

**Employee-owned firms and Support Organizations:
Are we there yet?**

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I. Issues

The scope, nature and effects of support organizations (SOs) for two forms of employee-owned firms (EOFs), producer (worker) cooperatives(PCs) and U.S ESOPs.

- . Do SOs matter? For sectoral performance
- . Are there preferred SOs for PCs and firms with ESOPs? Do these preferred arrangements differ?

II. Motivations

- . Empirically. Across types of EOFs we observe heterogeneity in SO configurations; is this always efficient design?
- . For PCs, key role strong SO infrastructure. Theoretical and empirical evidence why this is so.
- . Not much work on the role of SOs for EOFs that are not PCs
- . If SO design for US EOFs is inefficient, is this a contributory factor in flat-lining of growth of EO sector?
(Realize will be distinctly secondary to financing issues; but is it irrelevant?)

III. Conceptual Frameworks

(1) Need for **strong SOs**..

- . originally theory for PCs . Overcome hostile environment Vanek; Smith;
Point to Mondragon as supportive evidence
- . Apply on a more limited basis to US EOFs?
need specialized institutions providing a range of targeted services .
More efficient if were more services than currently and one-stop-shopping?
Also SO might encourage networking between EOFs?

(2) Need SO that has more **limited purpose**, more trade association than SO

EOFs have need for flexibility ; prefer informal learning, peer learning rather than paid programs?

IV. Inventory of SOs for EOFs and a Typology based on the functions of SOs

- (1) Develop **list** of “SOs” for US ESOPs; is a long and growing list

- (2) Develop a **typology** of SOs for PCs and US ESOPs based on range services offered; 4 categories
 - . When typology applied to PCs, many are maximalist (top category); provide slew of services
 - . When applied to US ESOPs, mainly via website searches, none are maximalist, most are moderate
 - . For **individual SOs**: no services offered in areas such as enabling/encouraging vertical and horizontal coordination,
 - promoting financial links among EOFs, no risk sharing, little help with the entry of new firms
 - . only informal links **among and between SOs**
 - . Not many services provided from **Govt agencies** either

V. Evidence: Is there a Relationship Between SOs and Outcomes?

- . For PCs, yes. Strong SOs is a model that has and continues to work.
- . For US EOFs difficult to identify links between performance and SOs; data are weak
 - Conjecture: While the major cause of the stalling in the growth of the US EOF sector is inadequate financing structures, both for initial conversions to ESOPs as well as on-going costs to sustain the ESOP, there may be **at least a modest role for inappropriate architecture in the design of SOs**. This acts as a drag on growth. Even though, # SOs has grown, growth of EOFs has stalled
 - . suggest some potential inefficiencies in design...e.g. duplication; insufficient coordination

VI. Conclusions, Implications

1. I raise and investigate in preliminary way the question of the role and effects of SOs for EOFs
2. Develop a simple typology for U.S. SOs.
3. I interpret descriptive information on actual U.S. SOs; conclude that U.S. EOFs are probably faced by SOs with limited institutional capacity; mismatch between needs of EOFs and the SOs serving them.
 - . Most SOs supporting US EOFs have limited functions
 - . The number of and links between US SOs also appears to be not well designed.
4. Some modest suggestions for changes
 - . in configuration of SO sector
 - . In role government bodies
- 5 Caveats.... work in progress, preliminary, use incomplete empirical data....
6. Next Steps
 - . Need enhance database of SOs. Both list of SOs and functions. **PLEASE, FEEDBACK**
 - . Better knowledge of **what SOs do in practice** is also needed.
 - Interviews** with key players from these institutions;
Most useful, however, might be **surveys and additional structured interviews** of SOs
 - . In parallel, **survey of a random sample of existing EOFs** to generate harder data on what firms see
 - as the strengths and gaps in available services provided by private and government bodies