

# Green Mountain Coffee

**G**reen Mountain Coffee (NASDAQ: GMCR) would have to rank high among publicly traded companies in its commitment to employee ownership. In 2002, the company borrowed \$2 million to fund an ESOP for its 500 employees, but it also has a stock purchase plan in which 45% of the employees participate and a stock option plan. There is a 15% discount on stock in the purchase, with the price based on the price on the first day or last day of the quarter in which the employee enrolls in the program, whichever is lower. In addition, all full-time employees who have been with the company for at least a year get 100 options as well as additional option grants based on merit. Managers also are heavily invested in company stock through options and stock purchases. At the beginning of this year, management owned just over 50% of the company, mostly through ownership by Green Mountain's founder and CEO, Robert Stiller. The company's 401(k) retirement plan, given the other ownership vehicles for employees, does not include company stock. The company matches employee contributions into the plan.

Recognizing that just providing stock is not enough, the company granted options to each employee who completed financial literacy training. That helps employees not only to make more effective decisions at work, but also plan better for their own financial futures.

Green Mountain is unusual in other ways. Included in its statement of core beliefs is a commitment to social responsibility, ethics, and making the company a destination workplace. Green Mountain specializes in selling Fair Trade, shade grown, certified organic coffees, and more conventional high-quality coffee offerings. In 2003, the Rainforest Alliance recognized the company with its highest honor, its Corporate Sustainable Standard-Setter Award. *Business Ethics* placed it eighth on its 2003 list of the "100 Best Corporate Citizens." Green Mountain supports a variety of environmental initiatives as well.

The company is also committed to its employees. Aside from ownership and retirement benefits, it provides life, medical, vision, and dental insurance, a prescription plan, tuition assistance, scholarships for employees' children, interest-free computer loans, wellness reimbursement, and a meditation room and on-site instructor. Each employee is also paid for 52 hours of community service per year and, of course, gets free coffee.

These commitments have not come at the expense of performance. *Forbes* has named Green Mountain one of the "200 Best Small Companies" for three years running, and its stock has gone up (adjusted for splits) more than 500% since 1996. Indeed, CEO Stiller says that the company's social commitment is a large part of why it has been so successful in differentiating the coffee in the marketplace and motivating employees by providing meaningful ways their work can create positive change.

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## Creating an Ownership Culture

Just sharing ownership, of course, is not enough. Companies also need to find ways to encourage people to think and act like owners. Green Mountain does this in two principal ways: open-book management and employee teams.

To teach people the numbers, Green Mountain has set up a business literacy program looking at such issues as critical numbers, strategies for making money, who the customers are, strategic planning, and how employees' day-to-day behaviors affect these performance results. (Critical numbers are those financial and other performance measures that are essential to the success of the company or a particular unit; they often do not come directly off financial statements.)

Every employee participates in the three-part program "Understanding Your Ownership in GMCR—Infinite

Possibilities." Each session is packed full of hands-on learning and opportunities to dream about the future of the company and each individual. Employees from throughout the company participated in train the trainer sessions and then instructed the courses. Quarterly town hall meetings are held at the corporate headquarters and in each regional office. Full financial information is shared with employees as well as significant metrics and stories.

Employee involvement works primarily through teams. Employee teams work at both functional levels within departments and cross-functionally in groups such as the environmental team. Stiller says that at the start participants are asked, "If this meeting meets everyone's expectations, then what will it accomplish?" Stiller believes that an organizational development tool called "appreciative inquiry," used throughout the company, keeps people focused on positive ways of working together.

A recent Appreciative Inquiry Summit tapped the collective wisdom of 150 employees, suppliers, customers, and other stakeholders. The summit explored profitable, sustainable growth and the development of leadership at every level. The four-day process yielded 17 different teams and covered a diverse set of topics, including "Spilling the Beans—Telling Our Story," employee development, organizational metrics, planning, and communications. People volunteered to participate on teams that represented their passions or areas of expertise. These and a number of ongoing organizational teams meet on a regular basis.

Green Mountain is one of a growing number of ESOP companies that takes a very integrated approach to employee motivation and involvement. Its strong corporate mission, financial education programs, team-based decision-making, multiple stock plans, and diverse benefits provide employees with a number of connection points to the company. It's a lot of effort, but one that seems to be paying off very well.

*Kathy Brooks at Green Mountain Coffee provided valuable input for this article.*