGON: AN ENGLISH LANGUAGE BIBLIOGRAPHY: This bibliography lists books and journal articles on Mondragon published in English. 5 pages. (1985)

COG develops positive responses to globalization - focusing on employee ownership best practices and strategies internationally. (Download a brief brochure on COG and Fair Exchange)

<http://cog.kent.edu/index.html>

Just as most of the world's countries are embracing democracy, however flawed, the largest corporations are eclipsing many of the world's governments in economic power and political influence. Globalization needn't require a loss of local community control. We can make better choices.

The Capital Ownership Group (COG), is a non-profit network of professionals, academics and activists on six continents, using broad ownership to abate the negative effects of globalization. COG operates an on-line virtual think tank (navigable in six languages), conference center and library from Kent State University. Over **600** participants are registered in its **20** working groups. COG has responded to over **four million** data requests from people in **169** countries. To fix globalization Fair Exchange is one strategy. COG welcomes new ideas and participants to our online working groups, gladly hosts new working groups on other fix-globalization strategies, accepts on-line library submissions, and swaps hot links to further our joint goal. Funders have included the Ford Foundation, Alfred P. Sloan Foundation, German Marshall Fund of the U.S., Kent State University, the National Center for Employee Ownership, European Union, Corporation for Enterprise Development, and the Carey Center for Democratic Capitalism.

COG Programs

- 1) On-line conference center enabling collaborative research and a forum for development of policy proposals and implementation efforts);
- 2) On-line library including research reports, case studies, and proposed legislation;
- 3) Creation and publication of the policy working groups' output and summaries; and
- 4) An international policy conference in October 2002. A recent international strategy conference

expanded the number and narrowed the focus of working groups to enable concrete action.

The work of the first six groups is now published online in *Ownership for All*. Summaries of *Ownership for All* are also available or can be obtained in hard copy on request by sending a message to **COG**.

COG's mission to create, build and serve a coalition that promotes broad ownership of productive capital; reduces inequality of income and wealth; increases sustainable economic development; expands opportunities for people to realize their productive and creative potential; stabilizes local communities by improving living standards; and enhances the quality of life for all. <http://cog.kent.edu/>

Ohio Employee Ownership Center, 309 Franklin Hall, Kent State University, Kent, OH, 44242, USA



National Center for Employee Ownership

The **National Center for Employee Ownership (NCEO)** is a private, non-profit membership organization providing information about employee ownership. 1736 Franklin St., Oakland, CA 94612

Phone 510/208-1300; email nceo@nceo.org; <http://www.nceo.org>

The National Center for Employee Ownership (NCEO) is a private, nonprofit membership and research organization that serves as the leading source of accurate, unbiased information on employee stock ownership plans (ESOPs), broadly granted employee stock options and related programs, and ownership culture. We are the main publisher and research source in the field, hold dozens of workshops and conferences annually, and provide services to our thousands of members.

http://www.nceo.org/files/nceo_catalog.pdf

NCEO ACTIVITIES

The NCEO is a nonprofit organization, established in 1981, whose mission is to provide the most objective and reliable information possible on employee ownership at the most affordable price possible. We primarily provide information about ESOPs, broadly granted stock options, and employee stock purchase

plans because these are the main vehicles for employee ownership in the U.S. As part of our commitment to providing objective information, we do not lobby or provide ongoing consulting services. We are entirely supported

by the work that we do: by revenues from publication sales, event registrations, and membership dues. This allows us to be independent and unbiased.

Equity Compensation Seminars

Equity compensation plans need a lot more focus, flexibility, and forethought than they ever did before. This one-day seminar looks at how stock options and their alternatives, such as phantom stock, restricted stock, stock purchase plans, and other choices, can be evaluated.

Getting the Most Out of Your ESOP: Building a High Performance Company Through Employee Ownership

In order to tap into the real potential of employee ownership, setting up an ESOP is not enough. The most successful ESOP companies also give employees the tools, training, and opportunities to think and act like business owners. This is an intensive two-day training on how to create an ownership culture in companies with ESOPs. Experienced trainers share ideas and facilitate interactive exercises to build a theoretical and practical perspective. Key topics include how to develop structures for employee involvement, share financial information, and create educational tools about ESOPs.

Annual Conference on Employee Ownership

Our three-day annual conference includes multiple tracks to appeal to a wide variety of participants, from those new to the field to those exploring advanced issues, from corporate officers and advisors to front-line employees. Attendees can concentrate on one of five major tracks—"Basic ESOPs," "Advanced ESOPs," "Equity Compensation," "Employee Communications," and "Leadership"—or mix and match sessions to put together their own unique conference. For the past two years, the conference has been presented jointly with the Beyster Institute for Entrepreneurial Ownership.

Research

The NCEO serves as the leading source for informa-

tion on employee ownership research. In addition to reviewing all the significant research as it develops, we conduct original research, often in conjunction with leading academics.

ESOPs, corporate performance, and employee involvement; employee attitudes toward ownership; the impact of broad-based stock options on corporate performance; how companies design their broadbased stock option plans; and employee involvement in companies with broad-based option plans.

Speaking and Introductory Consulting

We provide speakers for a variety of employee ownership-related events as well as introductory consulting services for companies considering plans or looking to update them.

Qualified staff can help company leaders gain an informed perspective on the issues and challenges involved in setting up and operating any type of employee ownership plan.

The NCEO offers a variety of publications on all aspects of employee ownership and participation, from employee stock ownership plans (ESOPs) to stock options to employee participation. Following are descriptions of our main publications in these areas.

Employee Stock Ownership Plans (ESOPs)

- The ESOP Reader is an overview of the issues involved in establishing and operating an ESOP. It covers the basics of ESOP rules, feasibility, valuation, and other matters, and then discusses managing an ESOP company, including brief case studies. The book is intended for publicly traded companies and anyone with a general interest in ESOPs and employee participation. Cost: \$25 for NCEO members, \$35 for nonmembers
- Selling to an ESOP is a guide for owners, managers, and advisors of closely held businesses. It explains how ESOPs work and then addresses legal structures, feasibility, valuation, financing
- Leveraged ESOPs and Employee Buyouts discusses how ESOPs borrow money to buy out entire companies, purchase shares from a retiring owner, or finance new capital. Beginning with a primer on leveraged ESOPs and their uses, it then discusses contribution limits, valuation, accounting, feasibility studies, and more. It is applicable to both public and

private companies. Cost: \$25 for NCEO members, \$35 for nonmembers

- S Corporation ESOPs introduces the reader to how ESOPs work and then discusses the legal, valuation, administrative, and other issues associated with S corporation ESOPs. Cost: \$25 for NCEO members, \$35 for nonmembers. Etc.

Appalachian Center For Economic Networks

Appalachian Center For Economic Networks
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Organized more than a decade ago as the Worker Owned Network (WON), this organization began as a conscious effort to import the Mondragon model of worker-owned businesses from Spain to Appalachian Ohio. Like the model ICA Group in Boston, its small staff worked one-on-one with workers at businesses in danger of closing, helping them negotiate and establish worker owned businesses to take control of the business and keep it healthy.

Its flexible manufacturing networks focus on three broad market areas determined by the community's resources and needs: (1) Specialty foods, with several small businesses working together in a new facility just now approaching completion, complete with office space, a modern institutional kitchen and a bright, spacious retail floor. (2) Wood products, taking sustainable advantage of the region's rich and surprisingly unspoiled timberlands. Originally focused on the narrow market niche of providing wood components intended to make mobile homes accessible to handicapped residents, the Future Wood Project is currently broadening its efforts. (3) Computer services, a field in which local residents with a reasonable amount of training can earn significant wages in a high-demand workplace.

To support these flexible manufacturing networks, ACENet also provides:

- Access to capital, through a small revolving loan fund.

- Business advice via referral to existing institutions including Ohio University and the Enterprise Development Center, another Athens-based non-profit.
- Workforce development through training programs targeted toward assistance recipients and welfare mothers, aimed at improving their job readiness and employable skills.
- Technology and telecommunications, ensuring that poor people have access to computers and training in their use through a local “freenet,” a network of accessible computers in libraries, schools and institutions. In addition to working with local organizations on this project, ACENet is involved in national efforts to link non-profits on the Internet, and it has developed highly effective World Wide Web pages showcasing not only its own projects but also a network of local small businesses (<http://civic.net/webmarket>).

Mission and Strategy

The Appalachian Center for Economic Networks (ACENet) is a community economic development organization located in rural southeastern Ohio. The mission of ACENet is to build the capacity of local communities to network, innovate, and work together to create a strong, sustainable regional economy that has opportunities for all. ACENet uses a sectoral strategy, currently focusing on the food and technology sectors of the economy.

In each sector, ACENet staff provides basic service that businesses need to start, expand, and create quality jobs. At the the same time, staff members encourage entrepreneurs to network with each other, sharing information and generating joint ventures that enable them to enjoy economies of scale typical of much larger businesses.

Development Strategy

ACENet uses a sectoral strategy, currently focusing on the food and technology sectors of the economy. In each sector, ACENet staff provides basic services that businesses need to start, expand, and create quality jobs. At the same time, staff encourages entrepreneurs to network with each other, sharing information and generating joint ventures (such as buying supplies together) that enable them to enjoy economies of scale typical of much larger businesses.

ACENet staff also identifies key new services or

resources that, if available, could increase the success of the businesses. ACENet either directly develops the capacity (as in the case of the incubator facilities) or staff work with other local or regional organizations to develop the new service (as is the case of the many public access sites in the area that provide free computer usage). These new capacities become community assets that continue to generate and support new economic activity for years to come.

The most powerful and dynamic impact of these services occurs when ACENet connects businesses to high-quality markets that demand continuously improved products of ever higher quality. The theory behind this approach is that the set of new relationships that small businesses develop with other businesses, with community organizations, and with new markets, transforms the area economy.

First, serving high-quality markets requires the businesses to become very innovative, constantly developing new products and services. Businesses that are successful innovators will also find themselves expanding and creating new jobs. Their workers will, of necessity, be creative, flexible, and quality-oriented, which means they must be engaged in their work, well-trained, well compensated, and given opportunities for advancement in the business.

Next, once a certain density of business activity exists in a sector, that sector tends to expand more rapidly. As they see the success of others and the supportive services available, more and more people are captivated by the idea of starting a business. Thus, even though business development may be slow during the early years of a sector project, the pace of change soon begins to expand geometrically.

Finally, the economic landscape is transformed with an increase in the capacity of businesses and organizations in the region to act collaboratively to create whatever is needed to further economic activity. This is perhaps the most essential asset that a community can have.

This Website tells the story of the ways that ACENet is turning this theory into practice. Our strategy is continually evolving, so check back often!

By Mikel Lezamiz of Mondragón

www.mondragon.mcc.es

www.mondragon.mcc.es/ing/index.asp

**MONDRAGÓN CORPORACIÓN
COOPERATIVA (MCC)**

MCC is a unique experience in development through cooperation in the world. Over the last 40 years MCC has based its success, in both business and social terms, on industrial democracy, participation, and solidarity.

Created in the Basque town of Mondragón in 1956, and starting with a small factory making domestic appliances, MCC is today one of the 12 largest corporations in Spain and the leading business group in the Basque country. It provides work for more than 26,000 people in 100 industrial, financial, and retail companies, as well as in a number of educational, business and professional training centers. Most of these (80) are industrial cooperatives, one is a credit cooperative, two are distribution cooperatives, and three are agricultural co-ops. In addition, there are five school centers (four university level schools and one polytechnic secondary school), three research centers and other six service cooperatives (insurance, design, a cleaning co-op, consulting company, a social security company, etc).

The main feature of the Mondragón cooperatives is that their workers are also members and the owners of their companies. The cooperatives are managed democratically on a one-person, one-vote basis. MCC is divided into three large groups: Financial, Industrial and Distribution, each of which operates independently on the basis of a common strategy. In 1994 MCC's total assets came to more than \$8.9 billion and gross consolidated profit rose to \$270 million.

The Financial Group - The overall assets of the Financial Group, which includes the banking business of Caja Laboral and the activities of Lagun-Aro, MCC's social welfare body, totalled \$6 billion in 1994.

Sales - The Industrial and Distribution Groups will have revenues of close to \$ 4.8 billion in 1995, an increase of 20% over the previous year. Sales have doubled over the period 1990-1995, in spite of the crisis suffered by developed countries.

The National Cooperative Business Association (NCBA) "web site devoted to helping people understand what cooperatives are and how they can use the cooperative model to help themselves and their communities..."

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Washington,D.C. 20005-2160 (202) 638-6222

Web: www.ncba.coop E-mail: ncba@ncba.coop

NCBA is the lead national membership association representing cooperatives of all types and in all industries. We are democratically organized and operate according to internationally recognized cooperative principles.

Through our comprehensive education, co-op development, communications, public policy, member services, and international development programs, NCBA helps co-ops strengthen their businesses so they can better serve their members. It also provides a strong, unified voice on Capitol Hill.

Our Mission To develop, advance and protect cooperative enterprise. **Our Vision** NCBA is the leading U.S. organization strengthening the cooperative form of business to empower people and improve quality of life worldwide. **Our Goal** To make cooperatives a strong, distinct and unified sector, recognized by the American public. **Our Members** NCBA membership is open to all cooperatives and associations of co-ops. Our member co-ops operate in the areas including agricultural supply and marketing, childcare, energy, food distribution, processing and retailing, financial services (credit unions), health care, housing, insurance, purchasing and shared services, and telecommunications.

NCBA associate members offer goods and services to the cooperative sector. Our individual members support our legislative and business development work.

NCBA's Public Policy program harnesses the power of cooperatives across all sectors to educate Congress and the executive branch about the benefits of co-ops, to advocate programs and policies that help co-ops, and to protect co-ops from legislative attacks. Our grassroots network energizes co-ops to present a united front in Washington.



Links To Other Employee Ownership Sites and Businesses

<http://dept.kent.edu/oeoc/links/Links.htm>

The **Ohio Employee Ownership Center (OEOC)** is a non-profit, university-based program established in 1987 to provide outreach, information, and preliminary technical assistance to Ohio employees and business owners interested in exploring employee ownership. <http://dept.kent.edu/oeoc/AbouttheOEOC/AboutTheOEOC.htm>

The **Cooperative Development Foundation**, 1401 New York Avenue, N.W., Suite 1100, Washington, D.C. 20005 (202) 638-6222 CDF is a 501 (c) (3) organization that administers funds to promote community, economic and social development through cooperative enterprises. CDF sponsors the 5K Race for Cooperative Development held annually on the first Sunday in October in Washington, D.C.

The **University of Wisconsin Center for Cooperatives (UWCC)** studies and promotes cooperative action as a means of meeting people's economic and social needs. It develops, promotes, and coordinates educational programs, technical assistance and research on the cooperative form of business.

UWCC, 230 Taylor Hall, 427 Lorch Street, Madison, WI 53706 Phone: (608) 262-3981 Fax: (608) 262-3251 URL: <http://www.wisc.edu/uwcc/> Email: grinnell@aae.wisc.edu

Cooperatives and Cooperation Discussion Groups - CSF maintains the mailing list, run by the University of Wisconsin at Madison Center for Cooperatives. The Cooperative Grocers' Information Network (CGIN) sponsors a discussion group for anyone interested in food co-ops.

Worker-Ownership Institute

www.workerownership.org

The Worker-Ownership Institute serves as a forum in which management and labor from employee-owned companies and ESOPs come together to learn from each other. The objectives of the WOI include enhancing the involvement of workers in employee-owned companies and assisting managers, workers and directors of those companies in finding ways to improve both the work experience for employees and the financial viability of the enterprise. This site offers

information on: the history of the WOI; the ESOP concept; the institute's programs, training seminars, and publications; and the James W. Smith Memorial Research and Education Foundation. WOI is jointly sponsored by the United Steelworkers of America (USWA) and the management of member companies which are partly or wholly employee-owned and employ members of the AFL-CIO-CLC, or other unions. Local unions and companies become WOI members by paying a per capita fee based upon their percentage of employee ownership.

Cooperative League of the U.S.A. (CLUSA)

Founded in 1916, The Cooperative League of the U.S.A. (CLUSA) now doing business in the United States as the **National Cooperative Business Association** (NCBA - see listing on previous page).

A New Source of Credit for Urban Co-ops

In the 1970s, as lack of access to credit inhibited the growth of the co-op sector, NCBA successfully lobbied Congress to create the federally chartered National Consumer Cooperative Bank. Now owned by its member co-ops and known as the **National Cooperative Bank**, it provides lending and other services to the nation's non-agricultural cooperatives. Today the bank has more than \$1 billion in assets and more than 1,800 member-owners.

Strengthening Rural & Urban America

In the 1990s, NCBA worked with the National Rural Development Task Force to create a new source of funding for cooperatives in rural areas, and to build a strong, networked co-op development infrastructure. The Task Force convinced Congress to establish **Rural Cooperative Development Grants**, 1991.

Today, NCBA is using its development expertise to help troubled inner cities. Its new **Urban Cooperative Development Initiative** seeks to expand the role of cooperatives in creating economic opportunity through both self-help and legislative solutions.

International Leadership—A Founder of CARE

In 1944, NCBA formed the Freedom Fund to help cooperatives recover in war-torn Europe. The following year, NCBA played an integral role in creating the Cooperative for American Remittances to Europe, which provided economic relief to war-torn Europe. NCBA President Murray Lincoln was the first president of that organization, now known and recognized worldwide as **CARE**.