

THE VALUE OF TRANSITIONING A BUSINESS TO ITS EMPLOYEES

Determining the best course of action for your business transition can be hard. How do you know if the next owner will follow similar core values, have similar passions, and will carry on the brand successfully? Marion and Jesse Dunbar, founders of Happy Earth Cleaning Service LLC, wanted to ensure the business would remain environmentally conscious after their exit.

The Situation

Happy Earth Cleaning is based in Minneapolis, Minnesota. When the Dunbars decided they wanted to return to their home city of Seattle, they wanted to transition the business to owners who would share their same values. Jesse shares, “We didn’t want to close or sell to an investor, based on the way we wanted to grow the business, and the trust people have put into us.”

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COMPANY

Happy Earth Cleaning Service LLC

FOUNDED

2010 by Marion and Jesse Dunbar

NUMBER OF EMPLOYEES

Grew from 14 employees to 18 after the transition

EXIT OPTION UTILIZED

The company transitioned to employee ownership in the form of acooperative in 2019

WEBSITE

www.happyearthcleaning.com

The Goal

Marion and Jesse were eager to transition Happy Earth Cleaning to its employees. Jesse says, “We had some people who had been with us nearly 4 years at the time, and we wanted them to have the first chance to continue the business.”

The Strategy

Living Core Values

Core values impact the way a team works together, determine the culture of the organization, and embody the purpose and vision of the company. The Dunbars stressed the importance of Happy Earth's core values during their search for the next owners. Jesse shares, "We built the business on our values and wanted to sell to the team to keep the values alive. Failure to stick to them would have been bad business."

He continues, "Eco-friendliness, commitment to helping the broader community, as well as respect and trust among management and employees, were strong values at Happy Earth that led to us choosing to become employee-owned."

Strong Human Capital and Company Culture

Jesse explains that Human Capital has always been a major factor in the growth and success of the business.

He shares, "Since day one, our goal has been to provide a workplace that respects the employees and provides them with a place they can grow. Knowing the team has hands-on support after our departure gives us the confidence to know we are doing the right thing for the employees and ourselves."

In addition to the employees' knowledge about the industry and their successes, Jesse also notes that other potential buyers did not fit the company culture. He says, "We had preliminary conversations with potential new owners and none of them had the same focus on green initiatives or people which guided us to selling Happy Earth to the team. If you have a committed team that is interested in owning a business, take the next step and see if employee ownership is feasible for you!"

Structuring a Co-op and Implementing Business Training for New Employee Owners

In 2019, Happy Earth Cleaning reached out to Project Equity and the Neighborhood Development Center (NDC) to assist in the transition from LLC to a Cooperative business model. Team members interested in joining the co-op received business planning and finance training from Project Equity and NDC to prepare for becoming employee-owners.

{ Project Equity }

Who is Project Equity?

Project Equity is a national leader in the movement to harness employee ownership to maintain thriving local business communities, honor selling owners' legacies, and address income and wealth inequality. Headquartered in the San Francisco Bay Area, Project Equity works with partners around the country to raise awareness about employee ownership as an exit strategy for business owners, and as an important approach for increasing employee engagement and wellbeing. We also provide hands-on consulting and support to companies that want to transition to employee ownership, as well as to the new employee-owners to ensure that they, and their businesses, thrive after the transition.

Jesse shares, "Project Equity was able to help with the transition process, which meant we could keep our local business and jobs in place, and all the employees' hard work could be continued."

How was the Co-op Formed?

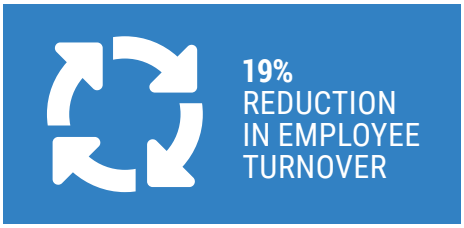
Happy Earth entered into the feasibility process with Project Equity with the help of a $5,000 grant from CTAP (Co-operative Technical Assistance Program). For the next nine months, Project Equity and Nexus worked with Jesse, Marion, and interested staff to transition the business into a worker-owned cooperative.

In addition to the support provided by Nexus and Project Equity, Happy Earth staff received business planning and finance 101 training from Neighborhood Development Center (NDC)—an organization that provides in-depth finance and business planning services for entrepreneurs and small businesses.

The sale was financed locally through Shared Capital Cooperative, a national CDFI loan fund that provides financing to cooperative enterprises in collaboration with Project Equity through the Accelerate Employee Ownership initiative.

The Results







Human Capital Improvements

In 2020, Happy Earth Cleaning Service LLC transitioned to Happy Earth Cleaning Co-op. As a result, they have grown from 14 employees to 18. The company has strong Human Capital and provides all members of the co-op with an IRA match of 3% after they have been with the company for 90 days. LA Luebbers, Assistant Manager and founding member of the co-op, shares, "We also sped up the process the previous owners had in place to eventually reach the $15 minimum base pay. We were able to not only reach it years earlier than planned but actually surpass $15."

A really remarkable statistic is their turnover percentage. The average for the cleaning industry is around 200% annually. For the fiscal year 2020, the turnover at Happy Earth Cleaning was 71% and for 2021 it was around 52%.

LA continues, "The staff reports that we've fostered a collaborative and open environment, where they feel reassured that their opinions will be considered when making decisions for the company. They feel as if they have a voice, even when they are not members."

Structural Capital Improvements

The cooperative changed its scheduling system to a completely digital platform and has since gone paper-free. Not only does this improve their structural capital, but aligns with their core values of sustainability and environmentally friendly business practices.

What's Next for Happy Earth Cleaning?

After successfully transitioning the LLC to a cooperative business model in 2020, the employee-owners are eager to expand their model as they continue to hire more employees to join Happy Earth Cleaning Co-op.

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