American Values and the Competitive Advantage of Employee Ownership

June 15, 2023

Description

Event Americans have long-held values around dignity, hard work, and the promise of the American dream. These values, however, are often divorced from our discourse and policies around the health and competitiveness of our businesses and our economy. And too often, it is believed that we must sacrifice the well-being of our workers in favor of growth and a higher GDP. Employee ownership, which is good for businesses, workers, and our economy, is one strategy for helping us break this false choice and narrative.

In this conversation, speakers discuss how employee ownership can help us create a strong, competitive economy and live up to the values we hold about work and opportunity. It features a panel discussion with Erik Olsen (Department Chair of Economics, University of Missouri-Kansas City), Paige Ouimet (Professor of Finance, University of North Carolina), Margot Brandenburg (Senior Program Officer, The Ford Foundation), Julius Krein (Editor, American Affairs), Jerome Brown (Senior Vice President and Director of Quality, HDR) and moderator Maureen Conway (Vice President, The Aspen Institute; Executive Director, Economic Opportunities Program). For more information about this event — including video, audio, transcript, speaker bios, and additional resources — visit: https://www.aspeninstitute.org/videos/american-values-and-the-competitive-advantage-of-employee-ownership/

About

This discussion took place as part of the Employee Ownership Ideas Forum, co-hosted by the Aspen Institute Economic Opportunities Program and the Institute for the Study of Employee Ownership and Profit Sharing at Rutgers University. This two-day event brought together leading policymakers, practitioners, experts, and the media for a robust discussion on how we can grow employee ownership for the shared benefit of American workers and businesses. Learn more at as.pn/eoforum.

The Aspen Institute Economic Opportunities Program advances strategies, policies, and ideas to help low- and moderate-income people thrive in a changing economy. Learn more at [as.pn/eop](as.pn/eop).

The purpose of the Institute for the Study of Employee Ownership and Profit Sharing at Rutgers University is to study the various models that have emerged and will emerge of employee ownership shares and profit shares in the corporation and society of the United States and around the world. Learn more:

https://smlr.rutgers.edu/faculty-research-engagement/institute-study-employee-ownership-and-profit-sharing

Speakers

Erik Olsen

Associate Professor and Chair, Department of Economics, University of Missouri Kansas City

Erik K. Olsen Ph.D. is Associate Professor of Economics and Chair of the Department of Economics at the University of Missouri Kansas City and Senior Fellow at the Institute for Employee Ownership and Profit Sharing at Rutgers University. He has published widely and made contributions in several fields of economics. Currently he is engaged in research on the effect of broad-based or cooperative employee ownership and participatory management on employee behavior, firm structure, performance, and survival. Other active areas of research include the creation and growth dynamics of employee owned and operated firms. Professor Olsen holds a doctorate from the University of Massachusetts Amherst and teaches microeconomics, mathematical economics, and political economy at University of Missouri Kansas City.

Paige Ouimet

Professor of Finance, Kenan-Flagler Business School, University of North Carolina; Associate Dean of the Ph.D. Program and the Research Director, The Kenan Institute

Paige is a professor of finance at the Kenan-Flagler Business School at the University of North Carolina. She is also the Associate Dean of the PhD Program and the Research Director of the Kenan Institute. Her research agenda is concentrated at the juncture of finance and labor economics. She is interested in how decisions studied in finance impact employee stakeholders – specifically how those effects are reflected in firm performance and, hence, corporate finance decisions. Her work has been published in the American Economic Review, Journal of Finance, Review of Financial Studies and Journal of Financial Economics. She received her PhD and MBA from the Ross School of Business at the University of Michigan and her BA from Dartmouth College.

Margot Brandenburg

Senior Program Officer, The Ford Foundation

Margot Brandenburg is a senior program officer on the Ford Foundation's Mission Investments team, focused on building and strengthening the infrastructure of the impact investment market—with an eye to shaping the broader capital markets. She has spent two decades working at the intersection of philanthropy, capital markets, and social and environmental justice. Prior to joining Ford, Margot served as founder and CEO of MyStrongHome, a benefit corporation delivering resilience finance services to homeowners across the Southeast and Gulf Coast of the US. Before that, she helped design and lead the impact investing initiative at the Rockefeller Foundation. She co-authored the book *The Power of Impact Investing* with former RF president Judith Rodin. While at Rockefeller, she also focused on job creation and issues of economic security for low-wage workers.

Margot began her career in international microfinance and has worked with several community development finance institutions in the US. She serves on the boards of the Workers Lab, Brooklyn

Cooperative Credit Union, and the Woodcock Foundation, and as an adviser to the National Domestic Workers Alliance as well as the National Energy Improvement Fund.

She received a master's in public affairs from the Woodrow Wilson School at Princeton University and holds an undergraduate degree from Stanford University.

Julius Krein

Editor, American Affairs

Julius is the founder and editor of American Affairs, a quarterly policy journal. Previously, he was an investment analyst at multiple alternative asset managers. His writing has appeared in the New York Times, Washington Post, and other publications.

Jerome Brown

Senior Vice President and Quality Office Director, HDR

Residing in the DC Metro area, Jerome interacts with company leadership and employees globally, working to ensure that HDR's risk position is being effectively managed. In addition to being HDR's Quality Office Director, Jerome serves on the HDR Foundation's Board of Directors. The HDR Foundation is centered on helping the communities HDR calls home and focuses on Education, Healthy Communities, and Environmental Stewardship. As the former chair of the HDR San Diego Total Service Organization (TSO) committee, Jerome was responsible for listening to the customer, continuously improving business and recognizing team member efforts. He was instrumental in community outreach and bringing HDR into various community service activities. Before HDR, he worked in an R&D division of Daimler/Benz in San Diego. It was there he played an active role on a cutting-edge team in developing fuel-cell-powered vehicles. While there, he also engaged in design consulting at SpaceDev, a small commercial satellite development company.

Jerome is an advisory board member for the Stevens Institute of Technology Schaefer School of Engineering, is a national corporate council member for National Forum for Black Public Administrators (NFBPA), and sits on the strategic planning committee for the Conference of Minority Transportation Officials (COMTO). He has previously served on the California Polytechnic State University's Dean's Advisory Council and the University of California San Diego Industry Advisory Board for Mathematics Engineering Science Achievement (MESA). In addition, he has held several regional and national leadership positions in the National Society of Black Engineers (NSBE) Professionals. He is a two-time recipient of the NSBE National Leadership Award, NSBE Professional National Member of the Year, NSBE Professional Board Member of the Year and the San Diego Urban League Young Professional of the Year. A native of Northern California's Central Valley, Jerome earned his Bachelor of Engineering in mechanical engineering with a concentration in manufacturing technologies at Stevens Institute of Technology in Hoboken, New Jersey. While a student, he served as the chapter president of the engineering honor society Tau Beta Pi.

Maureen Conway (Moderator)

Vice President, The Aspen Institute; Executive Director, Economic Opportunities Program

Maureen Conway serves as vice president at the Aspen Institute and as executive director of the Institute's [Economic Opportunities Program] (EOP). EOP works to expand individuals' opportunities to connect to quality work, start businesses, and build economic stability that provides the freedom to pursue opportunity. [Link to Maureen's full biography]

Transcript

Maureen Conway (00:00:00)

We have some really great speakers and a really good close-out conversation. We've heard the benefits that workers and firms receive over the last few days, and we're really going to think about, so what does that mean for us big picture? What does that mean for us as a society, who we say we are, what we value, what we want to be? What does it mean for our economy as a whole? In a lot of conversations today, we get stuck in this sort of false trade-offs, right? We get stuck in what's good for workers and communities is maybe not good for business or not going to maximize GDP and profits. And we make this false trade-off and it can be hard to break out of that. And in many ways, our divided times that we live in mirror this. We live in very divided times.

We were on Capitol Hill yesterday, we know about the divisions between Republicans and Democrats, right? Many times those, we have rural-versus-urban conversations, rich versus poor, labor versus management, old versus young. There's lots of ways we have divisions in our society. But the thing is, in the midst of all this division, we really do have a common destiny. And employee ownership is a path to a positive shared-economic destiny in which we all have a stake, we all have a responsibility to work towards economic success, but we all get to share in the fruits of that economic effort. Employee ownership offers a chance to get past some of the false trade-offs and divisions, and to get closer to the ideals of the American dream that are in our national discourse or ideology, but which so many people feel is not really their American reality.

So that, we feel like is really the promise of employee ownership in many ways. And so we're going to talk about that a little bit in this panel. But as has been the practice today, we're first going to start with a brief talk from two Rutgers fellows. So first we'll have Erik Olsen. Erik is an associate professor of economics and chair of the Department of Economics at the University of Missouri, Kansas City, and senior fellow at the Institute for Employee Ownership and Profit Sharing at Rutgers University. He has published widely and made contributions in several fields of economics. Currently, he's engaged in research on the effect of broad-based or cooperative employee ownership and participatory management on employee behavior, firm structure, performance, and survival. Other active areas of research include the creation-and-growth dynamics of employee-owned-and-operated firms.

I'm just going to do you both at once here. After Erik, we're going to hear from Paige Ouimet. Paige is a professor of finance at the Kenan-Flagler Business School at the University of North Carolina. She's also associate dean of the PhD program and the research director of the Kenan Institute. Her research agenda is concentrated at the juncture of finance and labor economics. She's interested in how decisions studied in finance impact employee stakeholders, specifically how those effects are reflected in firm performance and hence corporate-finance decisions. So thank you both for being with us. And Erik, let me welcome you to the podium.

Erik Olsen (00:03:39)

Thank you. All right, good afternoon everybody. We have the advantage of going... Excuse me... of going last, so we'll try to make the best out of that. So Matt asked me to talk a little bit about the topic of this panel, which is American American Values and the Competitive Advantage of Employee Ownership. And rather than talking about my individual research, I want to talk about some themes that have motivated my research more generally, a broader overview. And one of the things that I want to talk about is the conventional wisdom in economics, which is in fact the opposite of what it is that we're talking about today.

There's a conventional wisdom in economics, which really again has motivated a lot of my own research, around the idea that employee ownership must be at a competitive disadvantage, right. That we look out into the world and we see a world comprised of conventionally-owned businesses. They're owned in a particular way that is not employee ownership. And I want you to think about it for a minute, why it is that that would be the case. Which is, why is it that most of the world we see of the economy, or at least a large part of it, GDP-producing economy is conventionally-owned businesses? And I think if we went around this room, we'd probably come up with a number of different very good explanations for why that is the case, for why businesses are owned in the way that we're familiar with.

Economists know only one, though. Economists have only one explanation is that they must be at a competitive disadvantage, and that's why we see the world that exists the way that it is. And I think that that is conceptually and empirically wrong. And part of my agenda has been because we know that the research that I was familiar with before we started this larger group that I've now been involved with for some time, was that my conception was that that answer was wrong, and now it's become reinforced over and over again. We have extensive empirical research that shows that employee-owned businesses have both competitive advantages and survival advantages, productivity advantages and survival advantages. So the conventional wisdom in economics is manifestly wrong.

And so from that, that motivated a lot of the work that I've wanted to do, which is to understand if we know that employee ownership brings tremendous advantages for workers, and their families, and their communities. Income-and-wealth creation, employment stability, better work experience, economic mobility, if all of those things are possible, why is it that we remain stuck in this sort of equilibrium where we're not realizing those things? In fact, we're realizing the opposite. And I think the answer is that employee ownership rarely spontaneously emerges in an economy that depends on self-interested entrepreneurial activity. A self-interested entrepreneur is rarely... It was interesting as Eric was on this panel before, was the exception that proves the rule of entrepreneurial activity, not self-interested entrepreneurial activity. We rarely see that. It's unusual.

Because of that, we rarely see employee-owned businesses created in an economy that relies on the self-interested entrepreneurial activity. Which for economists is really the basis of how an economy works, that self-interested activity would lead to these outcomes. What I want to argue is that it doesn't point to that employee ownership is somehow intrinsically flawed, right, that there's some intrinsic problem with it because self-interested behavior is not going to lead to this becoming predominant. What it points to is in fact that we need institutions and policies that are going to bring it about. That that is the way that this is going to happen. And this is not unusual, right. If you look at American history, the reason we have police-and fire-services is not because of self-interested entrepreneurial behavior. The reason we have public education, the reason we have national defense, this is not self-interested entrepreneurial behavior that created these things, these are the conscious creations of policies and institutions.

And what we've talking about here for the last two days is, how do we create those institutions and those policies to move us forward in a way to achieve those things that we need to achieve in the economy? To try to deal with these issues of income-and-wealth inequality, of economic stagnation, of people who are stuck in place, and communities that are stuck in place. Because we're relying on something that isn't going to solve the problem, and we're just building those things that we need in order to solve this problem. And that's what I find really encouraging about this work, right. It's how we're going to get to an economy that is going to work more equitably and more efficiently for people, even though my colleagues in the field of economics believe that in fact this is not the way to achieve it. But I'm fully convinced, and I think that anybody who's been working in this field long enough knows that that's the wrong answer.

So with that, in fact, I think to get to the point of thinking about this as American values, I think that achieving more broad-based employee ownership is not just desirable, but necessary in order to preserve our democratic institutions. I think that the income-and-wealth inequalities, inequalities of wealth, income, and power that we see in the US economy, and that are driving a whole range of different arguments or a range of different political problems that are, I think, really imperiling some of our democratic institutions, are rooted in these economic phenomena. And I think that it's not necessarily just consistent with our American values, but it's necessary to preserve our American democratic institutions to try to find a way to address those economic issues. And for me, employee ownership is the obvious and most achievable way of trying to address those in a reasonable timeframe in our lifetime.

So those are some of the bigger issues that have motivated me. And I think that if you talk to an economist who says, "Well, employee ownership, yeah, it's a great idea and we maybe will have a few, like a cooperative corner store and so forth, something like that, because it's really some inefficient institutional organization." They're wrong, and you can tell them that they're wrong, and that you've learned that from coming to the Aspen Institute to hear people talk about it. Because I've really dedicated a large part of my career to researching this. And thanks to Joseph Blasi and Doug Kruse who have made that work possible for a number of us. So that's where I'm going to finish then.

Paige Ouimet (00:10:29)

Well, I want to start by thanking the organizers for including me. I think we need to do more of these types of conferences, where we're bringing together practitioners, and policymakers, and activists, and academics. Because I know we can learn so much from talking to each other, and I certainly have over the last two days. So I'm the last academic speaker, and I wanted to think about, "Well, what can I add to this already great conversation that we've had?" And I want to start, even at the risk of being repetitive, by saying that the state-of-the-art research tells us that with more employee ownership, firms become more productive. And so specifically looking at my work, I'm looking at public firms, and I observe them adopting employee-ownership plans and doing so thoughtfully, so in this idea of bringing up this ownership culture. And what I find afterwards is the value of the firm expands and this benefits workers.

So workers see their wages increase above and beyond the value of the ESOP shares that they're being granted. And I also observe that shareholder-stock prices increase. So shareholders are gaining as well. And so why? Well, I think that this is mainly what we've been talking about over these last two days. The way I think about it simply is that for the vast majority of firms, their employers are... their employees, excuse me, are the key drivers of their value, and most firms do a horrible job of acknowledging this. And employee ownership can change that. By elevating your employees to employee owners you make them part of your firm, you make them clearly as the central part of your firm, and employees respond. As employee owners, they're going to work harder, they're going to care more about the firm, and that's how we see these productivity gains.

Now having said that, the academic in me has to give you two caveats. And here are the two issues with this research. Is first, all of our economics research is based on observational studies. So what I do is I observe firms that have already voluntarily decided to adopt ESOPs. And so what that means is these are the firms that are anticipating the greatest benefits when they adopt them. And so I do think we need to have some sort of grain of salt when we think about the estimates and the magnitudes that we're observing now, if we were to try to apply them to a broader sample of firms. It's not clear we'll see as big of a gains. The second issue is that firms that adopt ESOPs, they're unique. They tend to be more employee focused. And so there's always a difficulty in teasing out how much of this effect that you're observing, is it driven by the ESOP itself, or is it driven by the selection, that these were just unique firms that were already employee focused?

But having said that, we have a lot of creative ways to get around these concerns. And as the last speaker, I promise I won't bore you with how I do that in my research, but I think what this says is that we also have a lot more questions that we would love to see answered. And so current state-of-the-art research says that employee ownership appears to be increasing firm productivity. But I'm excited to see where the research is going to be in the next few years as we continue to address some of these questions.

Maureen Conway (00:13:59)

Thank you both. That was terrific and also incredibly on time. And now I'm delighted to welcome the panel to the stage. Unfortunately, Marjorie Kelly, who was originally on the program, was unable to join us today for personal reasons. She shares her regrets and well wishes to everyone at this event. And we're looking forward to Marjorie's new book, Wealth Supremacy: How the Extractive Economy and the Biased Rules of Capitalism Drive Today's Crises, set to be released in September. And hopefully we can welcome her for a book talk or something then. So she regrets she can't be here. But we have terrific expertise in the audience and we have terrific expertise on our next panel. So let me welcome them now to the stage, Margot Brandenburg, senior program officer of Mission Investments at the Ford Foundation, Julius Krein, editor of American Affairs, and Jerome Brown, senior vice president and director of quality at HDR.

All right, great. So thank you all so much for joining us today, and just going to jump on in. So Jerome, we're going to start with our opening introductory questions. So maybe Jerome, you can start and tell us a little about yourself, introduce HDR, and give us maybe a quick history of how and why the company became employee-owned. And also I love hearing you talk about how you have an accidental history at HDR, so maybe tell us what compelled you to stay.

Jerome Brown (00:15:49)

Yeah. So my name is Jerome Brown, based here in D.C. I oversee our global quality and risk-management strategies for our organization. I've been in HDR for about 21 years. As was mentioned, it is purely accidental. I never even thought I would be in this industry. So HDR is a architectural and engineering design-consulting firm. And I just say anything above the ground and anything below the ground that you can imagine, we probably had a hand in designing it. We produce nothing except ideas, so our people are purely creative intellectuals, but it's civil, heavy civil.

I'm mechanical by background. I started my career in oil and gas in the R and D field. I worked for one of the large firms there, and then I moved into automotive research and development. And I just happened to stumble across some folks that said, "Hey, just come talk to our people." and I took a risk. I wanted to learn about project management, and I thought I was going to stay one year in this firm, because I had no interest really in being in the industry. And now 21 years later, you can see that that plan did not work out.

When I started at HDR, we had just bought ourselves back. I think I was four years after the buyback. So HDR started in 1917, it was principal owned. We sold ourselves to Bleeg in the '80s. That relationship really didn't work out, it was troublesome, and we found out that we were going to be sold again. So 40 people in the organization decided to pull their capital and repurchased the firm. And there were a lot of stipulations and conditions, so we had a buyback period where we had a funded loan guaranteed. And as soon as that was paid off, they immediately sent all the ownership out to the employees.

So when I started, I think I was employee 1856, I believe, in the organization. We're 12,500-plus strong now. When I started we were only in 36 offices, now we're in 210 across the world. So it's been a great experience, and I'm sure we'll get into more discussion about why, yeah.

Maureen Conway (00:18:14)

I'm sure we will, thank you. Margot, I'm going to come to you next. You've had a terrific career in impact investing and in philanthropy. And so maybe you can talk a little bit about that career and how that intersects with today's conversation on employee ownership.

Margot Brandenburg (00:18:31)

Sure, I'd be glad to. And first, thank you for including me. I was saying not jokingly to someone that I know less about this topic than basically anyone in the room, and have much more to learn than insights to share, but it's a privilege. And I have spent the past 20-some-odd years working at this intersection of capital markets and social change. And I would say no, that's a pretty big, almost sexy, mature space. But 20-plus years ago where everyone assumed that the only entrepreneurial activity was singularly self-interested, it was a weird and a lonely space.

So I started in microfinance and community-development finance, and then I came to The Rockefeller Foundation in 2006 at a time when Rockefeller as a sort of a pioneering philanthropy was really grappling with the limitations of grant making to effectuate change at scale. And at the same time, we knew there was an early track record in industries like microfinance and clean tech. So a few of us hosted a set of meetings in Bellagio and this term of impact investing was coined. And I had an opportunity to help incubate some of the organizations that formed the ecosystem in that space.

And then I went on, I left Rockefeller, I started a company with a hundred percent worker ownership, although not a hundred percent worker owned. Ran that for a number of years, and then sold it in 2019 and came to the Ford Foundation in 2020 just in time for COVID. And I can say more about Ford's relationship to this space, but maybe I'll just add an observation that's a personal one. But both when I was at Rockefeller and then running the company that I started, and even at Ford, I would say US workers generally are just woefully underrepresented in impact investing, and more broadly in the ESG world, and worker ownership being a subset of that. And it seems crazy to me, we're all workers. It's just it's either a blind spot, or an omission, or an air of commission depending, I think, on your perspective that is really confounding. And so it's exciting to see this drumbeat of interest, and momentum, and innovation, and intermediation in the space. And yeah, I'm just really glad for the chance to be here.

Maureen Conway (00:20:56)

Great, thank you so much. Julius, I'll come to you next. Maybe you can just introduce yourself, the work that you do at American Affairs, and how you came to this issue, why you think employee ownership is interesting in this moment.

Julius Krein (00:21:11)

Right, thank you. So I'm the editor of American Affairs. We're a quarterly policy journal. We also do a lot of other work on industrial strategy and actually mobilizing capital behind strategic sectors. Before I also accidentally more or less started American Affairs, I was an investment analyst at a couple private-equity funds and also a hedge fund. And I guess the through line that connects throughout my career is a peculiar, perhaps, interest in the difficulty of making investments in the United States, by which I mean capital investments. And the relatively low amount of corporate-capital investment relative to previous history, relative to many other countries, and the severe disincentives to that. Economic theory tells you that firms will invest whenever the returns exceed the cost of capital. If you look at the aggregate statistics, that clearly does not happen. Anyone who's been a practitioner in the field knows nobody thinks that way, and yet economic theory marches on oblivious.

From the policy perspective, I think this has been a major contributor to many of the most severe macroeconomic issues we face as a country from stagnant productivity, weak performance. Also, I think indirectly contributing to the inequality issues, and more concretely behind some of the problems we've been focusing on in more recent years related to national security and supply chains. And there's no single solution to all of those problems, but perhaps the single most-effective thing to change some of those incentives would be an expansion of employee ownership. And that's behind my interest in the topic.

Maureen Conway (00:23:13)

Great, thank you so much. Really appreciate that. So Jerome, I'm going to come to you next. Many people who are unfamiliar with the idea of employee ownership, but then visit an employee-owned company... I think many of us have had this experience of they go, "Oh, wow. That's really different." That there's a different feel in an organization. And many note that there is indeed a different approach, and sometimes a different value framework operating in these kinds of organizations. So maybe you could talk a little bit about HDR's value, and share an example or two of how the company lives those values.

Jerome Brown (00:23:52)

Yeah, so I definitely drank the Kool-Aid on employee ownership, clearly, for how long I've been here. But when I joined the firm, I had no concept of what that even meant. That was not a deciding factor for why I joined HDR. But as I learned what the corporate values were, and how leadership not just embraced those and lived those, but it was clearly demonstrated throughout all the employees, I began to get a greater understanding of actually what was going on. So I think for those of you that come into a company and see the environment and the culture, it's much different than when you actually are embedded in the organization.

So we have a couple of core values where number one is we do things right, period, that that's it. And it's solely self-interest to the organization. We want to be a legacy firm. We're a hundred-plus-year organization, and from the executive suite down to the next-level leadership, there is a clear and overly-communicated interest in passing down the ownership to the next generation of employees. So it's continually communicated throughout the organization that our sole interest is to make sure that HDR continues to grow, and that the next generation of employees have an opportunity to participate in that ownership model.

Well, how do you do that? You do that through delivery of client service - you just mentioned the focus of quality and the impact of quality. I think when everyone understands that they own a stake in the organization personally, their commitment to the quality of work, the diligence of which they're willing to go above and beyond in the production of the work is astronomical, some may say unhealthy. But most people that own their own company work exceedingly hard to make sure that that firm is successful. And one of the things we all look back on is we own this company, hence why we are all working so hard to make sure the organization is successful. And I think our clients experience that as well.

We're a little unique in that from the other organizations I've worked in, when we have issues of quality or we have issues in delivery, even if we suspect that it'll never be known... The bridge will still be built, factors of safety are fine, but there's something that we know we may have made an error on or may have not quite comfortable maybe regulatory compliance may be an issue because we missed a code. Most companies I've been in will move along, there's no risk of failure. HDR will pull back, and immediately call the client and say, "Hey, this is the issue that we're facing. This is what we've found. Probabilities are small that there's going to be an issue here, but here's what we're going to do to fix this."

Even if it's at cost that will put that project in jeopardy of being profitable, our sole interest is to make sure that number one, the public is always safe. Number two, our clients are always whole, and number three that we're taken care of, pretty much in that order. And what we've found is that generates what we call a clients-for-life model because they see that. We've heard from them, no other consultants has these conversations with us, "You could have let this go." And we return say, "No, we can't. This is our organization and we stand by the values of our firm."

When I started to get more of those conversations, I'm like, "This is weird. What companies have these conversations?" That's not what I knew in publicly-traded organizations. It's not discussed. And I bought into it and I said, "This is actually really amazing and really unique." And the more you see that, the more you protect that. And I think that that's one of the things that's unique in our organization, when people leave, they end up coming back in a couple years. Because then they see, especially folks that start in HDR and they don't quite get what it means, they'll go out and then within 18 to 24 months they're back and they're like, "We had no idea." And then they stay. We have a lot of very senior tenured folks in our organization and it's really good. I deeply appreciate what we've built.

Maureen Conway (00:28:11)

Yeah, thank you so much. I have to say that just resonates so much in the work we've done at the Economic Opportunities Program. We talk with all kinds of workers in all kinds of levels, and I think people really do value feeling like not just that they get paid for their work, but that their work is valued and something that is a contribution. So that just really, really resonates, I feel like, with what I've heard. So thank you for that. So Julius, so I have to say I just loved your contrasting economic theory with actual reality.

Julius Krein (00:28:45)

It's not hard.

Maureen Conway (00:28:50)

And we place a lot of value on shareholders. And so I'm just wondering if you could say a little bit more about that. You've written a lot about the potential consequences in terms of lack of capital investment, et cetera. So if you could just talk a little bit more about those challenges, and particularly how you think employee ownership offers a solution that better aligns with American values from your perspective.

Julius Krein (00:29:12)

Well, maybe I'll actually stick to theory a little more on this one and get even more pedantic, but we call it shareholder primacy, but that in a way is somewhat imprecise. It's not really the underlying beneficial owners who are primary in most cases, it's really more asset-manager primacy if we're being really precise. And to go back into history, when capitalism is first theorized in the 18th century or whatever, it's theorized around the single entrepreneur. The owner and operator are united in a single person or maybe a single family. And then of course you have the rise of the large corporation in the 19th and 20th centuries. And we get all this discussion about the separation of ownership and control, and there's an agency problem. And really what we call shareholder primacy or financialized capitalism arises in response to that, and is supposed to be a solution to that, and in some ways it is.

But effectively what you had is the empowerment of institutional investors, institutional asset managers in terms of voting, in terms of driving operations. And you didn't really reunite owners and operators per se, you actually introduced a number of other conflicts. A financial-market participant can make a lot of money on a firm through activities like asset stripping, or over-levering, or under-investing in quality control, and so on and on. They don't necessarily have the same long-term interests of the firm at heart. Maybe the problem is no longer the management is different from the shareholders, but the shareholders are now separated from the long-term concept of the firm in a certain way. And in a way then employee ownership is actually the next step to correct for those problems. And I think we already heard from Jerome concretely how that actually does play out in real life in these companies.

The other part of it I'll mention, the piece of the theory that is very simple yet very influential, is the Hayekian concept of markets, is communication systems or information systems. And there's something to that, but it also means that if markets actually work that way, that means they also can create a sort of consensus or defacto collusion among firms even without illegal-activity collusion. And what you see in many cases, this is often where the disincentives for competitive investment come in. Because every firm in a space likely knows that all of their other competitors are owned by private equity, too, or face the same pressure from large-asset managers in public markets. And all of those investors want rational pricing, that nobody wants big investments if that... They want buybacks over investment or whatever.

And if you know that all your competitors are subject to the same ownership structure and pressures, it relieves you from having to worry about that. But if you all of a sudden had more employee-owned firms who perhaps didn't have that same incentive, and might be more likely to, say, make large competitive investments or compete on volume over price, for example, all of a sudden all of the other competitors in that space may also have to respond. So even if employee-owned firms never become a large percentage of the corporate universe, even a smaller number could, I think, have a very outsized impact.

Maureen Conway (00:32:55)

Great, thank you. I think that was a really interesting way to think about one of these questions that comes up like, "What's the scale at which this will make a difference in our economy at large?" So thank you, I appreciate that. Margot, so the mission of the Ford Foundation is at least in part to reduce poverty, injustice, and strengthen democratic values. So how do you view these connections between employee ownership, and democracy, and civic engagement, and the values or beliefs that American hold dears?

Margot Brandenburg (00:33:26)

I feel like that's one of those questions where the answer is in the question, but yes. So the mission of the Ford Foundation is to address inequality in all its forms. We identify as a social-justice foundation. We like to say, "Justice begins where inequality ends." And when you have the ambition or maybe the audacity to really want to take on things like inequality and injustice, I think you almost necessarily need to look at systemic solutions. We just don't have enough Band-Aids, right, to approach it that way, I think we have to get to root causes. And broad-based worker ownership, as has been discussed for the past two days, is I think a systemic solution to things like wealth inequality, and our threats to democracy, and the kind of anemic, if not stagnant wage growth that American workers have seen over the past few decades.

And what's so great about this is that it's not only the Ford Foundation in 2023 that sees this as a systemic solution. It's something, as I've learned from Joseph Blasi, that Americans for a very long time have resonated with, that Americans to the right of center and also progressives. I have the good fortune to be on the board of something called The Workers Lab, which has funded The Drivers Co-op, and Obran, I see Joseph here and a couple of others. Those are all, I think, pretty progressive individuals and organizations, right? And everyone from their different worldviews and perches gravitating to this solution is not something that we see across a lot of the other work that Ford is engaged in. I think we're getting ever more polarized in this. I think really the superpower in this idea in part is its appeal to a really broad number of people.

Maureen Conway (00:35:15)

Yeah, great. Thank you. Julius, I want to come back to you and talk about industrial policy a little bit. This, I feel like is one of these ideas that was very discredited in economics until recently. When they said, "Oh, well chips, we should really do something about this." So anyway, I'm just wondering how that idea of industrial policy, how you're thinking about it, and how you see employee ownership fitting into and maybe supporting that.

Julius Krein (00:35:45)

Yes. I mean in one sense America has always been doing industrial policy. It never really went away, even if we didn't want to talk about it. But certainly as we've begun now self-consciously and intentionally engaging in it, we haven't really done that since 1940s probably, in a certain sense. And I think what we're finding and what you're seeing, our models for doing industrial policy are still premised on the 1940s corporate landscape. Where the government calls up the big companies and big CEOs in the sector and says, "We want this." and expects it to happen. And that can work with industries like semiconductors where you just have a few names, although even there it's more complicated than I think people thought.

Maybe it works if you can call JPMorgan and ask them to buy a bank once in a while. But when you get into many other sectors, you find that they're not dominated by firms anymore. Big-company CEOs don't necessarily call the tune, financial investors and financial markets call the tune. And if you're going to have a successful industrial policy, you are going to have to be able to get financial. You're going to have to attack the investor level and not just the firm level. And I think we've seen in a number of instances where efforts that have only targeted the firm level have not really worked. And for example, there have been efforts in the pharma industry "Oh, we'd really like to build more pharma here in the US, because we have number... " 50% of the critical drugs list is in shortage, everything from generic pharma to chemo drugs.

And you can go to the pharma companies and say, "We'll give you lots of money and we'll actually increase your profits." And they'll say, "No, thank you. We don't want to touch that. As soon as we become a 'commodity manufacturer' our multiple crashes, and even if our profits go up, our value falls in half, CEO is gone." And anyway, that's just one example, but these are the dynamics at play. And I think, well, there's lots of different things one has to do, but to the extent that employee ownership can become a piece of that. And you can go to employee-owned companies who have a different set of incentives, that will allow for one, a more efficient use of government capital to get these things going. But two, a larger participation in the... or an ability to really influence a larger number of critical sectors that any successful industrial policy will need to actually mobilize.

Maureen Conway (00:38:35)

Yeah, great. Thank you. So Jerome, I'm going to come to you and also to talk a little bit about competitive advantages of employee ownership as you see it. But you'd laid some out, and I'm wondering if you also, in terms of how working for the community can work for the company, wondering if you want to say a little bit more. But also, one of the things when we talked earlier really struck me, was decisions of leadership around how they think and how they think about the company. How that influenced the decision to employee ownership, how you manage attracting people, even if maybe at the C-suite level the compensation isn't as high as it might be in another firm. So I'm wondering if you could talk about that as well.

Jerome Brown (00:39:21)

That's a lot of stuff in one question.

Maureen Conway (00:39:24)

That's a lot of stuff in one question. So yeah, you get to pick and choose.

Jerome Brown (00:39:27)

So for the competitive-advantage piece, and then I'll talk a little bit about what we do strategically with our internal investments and how we seed capital out to the employees. I think since we don't have quarterly earnings that we are necessarily watching, we evaluate once a year. Where we say, "Today is a day you can focus on our stock price." We say that on our earnings day, and then as soon as the meeting is over, "All right. Now get back to work, and stop worrying about our stock price, and go serve our clients." Simple, right? It keeps things very simple, and we think if we take care of business throughout the year, that next year when we have that special day, everything will pan out.

And what that allows us to do is be very strategic in three areas. The clients that we choose to work for, which is important, the markets that we choose to enter and penetrate, especially new penetrations into markets. We can be very strategic and have a very long-term goal. We're not looking for that immediate return. And the employees that we choose to bring into our organization, which we are very selective about. I think unanimously if you ask anyone that works at HDR, they'll complain about the hiring process and how long it takes to get someone into the organization.

And we're very purposeful about that, because it takes... We just finished four rounds of interviews by a panel of eight different people throughout our business, to hire in someone into my team. Because what we want to do is make sure that there's a culture fit and understanding that the ownership model will be under careful guard and stewardship. I think we do that with most of our hires. Which is pretty amazing being 12,000 employees, that we've still been able to do that. It slows things down, but we can afford to be slow because we can be very purposeful.

I think that is a huge advantage to us. One of the things it allows us to do is not be a hire-fire firm. When markets get soft or areas get soft we excel at work sharing, we have that long-term strategic vision. And we'll float certain areas saying, "It's soft now, we understand that. But these are very good employees, so let's retool them so that they can work in other areas. And when this picks up in six to 12 months, they can come back and be productive." I don't necessarily think that our competitors have that luxury, to be that purposeful or intentional about where we're seeding our investments.

When it comes to rewardship, which you alluded to, another thing that I appreciate. So it's a hundred percent employee owned, broad based. You can purchase shares out of what's in your retirement. So our senior executives can purchase the same shares as our junior staff or administrators that happen to work at the front desk. So we have several stories of a mail-room clerk that's been in the organization for 25, 30 years and retires a multimillionaire because he took his retirement funds and stuck it in the organization, and the organization performed very well. He was employee probably 500 and he had a very comfortable retirement. And that is an amazing story to tell, and we have several dozens of those stories we tell.

The other thing we do is now that we've become successful and have significant amounts of cash reserve, is we can be purposeful in our acquisitions, be much more selective in the skills that we acquire, but we can also... we have discretionary contributions. So if we have a really lucrative year, we'll say, "Rather than return to all the employees, let's say... " I'm just going to throw out numbers, these are not HDR numbers, "Instead of 15%, we'll maybe keep it at 12, and then we'll do a discretionary contribution to the employees." But that discretionary contribution, it goes to all employees. So every employee gets additional shares to the organization, they're locked shares. But it's capped. So if you make so much, you only get so much. The intent is that that share value goes to the junior staff. And what we're trying to do is build wealth in that younger generation, and investment in that younger generation so that they are incentivized to buy into the ownership model and champion HDR to the future generation.

And we occasionally have senior folks that say, "Well, I could've used that 2% and I could've cut a year off my retirement." And our executive leaders are very quick to point out, "That is not the values of our organization. Our organization is building up a legacy firm that can be handed off to the next generation. So a little less thinking about your yourself, and a little more thinking about the generations that follow might behoove you in your future career here in HDR."

And those types of conversations are fantastic. And when you hear those, you're like, "This is a great place to be." And we talked about it a little bit. I'm coastal, California and now D.C., but we're headquartered in Omaha since the very beginning. And I think the Midwestern values of just doing things right, and a handshake as good as a contract really play through our organization. Sometimes that naivete is that wholesomeness is actually a good thing. And when you talk about traditional American values, what built this country to be what it is, I see that play out in our organization and it's fantastic. So I hope that [inaudible 00:45:13].

Maureen Conway (00:45:12)

Yeah, that's what I was looking for. Thanks.

Jerome Brown (00:45:15)

Yeah, no worries.

Maureen Conway (00:45:17)

Great. Margot, in your role you make mission-related investments as well as grants. And so when you think about employee ownership, how do you see that maybe fitting in as an investment opportunity, and what might be attractive about that?

Margot Brandenburg (00:45:32)

So I got distracted thinking about how I can apply for a job at HDR. So I'm sorry, I'm going to focus now on the question. Yes. So the part of Ford that I sit in has three types of capital. We have a grant budget and then we have two types of impact-investment capital. We have a catalytic-capital portfolio where we can take more risk than an average investor. And then we have an allocation from our endowment that we call mission-related investments. Which we really need to earn a risk-adjusted market rate of return on, because we depend on that income to fund our grant-making and our operations. And so across both the PRI and the MRI capital, quality jobs is a priority strategy for us, and that includes worker ownership. So we're a very proud investor in heritage, that came up this morning! As well as other managers that have a quality-job strategy that isn't necessarily focused on worker ownership. That might be gainful jobs, there's I think different strategies that are in scope for us.

And as an investor, and in some cases as an investor that really is exigent on our financial returns, I mean there's a huge value proposition here. And much of the research has been covered, but I remember reading something in Gallup last month I think, that talked about how quiet quitting is now by some estimates 50% of the American workforce. And so obviously, right, productivity lags, turnover is high, people aren't acting like owners because they're not owners. And as an investor, that gives you pause, and it creates a significant opportunity not only to have an impact but to create financial value. And it's one that we see and we're continuing to look for.

Having said all that, I mean attractive financial returns is probably a necessary but maybe not sufficient condition for attracting capital at scale. I was involved in negotiating a warehouse facility for something, it wasn't related to worker ownership. But the investment banker joked like, "For every question I have to ask, that's 10 basis points on the rate." Which is just to say, "If this isn't rinse-repeat-pattern recognition, if this is weird or there's hair on this, you're going to pay for that." And so I think until there's more of this, there's more norms, it may be that just having an intuitive financial value proposition isn't quite enough. We need conferences like this. We need more of the intangibles to work alongside the financial case.

Maureen Conway (00:48:11)

Yeah, thank you. That's really helpful. And that's really interesting how they pay for that. But also, I mean you brought up the Gallup thing, I saw that as well. They're like, "Oh, it's up. Engagement is at 23%." I was like, "Oh, my goodness." So it's just really interesting to hear that and then hear this of employee-owned companies. But back to that obvious value proposition, right, the huge difference there start to be a more obvious value proposition. Okay, going into my last round of questions and then out to you guys, so just be ready. So Jerome, we've seen a lot of employee-owned companies sold off in recent years. Sustainability is on people's mind. Can you say a little bit more about how HDR is thinking about preparing for a future of employee ownership, but also what are some of the lessons that other companies might take from that experience?

Jerome Brown (00:49:12)

Even in the competitor space, it hurts when we see employee-owned firms, bigger or smaller, be acquired or lose that opportunity for ownership. The pond is big, there's plenty of work for our industry. So we try to be stewards of the industry and make sure that we're all successful as a collective. So that was a very personal story for me because I had a lot of friends there. And we really looked up to that organization, because they set the gold bar. When you looked at a lot of the employee-engagement surveys and a lot of the things that was going on, C.H. was leading. And a couple... why you got to mind the steward of the business, and make sure your investments are solid, and avoid capital infusions from outside people that may not have those same vested interests as an employee-owned firm. And you can see how the dominoes fell, and that was very painful.

So when we see those situations, we become more guarded, "How do we protect this model?" Because I don't think anyone wants that on their head that, "We did great for 106 years until you came along, and now look." So we're very cautious about what we do, but we do have some growing concerns. And I think one of the things that we're recognizing is the infusion of new talent may not have the same commitment or desire, commitment to corporate life or corporate work. We have heard that even professors out in the industry are telling young candidates that are coming in that, "You would be silly to stay in an organization for more than two or three years. You have to transition organizations in order to grow and build." So those things threaten the model, right?

And when they come in, also, it's a hard sell like, "Why should I buy in? My shares are going to be so small to everyone else's." And having that conversation of long-term growth building is a difficult challenge. So some of the strategies that we've implemented as being very intentional about communication of culture. We do a lot of outreach to young staff, not telling them they need to buy, but, "Here's the values that we have as an organization. And here's some of the key milestones that we've been able to overcome through economic downturns and whatnot." And then you show them the model of how we were able to retain, and keep talent, and continue to grow our organization, so that they understand that that culture that comes from ownership is something that's real. We spend a lot of time and very intentional about that.

And then when we can send out share value on very profitable years, we make sure that they get that. So that the next year when the evaluations come, they can see what that growth looks like. I think more senior leadership, we have enough, and I think we all recognize we have enough. And then the next thing is making sure that they have enough so that they can start to realize the benefit, and then continue it well past we're gone. Does that…

Maureen Conway (00:52:31)

Yeah, no, that's great.

Jerome Brown (00:52:31)

Yep, all right.

Maureen Conway (00:52:32)

I appreciate the cautionary tale as well. It's how you think about truly developing that next generation. So that's really helpful. So Julius, coming to you next, what are the challenges and opportunities that you see in growing employee ownership? Particularly in the context of the growth of private equity in an economy that still does incentivize certainly more short-term thinking than we're hearing from Jerome here. So wondering how you think about that question.

Julius Krein (00:53:04)

Sure. Well, when it comes to actually adoption of these sorts of models, I don't think private equity is really your big problem. We just heard from Ownership Works, which is private-equity oriented, if anything, financial people understand this logic more. They get paid based on performance, it makes sense. And it has the advantage if you go and tell private equity, "We're going to unionize your company." there's nothing in that for them. But employee ownership, if you can actually show real results in terms of employee engagement and performance, again, that addresses not just the employee-bargaining-power side, but also the productivity-and-performance side. I think that makes it easier.

If there's a big obstacle it's, as Margot mentioned earlier, some of the building a paradigm, a template, a playbook that is easily replicable and everybody understands. I joked... I did a lot of work in emerging markets and actually frontier markets as an investor. And I always said that in US investing, you basically do the thing you did a thousand times before, you do it one more time. Whereas investing in these countries, you're making it up for the first time, and I was one of the few who liked that. But admittedly it wasn't the best way to make money.

Anyway, as for the big opportunities. Just to expand a little bit on the industrial-policy point, people dispute the actual number. But it's of the industrial-policy bills and appropriations already done, it's something like $6 trillion across infrastructure chips and IRA. I think there's likely more to come. It's probably the only area where you have real bipartisan agreement, at least in certain respects right now. And to the extent we can build a framework for more employee ownership, I think that will actually be very helpful in implementing industrial policy. Particularly in a lot of the industries that have been orphaned or abandoned in the United States, and where you don't really have any conventional financial-investor interest or corporate interest anymore.

The other opportunity there, going in the other direction, is industrial policy. There needs to be guardrails. And it's always a balance if you have too many guardrails, you will dissuade all the real investors and participants. If you don't have enough, they will take the money, the subsidies, and do things you don't want them to do with it. And we had recently a controversy over chips where a sort of laundry list of conditions was put on some of the funding for that. And I think perhaps rather than looking at it as, "Let's debate what good conditions we want." some of which are very tangential to the actual semiconductor firm or whatever. Thinking of approaches like employee ownership, where we introduce the good incentives through things like employee ownership, rather than strict conditionality on telling firms specifically what to do might, be a better way to go about ensuring that the industrial-policy funding we undertake actually achieves the goals we desire.

Maureen Conway (00:56:38)

Great, thank you. And Margot, so last question for you, at least last one for me. What role do you see for foundations and philanthropy in supporting this push, and how do you see connecting to some of these trends?

Margot Brandenburg (00:56:53)

Yeah, thank you. I mean foundations, if we're using the different tools in our toolkit, I think can be helpful in several different ways. And I already mentioned we can actually invest our capital, and again, even though there is attractive returns, I think that intention is quite helpful. And so whether PRIs or MRIs, it's definitely something I hope to see foundations do more of. Like Paige mentioned, there's been great research, we need more research, obviously something that's well within the philanthropic wheelhouse like policy innovation, right, feels really important. I know there's been some recent momentum. Sounds like there could and hopefully will be more, those kind of blueprints and ideation. Again, very much the domain of philanthropy.

And just as someone who's come to this and tried to learn fast, but started from a place of relative ignorance, there's a fair few people that know a lot about this topic. But there's many more that know almost nothing, and that are a bit intimidated by the acronyms and the nuances of ESOPs, and RSUs, and stock-purchase agreements. And so having opportunities to build bridges between those of you who do have really deep expertise, and what I believe are the much broader universes of people that focus on economic policy, or on workers, or on inequality, that's I think really precious and really necessary.

Maureen Conway (00:58:17)

Yeah, great. Wonderful, thank you. We are ready for your questions. So great, wonderful. Yes, right... Well, yeah, get the mic.

Will Jones (00:58:30)

Hey, I'm Will Jones. I work at The Rockefeller Foundation currently. And so I have two questions, and I'm really grateful for everything that y'all have said on this panel. My first question is, as a funder from a foundation who has shifted its pretty much entire programmatic mission towards supporting climate and energy. You talked about chips earlier, and I'm curious about ways that the federal landscape of funding, be it IRA, chips, bill, et cetera, where do ESOPs fit in? Where do co-ops fit in? I think you talked a little bit about the stipulations that are put on businesses to try and get some of that funding. I'm curious as a lot of these agencies are trying to figure out their specific policies, what role is there for the folks in this room or other influencers who are at the table with those agencies to suggest like, "Here's what we should be thinking about. Here are the sorts of businesses that we think about"? And I ask that as a funder, because since we're moving away from supporting BSOs in the same way that we have, I see that landscape as an opportunity to continue supporting.

The second question that I have is, being a funder and at an institution that largely has not considered employee ownership as part of its main strategy, how do you influence... I guess this might be more for you, Margot. But how do you really bring that argument to a board or senior leadership that is more invested in GI, or baby bonds, or the other really important, but have more popular knowledge base? That was a lot, so sorry.

Maureen Conway (01:00:27)

That was a lot. But it seemed like a question for you, Julius, and one for you, Margot.

Julius Krein (01:00:31)

Yeah, so first, I don't think employee ownership is really part of the industrial-strategy conversation and the policy conversation yet. I think that's the role at this point would actually to make it a part of that. Because I think it could play a valuable role both in... There will be many instances in which you're trying to encourage the development of the sector, and there aren't a lot of natural owners or investors who have expertise in that sector, who want to be in that sector. But where an employee-ownership program could actually step in and take the lead on these companies. And then as I mentioned, it may also have a very useful role to play on the conditionality side of it. Though again, that's not where the policy is right now. I think that's the work that needs to be done.

Margot Brandenburg (01:01:26)

I'm going to find you at the reception and say like, "This is a conversation to have over wine." Well, when I was at Rockefeller, I think I tried to play some of the translation function you're talking about, and was able to fund Evergreen and a couple of other things. And some of that was bringing one of our vice presidents to see work on the ground. A little bit of it was the research available at the time, and there's much more now. But personally I do think this topic would benefit from a bit of a PR campaign. Because as philanthropy and all of us try to be responsive to the zeitgeist and what's bubbling up, I think it helps to have this topic be on people's lips and in their minds.

And again, I think some of it does read to those of us that don't know a lot as a bit esoteric or just daunting. And so what is the TikTok video for worker ownership? I heard it come up this morning. I'm going to start Googling what... I mean, I don't even have TikTok, so I'm not sure how I'm going to do this. But I'm going to get my niece to show me, what are the dances that can actually bring this to life? Because I feel like we need that, right? And that will make all of our jobs, I think, easier as we have that push in the zeitgeist.

Maureen Conway (01:02:39)

Yeah, great. Thank you. Okay, over here.

Joseph Kiraten (01:02:45)

Hi, Joseph Kiraten with O'Brien Cooperative. Thank you. So response first is thank you for asking that question. Because I think at the end of the day, the levers that we're pulling are interesting. You talked about GI and things like that, where there are programmatic implementations that the conduit of which. So where the money moves could be an ESOP or a co-op, like the service providers for philanthropy might be an inroad. Just a thought. There's an intermediary there, and why can't the intermediary be owned by the people? Just saying. But then the question was actually for ESOP practitioners. When you're thinking about outside of just financial value, right. So what other sort of non-financial benefits or non-financial incentives are braided into your experience within the ESOP world, or co-op, or whatever, that may be unique to that situation versus a traditional firm? I'd be curious because of my background, cooperatives versus ESOP, so just be, "What's the difference?"

Maureen Conway (01:03:53)

Yeah.

Jerome Brown (01:03:58)

So I guess I'm the only practitioner?

Maureen Conway (01:04:00)

Yeah, yeah. That's you.

Jerome Brown (01:04:06)

Yeah. Look at me. So there's got to be a motivator beyond just strictly finance, right. And I think that's where an alignment to the purpose of the organization becomes key. And all I can talk from is from my organization, because that's the perspective I have. We're not guided by the return. It's nice, but that's secondary. Our organization, it's a very easy story to tell, we build critical infrastructure for communities. So when you see what happened to Flint, when you see what happened to Jackson, when you look at the Pennsylvania bridge that just collapsed, those are key events in society that are disrupting communities. And our organization has an ability to be very influential in ensuring one, that those communities recover quickly. So we're the design firm that rebuilt the Penn bridge in 11 months. So that's an awesome story to tell.

We're also very key and instrumental in ensuring that the projects that we undergo are not creating the next Flint. So we're very cautious and purposeful about the decisions we make, because we're very cognitive that to build a legacy firm that's well known, not just by the client space but by the public space, we have an additional onus to do good work. And I think that higher calling and purposeful work is what allows us to be successful as an ESOP. I think most of our employees, if you were to ask any one of them, the value of working in our organization is that commitment to building a future society. It sounds corny, I feel weird saying it, but at the end of the day, I think everyone is committed to ensure that we leave society in a better place than it is today.

And when you can rally a group of people behind a mission, whatever that mission is, so that's ours. Each organization needs to find, what is that higher-calling purpose? Because that's what people are going to center around. That's what they're going to want to take ownership in, and that's what they're going to want to help build. At the end of the day, I don't want to have a lot of money, I want to look at things that we did out in the community and say, "That community is better off because our firm engaged here. And we had key people helping build infrastructure that's going to be relied on for generations to come." That's huge.

And I think the more... I'm not sure the other firms that are considering ESOPs, the more they can dial into that calling, especially with this newer generation, I think their motivators are different, right? They don't want cars. They're very idealistic. They want transit, they want dense communities. They want to leave behind something greater, which is different than our generation, right? So the more that they can tie into that purpose, I think they can build that critical mass to have a successful employee-owned venture. Does that get to the-

Joseph Kiraten (01:07:27)

the mission, yeah.

Jerome Brown (01:07:27)

Yep.

Maureen Conway (01:07:32)

Yeah, great. Anna-Lisa? Oh, can we get a microphone up here?

Jerome Brown (01:07:37)

I swear HDR is not like Jones Camp. I'm here of my own free volition.

Anna-Lisa Miller (01:07:42)

No, I actually just would love to hear a little bit more about how you guys bring your mission, purpose, and values to life with employees when they join. What are the reinforcing mechanisms that you use? Because a lot of times companies want to get straight to, "Employees are thinking and acting like owners." And we try to say, "You've got to focus on engagement, and you have to align people around a common vision and purpose." But not a lot of companies do that. So how are you actually reinforcing that in the day-to-day of the job?

Jerome Brown (01:08:16)

Okay. So I say we're not Jones Camp, but we have these conferences where we fly everybody into Omaha. And in all seriousness, it's funny, we all participate in the same organizations. And one of our competitors, we were talking about, "Oh, our business-group conference is coming up. We're going to fly a thousand people into Omaha and talk about the great work we do, and how that work connects to communities, and how the project team felt after delivering the work." So those are most of the experiential stories that we tell at these conferences.

But they're expensive, right. So you're renting out the entire Omaha Convention Center, you're bringing in thousands of employees for three or four days. They give up their weekend. They're working adults, they're willing to share a room, so that's how we keep our costs down. Different models with private firms wouldn't do that, you get your own room. You can have your own room, but you're going to pay half of your room. So those are things we structure around it, and they're all committed and they all come. We tell those stories. We have six business groups, so we do that every year, we do two of these conferences.

And I was sharing with one of our competitors that, "Oh, I'm about to fly out to Omaha next week for this conference." And they go, "Why would you guys still do that? What a colossal waste of money." And I said, I see where you're coming from because it is expensive, and there's no tangible direct result from that investment." But when you ask about how you communicate that story, and how you get the employees to understand what we're building and what the greater commitment is, being among those global practitioners... because we're finding people in from the UK, from the Middle East, from Australia. It's a global conference where we're sharing new technologies, new ways to deliver work, new ways to engage our clients successfully. And they go back and they share those stories, and now they've built these networks and community.

And we call it filling our tank, because consulting is tough, you get burned out. But you go to these conferences, I go on E and I come back on F. And I'm like, "Oh, that was great." By the time I'm on E again, there's another conference and now I'm on F again. And I think you could look at it and say, "That is a waste of money. That's bottom-line dollars that could go to revenue, and why can't you just do it virtual? Why do you need to bring all these people together?" There's something intangible in having that human connectivity. And for us, I don't see us ever deviating from that. You could say, "You add it to the bottom line and you can get an extra four or 5% on your return." And I think most of our leadership would say, "Knock yourself out in your own company. That's not how we transition our values and maintain who we are as a firm."

So those types of things that we do. And then there's continual... we do CEO quarterly updates, where most of his stories are aligned with how we're impacting communities, and the results are amazing. If I have a couple minutes, we recently started... Well not recently, it was 2013. Our CEO said, "Hey, we think we have a lot of critical mass of people wanting to engage deeper in the communities. Let's start an employee foundation. We're not going to give any money to it corporately, it'll only be funded by whatever they're willing to contribute. And they can pick the projects that it goes to, but it has to be in our core values, so healthcare, education, or environment. But they could pick the project, and they submit. And we'll give money, but only as much as they give."

So we started a day of giving, and the first year we did, I think we made a half-million dollars and we were only like 7,000 employees at the time. So fast-forward to our most recent cycle, it's in March, I think we... 1.8 million in one day from employees.

Maureen Conway (01:12:05)

Wow.

Jerome Brown (01:12:08)

It's their own money. This is stuff that they just give it to the company and say, "We want to be known for what we do in our local communities." That's an amazing culture. And I think that culture only happens through the model and similar models that we've been able to build, right.

Maureen Conway (01:12:28)

Yeah, great. Wonderful. Well, I want to thank the panel, this has been a really fascinating conversation. And I'm just going to say a couple of words now as we close out our day and then welcome Joseph to say some final remarks. And I particularly appreciate your story of that final remarks, of bringing everybody together from around the world to that personal connection, and how important that is. Because I feel like I've heard that echoed so many times in talking with people today. About Paige mentioning how good it is to have not just academics, but practitioners, and advocates, and other experts together to really inform each other's thinking. And it's just been great to see how much buzz there's been in people connecting with each other, and meeting new people, and getting and exchanging new ideas. And I really do agree that that bringing people together in person has been really valuable.

So that's my way of saying thank you all so much for your full-on participation in the Employee Ownership Ideas Forum. It has been really wonderful. I feel energized by it and feel like I've gotten a lot out of it. And so I just really wanted to thank you very much for all your participation and for all the work you do in this space. And I hope you'll continue to share your ideas with us, to be in touch. And I just again, want to thank the Aspen team, the Rutgers team, thank Joseph for his partnership. It's really been wonderful working together, and look forward to welcome you all downstairs for a glass of wine. So thank you all so much, and Joseph, let me turn it over to you to close this out.

Joseph Blasi (01:14:16)

So I'll just take a minute. And obviously we are just delighted that all of you participated here in person and in livestream. This has been a wonderful cooperative project by Aspen and Rutgers, and a team of 10 worked so hard on this and we thank each of them. And my personal partnership with Maureen has been a great joy. We've learned so much together and we've been able to build something really, I think, important. I'll just make just a few comments. Do you hear that quiet wave? Because listen, you're sitting here, but Aspen has social-media people in the back, Rutgers has social-media people back in New Brunswick retweeting things and doing stuff on Facebook. These videos and sound bites are being packaged, and repackaged, and sent out. That's a quiet wave of what Margot talked about, of what ideas that we are talking about here going out.

So we hope that wave will continue and increase as we move towards doing this again. I think that it does not happen that you get members of Congress and think tank people who haven't heard about this idea. And excited members of Congress, and hundreds of people listening to these interactions between academics and thought leaders across different organizations. Informed by, in our case, the Rutgers Institute has 200 fellows producing research for 15 years, and we're just appointing another 30 this year. We'll have more new muffins next year, and Aspen's infrastructure will be bigger, and stronger, and even more thoughtful. And bringing this to the center of power here in Washington is something that was really important for us to do. So I just want to thank everybody for participating, and enjoy your wine, and God bless.