

Foreword

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I am a believer in the power of the employee and in how non-executives along with executives can help direct and govern a company. The benefits of this power can be realized from large multinational companies to small business enterprises. The research and case studies presented in this book show that, when ownership is broad-based and includes employees (the workers), it can not only create a better performing firm, but it can also improve lives and create a more prosperous and fair economy. Because capital ownership is increasingly the dominant source of wealth creation, capital ownership that is more inclusive with employees can be an important way to address the widening income inequality that many nations, especially the United States, face today.

As noted throughout this book, capital and the culture of ownership blended in different combinations can create success as described within a large multinational subsidiary and a nationally networked collective of cooperatives to a range of small and midsize enterprises.

One thing that doesn't change about employee ownership is a constant evolution. It becomes an exciting puzzle to understand and solve at the enterprise level -what is the right balance of short- and long-term equity ownership? How much liquidity is needed? How best can we engage employees in day-to-day as well as long-term governance decisions? What limits performance and adoption? Little did my late father imagine when he founded a start-up company in 1969, that the exploration of the intricacies of employee ownership would become just as important as his dedication to scientific and

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technological discoveries regarding the long-term success of the company, and later his foundation.

Almost 20 years ago, my father, J. Robert Beyster, gave his last talk as chief executive officer to the employees of the company he founded, Science Applications International Corporation (SAIC). At that time, SAIC had grown to be the largest employee-owned research and engineering firm in the United States, with total annual revenues of almost seven billion dollars and approximately 42,000 employee-owners located throughout the country and on several continents. Asked to briefly highlight the success of the company over the 35 years since its founding, the company that represented much of his life's work, his fourth "child", his passion and value system, he stood, slightly stooped for a person in his eighties, facing a room of a thousand top company leaders and cameras televising to tens of thousands of employees.

Influenced by his early training as a scientist and engineer, his words were direct, and expressed truth to his core beliefs. He started with the company's Credo. Fairness, equity, and transparency to people—the customer, worker, shareholder, community member, and so on. Hard work, passion, and solving tough problems were expected from all. Why? Because SAIC was a company owned by its employees, and if they succeeded, they shared in the rewards. Employee ownership was a part of the Credo and yet fundamentally important to the entire Credo. This is common with other successful employee-owned companies in that employee ownership is a tactic and a strategy at the same time and may be achieved through a set of norms that strive for the same result. Ultimately, when employees are real owners, and are empowered to act like owners, their behavior aligns to the mission (the Credo) of the company.

From its very early days, he wanted SAIC to be privately held, not publicly traded and therefore not "controlled by Wall Street" with the pressure of meeting short-term financial expectations. He also wanted ownership to be shared broadly with employees as part of the reward system. At first this reward system focused on key employees who brought in the work and managed it, but employees made it clear that many more, including technical and administrative staff, were part of the success of the company, and the reward system was expanded. So much so, that the company used more than a dozen ways of getting profit sharing and equity into the hands of the employee-owners. Many of those mechanisms are presented in this book.

Capital ownership mechanisms take different forms and go by different names, e.g., Employee Stock Ownership Plans (ESOPs), Employee Share Purchase Plans, Employee Ownership Trusts, broad-based equity compensation, collectives, or cooperatives, but the goals are often the same. Similarly, the culture of ownership is not achieved in the same way by corporations, organizations, and nations across the Americas, but the means to achieve that culture are deliberate, actively managed, and evolving over time.

While broad-based stock ownership was a core operating principle at SAIC, it was only part of the story. Like companies highlighted in this book, freedom, transparency, and accountability were essential for SAIC's "culture of ownership." After all, it was the employees' company, and that is what fueled its growth to eventually join the Fortune 500 list. SAIC essentially operated as a network for hundreds of entrepreneurial science and technology businesses. In Dr. B's (as he was called in the company) own words, he described SAIC as a "constellation of businesses" and employee ownership was the "glue" that kept it together. Not unlike the network models of the Mondragon Corporation (Spain) and Yomol A'tel (Mexico) mentioned in this book, the constellation of businesses created connection and community, although at SAIC there was also what he believed was a healthy level of competition among business units for customers and internal resources.

Most importantly, as a network model the company was highly decentralized so that the structure and work practices supported employees acting like owners. My father had a disdain for organizational charts and clearly preferred to see an organization structured around people leading the business rather than a pre-destined model in which people are slotted. Ultimately, he was a lifelong supporter of people with an entrepreneurial spirit.

It was his experience at SAIC that sparked the creation of the Foundation for Enterprise Development in 1986 (now named Beyster Foundation for Enterprise Development), a non-profit supporting the advancement of employee ownership. I became the Foundation's executive director in 2005, at which point I looked to scale our impact through research and education grants and to do so with much of the same philosophy that led to the success of SAIC.

First, employee ownership is both capital ownership and a culture of ownership. There is no singular employee ownership model (e.g., the SAIC model), equity vehicle (e.g., stock options, ESOPs), or checklist of practices

that can lead to success for every enterprise, region, or country. Employee ownership is not static; it's dynamic. Even at SAIC, the stock programs were extremely flexible, allowing the company's management team to fine-tune the system and its impact on employees in response to changed conditions. Thus, the Foundation is not prescriptive or biased toward specific equity forms—if employee ownership is broad-based.

The Foundation has undertaken many different initiatives—strategically seeding them into the world and encouraging them to sprout and grow. Embracing our own entrepreneurial spirit, these initiatives have been focused in three key areas:

- Developing an academically rigorous case for the benefits of employee ownership.
- Creating new and innovative approaches and tools to encourage and implement employee ownership in businesses—both within the United States and internationally.
- Promoting and advocating for the ideals of employee ownership within government, academia, and the business world.

Over the past 35 years, the Foundation's program success has been achieved through strategic collaborations and partnerships. In 2008, we started a research fellowship program along with an annual symposium for academics managed by Rutgers University which today, as the Institute for the Study of Employee Ownership and Profit Sharing, includes more than 200 scholars from more than 50 universities around the world. Many of the contributing authors of this book are researchers in that academic network and have dedicated decades of study to this field.

Through this, the formation and educational programming of the Beyster Institute at UC San Diego's Rady School of Management, and other employee-ownership initiatives, I have seen the collaboration and exchange among researchers, educators, practitioners, and policymakers grow. We are all better off if we work together—companies, non-profits, academics, and government agencies. Silos have come down, respect for alternative ways of achieving common goals has increased. Political, investor, and consumer appeal across a wide spectrum is pointing toward responsible businesses who strive for success through the well-being of their workforce as part of a high-ground

business strategy as opposed to a race to the bottom. This gives me hope because we can never rest in the pursuit of prosperity for more than just a few. Employee ownership promotes wealth creation through business and is essential in that pursuit.

The contributing authors of this book clearly understand this. Together they provide a picture of the evolution of employee ownership over centuries to the present day in different national contexts. They present research on specific policies, practices, network effects, and collective efforts.

In my father's book, *The SAIC solution* (2014), he stated that he would often be asked "do you think there is a future for employee ownership?" His response: "I'm not so sure." For some perspective, know that in the eighties, he thought "employee ownership would conquer American business, and perhaps even the world." His concern was not about the lack of vehicles, employee desire, or evidence of performance. His concern was "pure and simple greed." Those in power are "loath to dilute their positions."

The authors of this book do not ignore the many challenges to employee ownership that have limited its adoption and/or growth. As José Bayardo writes in his chapter, we must do better to "go from surviving to living." Importantly, not only do the authors explore the realities of the past and present, but they also illustrate the momentum for aligning employee ownership strategies with other major trends that are fast becoming the new normal, such as shared capitalism, corporate responsibility beyond shareholder primacy, benefit corporations and mission-driven enterprises, community wealth building and social solidarity. Whatever part of the spectrum you find yourself in, there is a place to engage.

It is this future context that excites me. You may think it was inevitable that a family member picked up the passion for employee ownership. Not true. The first 15 years of my career as an industrial engineer, manager, and executive in the environmental field had little emphasis on employee ownership. My passion for employee ownership first grew in part because I lived the experience in two employee-owned companies, including SAIC.

This passion continues to grow because there are amazing people working in the field and important questions to explore such as those posed in this book. There is always something to learn and something new to try. I am convinced, just as stock options or ESOPS were once new, that there will be new vehicles and models created to complement tried-and-true approaches

to address economic prosperity while broadening income and wealth creation for workers. These innovations will inspire others to integrate wealth and ownership sharing not only as viable business models but as celebrated ones. It won't be conventional thinking that gets us there, it will be innovative, provocative, systems thinking such as presented in this book that will help shape the new, hopeful realities.