

# Employee Ownership Measures Up with Social Accounting Triple Bottom Line Reporting at The Antioch Company

*Chandra Attiken and Karen Thomas*

Like every other business, The Antioch Company keeps a close eye on the bottom line. But they also track sustainability measures for their business, or what's often called the "triple bottom line," an approach which measures the impact of business culture, policies and practices on people, the planet and profits. YSI's first Triple Bottom Line Report was published in 2006. As company president, Lee Morgan, explained, "I believe that within the concepts of sustainable business lies our next growth opportunity as a company.

"Sustainability is about recognizing that there is a relationship between our financial, social and environmental assets. To favor one at the expense of others is shortsighted and potentially self-destructive. It's about practices that can be sustained over an indefinite period of time – doing business in a way that is conscious of resources, communities and how support systems can spell success for businesses, communities and individuals."

Sustainability, the meeting of human needs for today and tomorrow, has been the company's purpose since its founding eighty years ago as a community of work infused with an entrepreneurial spirit and Quaker values. Headquartered in Yellow Springs, the company began in 1926 with Ernest Morgan, a work-study student at Antioch College, and a classmate who worked in the college printshop. The college encouraged entrepreneurial and social activism, providing space for student business startups that would benefit the community. Morgan and his classmate converted paper from the scrap barrel into decorative bookplates, working after hours on the school's press. With the help of his family and friends, Morgan continued the business after graduation as a way to put his social ideals into action.

Believing every employee has a stake in the performance of the company, Ernest established employee empowerment and profit sharing from the beginning and put two employee seats on the Board when the company formally incorporated in the late 1940s. In 1968, Ernest's son, Lee Morgan, headed up the firm and in 1979 created an employee stock ownership plan with 30% employee ownership. As part of the transition in leadership to Lee's daughter Asha, the company became 100% employee-owned in 2003.

Today, The Antioch Company has 1000 employee-owners working at five domestic locations. The largest division is Creative Memories with 80,000 sales consultants in 11 countries. Other divisions include Framers Supply, which produces commercial framing, and Antioch Publishing, the firm's legacy organization, which continues to make and sell bookmarks and bookplates. Only US employees can participate in the ESOP, but non-US employees are issued synthetic stock so they can participate in the risks and rewards of stock value appreciation.

## Values are the Framework

Ernest Morgan's dream was to develop a business that would be based on

equality, mutual responsibility and the dignity of people. "Profit is necessary," he wrote, "but it is only a condition of staying in business and not the purpose. The real function of a business is serving human needs."

Today, his vision is expressed through a Statement of Highest Purpose to "serve human needs by making a difference in the way people remember, celebrate and connect and to maintain a community of work that offers opportunities to prosper and inspires hope for the future." New employees complete a "Living Our Values" class which links their personal values with Antioch's four core values of integrity, enriching lives, valuing people, and providing opportunities. Individual efforts are aligned with company values through the company's system of performance management. The company's Code of Ethics is signed by every employee each year.

## Ethical Governance and Transparency

Antioch has a strong system of internal governance. The Board of Directors consists of two company officers, two employee-owner members, and up to six outside members. Four board-appointed committees include an Audit Committee, a Governance Committee, an ESOP Advisory Committee that oversees the ESOP, and a People Resource Committee that provides oversight of the firm's people-related systems and practices, including executive leadership and compensation.

Antioch provides full disclosure of financial results in an annual report and to employee-owners quarterly. Though not publicly traded, they meet most of the prevailing standards for public firms and exceed public standards in their social and environmental reporting.

Oversight of the firm's Code of Business Conduct for financial integrity, conflicts of interest, and confidential information is provided by the HR Team, which communicates the Code to all employee-owners and provides guidance on specific issues. People

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*The Management Council at The Antioch Company engages in a Team Building session.*

are expected to report ethical violations to HR or go directly to the Board for resolution.

Employees are involved in governance. Board meetings are open to all employees as observers. Employee directors are selected from the members of the Employee Owner Council, which is responsible for building an ownership culture and includes representatives from each U.S. location and appointees from HR, along with the ESOP trustee and the Board.

## People, the Planet and Profits

At Antioch, sustainability involves institutionalizing their values into everything they do as an entrepreneurial organization. They began their approach to social accounting by looking at what other businesses were doing and found a useful format for their initial efforts. This model has three sections for People, Planet and Profits.

### Bottom Line 1: People

Building social capital, often defined as the value created by a broad network of supportive human relationships, is important at Antioch. Their People Bottom Line looks at those systems and practices that increase social capital: governance (board structure, committees, ethics, transparency, employee owner council); human capital (diversity, performance management, people development, learning organization, training, people audits and surveys); and community involvement (charitable programs, community service and social justice education).

A diverse, collaborative workforce is a key to long-term sustainability. A Human Capital Report, prepared annually by the HR Team for the Board, provides a review of the firm's human capital assets, demographics, issues and recommendations. Antioch actively recruits minority candidates and promotes women into management. The HR Team audits and surveys the effectiveness of policies for health, safety, employee development, succession planning, profit sharing, incentives, employee assistance programs, hiring and exits.

People development and the formation of a learning organization are key business strategies.

Classes for new employees cover Antioch's culture, employee ownership and finance basics. Continuing education is encouraged with classes for leadership development, computer literacy, and the diversity program, "Towards a Culture of Respect." Further professional education is encouraged through team projects, community and professional organizations and tuition reimbursement. The Triple Bottom Line report (TBL) measures their internal fill rate, the percentage of position openings filled by existing employee-owners; the management fill rate; and an analysis of training hours.

Antioch believes that employee opportunities for community service build social capital, and so it supports a variety of community service efforts. The Board of Directors contributes a portion of profits with direction from an advisory board of community leaders from the company's domestic locations. Employees are paid for up to 16 community service hours per year; and in 2005 total volunteer hours exceeded 2,000. Antioch also sponsors a 15-week justice education course that explores poverty, racism, and environmentalism; 51 employees graduated in 2005.

### Bottom Line 2: The Planet

Antioch reports on three areas of safety, environment, and suppliers. They evaluate the safety of their operations glob-

ally through safety programs and committees at each location, voluntary OSHA programs, and safety training, tracking and measurement. To measure their environmental impact, Antioch measures energy use, recycling efforts, and landfill waste disposal for each operating unit, and it is developing a sustainability tracking system for all domestic facilities. Antioch assesses suppliers by integrating the international SA-8000 social accounting standards into their internal audit standards. Suppliers are routinely audited and only products and materials with a demonstrated compliance to these standards are purchased. In the future, Antioch suppliers worldwide will be expected to meet ISO 14001 standards for environmental compliance.

### Bottom Line 3: Profit

Two measures of financial sustainability that address the firm's overall investment in human capital are included in the TBL:

- Net Sales per full-time employee per year is a core employee productivity measure that assesses the organization's ability to optimize people, process and technology strategies.
- Net Operating Income reflects long-term gains in operational and human capital efficiencies to procure, manufacture, and distribute product to meet sales demands.

## Best Practices for Sustainability

As an employee-owned company, employee owners at Antioch have the opportunity to shape the future success of the business, supported by their equity in the ESOP. Therefore, management's job is to shape the environment where people work and to provide the resources, tools and support that people need for success.

Antioch's performance management system is the hub of everything they do, bringing people together for success, and serving as the "glue" aligning values with business goals. Antioch managers work in partnership with HR Team members to guide performance management and related systems into place.

The HR manager's role, though traditionally seen as transactional, has to be transformational in an ESOP. HR managers must have a passion for making a difference, mentoring others and making things happen.

People at Antioch believe that a strong community of work is built by meeting employees' needs, by offering employees opportunities to help those in need, and by encouraging the growth and vitality of the local communities where they work. Through this win-win process, the fabric of Antioch's culture is strengthened and employee-owners continue to share in a purpose beyond just work.

Antioch gained national recognition in 2004, when *Business Ethics Magazine* presented the firm with the Social Legacy Award for its 80-year commitment to the values established by the founder. Ernest Morgan would be proud.

*Chandra Attiken is the Vice-President of Human Resources, The Antioch Company. Karen Thomas is the Associate Director of the Ohio Employee Ownership Center and coordinates Ohio's Employee-Owned Network. Special thanks to the Nathan Cummings Foundation, the Ohio Labor-Management Cooperation program, Ohio Department of Development, and the Work in Northeast Ohio Council (WINOC) for the funding that made this study possible. Look for the next case study in this series about Great Workplaces, "Sustainability Reporting at YSI," in the next issue of Owners At Work. oaw*