



# Centering Equity: The Employee Ownership Expansion Network and the North Carolina Employee Ownership Center

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## Overview

The disparity in wealth in the United States between the richest 10% of households and the next 90% is the largest measured among members of the Organization for Economic Cooperation and Development. Eighty percent of all personal wealth belongs to the top tenth of households. Conversely, American households in the bottom 40% of the distribution have, on average, negative wealth, with debts outweighing assets, a [rare phenomenon](#) among highly developed nations.<sup>1</sup> Wealth also varies dramatically by race. The median white family has \$184,000 in assets. For the median Black or Latino family, though, the figure falls to \$23,000 and \$38,000, respectively. The gap between Black and white households is markedly wider among the least wealthy. A white family sitting at the [25th percentile](#) holds assets worth \$36,000, whereas the equivalent Black family owns \$400 in wealth, relative to the wealth distribution of each demographic.<sup>2</sup>

Amid [heightened public sentiment](#) that inequality is a pressing issue and that businesses should treat workers better, employee ownership (EO) has gained attention as a tool for rebalancing the economy and ensuring workers share in the nation's prosperity.<sup>3</sup> EO involves workers at all levels owning shares in a company or the right to the value of the shares. It takes a variety of forms, including employee stock ownership plans (ESOPs), worker cooperatives, employee ownership trusts, and equity compensation plans.

Employee ownership can help the South transition to a more equitable economy, wrote labor and race scholars Cynthia Hewitt and Kyle Moore, in [a report](#) published by Morehouse College. In the region — and nationwide — they observed, “members of the Black community ... have constantly navigated the work world under terms set by the dominant group which has structured ownership.”<sup>4</sup> Because wealth is a creator and condition of labor market disadvantage, broadening the base of business ownership to include employees, particularly [women and people of color](#), grants a measure of economic freedom long denied.<sup>5</sup> “Wealth gives a person options,” state Hewitt and Moore. “It is on the basis of the cushion of wealth that a person or family can pivot and work to overcome challenges or access opportunity.”<sup>6</sup>

The [North Carolina Employee Ownership Center](#) (NCEOC) takes an affirmative approach to incorporating equity into its mission to expand EO. It also stands as an example of the importance of the Employee Ownership Expansion Network (EOX). The North Carolina center's genesis was part of EOX's mission to establish a national network of state centers. Together, NCEOC and EOX demonstrate the vital role state centers play in linking diverse local actors, connecting local efforts with the national EO movement, and ensuring responsiveness to a state's unique social and economic conditions.

This profile of NCEOC and EOX provides an overview of ongoing efforts to build infrastructure supporting the adoption of EO. Focus is given to the strength of the North Carolina approach in centering racial equity, which may provide guidance for EO work in other states. Philanthropic investors and others interested in addressing the racial wealth gap may also gain insights about how EO can advance their goals.

This profile derives from interviews, completed in November and December 2023, with EOX Executive Director Steve Storkan, NCEOC Founder and Board of Directors Vice Chair Anne-Claire Broughton, NCEOC Executive Director Lauren Tudor, and NCEOC Regional Director Luke Hoffman. Secondary source research also contributed to the development of this profile.

## The Employee Ownership Expansion Network (EOX)

EOX traces its origins to an observation by the [National Center for Employee Ownership](#) (NCEO): the states with the oldest employee ownership centers, Vermont and Ohio, boasted the highest per capita number of ESOPs. This observation led to a national push to start up new centers, focused on outreach and education, in states that lacked them. The first new center formed with the assistance of NCEO was the Pennsylvania Center for Employee Ownership (stylized PaCEO). Under the PaCEO model, state centers serve to increase awareness of EO, and they help coordinate and develop resources to support the conversion of businesses to EO. An owner considering selling her business could, for instance, contact a state center to be connected to the appropriate specialist for a feasibility study or be connected to another business owner who had already made the transition to employee ownership. If the owner later decides to move forward, a state center can guide the owner to the necessary advisor for crafting an EO succession plan.

The state center initiative within NCEO eventually spun off into an independent organization, [EOX](#), which adopted the PaCEO model as the standard template for new centers. However, EOX and NCEO recently formed a partnership, named the NCEOX Initiative, with NCEO providing resources and some administrative support. Together, the organizations launched the NCEOX Inclusivity Fund to promote and facilitate EO conversion for women- and minority-owned businesses and to provide ongoing assistance to employee owners of color.

Putting together an effective state center is a collective endeavor, and, so long as a state has some “boots on the ground” — committed champions for EO — EOX can start a new center. “But,” emphasized EOX Executive Director Steve Storkan, “the key to a state center being opened is having that ambassador.” Once a committed state team is in place, EOX provides technical and financial assistance to start the center, which is typically organized as a 501(c)(3) nonprofit. EOX also provides tools to help with marketing and outreach and serves on the new center’s board of directors during the startup phase.

EOX and state centers are small, so partnering with allied organizations, like NCEO, is key. Project Equity, for example, has helped EOX with [data and communications resources](#) to help with outreach to retiring business owners. For example, EOX and [Employee-Owned S Corporations of America](#), a membership association representing closely held EO companies, organized a roundtable in Alabama, an EOX expansion target, focused on ESOPs in federal contracting. Finally, [Apis & Heritage](#), a social impact private equity firm focused on converting businesses with majority-minority workforces to EO, has also begun to work closely with EOX. The partnership is meant to channel promising businesses for EO conversion from state centers to Apis & Heritage.

Early on, Storkan learned that “you can't get anybody's attention unless you've done something,” and he has the numbers to prove it. EOX measures its effectiveness by the number of businesses that are engaged in considering EO. Between 2020 and 2023, the 13 centers affiliated with EOX — out of 21 total state EO centers — spoke with 1,310 partner organizations and gave 185 presentations, reaching a total of 5,065 attendees, including business owners, economic developers, and business advisors. Racial and gender equity matters greatly to EOX. Since the organization began tracking demographic data, in 2021, the number of women attendees at EOX’s presentations doubled, and the number of minority attendees increased by nearly 70%. EOX-affiliated centers have also directly engaged businesses, providing 309 with resources, education, and consultations.

## The North Carolina Employee Ownership Center

An NCEO conference in 2014 alerted Anne-Claire Broughton, a longtime North Carolina resident, to the impending silver tsunami and the promise of state-level EO centers. Broughton, who had worked with [SJF Ventures](#), an impact investor, was already thinking about how EO and open book management could build wealth and empower frontline workers. But she also understood that, to start an EO center, she needed to forge relationships across North Carolina. So, Broughton joined with other EO “evangelists” and traveled the state, speaking to chambers of commerce and community organizations, spreading the good word.

In addition to Broughton, who would go on to serve as vice chair of NCEOC’s board of directors, the steering committee that formed NCEOC included Patrick McHugh, then of the [NC Budget & Tax Center](#) and author of a [report on EO](#), as well as representatives from [Carolina Common Enterprise](#) and state and local government. While the North Carolina EO group coalesced, EOX was also taking shape. EOX’s founder had identified North Carolina as ripe for a center because of its assortment of EO firms and strong advocacy movement. In 2019, EOX and the Democracy at Work Institute, along with the city of Durham, provided the funding package that established NCEOC. The Industrial Commons, a Western Carolina-based organization supporting social enterprises, joined the effort soon after.

NCEOC’s founders adopted some aspects of the PaCEO model, such as a focus on education and outreach, while customizing other aspects to better fit the characteristics of the Tar Heel State’s economy. “We have a lot of small businesses, similar to [Vermont](#),” observed Broughton, but the Pennsylvania model was “very focused on ESOPs.” [A survey](#) of minority and women business owners in Charlotte, for instance, found that only 1 in 10 firms met the earnings threshold for ESOP conversion viability.<sup>7</sup> “We knew there were going to be a lot of co-ops, as well as ESOPs,” said Broughton, so NCEOC tailored its operations to fit that expectation.

## The Context for EO and Racial Equity in North Carolina

One of the fastest growing states in the country, with a diversified economy, North Carolina counted almost 11 million residents in 2023. Eleven percent of residents are Latino, and 22% are Black.<sup>8</sup> The state's poverty rate is 13%, higher than the national average.<sup>9</sup> Nearly all North Carolina businesses are small businesses, and they provide just under half of the state's jobs. Small businesses reinvest in their communities relatively more than those under outside ownership. However, half of employing businesses are owned by baby boomers, setting the stage for a dramatic reshaping of the ownership landscape as they retire.<sup>10</sup>

NCEOC has “put a diversity lens on everything that they do,” stated Storkan. NCEOC built on equity-focused EO programs that predated the Center's establishment, including Durham's Shared Equity in Economic Development (SEED) program, a minority-owned business retention program, sponsored by the National League of Cities and the Democracy at Work Institute. La-Tasha Best-Gaddy, a SEED Program participant, then with the Small Business Technology Development Center, also served as a founding NCEOC board member. Best-Gaddy helped NCEOC receive early funding from the city of Durham to work with legacy Black-owned businesses on EO succession planning. The center's deliberate approach, which includes partnerships with Black and Latino chambers of commerce, as well as a dedicated focus on language equity through translation services, is such that it has become a model, according to Storkan. “It's definitely set the bar and set the trajectory of what other state centers do.”

NCEOC's prioritization of racial equity and founding in Durham recalls the history of Piedmont city's “Black Wall Street,” the strength of which earned it visits from — and united in praise — the oft-dueling Black leaders Booker T. Washington and W.E.B. Du Bois.<sup>11</sup> The cooperative nature of Black Durhamites' post-Reconstruction entrepreneurial success was notable, remarked Du Bois.<sup>12</sup> Durham's tapestry of Black-owned finance, manufacturing, and retail firms was the result of what Du Bois termed a “group economy,” in which individuals of modest means, facing intense segregation and discrimination, invested their money in the “upbuilding” of Black enterprise and society.<sup>13</sup>

But in North Carolina, today, as in the US, the demographics of business ownership are unrepresentative of the workforce.<sup>14</sup> Black residents in Charlotte, one of the nation's fastest-growing cities and the state's largest, have not shared in its economic boom.<sup>15</sup> Researchers from the University of North Carolina at Charlotte noted that, in 2014, a team of economists, including Raj Chetty, found that Charlotte had the lowest upward economic mobility among the 50 largest cities in the US.<sup>16</sup> Conventionally owned Black businesses are few in number and tend to be small. Nationwide, just over 2% of employer businesses — those that have employees — are Black owned. In the Charlotte metropolitan area, the figure is 4%, employing 21,000 people. A quarter of businesses would need to be Black owned — and would need to employ 363,000 workers — to reach parity with the Black share of the city's population, according to an analysis by the Brookings Institution.<sup>17</sup>

Inequalities in business ownership remain glaring in North Carolina, economic researcher Patrick McHugh found in his report on EOs' potential benefits, published by the NC Budget & Tax Center. However, data indicate that, today, most young business purchasers are nonwhite. Encouraging EO conversion can accelerate the transition to more representative ownership.<sup>18</sup> Moreover, EO democratizes the ability to become a business owner. As McHugh laid out, “converting existing companies into employee-owned enterprises can help empower historically marginalized communities and families.” This gives “more people and families the opportunity to take ownership over their economic destiny.”<sup>19</sup>

## NCEOC Operations and Partnerships

NCEOC primarily focuses on raising awareness about EO and establishing connections between businesses and practitioners. It grounds its work in an understanding of the diversity of North Carolina's communities.

NCEOC positions itself as a hub for educating the public, especially business owners and service providers, about EO. Telling the stories of businesses that completed conversion is central to NCEOC's communications strategy. “When we do presentations, whether it's through a small business center or a chamber of commerce, bringing on a representative or an owner from an employee-owned company makes a huge difference, because I think trust takes a long time to build,” stated Luke Hoffman, NCEOC's regional director for the Triad. The Center also records video testimonials of businesses that have converted to various forms of EO. NCEOC gives quarterly webinars on

ownership with the state's network of Small Business Centers, helping regularly engage a key segment of its target audience. It has also presented at annual meetings of the state's Small Business Technology Development Centers, which work with very small businesses.

NCEOC connects owners interested in EO conversion to the “ecosystem of services that wrap around the customer” to facilitate a conversion, explained NCEOC Executive Director Lauren Tudor. “Oftentimes, we get individuals who have very little reference point as to how one even gets started in their journey to conversion.” In such cases, NCEOC position itself as “a compass.” The Center will host a discovery call with the inquiring owner to gauge the business's history and current conditions. Doing so helps the Center better grasp what form of EO may best be suited to the business and tailor the approach taken.

Anchoring EO in the interests of communities is central to NCEOC's work. Relationships with individuals and organizations in Durham, including political leaders and The Greater Durham Black Chamber of Commerce, helped connect EO to local economic and community development goals. And as the Center expanded its work to Winston-Salem, with assistance from the city's community foundation, it hired Hoffman to manage NCEOC's work in the Triad region, encompassing Winston-Salem, Greensboro, and High Point. When working to expand NCEOC's reach in Forsyth County, the Center joined several local chambers of commerce, including those that serve the Black business community in Winston-Salem, the county seat. “We need to have hyper-local and hyper-close relationships by demographic and geographic area across North Carolina,” Tudor emphasized. “People want to see us at their grocery store shopping alongside them, and trust develops there.” Broughton echoed the sentiment. “My advice is to reach out to your Black and Latino chambers of commerce to really have a seat at the table” and embed equity work in local business ecosystems.

Educating business leaders, advisors, and economic developers to be champions for EO expands NCEOC's reach. The champions, who can speak fluently with clients on EO, will have an “exponential” effect over time, explained Hoffman. This ambassador model, added Broughton, “is now going to be brought to some other states based on what we've developed here under Luke's leadership.”

NCEOC joined with researchers from the University of North Carolina to develop a priority business index that helps the Center incorporate equity into its outreach and education work. Businesses are placed on the list if they have more than 50 employees, workforces that are majority people of color, and leaders at retirement age. NCEOC was the first state center to take on this work, and Broughton pointed out the crucial role

that the index plays in allowing NCEOC to reach larger North Carolina businesses. “Most often we see the smaller businesses,” said Broughton, “and we have many services for them, and we’ve helped them. We actually have had less access to the larger ones. So that’s why we’ve made an investment to find them, because we want to serve both.” The list also aids the work of Apis & Heritage Capital Partners, a social impact private equity firm and partner of EOX and NCEOC that is focused on using EO to build wealth for marginalized communities. With data in hand, Apis & Heritage can orient its acquisition and conversion efforts toward businesses in North Carolina with workforces that are majority people of color.

The metrics NCEOC uses to measure performance reflect its tight focus on education and outreach. This means tracking the number of — and attendance at — presentations made to economic developers, small business advisors, and chambers of commerce. NCEOC accords particular attention to the number of diverse candidates added to the pool of owners considering EO. Beyond business contacts, NCEOC prioritizes raising awareness of EO among philanthropic organizations. To do so, said Tudor, the Center “compassionately shares” the stories of those pursuing EO with funders who may be inclined to invest in EO expansion. “A lot of funders have workforce development or economic development as one of their focus areas,” remarked Tudor. “I would give them the call to action to really pursue the benefits that employee ownership offers, especially when filtered through a nonprofit like ours.”

## Success Story | ShopBot Tools

ShopBot Tools, a Durham company that manufactures computer-aided machining tools, converted to employee ownership in 2021. Employing 35 workers at the time, ShopBot converted to an employee ownership trust (EOT) — the first EOT in North Carolina. The EOT places the company’s shares into a perpetual trust dedicated to the benefit of the employees.

It took a village to set up ShopBot’s EOT. Ted Hall, ShopBot’s founder, learned about EOTs from Chris Michael, of EOT Advisors, at an NCEO conference. Bill Kaluza, of Fahrenheit Advisors, helped structure the transition. Hall also worked with Broughton, in her capacity as a business consultant, to devise an education program on ownership culture for employees. The program built on existing employee involvement structures present at the manufacturer, including open-book management, for which Broughton had previously served as a consultant.

Sources: [EOT Advisors](#); [ShopBot Tools](#)



## What's Next for NCEOC

NCEOC plans to continue to build out its work and relationships throughout the state. Part of this includes continuing to grow the ambassador program. But NCEOC also has its eyes on state policy. NCEOC has begun outreach to the North Carolina General Assembly to educate members about the role and benefits of EO, with the goal of earning EO a place in the state's economic development strategy. Representatives from the Center discussed with legislators some financial measures that could increase uptake of EO, including tax credits and a loan fund to support feasibility studies and conversions. And although conversations have not yet translated into legislation, Hoffman pointed to the successful passage of EO legislation in states like Washington, Colorado, and California as a model for what is possible for North Carolina.

## Conclusion

EOX and state centers are essential infrastructure for supporting EO. They bring together diverse stakeholders, including local chambers of commerce, financial institutions, technical assistance providers, and, of course, business owners. Establishing relationships among allied organizations is fundamental for aligning resources and efforts to support the growth of broad-based ownership in the US. But advancing equity through EO requires an intentional approach, as exemplified by EOX and NCEOC. These organizations' articulation of equity goals and a set of metrics to track progress toward those goals highlight the promise that many hope the effort to grow EO will realize.

Efforts to advance ownership are at a critical moment. Progress made this decade will be pivotal in determining whether the US meaningfully expands EO. Policymakers and philanthropic investors should do more to invest in the startup, development, and sustainability of state centers to help build on the current momentum. These investments should also encourage centers to consider how race and gender equity fits into this work while providing centers the flexibility they need to adapt and respond to their unique context.

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