OWNERS AT WORK

THE NORTHEAST OHIO EMPLOYEE OWNERSHIP CENTER

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OHIO'S EMPLOYEE OWNERS PRODUCE AWARD-WINNING PERFORMANCES

In the midst of widespread discouraging news on the American business pages, *Fastener Industries, Bliss-Salem, Republic Engineered Steels, Will-Burt,* and *Wright Tool* have all recently earned awards of excellence.

Each of the respective awards was based on company performance as measured by a different yardstick. According to the companies, employee ownership and participation have played a important role in their success. This notion is supported by numerous studies, including a 1986 GAO report, which suggest that the combination of significant ownership with genuine participation can lead ESOP companies to higher productivity and profitability. All five companies are making efforts to design and to implement systems that enhance communications and teamwork.

Rich Biernacki receives the CESJ Award in Rome

Excellence in participation at Fastener

Fastener Industries won the 1991 Global Award for Value-Based Management. This award was presented by the Center for Economic and Social Justice (CESJ) of Washington, DC. According to Norm Kurland, CESJ President, award winners serve as practical models to the global business community of how justice at the workplace can be combined with excellence in the marketplace.

Employee owners at Fastener are proud of this Global Award, as Rich Biernacki, the President and CEO of Fastener, explained. "We did this together; it's nice to get recognized for what we do." The award was presented in Rome at a series of special events, which included an audience with Pope John Paul II. The Pope, a former quarryman and chemical factory worker, has been a longtime supporter of worker-ownership initiatives.

"Fastener Industries is a very democratic company... the CEO is elected each year by the Board of Directors and members of the Board of Directors are directly elected each year by the employee owners of Fastener. Fastener structures the power relationships so that the power of ownership extends down to the shop floor," stated Kurland.

Export growth at Bliss-Salem

The Excellence in Exporting Award, the Governor of Ohio's "E" Award, was won by Bliss-Salem for the small manufacturing category. The competition was sponsored by the International Trade Division of the Ohio Department of Development.

From 1990 to 1991, Bliss-Salem's export sales grew from \$891,000 (2.5 percent of total sales) to \$9,975,000 (21.2 percent); the number of jobs attributable to export sales increased from fifteen to 71. Sixty percent of the company's exported products are made in Ohio.

Mike Zugay, CEO and President, felt that employee ownership had helped Bliss to win the award. "Our company has been dealt some tough cards to play in the game of business survival today. We have old, antiquated facilities. We produce for the steel industry which is depressed, or you might say, dying. With our ESOP we don't have deep pockets, nor do we have a parent company to support us through the rough times," he explained. "Our trump card continues to be the people of this company. The people here are talented, are knowledgeable about our customers, and, as a team, we overcome the other shortcomings. Without a doubt, the cooperation and communication between individuals and departments is comparably better than it was prior to our ESOP. The ESOP helped foster these team relationships. The majority of the people here make the extra effort and do whatever it takes."

Will-Burt: the comeback company

The Will-Burt Company was recognized nationally as a Blue-Chip Enterprise, one of four Ohio companies among 200 US businesses singled out by the United States Chamber of Commerce. The award specifically honors small companies that have demonstrated a successful turnaround.

An ESOP company since 1985 when action was taken to avert a liquidation by the previous owners, Will-Burt has launched numerous successful innovations in its production and quality to offset its pre-ESOP losses. Led by company president, Harry Featherstone, the company has invested heavily in workplace education through course work in math, blueprint reading, statistical process control, and a two-year, cross-training program called the "Mini MBA."

According to Featherstone "being an ESOP made a difference, but not at first. People were suspicious. It took about two years for people to understand the value of these investments -- both the ESOP and the educational programs. After this initial period of apprehension about the changes, enthusiasm grew and created the high levels of leadership and participation needed to effect a turnaround."

Labor-management cooperation at Republic

Republic Engineered Steels of Massillon won the U.S. Department of Labor's (DOL) LIFT Award last September. The LIFT or "Labor Investing For Tomorrow" Award, honors creative solutions to today's labor-management challenges. A joint committee of union officials, salaried employees, and corporate officers developed the new management concept which won the award.

With the new system, Republic's 4700 employee-owners participate in company management through a series of crew, department, plant, and corporate meetings designed to integrate all eight plants in five states into the problem-solving process. At formal presentation ceremonies held in Washington, DC, Bill Lynn, President of USWA local 1200, stated that "through information sharing, teamwork, and maximizing opportunities for full employee participation in running the business, union-management relations will improve." Republic's CEO and President Russ Maier added that "the award is high tribute to the men and women who make up our company. This new management style, coupled with our comprehensive ESOP education program, permits all employee owners to make meaningful contributions to the company's future success."

Team excellence at Wright Tool

Wright Tool Company was the winner of the Award for Team Excellence in Manufacturing sponsored by the Ohio Manufacturers Association (OMA).

Wright Tool's SQUID (Special Quality Unified Improvement and Development) team, entered the competition in the small manufacturing division against teams representing thirty-one other companies. The competition was based on each team's performance in solving a real-life workplace problem. The team members -- Bill Novak, Ron Ferre, John Whitt, and Forge Supervisor Clayton Wilson -- used a five-step process of problem analysis, solution selection, testing, evaluation, and implementation.

The SQUID team was required to make a thirty-minute oral presentation during the final competition. Highlighting their efforts toward manufacturing improvements in a tool product, the team explained how, through teamwork and innovation, the company has been able to reduce downtime, tooling cost, rework, and scrap, and also improve the visual appearance and durability of the product. Another benefit was the improved cohesiveness of the group working on the project.

Does employee ownership encourage excellence? It has at *Fastener Industries, Bliss-Salem, Will-Burt, Republic Engineered Steels,* and *Wright Tool*. Each company, in its own way, is striving to change and to improve within unique and often challenging circumstances. In all the companies, however, the financial incentives of ownership have been combined with improved teamwork and participation to produce an award-winning performance.

THE NORTHEAST OHIO EMPLOYEE OWNERSHIP CENTER

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The Northeast Ohio Employee Ownership Center is a university-based outreach program which offers information and technical assistance to retiring owners, buyout committees, labor unions, managers, and community-development organizations interested in exploring employee ownership. Funded by a grant from the Ohio Department of Development's Office of Labor/Management Cooperation and contributions from both Kent State University and the companies that comprise Ohio's Employee-Owned Network, the Center offers timely information and ongoing technical assistance in situations where there is a threat of job loss. Staff can help locate competent legal and financial advice, and will perform pre-feasibility assessments to determine whether employee ownership is a viable option.

The NOEOC also develops resource materials on employee ownership and participation systems, sponsors workshops and conferences for the general public, develops training programs for employee owners, and facilitates cooperation among employee-owned firms throughout Ohio.

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MAKING BETTER DECISIONS: EMPLOYEE PARTICIPATION AT REUTHER MOLD

Working at Reuther Mold and Manufacturing, as the employee owners will tell you, is "different." If you have an idea for a change, you can offer it to a "Task Force"; if you sit on the "Worker Owner Committee," you can argue company policy; and if you ask, the company president will tell you anything you want to know. It is a little hard to take it all in at first. The company is only 30 percent employee owned, but by demonstrating commitment to employee-owner participation, it has become the kind of place where employee owners will make the extra effort to get involved.

Founded in 1950, Reuther Mold and Manufacturing was a traditional, family-owned business, both autocratic and paternalistic, where employees were expected simply to come in on time, to work hard, and to do exactly as they were told. Second generation owner and company president Karl A. A. Reuther, however, is a firm believer in participative management. Reasoning that employees who are "involved" in their work will be more conscientious and efficient, and will share their input -- all of which can give a company an extra edge on the competition -- he experimented with quality circles, profit sharing, and other innovations. Still, as he put it, "there was always some ingredient missing."

In 1987, while looking for a practical way to settle his father's estate, Reuther decided that the tax breaks from creating an Employee Stock Ownership Plan (ESOP) might be the answer. He made employees shareholders, gambling that ownership was that "missing ingredient." In 1990, the ESOP purchased additional stock, making Reuther 30 percent employee owned. ESOP stock is allocated in a unique way: 30 percent evenly, and 70 percent according to W-2 earnings, and all employees are included in the ESOP.

Family control blended with employee ownership

In some ways, Reuther Mold remains a fairly traditional, family-controlled company. Karl A. A. Reuther, known to Reuther Mold employee owners as "Karl," is company president as well as the largest stockholder. He retains final say on all corporate decisions. His oldest son and heir apparent, Karl Reuther (known as Karl II), manages some of the company divisions, and youngest son Keith Reuther is a supervisor. Yet Karl has gone to great lengths to bring the employee owners into the decision-making process.

To expand the notion of "employee ownership" beyond simply having employees as stockholders, Karl has worked to find ways to make employees act and feel like owners. Reuther Mold has provided both financial rewards and new channels for participation. Since, to some workers, stock ownership alone can mean little more than a piece of paper, Reuther Mold has instituted a short-term reward system, its "Owner Share Bonus." Every four months, the Owner Share Bonus, extra cash up to 20 percent of company profits, is distributed to employees. Employee owner Mike Reiheld thinks this bonus is important, "you can tell someone they're going to benefit, but until you put that bonus check into their pocket...."

Participation at Reuther Mold

Most of the employee-owner participation at Reuther Mold is focused in a network of about fifteen committees and "task forces" which explore problems and suggestions, and develop recommendations for senior management. As Keith Reuther explains, "culture grows over time. You couldn't have walked into our company and set this up right away -- the committees wouldn't have had any credibility." Accordingly, this system was organized completely from within the company, and in the first five years has remained very fluid. Employee owner John McQuaid explains, "you have your good points and your bad points -- the nice thing about it is that the bad points can be changed."

Roughly half of Reuther's workforce sits on at least one committee at any given time. Participants are volunteers, except for those on the Worker Owner Committee whose members are elected. Participation groups generally involve eight-to-ten people, and meetings are held about once a month on company time.

Before Karl used to come in and tell us what he was going to do. Now we tell him what we want to do.

-- Reuther Mold employee owner

Committees and task forces include shop-floor workers, salaried workers, and representation from management. Employee owners have found this mix beneficial because it includes the whole range of viewpoints and adds credibility to group decisions. Machinist and ESOP Committee member David Herman explains, "you need a mix of people on committees or people end up pointing fingers." With representatives from different areas of the shop floor as well as the salaried workforce, participants know that the information the groups act on is accurate from both perspectives. This allows Reuther Mold to take advantage of the specialized knowledge that employee owners have about their different jobs.

The Worker Owner Committee is in charge of employment policy outside of the ESOP. When, for example, employee owners wanted more one-day vacations, committee members worked out the new policy and Karl approved it. While Karl retains final say, disagreements are negotiated, and all parties work toward a middle ground. As one employee owner described it, "before, Karl used to come in and tell us what he was going to do. Now we tell him what we want to do."

A "Special Committee" meeting can be called by an employee owner if he feels he has been unfairly disciplined or fired. This group acts as a review board and is made up of three non-management members of the Worker Owner Committee, one member picked by Karl, and a supervisor chosen by the employee owner whose case is up for review. In a company where employees once could be disciplined and fired at the will of a single owner, having a peer review board for appeals makes concrete the company's commitment to participatory decision making.

Several offshoots of the Worker Owner Committee have developed. A Wellness Committee conducts programs to encourage good health among workers. "Boot Camp" is a process by which new hires are eased into the company. A "Greencard Committee" is responsible for administering a bonus system for operators who run more than one job at a time on computer numerical control (CNC) machines.

The central group, Task Force One, was created to improve production, cut costs, make capital purchases, and act as a clearing house for suggestions and ideas that "affect the bottom line." It is backed up by (among others) a "Capital Task Force," which advises Task Force One on how to spend its $400,000 yearly budget for purchasing new equipment, and a "Quality Task Force." In addition, Task Force One operates as a clearing house for all the other task forces and committees.

Five shop-floor task forces provide special attention to the concerns of each shop-floor area. "We know what should be and shouldn't be happening out on the shop floor more than anyone else," points out "EDM/Bench Task Force" member Mike Reiheld. These task forces are intended to encourage workers to consult with each other and to seek ways to improve the conditions and methods in their areas.

Shop-floor task forces have been instrumental in rearranging equipment, and adding tables and benches. They have also improved the ventilation system (with an idea a janitor suggested from a design he found in a magazine), and added new lighting. A five-dollar fine for not wearing safety glasses in the shop was suggested by a task force member (reportedly once one of the worst offenders) and has been successfully implemented.

Employee-owner input is also sought in "strategic planning groups" where people from all levels of the company are recruited to meet once a year. A 1990 group made up of five machinists, a supervisor, a foreman, top management, and the Reuthers, was brought together to go over financial problems associated with an economic downturn.

The committees have credibility among the workforce -- when things get done. Committee minutes are posted in the shop so everyone can keep up on what the groups are doing. Though meeting time and training cost the company money, participation costs are "not a problem," says Keith Reuther, "participation has a value and therefore we are going to pay for it."

An employee owner on the board

While much of the participation system in place today is the result of thoughtful evolution, one of the most crucial elements was there from the very beginning -- an employee owner on the board of directors. John McQuaid, a CNC machinist, held this position for the first four years. He explained, "I was like the cushion between management and the people on the floor."

Since corporate decisions can seem arbitrary or unfair to employee owners who don't know why they were made, McQuaid felt that as Worker Owner Director he was in a good position to clear things up because, "after you have all the facts, decisions make some sense." A significant investment in training has helped the Worker Owner Director to be an effective member of the board. McQuaid says, "Now, because I have the knowledge, I understand when I look at a financial statement... stuff that if you weren't a manager you wouldn't know."

After four years as Worker Owner Director, McQuaid concluded he would, "definitely recommend" a non-managerial employee owner on the board of any employee-owned company. "It works out because when I come into the meeting I have input on what the guys out there are thinking, that if you were working in here (the company offices) you wouldn't know. You might think you were making a decision that was best for the company, but you might not think how it affects people out there; I bring that part into the picture." On the other hand, McQuaid has also gained a new perspective, "I learned on the board how to look at the big picture, not at how it will affect me, but how it will affect Reuther Mold."

Following McQuaid's success on the board, it was expanded in October of 1991 to include two employee owners. Worker Owner Directors are elected by their peers to two-year terms (with a limit of two consecutive terms). The board also includes Karl, Karl II, and three members from outside the company.

Communication is key

At Reuther Mold, employee owners say they have "stopped the rumors." Unlikely as that sounds, it just may be true. One of the most impressive changes since Reuther became partly employee owned is the openness. Karl is proud that the company has developed from a secretive, family-owned business, where the owner kept everything in his head, to a company without secrets. Since employee owners at Reuther can find out anything they want to know about the company -- all they have to do is ask -- a rumor stops with the first person who checks to see if it is true.

Illustration by Natalie Prodan

Where the time clocks used to sit, hang bulletin boards crowded with jumbles of notices including sales reports, letters from customers, monthly financials, and any number of other things employee owners might want to keep up on. Just below each bulletin board is an "Upward Communication Box" where workers can leave a question, suggestion, comment or complaint and know it will be answered.

Communication, however, is more than just bulletin boards and suggestion boxes; Reuther Mold and Manufacturing has opened several new communication channels. Employee owners can speak out in a committee meeting, or pass concerns through the Worker Owner Director, and Karl maintains an open-door policy.

Each meeting of the board of directors is followed by briefings for all the employee owners, and twice a year Karl sits down in small-group meetings with all the employee owners to present "The State of Reuther Mold," where Karl goes over the company's financial situation, and answers questions.

Every month, Karl publishes a newsletter with four pages of financial information on sales, profits, costs, new orders, hours worked, and profitability of jobs, along with a personal commentary on "what's happening." Periodically, management provides internal "news releases" on things like policy changes and new work. Another newsletter, Visions , is published completely by employee owners.

Effects on company

Does ownership and participation change attitudes among employees? "I don't know if overall people's attitudes have changed, over the whole shop," McQuaid says, "but a group of people's attitudes have changed dramatically." Karl finds that "workers show greater interest, greater concern. I can't say they are working harder, but they are more conscientious, more cooperative. There's more intense interest in improving the way things are done."

Like others, John Sudar (a mold designer and programmer who has worked at Reuther for eleven years) notes a shift in his co-workers' concerns. "Initially they were more personally oriented... over time they became more concerned with what needed to be done regarding the company." Not everyone, however, is convinced that all the necessary changes have occurred. Karl II, who is concerned primarily with production, believes employee owners "see the productivity of the company as an issue, but don't see personal productivity as an issue. Little things will make the difference in productivity -- worker owners have control over that."

Increased participation and shared decision making have meant, for many employee owners, the challenges of role changes. While many employee owners have an excited feeling of empowerment, others have found these changes confusing, blurring the boundaries of their job responsibilities.

Profile: Reuther Mold

Products: Rubber molds, industrial fans

Employment: 150

Sales: $10-$15 million

ESOP: 30 percent employee owned. ESOP was established with 20 percent ownership in 1987.

Changes proposed by shop-floor task forces have been one source of potential conflict. Committees can sometimes overrule supervisors, and supervisor's decisions are more likely to be questioned. Keith Reuther, who has been helping to facilitate the task forces says, "sometimes supervisors feel threatened, and don't know how to react." As employee owners take on more responsibility, McQuaid explains, "a supervisor mostly has to be a scheduler and a helper... doesn't have to be as involved as before... just be available to answer questions." Employee owners at Reuther recommend supervisor training early on to deal with these role changes, and clarification of the "chain of command."

While offering perhaps the most dramatic possibilities for employee-owner input and decision making in the basic operations of the company, the shop-floor task forces have proven the most difficult groups to get off the ground. Since their inception they have suffered significant growing pains and, even now, are only semi-active compared to the other committees.

In a 1991 survey by the Worker Owner Committee, the employee owners who felt the task forces were ineffective indicated that the primary reason was because their proposals were "shot down by upper management." Slightly more than 40 percent also agreed that "lack of clear direction" and "lack of clear authority" kept them from becoming successful. The meetings have also proven problematic. Too often they have degenerated into gripe sessions. As one employee owner complained, "they would keep beating the same dead horse week after week."

One way the company has worked to combat committee-related problems is by providing training in leadership, problem solving, and group process. Initially, recalls Herman, "we had all these people on committees and nobody knew even how to run a meeting." Training has helped to make these groups more productive.

Communicating trust

Asked what the biggest change at Reuther Mold has been since they became partly employee owned, McQuaid answers, "I would have to say communication. The committees are nice, the stock is nice, the Owner Share Bonus is nice, but you have to start with good communication or you don't have anything." Karl agrees, "communication is one of the essentials; information is the equalizer ... people need to know what's going on so when changes come, they can understand those changes."

The amount of information available concerning the company's financial situation is striking. From small-group meetings to go over statements to monthly analyses in a newsletter, numerous channels exist to pass on the numbers. Reiheld finds that this information allows employee owners to see things like, "which jobs are making money and which ones are not." He adds, "It makes you think 'why did we lose money on this job?'"

For Tony Charles, CNC machinist and Greencard Committee member, the atmosphere of trust that is developing at Reuther Mold is important. "The trust is the main thing. I like that they trust that I'm doing my job." With its paternalistic tradition, building trust at Reuther Mold has been a different process than that which other kinds of companies go through, but it still has required thoughtful action. In a bold and symbolic move to demonstrate this trust, Karl had the time clocks removed, and now only peer pressure is engaged to discourage cheating. "You'd be surprised how tough your peers can be on you," explains machinist and Worker Owner Committee member Don Luette.

After four years of worker ownership and participation at Reuther Mold and Manufacturing, shared information, growing mutual trust, enhanced cooperation, and comprehensively improved communications are all in evidence. "It brings a certain amount of dignity," says Reiheld, "it used to be insubordination to speak up, to voice your opinion." When employee owners play a part in decision making and information is shared, they accept decisions with understanding. "When you involve more people," McQuaid points out, "you get a better decision."

OWNERS SHARE ESOP INSIGHTS

Editorial note: the real experts on ESOPs are Ohio's employee owners who are defining what employee ownership means at their respective companies on a daily basis. In this newsletter, we asked three of Ohio's employee owners to share their insights on setting up an ESOP.

QUESTION: What advice would you give to someone considering an ESOP?

TOM MOYER: There is no specific answer to this question, but there are a few things I would advise to someone considering an ESOP. First, have meetings with key people from throughout your company and get a consensus that an ESOP is correct for your situation. Then, before developing a plan for the buyout, try to learn as much as you can about different ESOPs so that you will be able to have input in structuring your own ESOP. Remember, nobody knows the culture of your company better than you. Also, learn as much as you can about the different roles that everyone plays in a successful ESOP company.

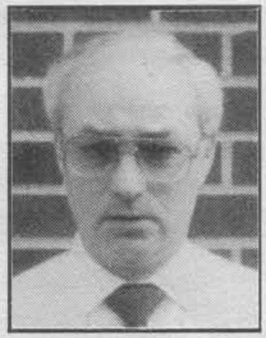
The last thing that I would recommend is that all the employees in the organization make some kind of equal financial sacrifice to try to create a feeling of ownership.

Moyer is President of USWA local 3372 at Bliss-Salem, a 100 percent employee-owned company based in Salem.

STEVE WALKO: ESOPs are an effective way to enhance operational efficiencies in any company. Therefore, they are definitely worth considering, although a company considering an ESOP should be advised of the significant administrative work regarding its establishment. Ownership may mean different things to different people. Therefore, perceptions may not be unified.

Efforts should be made to focus on the definition of ownership, prior to the establishment, to avoid conflicts. While ESOPs wrestle with many philosophical issues, the rewards of a motivated work force far outweigh the efforts to deal with the ambiguous philosophies.

Walko is President of Textileather, Inc., a 100 percent employee-owned business located in Toledo.



DWAYNE WASHER: The best advice I could give to someone considering an ESOP would be a look at what it has done for us. Wagner Hardware is a small business with about fifty owners. We have been an ESOP since 1975. We have retired several employees since that time and so far the ESOP has provided a nice addition to their retirement package. We find that as owners, we have a little more pride in our work and consequently work a little harder.

As a company, the tax benefits of the ESOP have provided much of the working capital needed to expand our asset base and ensure continued, steady growth. An ESOP is also a great vehicle for employees looking to buy out an existing business. Employee ownership creates a unique way to continue a business which may otherwise be lost when the owner retires or the partnership breaks up.

Washer is Secretary-Treasurer of Wagner Hardware, a 89 percent employee-owned company in Mansfield.

EMPLOYEE-OWNER FORUM

Mike Bailey of Quincy Castings Speaks Out

"Taking Stock" in a Newly-Formed ESOP

Our leveraged ESOP is now eighteen months old. The dust has barely settled, so to speak, and so far we have no claim to wisdom on the subject of employee ownership. Nevertheless, the opportunity to write this article is a good time to pause in our efforts and to examine how we feel about what has happened in our company: to "take stock," to learn, and to share our thoughts with you.

First, some background about Quincy Castings, Inc. and how it came to be an ESOP company. We are in the metal casting business, a foundry, and together with much of America's basic industry, we went through a particularly difficult time in the 1980s. A combination of factors, including environmental regulations, substitute materials, and offshore sourcing of castings and products that used castings, caused large numbers of foundries to close. By the end of the 1980s, foundries that survived had almost certainly undergone significant change and restructuring. Quincy was no exception.

Located in West Central Ohio, Quincy Castings was a wholly owned subsidiary of a larger company. By 1987, it had experienced several years of financial losses, its employees had gone nearly three years without pay raises, and organized labor was "knocking on the door." A turnaround had to be managed. The process was painful, but was aided by improvements in the economy. When Quincy began to show positive results in 1989, the parent company decided to sell the division. The prospect of new owners had no appeal to the employees, so with the support and encouragement of the parent company, a leveraged ESOP was organized in August 1990. Sixty-eight percent of the stock is held by the ESOP, nine percent by a management group, and the remaining twenty-three percent by the old parent company.

From the beginning, we have tried to adopt those things that appear to work well for other ESOP companies. To us, the major challenge is how to get employee involvement and participation. In the spring of 1991, we had considerable discussion about employee involvement. It became clear that supervisors and managers had to "buy in." And for them to become comfortable and successfully introduce employee involvement to their departments, extensive training and reorientation would be required. After further discussion, our supervisors and managers committed to the concept and we began training in the fall of 1991.

Mike Bailey is President of Quincy Castings

Our training program was custom designed in cooperation with the NOEOC and our local joint vocational school. It is likely to continue for a long time.

It was Quincy's supervisory group that we went to for feedback on the progress of our ESOP to date. You might expect this group's responses to be more favorable to top management's perspective of the company, but that isn't the case! Once they had reached the point in the training where they felt comfortable being HOT (our acronym for Honest, Open, and Two-way communicators), they became quite vocal and critical of any management policies or actions that didn't reflect the ESOP philosophies we were espousing. Believe me -- as you'll see in their answers to the questions -- they weren't afraid of speaking up! We asked the group two questions.

***QUESTION ONE:* What changes have occurred in our company since the ESOP buyout?**

Answer #1: *We have better attitudes and understanding among top management.*

Comment: I think this response was aimed mainly at me. I admit to being autocratic. On the other hand, we need to recognize that even in an ESOP, participative consensus building can't be used all the time. We have found that it helps to have an understanding of decision-making styles that should be used in different circumstances. We call them the four "C's" and try to use the right style on the right occasion. They are:

- *Command (autocratic)*
- *Consultative*
- *Consensus (participative)*
- *Convenience*

A word or warning for the autocratic manager who advocates employee involvement: even though you may advocate involvement in the best of faith, you may become a lightening rod in what is sometimes a slow and frustrating process!

Answer #2: *We have a gainsharing plan.*

Comment: When we formed our ESOP, all prior individual and group incentives were terminated and we implemented a gainsharing plan. The plan started to pay out in 1991. It is a true gainsharing plan, based on improving the cost of labor, salaries, fringes, and supplies as a percent of production versus a previous time period. Improvements are split 50/50 with employees on a monthly basis. We believe that employees must have the opportunity to make more money today not just through the ESOP stock, and that all employees should share in the rewards for improved performance. Sometimes profit-sharing seems more attractive and easier to administer than gainsharing, so we'll continue to review our plan as we go forward.

Answer #3: *People are more concerned and knowledgeable about how the company is managed and how it is performing.*

Answer #4: *We have better and more open communication.*

Comment: We find that we need different types of communication. We have an hourly employee on the board of directors and will have another hourly director in 1993. We hold an annual stockholders' meeting. Our employees vote their stock. We have an independently produced newsletter. We communicate through the gainsharing representatives. Yet with all the communication, there still are employees who say they don't understand or don't care. We just have to keep communicating.

Answer #5: *Employees have more say in their jobs, more pride in their work, and we feel it is improving quality.*

Comment: The numbers seem to support this response. We know we have a reservoir of future profits, if we can reduce the rejects and improve quality. We need to be careful not to impose quality control from the top down -- we want our employees to take ownership of quality. A major objective of our training is to have supervisors help lead problem-solving groups in their departments.

QUESTION TWO:* *What changes haven't occurred in our company that you think should?

Answer #1: *Management must continue to work to earn trust.*

Comment: The whole question of trust received a great deal of attention in our early training sessions. Management's failure to take all employees into its confidence on major decisions was an issue. Trust, however, must be two way. Not only must management trust employees to do the things they do best, but in turn employees must trust management to take the decisions they are paid to make -- with input when appropriate.

Answer #2: *We need a more secure retirement.*

Comment: In our company the ESOP is the only retirement plan. For employees accustomed to defined contribution or 401k plans, having an ESOP can be scary. At this stage in our ESOP, we cannot afford another retirement plan. We hope the latest stock valuation will change some opinions.

Profile: Quincy Castings

Products: Iron castings for industrial use, including hand tools, pumps, compressors, power transmissions, and agricultural.

Employment: 75

Sales: $5 million

ESOP: 77 percent employee owned. Purchased from parent company in a leveraged buyout in 1990.

Answer #3: *We need more work.*

Comment: We formed our ESOP in August 1990 just as the recession was starting. Since then, we have had to lay people off occasionally. Yes we need more work and must try harder in the sales area.

Answer #4: *We need to give more decision-making responsibility to supervisors and hourly employees.*

Comment: We must delegate more responsibility, and it should start to happen this year as supervisors learn how to take their training out of the class and on to the job.

Answer #5: *People haven't yet been converted to behaving like "employee owners."*

Comment: Our approach has been to get the commitment of our key supervisors and managers, provide them with training, and then have them take their training into the departments. That takes time. On the other hand, it seems that some people are behaving like owners. Recently some of the original management stock became available and was offered for sale to our employees at large. It was all purchased. So maybe we do have some converts!

Clearly Quincy Castings is approaching a critical point in developing employee involvement. The training we have been doing with our supervisors needs to start to pay off soon, and their responses to the questions we posed indicate that they are keenly aware of the pros and cons involved. In the course of doing the survey, we also asked them how they felt about the training program itself. Almost unanimously they said that it was "too slow." The question of whether supervisors would be committed enough to shut down their department in order to discuss problems or to implement solutions with their employees was also raised. In 1992, that will be one of the questions that Quincy Castings is answering. It should be a most interesting year!

NETWORK NEWS

TOTAL WORKFORCE RESPONSIBILITY: A NETWORK JOINT VENTURE

Participative management, employee involvement, and workplace democracy have been around for decades. And yet a common and clear understanding of their meaning remains as elusive as their implementation. Over the years, many companies have brought in hoards of consultants who claim to possess the magic formula to help them; however, several thousand dollars later, effective employee participation often still eludes them. Many companies in Ohio's Employee-Owned Network are no exception to this phenomenon.

However, what makes employee-owned companies exceptional is that they are especially interested in successful employee involvement; after all, their employees are the owners! Furthermore, many studies suggest that genuine employee participation is a key factor in ESOP companies outperforming their conventional competitors (for some examples, see page one).

Ohio possesses some of the most recognized employee-owned companies in the country; yet, even these firms are not satisfied with their achievements. Genuine employee involvement is difficult both to develop and to sustain. Employee owners at Network companies, both managerial and non-managerial, recognize that they may not get all the answers they seek from textbooks, university professors, or participation consultants -- or even from their own single-company experience.

Many Network companies have already realized that a viable vehicle for deepening the definition and implementation of effective employee participation already exists: the collective experience of their peers. Since 1988, key managers from Network companies have met at a dozen Participation Forums and CEO Roundtables where they have shared their experiences with everything from newsletters to strategic planning sessions, problem-solving committees and self-directed teams. While each company has its own manner of involving employees, they seem to agree on one goal: expanding the responsibility for successful company performance from key management personnel to every employee of the company -- total workforce responsibility.

Total workforce responsibility means that every person in the company takes responsibility for the company's success. They do this by taking full responsibility for the tasks which fall under their control. Top managers who spend less time on shop-floor details have more energy for investigating new marketing strategies. Shop-floor employees who feel responsible for the details under their control are more likely to adjust a loose screw than to wait for their supervisor to requisition someone from maintenance. The ultimate result of total workforce responsibility is that every detail gets the fullest possible attention. A lofty goal, but one some companies are striving to achieve.

Ohio companies are ready for a new approach

One weakness with traditional approaches to developing and implementing a participative-management system is that the system is perceived as the domain of managers. Network company managers often find that, despite their efforts to manage participatively, many employees do not contribute to the suggestion box or volunteer for a committee. The reasons for this vary from company to company and among employee owners. However, at every company the bottom line is that employee owners must *choose to be managed participatively*.

When developing a process to expand the responsibility for successful company performance from key managers to the entire workforce, it makes sense to involve persons representing the entire workforce: key managers, supervisors and shop-floor employees. If everyone is to be responsible, everyone must change. Those involved in designing the change will make it work. Conversely, those who are uninvolved often do not support the process.

The programs of Ohio's Employee-Owned Network are providing an opportunity for key managers, supervisors, and shop-floor employees each to meet with their peers from other employee-owned companies. For example, managers from thirteen companies met at the James B. Oswald Company in February to discuss Oswald's experiences with involving non-managerial employees in strategic planning. The Oswald Company's managers knew that some employee owners were suspicious of what went on at the company's biannual planning sessions. When management explored further, it discovered that the suspicion was related to a lack of knowledge about the strategic-planning process. Their solution: involve representatives of all departments in the planning process and in developing action plans in their specific areas. According to Bob Bracci, Executive Vice President, "this approach gives all employee owners the opportunity to participate to the extent they wish to be involved."

Oswald's employee owners now see the meetings as serving a constructive purpose and they can more easily support the strategies which are developed. After all, they are responsible for them. Network managers attending the forum learned about Oswald's experience from Oswald's employee owners. Forum attendees could seek answers to their questions directly from those involved. In fact, their questions led to Oswald representatives considering some possible adjustments to their process.

Supervisors meet their peers

Supervisors also benefit from interacting with their peers. Around seventy-five supervisors from *Crawford Library Bindery, Dimco-Gray, Fastener Industries, Fluid Regulators, Hooven Allison, Joseph Industries, Reuther Mold and Manufacturing, Textileather, and YSI* are participating in a two-part, multi-company training program. The goal of these sessions is to lay the groundwork for their active participation in implementing total workforce responsibility.

The first workshop provides a safe environment for supervisors to discuss the problems that employee involvement creates for them. As they share concerns about their own authority, many nod their heads in agreement. When someone mentions the amount of time employees they supervise spend away from production to attend meetings, others mention some of their difficulties with participation. During the day, the supervisors are encouraged to envision how, if such problems could be overcome, they might benefit from their employees assuming more responsibility. Finally, they are presented with a new goal -- to consciously focus on building the self-esteem of those they supervise: a first step towards encouraging shop-floor employees to accept greater responsibility.

The second workshop will be developed from the issues that are raised in the first. The goal of these workshops is that, rather than feeling left out, the participating supervisors see themselves as protagonists in the development of total workforce responsibility.

As do non-managerial employee owners

Since 1989, about 120 non-managerial employee owners from these same companies have participated in the NOEOC's Employee Owner Leadership Development Program. This program has introduced them to business concepts and helped them to understand issues affecting their respective companies' competitiveness. They have gained the preliminary skills necessary for interacting in a group decision-making process. And, through their discussions with peers from other companies, they have been exposed to new ways of thinking about their rights and responsibilities as employee owners. Many of these employees are ready to work with their key managers and supervisors in making total workforce responsibility happen.

About a half dozen Network member companies have involved several key managers, supervisors, and non-managerial employee owners in these multi-company programs since 1988. These firms have built up a critical mass of employees who, while representing different perspectives, have all been exposed to the experiences of other employee-owned companies. Now, as this group works together at developing a form of total workforce responsibility which makes sense within the specific parameters of their own company, they will be speaking with fellow employee owners who understand the context from which their new ideas come.

Trying to create and sustain an atmosphere of total workforce responsibility is not as simple as sending managers to college for a degree in employee involvement, hiring a participation consultant to restructure the organizational chart, or having a group of non-managerial employee owners attend a workshop. Preparing a core group representing all sectors of the company for the task of creating total workforce responsibility takes an investment of time and resources. A number of companies in Ohio's Employee-Owned Network are betting it will be worth the investment.

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Ohio's Employee-Owned Network currently has twenty-six members. If your company would like to find out more about Network programs, please contact Dan Bell at (216) 672-3028.

Upcoming Events

April 8-10, Chicago

"The National Center for Employee Ownership's 11th Annual Conference." For more information, call Karen Young at (510) 272-9505.

May 8, 1992, Hudson, Ohio

"Competitiveness Through Cooperation," the NOEOC's 7th Annual Ohio Employee Ownership Conference. For more information, call Karen Thomas at (216) 672-3028.

May 13-15, Washington, DC

"ESOPs: The Next Generation," the ESOP Association's 15th Annual Conference. For more information, contact J. Michael Keeling at (202) 293-2971.

June 4, Yellow Springs

"ESOP Administration Forum," a program sponsored by Ohio's Employee-Owned Network. For more information, call Dan Bell at (216) 672-3028.

June 11-12, Irvine, California

"The Foundation for Enterprise Development's 6th Annual Conference." For more information, contact the FED at (619) 459-4662.

NOEOC HOLDS 7TH ANNUAL EMPLOYEE OWNERSHIP CONFERENCE MAY 8

The Northeast Ohio Employee Ownership Center (NOEOC) will hold its seventh annual employee ownership conference on Friday, May 8, 1992 at the Holiday Inn in Hudson (Rt.8 at the Ohio Turnpike Exit 12, between Akron and Cleveland) from 8:30 am to 5:00 pm.

As more than 300 employee-owned, Ohio-based firms demonstrate, employee ownership can be a valuable tool for strengthening Ohio's economy on the local, regional, and state-wide levels. Setting up an employee-owned firm is a cost-effective way to maintain good jobs and tax dollars in Ohio.

The conference offers something for everyone -- from the ABC's of ESOPs to advanced sessions for those familiar with employee ownership. Among the topics featured are:

- Tax advantages of ESOPs.
- How-to-do-it advice from ESOP experts.
- Case studies of employee buyouts.
- Interactive roundtables for worker owners.
- Managing the employee-owned firm.

It has separate tracks designed for those who want to explore the feasibility of an ESOP, and for managers and shop-floor employees from ESOP companies.

Conference speakers include **Howard Wise,** Deputy Director of the Ohio Department of Development; **J. Michael Keeling,** Executive Director of the ESOP Association; and **Corey Rosen**, Director of the National Center for Employee Ownership. Conference co-sponsors include *the Akron Regional Development Board, the Ohio Council of Churches, the Ohio Department of Development, the Ohio Manufacturers Association, the United Rubber Workers International Union* and *the United Steelworkers of America, Districts 27 and 28.*

The conference fee is $50 pre-registered by phone or mail by April 24 or $85 at the door. Registration includes lunch, refreshments, and all conference materials. Group discounts are offered and some scholarships are available for low-income or unemployed persons.

For more information, contact Karen Thomas, NOEOC, Department of Political Science, Kent State University, Kent, Ohio 44242, (216) 672-3028.

Owners at Work

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