



A Yard and A Half Landscaping Cooperative

Introduction:

In January 2014, 11 worker-owners took over the operations of A Yard and A Half Landscaping, an organic landscaping company based in Waltham, Massachusetts. The company was founded in 1988 by Eileen Michaels. This cooperative ownership transition was a major milestone for the company. It represented the fulfillment of a vision that had been growing for five years, and that was carried out by owner and staff over the course of 12 months of sustained efforts. The conversion has equipped the company to carry on the vision of its founder and build the wealth of the employees for years to come, while rewarding Eileen's entrepreneurship and providing for her retirement.

In successfully completing the ownership transition, the cooperative has overcome

many key challenges that owners face in selling their business to their employees. These challenges include:

- Finding training materials culturally appropriate to the El Salvadorian worker-owners who compose the new cooperative
- Finding support professionals to assist in the transition
- Creating clear channels of communication between leadership and employees that are engaging and provide accurate information
- Disentangling the selling owner from the business

The conversion has also demonstrated two of the key benefits created by transitions to cooperative ownership. First, the owner and



the community are rewarded, because the owner's vision outlasts their actual possession of the business. Second, both the employees and the enterprise benefit from by empowering worker-owners at every level of the company. The success of this conversion also demonstrates the importance of culturally appropriate communication and participatory management practices in facilitating a smooth ownership transition.

Historical Overview

Since its inception in 1988, A Yard and A Half Landscaping has had two primary goals. The first is to deliver family and environmentally safe landscaping to the greater Boston area. These services include landscape design, hardscape installation (walls, driveways, etc.), and landscape maintenance. The second

goal is to provide a dignified workplace for employees. The hallmarks of this workplace included: women and Spanish-speaking immigrants at every level of the company, giving employees as much year-round work as possible, and wages and benefits as high as the market would allow.

A Yard and a Half Landscaping was the brainchild of Eileen Michaels, an MBA graduate who left her job in the management world in search of a different type of business venture. She launched the company in 1988 with one employee. When she sold the company at the end of 2013, it had grown to 20 year-round employees, with additional employees hired during the busy season. The business generated annual revenue in excess of \$2 million.

In 2009, Eileen began to think about selling the business and retiring. She was familiar with employee ownership through the work of John Abrams, founder and worker-owner at South Mountain Company, a worker cooperative architecture firm on Martha's Vineyard, Massachusetts. According to Carolyn Edsell-Vetter, now co-CEO of A Yard and A Half, Eileen, "felt very strongly that the employees helped her build the company to the size that it was, and that she and we had created something really special that could be put at risk to just somebody who had the money and wanted to buy a landscaping company."⁷⁴

Conversion Structure and Process

During 2009 and 2010, Eileen took two steps to begin the process of selling the company to her workers. First, she reached out for business conversion assistance. She found a firm to have the business valued and looked for lawyers accountants and cooperative developers to begin the conversion process. Finding these professionals was one of the most challenging aspects of the conversion. She eventually found a lawyer who had worked on cooperative conversions, as well as the Cooperative Development Institute, a New England based non-profit that develops new cooperative businesses and supports cooperative ownership transitions.

Second, she expanded the management team of A Yard and A Half Landscaping. In addition to herself and the office manager, she added three additional employees, including Carolyn Edsell-Vetter, a long-time employee and landscape designer, and Geovani Aguilar, the construction Projects Manager. Together, this five-person management team took over managing the company and governing its direction as an advisory board. This board voted on key decisions, and the individuals on it took over more and more day-to-day management tasks. Although Eileen retained the final say on key decisions, she listened to all sides and often accepted the majority opinion, even if she disagreed.

During 2005 and 2006 Eileen also instituted a system of participatory management, which engaged the workers more broadly in the business. The following were hallmarks of this system:

- Sharing the company's financial data at quarterly meetings
- Supporting workers in understanding the data and its link to their day-to-day work through financial education and accessible meeting facilitation
- Financial rewards for team managers who exceeded expectations on specific jobs
- Increasing worker participation in management projects

According to Eileen and others at A Yard and A Half, the adoption of participatory management improved workers' buy-in to the business prior to its sale, increased employee retention, and contributed to the financial success of the business as a whole. Especially successful was the engagement of employees in management tasks. One example was the re-design of the morning "circus" in which workers distribute themselves, tools, and materials to various trucks in preparation for leaving to the day's jobs. This traditionally inefficient process was redesigned by the workers to help them start their day efficiently, saving time and money. Other aspects of participatory management had unexpected outcomes. When financial rewards were given to

team leaders, they often re-distributed these across the crew, demonstrating the more team-oriented culture of the El Salvadorian immigrants, who compose most of the crews at A Yard and A Half.⁷⁵

In the fall of 2012, Eileen concluded that she would like to retire within 16 months. First, she informed the management team of her desire to sell the business to the employees, then she shared the news with the rest of the employees. Her announcement kicked off a year of planning and work, which culminated in the sale of the company in January 2014.

By the time Eileen made the announcement, the day-to-day management of the





business had almost completely transitioned from Eileen to the management team, who at first formed the core of the transition planning process. Neither the employees nor the owner wanted to see a major change in management while both the ownership and governance of the business were changing.

After holding several meetings to discuss the idea of forming a cooperative that would purchase the business, interested employees elected a steering committee. This steering committee represented the future cooperative in discussions with Eileen and made early decisions about the governance and management of the cooperative after the purchase of the business. The committee included Carolyn and Giovanni, as well as the maintenance manager, office manager, and a crew leader. Carolyn did the majority of the busi-

ness planning and coordination of the sale on behalf of the employees, checking in with the committee for advice and approval on major decisions. This steering committee eventually incorporated all of the potentially interested worker-owners in its meetings, and it was used as the founding board of the cooperative.

The transfer of A Yard and A Half Landscaping's assets to the newly formed A Yard and A Half Landscaping Cooperative Corporation took place on January 1, 2014. By the time of the transfer, 11 of the 20 eligible employees had purchased a \$7,000 membership share. In the previous year, the business had set up a payroll deduction system to help the employees save for their share. Some employees had secured small, outside loans to finance their share price. For the worker-owners, most of whom had been with the company for three



or more years, buying-in was seen as a “no-brainer” because of the quality of the workplace and the opportunity to become owners of the business. Of the nine employees who chose not to buy-in, almost all cited the inability to commit to the job for a number of years going forward due to various life circumstances. A few cited the financial investment as a barrier.⁷⁶

Overall, the worker-owners provided approximately 15 percent of the total purchase price of the business. The co-op received a loan and a line of credit from the Cooperative Fund of New England (CFNE), a Community Development Financial Institution. The line of credit was especially critical since landscaping businesses typically incur major expenses

in the early spring when there is little or no cash flow. Small donations and a significant five-year note from Eileen made up the rest of the purchase price. This financing was part of the loan agreement from CFNE, ensuring that the owner retained some “skin in the game.” In return for advancing the cooperative a portion of the purchase price, Eileen was guaranteed a non-voting seat on the board for three to five years. The cooperative also found this arrangement advantageous since it ensured continued access to Eileen’s industry expertise and knowledge of the business. Eileen based the purchase price on the 2009 valuation, discounted by 40 percent. After a brief and amicable negotiation between the steering committee and Eileen, the steering committee agreed to the price.

Decisions about the direction of the cooperative under formation and education of potential worker-owners, took place in meetings of all the employees. During these meetings, the first hour was usually dedicated to education. These trainings were usually led by Carolyn Edsell-Vetter, who had received a graduate degree in divinity prior to her time with A Yard and A Half. The steering committee conducted these trainings themselves because there were few local trainers, and they were unable to find cultural, linguistic, and educational level-appropriate cooperative training materials.

Upon the transition to a cooperative, the five-member steering committee, plus Eileen Michaels the former owner, became the board of the cooperative.

Current Status of the Cooperative

The interviews and documentation for this case study were gathered six months after the transition had taken place, and the current management structures remain very similar to those put in place prior to the conversion.

Day-to-day management of the cooperative is split between co-CEO's Carolyn Edsell-Vetter and Geovani Aguilar, with Carolyn taking responsibility for financial operations and Geovani for field operations. The remaining office staff is comprised of an office manager, a maintenance manager, and a shop manager. Field operations are split into two- and three-person teams, each of which has a team leader. The teams specialize in hard installations, soft installations, and maintenance.



The cooperative recently shifted its board structure from a six-person board to a board comprised of all the worker-owners, plus Eileen. This structure seemed to be the best solution for gaining input from all of the young cooperative's members and for clearly transferring information about the board's decisions to all owners.

Analysis

By all accounts, the transition to worker ownership at A Yard and A Half Landscaping has been a resounding success. The employees began operating the business at the start of 2014 and marked their first months by taking increased responsibility for the business. Interviewees reported a "great impact in a positive way."⁷⁷

"We're asking a lot from everybody. This is a crucial first year for us, and we are giving 110 percent in everything that we do. The environment, for members and non-members, is just great. It's amazing how you can see the differences; everybody just smiling and getting to work. Not that it doesn't get hard every now and then: it's work. Landscaping is hard work. It's a very warm, nice way of looking at things."⁷⁸

One example of the growing culture of ownership is demonstrated by the employees' response when some large equipment was stolen from the company early in 2014.

Employees rallied together during a time of year when they would not normally be working. They posted signs across the city asking for information and drove around the local neighborhoods looking for the machinery. Fortunately, the equipment was eventually returned to them via the local police department. The experience created a feeling of camaraderie, which helped the employees settle into their new role as owners.⁷⁹

Eileen and the new worker-owners can also celebrate a success of a relatively clean transfer of both ownership and management to the new cooperative. Because of Eileen's pre-planning, management passed very efficiently to a new set of general managers prior to the sale of the business. By setting up these structures before she left management, Eileen ensured that the managers had access to her knowledge and support. In addition she created a well-documented operations system, which is often the key to good management in cooperatives. The clear legal structure and good accounting practices at A Yard and A Half Landscaping also contributed to a relatively smooth transfer.

Eileen and the new worker-owners overcame a number of challenges to the successful transfer of the business. First, both the owner and employees reported feeling under-supported by the cooperative movement. Specifically, they found it difficult to find good



professionals in the Boston area to support their transition, both in terms of training and professional services. While they did eventually find the support of several high-quality lawyers, finding them was challenging. The employees also lacked for training resources that were culturally appropriate and in the language that most of the employees spoke. Carolyn Edsell-Vetter, who did much of the training, reports:

"I had to do this three-step process where I'd read something and get to where I, with my college education, could understand it and wrap my brain around it. Then I'd try to figure out how I would explain the concepts to somebody who had maybe an elementary school education. And then I'd translate that into Spanish."⁸⁰

Eileen also felt she lacked two key tools that would have made the process easier: (1) a clear process and timeline for the sale of the business and (2) better support to deal with the emotional challenges of a selling owner. According to Eileen, "The impacts on the owner are immense. It starts way back with letting go of something that you built. It's like tearing a Band-Aid off slowly. It's difficult and complex. It's something that you want, but it's difficult."⁸¹ To handle these challenges the cooperative and selling owner could have used "somebody who could have let us know ahead of time some of the things we'd be feeling... to prepare for the emotional stuff that was going to occur."⁸²

The transition of equipment leases also caused a challenge, as the new company needed to

assume the leases of trucks and other pieces of equipment, which created a second process of negotiations with the owner and leaseholders. These lease agreements should have been made prior to the sale of the company.

Internally, the cooperative faced the challenge of clearly communicating information and controlling rumors among its potential future members. At several points, employees came to believe unclear information about the future transition. Interviewees attributed this to the natural apprehension about the process, and unclear information communicated to the steering committee, which was then communicated to the larger group. This contributed to uncertainty and stress, although there was no significant derailment of the process. The cooperative expanded its board to include all of the current members, so that accurate information was more easily available to all employees. Since the co-op has clearly established a governance role for the board, the new structure does not slow down management decisions and allows for more input on major decisions by all worker-owners. During the transition, the cooperative communicated clear information by using more all-employee meetings rather than relying on chains of communication.

As the cooperative has progressed through its first year, it has been challenging to create

structures for accountability between the new co-CEOs and the board. Over the first year, the board has had to adapt to their new role as ultimate supervisor of the CEOs. This is a significant cultural shift in thinking, especially since the primary board advisor is one of the CEOs.

There have been some ongoing challenges created by the lack of employee engagement in the valuation and price negotiation for the business. To save money, Eileen based her sale price on the 2009 valuation and the cooperative did not pay for an independent assessment of that valuation, or thoroughly educate its members about what the valuation was based on. Though the cooperative expects to be able to repay all financing within five years given current cash flow, in hindsight some employees disagree with the value assigned to the business. This has continued to cause a low level of resentment in some members of the cooperative. While all interviewees reported these challenges as minor, it does point to the importance of all employees being able to understand the valuation and negotiation process, either before or after the negotiations conclude.

Despite these minor challenges, the transition of A Yard and A Half Landscaping to cooperative ownership was a relatively smooth process. It required extra effort on the part of all employees, management, and the owner, but

the results have been positive. Their process points to a few good practices in cooperative ownership transitions:

- Engage employees in participatory management of the business early in the process
- Structure a clear transfer of management responsibilities
- Explicit transfer of governance responsibilities from the previous owner to a board
- Engage cooperative development and legal support for both owner and employees early in the process
- Find or create culturally appropriate educational materials
- Communicate clearly to employees during the process through direct communication
- Ensure employees' engagement in the valuation of the cooperative

Conclusion:

While still in the relatively early stages, the cooperative ownership transition of A Yard and A Half Landscaping points to the capacity of this form of succession planning to meet the needs of business owners, employees, and the community. The owner receives

compensation for years of work in building the business and can see the business continue as an ongoing entity. They are able to see their values carried into the future of the business. The employees can keep their jobs and their work community while gaining a means to building wealth and more personal growth and development. The community can continue to use a high road employer in an industry not renowned for its labor practices. According to Eileen, the highest bidder in an open market sale for A Yard and A Half would have been a large regional or national landscaping firm, which would not have continued the employment practices of A Yard and A Half, or been committed to delivering the high quality, family-oriented, and environmentally safe services.

This case also highlights the need for greater formalized support for this form of cooperative creation. There is a need for more standardized processes, better support in training, and an accessible central directory of consulting and training resources for potential selling owners. While cooperative ownership transitions hold tremendous potential, they need more infrastructural support and well-targeted promotion from the cooperative community.