

South Mountain Company: Lessons from an Employee Owned Cooperative

One way companies can reap the benefits of a highly engaged and motivated workforce is by organizing as a cooperative, defined as a business legally owned and democratically controlled by a group of individuals for their mutual benefit.

John Abrams, a founding owner of the South Mountain Company, a design, building, and renewable energy firm in Martha's Vineyard, MA, thinks that employee owned cooperatives will increasingly become organizational structures of choice. At South Mountain, 31 employees with an average tenure of 12 years are owners or are on a path to ownership. According to Abrams, the cooperative structure was selected over other comparable forms such as an ESOP because the company was too small for an ESOP and also because they wanted "a highly democratic and welcoming structure."

Abrams says that his firm's organization as a coop is largely responsible for its success, a strength that's driven by its very committed and stable workforce. "Our small size and the personal attention we can give to clients and each other is part of what makes us who we are," he says.

The employee-owners at South Mountain are responsible for policy making but not management of the company. Firm revenues are divided into salaries, profit sharing, and equity shares, with 10% set aside for mostly local charitable contributions. The company has committed itself to providing low-cost services and more affordable housing in a community where housing prices are 96% higher than the national average, according to a Martha's Vineyard Commission report from 2007. One star project called Jenney Way, completed in 2008, is the first LEED platinum, single family affordable housing project in the U.S.

A year ago, after the economic collapse caused a wave of project cancellations, Abrams feared that the company's thirty-year legacy of no layoffs would be reversed. As a company of owners, the team decided on a tiered set of approaches to avoid cutting jobs: rolling furloughs, reduced hours and reduced wages. Combining this with expanded horizons (the firm reversed a long

standing decision not to accept work off the island) has kept the company relatively intact and prosperous.

Abrams believes that worker owned cooperatives, such as the widely hailed Evergreen Cooperatives in Cleveland, are becoming more popular. “Hopefully we won’t think about it as anything exceptional in a few years,” he said.

More information on South Mountain is available in Abrams’ newly updated book, Companies We Keep: Employee Ownership and the Business of Community and Place.

KEY TAKEAWAYS:

Organizing as a cooperative can be a means for smaller businesses to implement employee engagement and broad-based ownership

