

# OWNERS AT WORK

THE NORTHEAST OHIO EMPLOYEE OWNERSHIP CENTER

Volume II, No. 2



Fall 1990

## Sasser Bill Could Change the Way America Works

*It appears that changing the way workers are treated may boost productivity more than changing the way they are paid, although profit sharing or employee stock ownership combined with worker participation may be the best system of all.*

-- from Paying For Productivity, a 1990 Brookings Institute Report

Ownership of capital in the US is highly concentrated. According to the most recent data (1986), 61 percent of individually owned stock is held by the top 1 percent of Americans, ranked by net worth. The bottom 90 percent own less than 10 percent of all outstanding publicly traded stock. The Employee Ownership and Participation Act, SB 2720, is designed to help rectify this disparity by encouraging the development of an employee-owned sector across the country.

According to Senator Jim Sasser, D-TN, who introduced the legislation, it is imperative that corporate ownership in America be broadened. "In my judgement capital ownership in America is too concentrated today, and this works to the great disadvantage of most Americans... Employee ownership is an extremely positive way to broaden the ownership of capital," he stated.

Senator Sasser's bill, co-sponsored by more than a dozen senators, calls for a program to "encourage employee ownership of, and participation in, companies in the United States," through the funding of a national Office of Employee Ownership and Participation, housed within the Department of Labor, and state-based employee-ownership centers. The Office of Employee Ownership and Participation will be established by the Secretary of Labor to promote employee ownership, gainsharing, and employee participation in company decision making. The primary functions of the Office will be to support existing employee-ownership programs, help create new programs in states lacking them, and conduct or fund research on employee ownership.

The Office will aid existing programs by making grants available, providing some technical assistance, and acting as a central clearing house for information. The research it conducts or funds will focus on the relationship between employee ownership and participation and increased productivity and profits. National leadership on employee ownership will come from the Office. "I am convinced that Federal leadership is needed to cut a clear path through the hesitation and suspicion [about employee ownership]. The Employee Ownership and

Participation Act of 1990 will provide that essential leadership," commented Senator Sasser when he introduced the bill.

Federal grants will be made to new or existing state programs that meet criteria delineated in the bill. The grants will be allocated on a matching basis to fund education and outreach, participation training, technical studies, activities encouraging cooperation among employee-owned firms, and to create data banks to help individuals and groups find legal, financial, and technical advice on employee ownership.

Grants will be targeted to qualifying state-based programs; however, if a state fails to establish a program, the grants may be allocated to local governments, institutes of higher education, or non-profit organizations that sponsor employee-ownership programs.

Programs funded by the Office of Employee Ownership and Participation will provide information and assistance on virtually any issue associated with employee ownership. They will engage in outreach efforts to inform and educate people about the benefits of employee ownership, gainsharing, and worker-owner participation in decision making; provide technical assistance to assist employees to become owners; and to create training programs to teach employees and employers techniques and methods to encourage worker-owner participation in company decision making.

A proactive, not reactive, use of employee ownership is stressed in the bill. Hence, reaching key groups --

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like retiring owners, union leaders, company managers, trade associations, and community organizations -- will be the main thrust of a center's outreach efforts. The bill also calls for limited technical assistance, including prefeasibility studies and assistance in funding third-party prefeasibility assessments. State centers will link consultants and technical advisors to employee groups and individuals via a state-based data bank they develop.

Senator Sasser's proposal is based on the experience of the existing state employee-ownership programs, including those in Michigan, New York, Ohio, Oregon, and Washington. It also draws on a growing number of studies that demonstrate that the combination of significant employee ownership and participation leads to sharp improvements in productivity and profitability. The recent General Accounting Office (GAO) study, for example, found that employee-owned firms that included non-managerial employee owners in corporate decision making experienced a 52 percent higher rate of productivity growth than those that did not.

As a consequence, the bill places emphasis on ownership training as an important function of the state-based programs. The bill states that the programs will

provide courses on employee participation and spread the knowledge about successful participation programs. One means to this end is the creation of networks of employee-owned companies, where worker-owned firms can interact and learn from each other. "We must not forget to tend to our own garden, to widen the circle of ownership in the country," commented Senator Sasser. "For the golden rule of capitalism is that capitalism works best with a broad base of capitalists."

The prospects for the bill's passage during this session of Congress remained unclear as Owners at Work went to press. There are major budgetary constraints that curtail new federal spending. What is clear, however, is the significance of Senator Sasser's proposal. It represents a serious effort to create a national network of state programs to encourage the forms of employee ownership that have proven most successful in enhancing productivity and competitiveness. "The ideal," noted Senator Sasser, "we must strive for is a democratic capitalism where our citizens are given more responsibility over their jobs and where employees have an ownership stake in their companies."

#### 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, will perform prefeasibility assessments to determine whether employee ownership is a viable option, and can assist with financing efforts and business plans.

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

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#### OTHER ORGANIZATIONS WHICH PROMOTE EMPLOYEE OWNERSHIP IN OHIO

*Common Wealth*  
P.O. Box 6212  
1221 Elm Street  
Youngstown, OH 44505 (216) 744-2667

Common Wealth provides community education, organizing and technical assistance to facilitate the development of new, democratically owned and managed enterprises, to help such existing enterprises grow, and to assist with employee buyouts of closing enterprises.

*Cooperative Work Relations Program*  
71 South Plains Road  
The Plains, OH 45780 (614) 797-2535

The Cooperative Work Relations Program is one of seven state-supported Centers for Labor/Management Cooperation in Ohio. CWRP staff have expertise in employee-ownership theory and practice, prefeasibility studies, and training for existing employee-owned companies.

*Jobs for People*  
1216 E. McMillan, Suite 304  
Cincinnati, OH 45206 (513) 251-9111

Jobs for People provides technical, financial, and administrative assistance for establishing new firms to employ the unemployed and underemployed within the Cincinnati economy.

*Worker Owned Network*  
50 South Court St.  
Athens, OH 45701 (614) 592-3854

Worker Owned Network provides technical assistance and training for unemployed persons to establish businesses which will be part of a network of companies owned and managed by workers.

Printed by *Orange Blossom Press*, a worker-owned cooperative

## ESOP Plays a Key Role in Expansion at Park Farms

E. A. Pastore and his wife Louise offered their customers something special at their Canton-based chicken retail operation: chicken cleaned by the owners. In 1946, when Park Farms was formed, one could directly select the live bird of his choice from the Pastore's basement location; and it would be killed and plucked on the premises. An owner was directly involved in the entire process. Naturally, things have changed a bit at Park Poultry over the last forty-four years.

Today, more than 12 million chickens are processed a year in a compound of buildings covering several city blocks. However, as the old cliché states, the more things change, the more they stay the same. The changes planned for the 1990s are reminiscent of the way things were done in those early days. Park Poultry is returning to a time when live chickens were raised in Canton and poultry processing was done by the hands of an owner. Only this time there are nearly 400 owners.

### ESOP for expansion

The principal owners, Anthony and Jim Pastore, bought stock from their father in 1968 when he retired from Park Poultry -- better known by its marketing name Park Farms. The remaining 398 or so owners are the employees. They became owners in September 1989 when the corporation established an Employee Stock Ownership Plan (ESOP), which owns 30 percent of the company's stock. At Park Farms, employee ownership plays an important role in the company's plans for expansion and as a component of its burgeoning program of employee involvement.

The origins of the ESOP can be traced to 1987 contract negotiations between the company and the United Food and Commercial Workers (UFCW) Local 880, which organizes approximately 65 percent of the Park Farms' workforce.

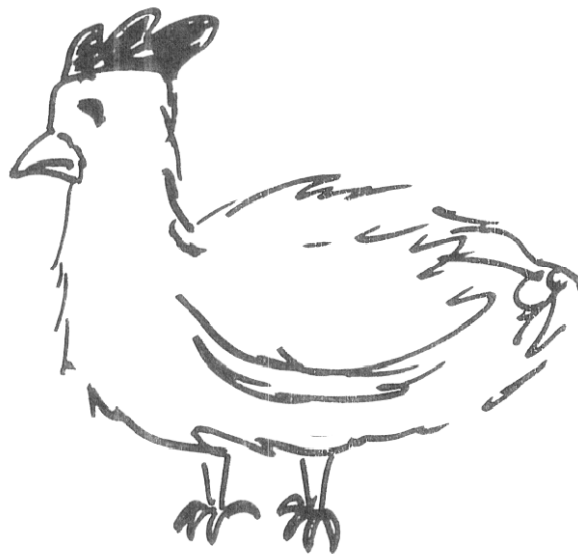
In negotiations, the company indicated that wage increases would be difficult if the firm was to begin its expansion plans. Although hourly wage increases were not negotiated, Park's employees participate in a profit-sharing plan. During the first three years of the firm's agreement with Local 880, the profit-sharing plan paid a guaranteed minimum of 50 cents per hour for every hour worked. The 50 cents was the minimum; additional amounts were based on a percentage of the firm's profits, which could make the amount higher. In fact, in 1989 the company paid 62 cents per hour in profit sharing. The minimum guarantee lapses during the last two years of the five-year agreement. But, if Park continues doing well, the employee owners will automatically share in the gains.

"The members talk about profit sharing," commented Sam Barber, Local 880's Business Agent for Park Farms. "And the company has always paid over the minimum."

On the premise that the planned expansion would result in a net benefit for its membership, UFCW officials agreed to the ESOP. The UFCW saw the ESOP as an additional pension for its membership, at no additional cost. In 1989, the International Brotherhood of Teamsters (IBT) Local 92, which bargains on behalf of about 6 percent of Park employees, made a similar agreement with the company. These agreements combined with the tax advantages of the ESOP placed the firm in a solid financial position to move forward with the \$13 million expansion planned for 1990.

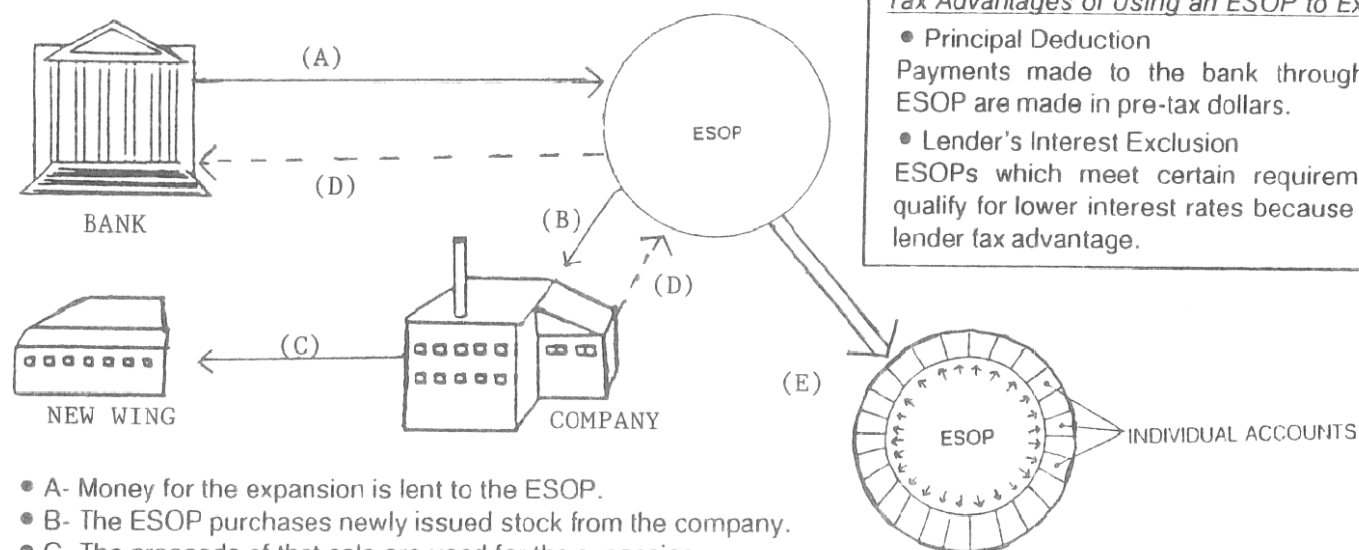
The expansion -- which so far has added 178 employees to the workforce -- will mark a return to raising live birds in Ohio rather than shipping in chickens from outside the state. The ESOP tax advantages have two positive effects on the financing of the expansion project. First, the ESOP allows the firm to repay the principal on the ESOP loan in pre-tax dollars. And second, the ESOP allows the company to qualify for a lower interest rate. (Park's ESOP loan, obtained before 1989 changes in the law, qualifies for the lender interest exclusion. See page four's box: Using an ESOP to Expand.) The ESOP, however, is just a small piece of a much larger transformation process at Park Farms. Sharing ownership with the employees is just part of the company's overall approach to survival and success in the 1990s.

Continued on page four



## Using an ESOP to Expand

An Employee Stock Ownership Plan (ESOP) can help companies which are interested in borrowing for expansion. Below is a simplified description of how such a transaction could work.



### Tax Advantages of Using an ESOP to Expand

- **Principal Deduction**  
Payments made to the bank through an ESOP are made in pre-tax dollars.
- **Lender's Interest Exclusion**  
ESOPs which meet certain requirements qualify for lower interest rates because of a lender tax advantage.

- A- Money for the expansion is lent to the ESOP.
- B- The ESOP purchases newly issued stock from the company.
- C- The proceeds of that sale are used for the expansion.
- D- Repayment of the debt is made through the ESOP in a tax deductible "contribution."
- E- Stock is released into individual accounts in proportion to the amount of debt repaid.

### People: "Our most important asset"

Starting in 1986, Jim Pastore began envisioning the Park Poultry which could thrive in the next decade. The company was faced with increasing expectations from its workforce regarding both wage and work-life issues. At the same time, the company was moving toward a decade of rapid growth. The traditional management style of laying down the rules for workers to obey blindly was not seen as sufficient for meeting the challenges the firm would face in the 1990s. "In the past, we have made use of workers' hands. But there are two other parts of all of us: our hearts and heads," noted Dick Ross, Park's Training Specialist.

As part of a conscious effort to change corporate culture to a more employee-centered approach, Park Farms has taken on an extensive commitment to employee involvement and improved communications. It is trying to develop the company's "most important asset": its people. "They are looking for the employee owners' ideas to make things better. Where else can you get better ideas than from the people doing the jobs eight, nine, or ten hours a day," said Barber.

With the initial assistance of the Stark County Labor-Management Council, a system of group problem solving was established. Problem-solving teams of hourly and salaried employees meet monthly in departments throughout the company. When a team identifies a problem, it meets weekly to solve it. The team hammers out solutions using a problem-solving model which requires

consensus. Before an employee can participate in a problem-solving team he or she must complete an in-house training program of 18-20 hours. The company intends to train every Park Farms employee through the in-house program.

Not only are the employee owners at Park developing skills for problem solving, they are also getting information that can improve their decision making. Through a company newsletter and monthly meetings, the Park employees received a tremendous amount of information about the company and departmental performance. Once a month each department attended a cost-analysis meeting where price, tonnage, and cost per pound for their department were reviewed. The meetings were coordinated by Tony Pastore Jr., a third generation heir in the family-owned business. When the information meetings were started in 1987, some employees struggled with the usefulness and meaning of the information provided. Today Tony Pastore Jr. enthusiastically reports that "they have really caught on."

The monthly meetings were also the setting for discussions of the ESOP and the reasons for employee ownership at Park. The results of the communication effort are measurable. In a 1989 employee survey, more than 95 percent of the worker owners accurately indicated the reason that the ESOP was started: to benefit both the employees and Park Farms. "That kind of response is impressive," commented Pastore, when discussing the effectiveness of the monthly meetings.

## ESOP as a tool for growth

American consumption of chicken has grown dramatically in the last two decades. According to the United States Department of Agriculture, our consumption of "broilers" -- the type of chicken processed at Park Farms -- has nearly tripled from 23.4 pounds to 65.3 pounds per capita consumption. The rapid industry growth provides an opportunity for all of the owners at Park Farms.

### Profile: Park Farms

Products: Poultry processing and meat distribution

Employment: 400. Approximately 65 percent of the workforce is represented by UFCW Local 880 and 6 percent by IBT Local 92.

Sales range: \$100-150 Million

ESOP: 30 percent employee owned. ESOP was established in September 1989.

Unlike many well-publicized ESOPs, the Park Farms story is not about the departure of an owner, the sale of assets, nor the saving of a distressed business. On the contrary, the Park story is about additional commitment on the part of existing owners, investment in assets, and expansion of a successful business. The Pastore family did not put an ESOP in place to get out of the business: they turned to an ESOP to get even further into the business. "I think it's a good employee-owned company. They care. Sure they'll have some problems; but they're ready to correct them," Barber stated.

From a financial point of view, ESOPs can improve a company's ability to borrow for expansion. However, ESOPs are not just vehicles for borrowing money at lower interest rates. They can carve a piece of the growing pie out for employees who have helped make the expansion possible. At Park Farms the ESOP tax advantages have been put to work and complement an overall commitment to employee participation and involvement. The owners are tending the chickens once again at Park Farms. And even though customers cannot pick their chicken out in the firm's basement, they can be sure that the company's worker owners are actively involved in Park Farm's operations.

## Book Corner

Sue Steiner, *Employee Ownership: Alternatives to ESOPs* (Oakland, CA: National Center for Employee Ownership, 1990). Pp. 102. \$15 for NCEO members; \$25 for non-members.

With the much-ballyhooed growth in Employee Stock Ownership Plans (ESOPs), why should the National Center for Employee Ownership publish a book on alternatives to ESOPs? Sue Steiner offers three answers: ESOPs are expensive to establish and maintain; most ESOP tax benefits apply only in profitable firms; and companies may achieve greater flexibility to realize their goals with other sorts of plans which share ownership with employees.

As the subtitle suggests, *Alternatives to ESOPs* explores other, often cheaper, forms of employee ownership: non-qualified stock bonus plans (the NCEO classifies qualified stock bonus plans with ESOPs), stock purchase plans, stock option plans, 401(k) plans, profit-sharing plans, and, in a chapter co-authored by Gary Hansen and Frank Adams, cooperatives.

This is a non-technical introduction to the choices available to companies that like the idea of employee ownership but, for one reason or another, find ESOPs inappropriate. It may also provide ideas for managers, controlling shareholders, or unions in partial ESOP companies for designing other plans to supplement the ESOP. Generally speaking ESOPs form a baseline for Steiner's evaluation of other plans, and she is systematic in providing a comparison of tax treatments of the various plans that she discusses.

Most striking is the degree of variety and ingenuity displayed in some of the plans. From "phantom stock plans" which provide the economic benefits of stock without actual ownership through PepsiCo's 1989 broadening of stock options -- traditionally a management perquisite -- to include 100,000 full-time employees, to the increasingly popular 401(k)-ESOP combinations, Steiner's survey suggests that financial imagination has not been limited to LBO artists.

The general perspective of this volume, like most volumes that deal with ESOPs, is that ownership is something that those who control corporations should decide to share with employees. It is the owners and managers who initiated the plans discussed, with the exception of Hansen and Adams' sketch of co-ops; employees are passive recipients who have to have the plans communicated to them. No doubt this is an accurate presentation of how the plans discussed were put into place, but sophisticated employees and their bargaining agents may also find some tools here that can be utilized when ESOPs are inappropriate.

From an employee point of view, some of the plans Steiner discusses have aspects that most ESOPs lack. A number of plans provide either for direct stock ownership that permits employees to sell their stock or to borrow against the value of their accounts. While neither of these features encourages long-term capital accumulation in employees' hands as ESOPs do, both may satisfy immediate employee needs more adequately.



## Community Development Loan Fund Provides Investment Opportunity

Common Wealth Revolving Loan Fund (CWRLF), a tax-exempt, non-profit community development corporation based in Youngstown, has initiated a capitalization drive with the publication in September of its first Offering Memorandum. CWRLF provides initial and continuing low interest debt and equity gap financing to democratically owned and managed businesses and development projects. Capital for this kind of lending comes from Social Investment Notes issued to individuals, corporations, institutions, and intermediary lenders. A CWRLF investment carries a high rate of social return along with a modest financial one.

CWRLF offers a variety of investment opportunities. Rates, terms, and conditions for each investment loan are negotiated individually with each investor. Most investments offer a 55 percent to 75 percent of prime rate of return. Lower rates can be negotiated to permit CWRLF to lend its funds at rates affordable for many of its targeted borrowers. Investments must be made for a minimum of one year, but carry an indefinite, negotiated term and rollover possibilities. A variety of options are available for payback of principal with interest. Specific program-targeted investments are also possible, so that investors may stipulate specific projects they wish their monies to fund. Program-targeted investments, however, must fit CWRLF criteria for borrowers. CWRLF also accepts grants for lending, operations, and loan loss reserve purposes. All investments in CWRLF are secured with a Promissory Note and Loan Agreement.

CWRLF lends its funds primarily to cooperative start-ups, worker-owned businesses, low income development projects, and community land trusts for purposes of financing equity shares, equipment and working capital, buy-out financing, expansion opportunities, start-up costs, and permanently affordable housing opportunities. The fund's principal borrowers are unemployed workers, workers facing shutdown, and low income, minority, and inner-city groups whose interests in retention of jobs, community-based development, and community control parallel CWRLF's economic development purposes. CWRLF has a particular interest in promoting worker ownership and democratic management. In these ways, CWRLF provides a specialized investment for those who share these goals and vision.

Common Wealth Revolving Loan Fund grew out of the Ecumenical Coalition's efforts to save Youngstown's steel industry from 1978 to 1981. Recognizing that a source of capital as well as technical assistance was key to creating economic alternatives, CWRLF was incorporated in 1986 as an affiliated corporation of Common Wealth, Inc., a non-profit technical assistance organization. The close affiliation of CWRLF with Common Wealth

assures investors that fund borrowers are monitored with a special interest toward long-term profit potential and business longevity, as well as timely payback. On-going management, business, and organizational technical assistance are a requirement of most loans.

As of July 1990, combined funds in CWRLF totaled \$157,153. This amount presently reflects a loan loss reserve of \$30,000. Common Wealth Revolving Loan Fund is staffed by a Loan Fund Coordinator, with active oversight by a diverse Board of Trustees representing community, union, religious, and financial leaders in the community. All lending and investment practices of the fund have been derived through a process of democratic decision making and policy formulation. In addition to its Board of Trustees, CWRLF receives advice and input from a fifteen-member Advisory Board chaired by Bishop James W. Malone of the Diocese of Youngstown.

Individuals, corporations, unions, institutions, and others who have an interest in knowing more about the investment opportunities of Common Wealth Revolving Loan Fund should contact Miriam W. Webb, Loan Fund Coordinator, at 1221 Elm Street, Youngstown, Ohio 44505, or phone (216) 744-2667. CWRLF's Offering Memorandum as well as other investment portfolio materials are available upon request.

### Upcoming Events

#### October 18, 1990, Yellow Springs

*"Participation and Communication Forum on Gainsharing,"* a program for Ohio's Employee-Owned Network. For more information call the NOEOC at (216) 672-3028.

#### October 26, 1990, Columbus

*"Workshop/Conference on ESOPs,"* sponsored by the Ohio Chapter of the ESOP Association. For more information call Perry Fisher at (614) 481-9750.

#### November 7, 1990 Cambridge, Massachusetts

The National Center for Employee Ownership's *"Meeting for Public Companies."* For more information call the NCEO at (415) 272-9461.

#### November 15-17, 1990, Atwood Lake Resort

The third *"Employee Owner Retreat,"* a three-day training seminar for employee owners sponsored by Ohio's Employee-Owned Network. For more information call Dan Bell at (216) 672-3028.

#### April 26, 1991, Columbus, Ohio.

The NOEOC's *"6th Annual Employee Ownership Conference."* For more information call Jim Bado at the NOEOC (216) 672-3028.

#### May 17-19, 1991, Washington, D.C.

The ESOP Association's annual convention. For more information call the ESOP Association (202) 293-2971.

# EMPLOYEE-OWNER FORUM

*Reuther Mold and Manufacturing's Karl Reuther Speaks Out*

## The Ownership Octagon

Less than a year ago, I coined the phrase "ESOP Architecture" to describe an ESOP triangle. The triangle has stock value and appreciation at the top corner, participation on another corner, and short-term sharing on the third corner; ESOP is in the middle of the triangle. Now, a few months later, I have come to realize that what we are working on at Reuther Mold and Manufacturing is an octagon, with the word ownership, not ESOP, in the middle.

I want to share with you my criteria, my feelings, and my dreams for what ownership can be -- maybe even what it should, ought, or must be to have a chance of optimizing the ESOP document. I believe there are eight essential elements of ownership.

- *Committed leadership*
- *Mutual trust and respect that generates dignity*
- *Removal of symbols*
- *Giving worker owners real power*
- *The ESOP with both short and long-term rewards*
- *Total communication*
- *Participation and responsibility*
- *Training*

These eight essentials of ownership are not something to be taken for granted. These are not a privilege. These are a right!

The first one is Leadership. Ownership is a feeling. And if everyone had "the ownership feeling" it would make the leader's job very rewarding, exciting, and fun. Perhaps this feeling can make everyone a leader. To promote the "ownership feeling" throughout a company, you need to have a strong, committed, creative, and highly regarded leader, who has the power to give power and the willingness to share his dreams of ownership with everyone.

Trust is the second element. Ownership begins with trust -- mutual trust. Not just trust in the leader, but

trust that the leader has in the worker owners. Along with that trust goes respect for the individual. Combining respect and trust together helps to create a climate where worker owners can enjoy real feelings of dignity! How do you show trust? How about allowing your worker owners to pick their own person to fill the worker-owner seat on a real board of directors. At Reuther, we have three outside directors, two family directors, and a worker-owner director. When the ESOP gets to 40 percent ownership, there will be two worker-owner directors, both elected by their peers.

How else can you create trust? How about getting rid of buzzers and time clocks and time cards? Doing something that radical may make your stomach turn... mine did. If you do this can you trust "them?" You can. "Them" are no different than you, or those people in your company that you do trust! If you show "them" trust, they will become trustworthy.

A third, and essential element, is Symbols. The fewer the symbols of privilege, the greater the feeling of ownership. Get rid of those symbols like time cards and reserved parking places, and having staff meetings on company time, while expecting worker-owner meetings to be off company time. At Reuther Mold, we got rid of our GMC motor home that only a few could use. We got rid of the time cards and reserved parking spaces. And worker-owner meetings are on company time.

Empowerment, a strong essential of ownership, is my fourth element. Empowerment can only exist with a leader who has the power to give power to worker owners. A leader giving them power to elect their representatives, power to make decisions, and the power to "red flag." At Reuther, "red flagging" is the power to shut down the operation or production process without fear of retaliation. Reuther Mold's worker owners have the power to vote on changes in the ESOP document, the power to print their company newsletter without censure, and the power to purchase a million dollars worth of equipment. (My only contribution to the purchasing process is to make sure we have the money.) And they have the power to shake a finger at me or tell me they disagree and to change my behavior.

A fifth and another essential element is the ESOP; it certainly is part of ownership too. To me the three parts of the ESOP are

Continued on page eight

*Karl Reuther is President of Reuther Mold and Manufacturing in Cuyahoga Falls, Ohio. This speech was delivered at the National Center for Employee Ownership's 9th Annual Conference in April 1990.*

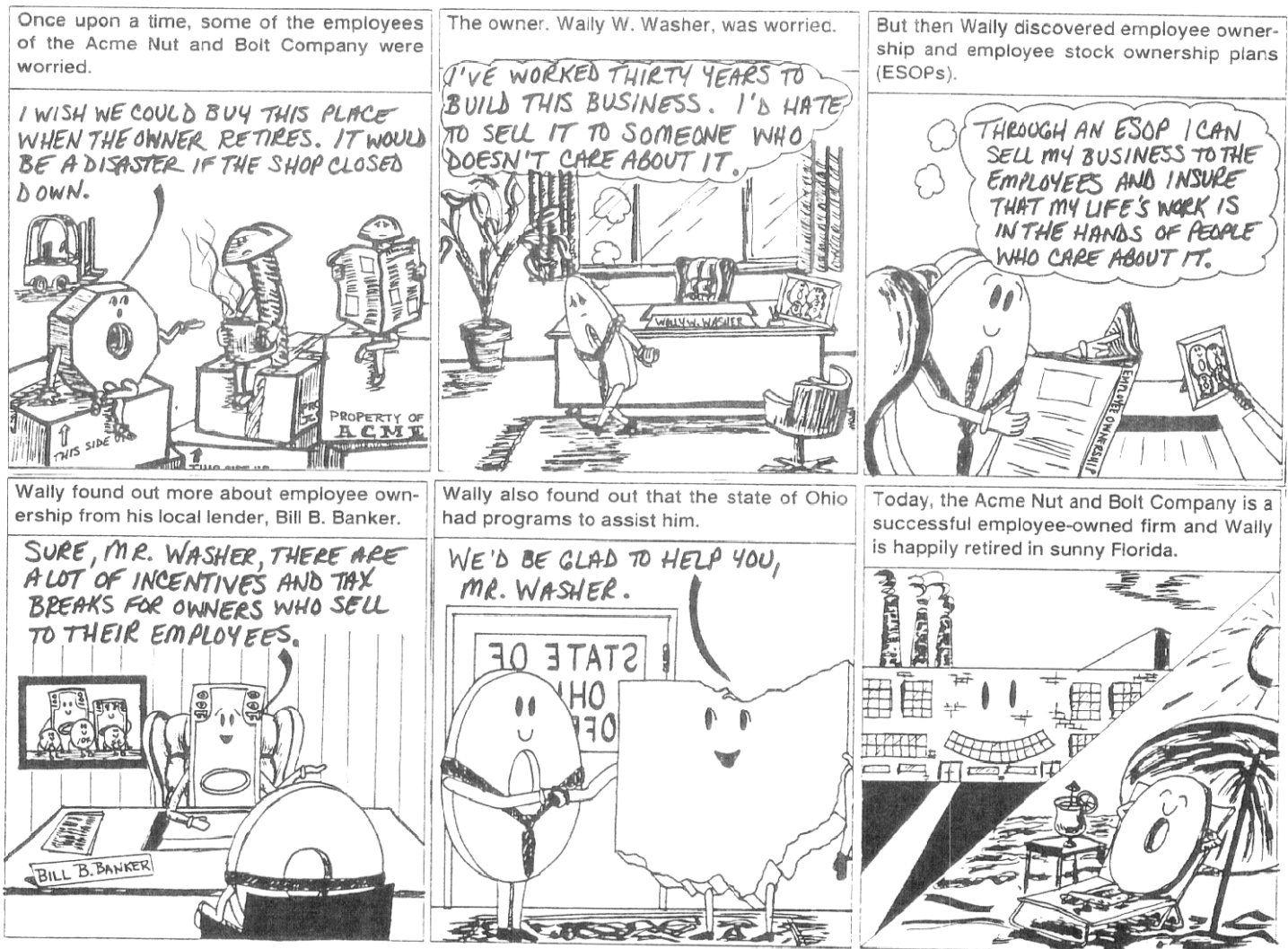
- 1) Fair and speedy allocations
- 2) Simple and timely repurchase methods
- 3) Short-term rewards

We do this at Reuther by allocating 30 percent of each allocation equally and 70 percent by wages with only a six month eligibility. And, we have allocated all the stock in the trust, 50,000 shares, in three allocations, while 50 percent of the loan is yet to be repaid. What our allocations have done is put \$6,000-8,000 in stock into Reuther Mold's worker-owners' accounts in only two years. That sure makes our worker owners feel like they do indeed own a portion of their company.

We also have many forms of saying thank you and recognizing worker owners. But the one that makes a real difference is our owner share bonus. It was developed by a special owner share bonus committee that included an outside director, our worker-owner director, and repre-

sentation from the worker-owner committee, accounting, and our ESOP committee. We have three cash payouts per year, where we share 20 percent of the after-tax profits. We have distributed more than \$200,000 in two years to worker owners.

Communication is the sixth element. Information is the equalizer. Total communication is what counts. What makes total communication happen? Showing your worker owners that you are real, means sharing information with them. How can someone feel like an owner if he only knows a quarter or half of what is going on, and little, if anything, about financials... and most of what he hears are rumors, not facts. Before I left for San Francisco I did the Upward Communication response letter; wrote my four-page monthly financial, sales, and "what is happening" newsletter; and set up a rumor voice message phone number, that says: "we'll get back to you in twenty-four hours!" I meet monthly with the staff, which carries my



MORAL: IT DOESN'T TAKE A NUT TO SEE THE BENEFITS OF EMPLOYEE OWNERSHIP



message back to their people. I meet regularly with the ESOP committee, the worker-owner policy/safety grievance committee, and the Senior Task Force. Plus I schedule small group meetings, twice-a-year, to discuss stock values and budgets. Just ten days ago, we had a one-and-a-half hour board of directors meeting debriefing session for everyone interested. We do this after every board meeting, going through the agenda item by item. All of these activities are on company paid time!

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*If someone cannot have a say, a little control, and be listened to concerning what he owns -- then he does not own it!*

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We really celebrate National Employee Ownership Week. We had ten meetings of all sorts during National Employee Ownership Week last year; one of them was an "all company stockholders" meeting. We held a balloon launch, where the Mayor of Cuyahoga Falls spoke. The balloons said "Our ESOP's Taking Off." We launched 200 of them with return cards attached, giving awards to those that went the farthest.

Participation and Responsibility are the two essentials of the seventh element. Without these there is no ownership! Without participation, ownership means very little. If someone cannot have a say, a little control, and be listened to concerning what he owns -- then he does not own it! So do not tell him that he does!

At Reuther, we have a dozen groups meeting regularly. We have five task force groups, one in each shop area; a senior task force, made up of people with twenty-five years seniority; a make-money task force; a green card committee; a special self-managing work team; a worker-owner committee; a strategic planning group; and of course the ESOP committee. Each group publishes their own minutes. Putting this into dollar amounts, our worker owners were paid more than \$60,000 last year for attending various meetings. That is an average of forty-five hours per year, per worker owner. Finally, we have done what is possibly the ultimate in participation and responsibility, the inclusion of a worker-owner peer elected by department to meet with the foreman and superintendent to help evaluate his fellow worker owner's performance. This is new at Reuther. I feel this concept is equal in importance to having a worker owner on our board or getting rid of the time clocks and the time cards.

The eighth element is Training. Training is the means to make all this come alive. Teaching, coaching, listening, people development, nurturing, and caring all help grow owners. This year we will send twenty or more

### Profile: Reuther Mold and Manufacturing

Products: Rubber molds, industrial fans.

Employment: 150

Sales range: \$10-15 million

ESOP: 30 percent employee owned. ESOP was established with 20 percent ownership in October 1988.

worker owners to ESOP seminars. In fact, next week we are sending an entire department, twelve people, to an ESOP seminar in Cleveland. We do not have any bad worker owners; we have untrained foremen and supervisors that need the tools to bring out the best in the worker owners on their team. Training and education are where our emphasis will be placed in the 1990s and on. In the years ahead, we will focus on creating a high quality, on time, competitive product for customers: customers that will know they come first.

I deeply believe that we will accomplish this goal through ownership and Reuther Mold will become the "benchmark," "the standard," for worker ownership and quality in its industry. Reuther Mold is a company that started its ESOP a short thirty-six months ago. It is not 100, 75, or even 51 percent worker owned. The worker owners only own 30 percent of Reuther. But in almost every way, our worker owners are treated as if they owned 100 percent of the company. ESOPs are a great invention... but, to me what really matters is taking that simple act of stock allocation and turning it into the power and promise of what ownership can be that really matters. When your workers begin to feel like owners, there are no limits.

### Catalog of Products of Employee-Owned Firms Available

Whether you are in the market for golf equipment or rolling mills, insurance or weld fasteners, vending machine services or automatic guided vehicles, gym lockers or clay extrusion machines, you can buy what you need from forty-one of Ohio's employee-owned companies. Request your free catalog Products and Services of Ohio's Employee-Owned Companies from the NOEOC today.

## NETWORK NEWS

### CEOs review 1989/90 Network programs

The people who know the most about employee ownership are those who are making it happen every day. Collectively, Ohio's worker owners know more about employee ownership than anyone in the state. Hence, who could provide a better review of the 1989/90 programs sponsored by Ohio's Employee Owned Network than worker owners themselves? On September 13 that evaluation occurred when the CEOs and their representatives from *Bliss-Salem*, *Dimco-Gray*, *Elwell Parker Electric*, *Epstein Gutzwiller & Partners*, *Fastener Industries*, *H.C. Nutting Company*, *James B. Oswald Company*, *Mantaine*, *Plymouth Locomotive*, *Republic Engineered Steels*, *Republic Storage Systems*, *Reuther Mold & Manufacturing*, and *Sharon Manufacturing* came together at Kent State for the Network's first annual CEO meeting.

Those attending were pleased with the vast majority of the 1989/90 Network programs. Specifically, they singled out the Employee Owner Leadership Development Retreats for the positive impact the retreats had on their respective firms' worker owners. The CEOs noted that after attending these three-day workshops -- which focus on building committee effectiveness skills and developing a greater understanding of ESOPs and financial information -- many employee owners have taken a more active role in supporting their own ESOPs. The opportunity to interact and learn from other firms' worker owners in a informal setting was mentioned as one of the reasons for the retreats' success.

The CEOs felt the Network's ongoing series of multi-company ESOP administration and participation and communication forums were meeting their needs. They recommended a slight alteration in the format of these sessions, though. While outside resource persons should continue to be present to stimulate discussion, the group believed that greater emphasis should be placed on the sharing of experiences between the companies. Network programs will devote a greater proportion of each session's time to inter-company discussions at 1990/91 events.

One area of Network activity which did not receive support from the participants was the NOEOC's proposal to produce another promotional item like Ohio's Employee-Ownership Calendar. The CEOs informed the NOEOC that there is already an adequate supply of such items available from national employee ownership organizations. Their preference was for the NOEOC invest its

energies into further development of training workshops and forums, not gimmicks. The Center has decided not to produce another promotional item for 1990/91 (Our apologies to calendar fans).

### Network responds to Southwest Ohio

While several employee-owned companies from Southwest Ohio have frequently made the trek to Kent to participate in Network activities, it is difficult for them to take full advantage of Network programs. To make the Network more inclusive for all of Ohio's employee-owned firms, the NOEOC proposed that a few programs be conducted in Southern Ohio. The CEOs supported this proposal; and action was taken on it. The October 18th Participation and Communication Forum on gainsharing and other forms of short-term incentives will be held in Yellow Springs at a site provided by Antioch Publishing, an employee-owned firm.

### Cooperation could mean purchasing clout

The CEOs also discussed utilizing the Network as a vehicle to jointly purchase ESOP related products and services. While joint purchasing has been a theoretical topic of discussion at CEO roundtables since 1988, this year action is a strong possibility. Interest has emerged in acquiring an ESOP administration software program which was developed by Merri Ash of Qualified Employee Benefit Systems in Virginia Beach. The software is designed to allow companies to handle their recordkeeping and administration in-house. This has the double benefit of greater control and less expense.

The main drawback is that the software was developed for companies with thousands of ESOP participants. It is exceedingly expensive for a small, or medium-sized firm to purchase by itself. However, the economies of scale of the Network can overcome this problem: the firms at the CEO meeting represent more than 7,000 employees. If the cost can be spread among twenty or thirty firms, Ohio's employee-owned companies might gain access to technology designed for large corporations at a small-business price. Companies will be invited to a demonstration workshop at Kent State on October 11; call the NOEOC at (216) 672-3028 for details.

### Recordkeeping forum sets a record

Initial interest in the above-mentioned ESOP software was generated at the Network's May 31 ESOP Administration Forum on recordkeeping. Recordkeeping

may appear to be a dull subject, but it attracted twenty-five participants from seventeen employee-owned enterprises -- a new record for the Network's multi-company forums. Those who came were not disappointed. Ash gave a lively and informative presentation. She also dealt with many questions about difficult administrative issues like stock distribution, vesting schedules, and stock diversification.

"The biggest problem with recordkeeping is how to collect the data and what to collect," according to Ash. For plan administrators, garbage in equals garbage out. And it can become expensive to keep track of data if plan administrators do it incorrectly. Ash shared some examples of "horror stories" she had encountered during her sixteen years of being a third-party plan administrator. One company, she remarked, had not kept any receipts detailing to whom they had issued checks.

Ash made a number of recommendations. She suggested that keeping employee records by elapsed time, rather than hours worked was both easier and more efficient. Furthermore, the simplest way of insuring both understanding and consistency is to develop an administrative handbook by translating the ESOP document into

English. "I keep telling the lawyers at the ESOP Association meetings that they've got to write in English. We speak English; why can't they?" Ash commented. Once the handbook is finished, it should be given to plan administrators and company lawyers to make sure it conforms to the ESOP document. The manual's creation can force administrators to think through complex problems before they occur and give individuals a better understanding of their respective plans. But, no matter what system a company utilizes, it is important that plan administrators understand what they are doing and are consistent in their decisions.

#### **New companies are always welcome**

So far, more than sixty-five of the estimated 300 Ohio employee-owned companies have participated in some of the NOEOC's projects; forty-one are in the catalog and fifteen have become Network members. If your firm would like to become involved in these activities with other employee-owned companies committed to business innovation, participative management, and inter-firm cooperation, call Dan Bell at (216) 672-3028 for further information.

### **NETWORK PROGRAM 1990-1991**

<u>DATE</u>	<u>LOCATION</u>	<u>EVENT</u>
October 18, 1990	Yellow Springs	<i>Participation &amp; Communication Forum</i>
November 15-17, 1990	Atwood	<i>Employee Owner Retreat - EOLDP 1 (see note 1)</i>
December 6, 1990	Kent	<i>Employee Owner Supervisor Workshop (see note 2)</i>
January 31, 1991	Yellow Springs	<i>ESOP Administration Forum</i>
February 21, 1991	Kent	<i>Workshop on Financial Terminology - EOLDP 2</i>
March 7, 1991	Kent	<i>CEO Roundtable</i>
March 28, 1991	Kent	<i>Participation &amp; Communication Forum</i>
April 26, 1991	Columbus	<i>6th Annual Employee Ownership Conference</i>
May 23, 1991	Kent	<i>Employee Owner Board Training &amp; Forum</i>
June 20, 1991	Kent	<i>ESOP Administration Forum</i>
July 18, 1991	Yellow Springs	<i>Workshop on Financial Analysis - EOLDP 3</i>
August 15, 1991	Yellow Springs	<i>Participation &amp; Communication Forum</i>
September 12, 1991	Kent	<i>2nd Annual CEO Meeting</i>
October 10-12, 1991	Mohican	<i>Employee Owner Retreat - EOLDP 1</i>

#### **Registration for most programs is free to Network members.**

- 1) The Employee Owner Leadership Development Program (EOLDP) is a three-part series designed to give non-managerial employees, both hourly and salaried, a basic foundation in participation skills and financial information.
- 2) The Employee Owner Supervisor Workshop is a one-day introductory session designed to provide supervisors with additional communication skills as well as generate discussion with peers from other employee-owned enterprises.

## Soviet Scholar's View of Worker Ownership Now Available

Jacob Keremetsky and John Logue, Perestroika, Privatization and Worker Ownership in the USSR. \$5.95. (Kent Popular Press: Forthcoming October 1990.) Call the NOEOC to order (216) 672-3028.

The extraordinary changes underway in the Soviet Union are transforming the Soviet economy. The command economy of central state planning is recognized to have failed. "Now we understand that nationalization is not socialization," writes Dr. Jacob Keremetsky, Senior Researcher at the USA-Canada Institute of the Soviet Academy of Sciences. "No one should be dragged by force either to paradise or to hell."

In his contribution to Perestroika, Privatization and Worker Ownership in the USSR, Keremetsky analyzes the ongoing transformation of the forms of ownership in the USSR. His point of departure is the fact that the power of the old bureaucratic ruling class, "the partocracy," is rooted in economic control. Thus changing the ownership of property involves bitter conflict between the bureaucratic ruling class and the insurgent forces from below. "There are no economic problems in the Soviet Union," says Keremetsky. "All the problems are political ones: the problems of who will rule."

Keremetsky traces Gorbachev's early attempts to establish a "socialist market" of independent state-

owned enterprises; inflation and shortages resulted. The consequence was increasing pressure to privatize the economy, creating worker-owned firms, private businesses, and mixed state, investor, and worker-owned corporations. Keremetsky goes on to examine the privatization process, focusing on "leasing enterprises" and experiments in mixed ownership in large firms. He details the operating principles of firms leased from the state by employees; leasing is, Keremetsky says, a preliminary stage on the road to employee ownership. Leasing, however, has characterized only relatively small enterprises. Keremetsky also examines the experiment with mixed state, investor, and employee ownership at the automobile giant Kamaz, which employs 140,000 people.

Ironically, the old bureaucratic ruling class is much more comfortable with stock ownership than with direct worker ownership which Pravda has condemned as "anarcho-syndicalism." The bureaucrats, suggests Keremetsky, threaten to assume the role of the new capitalists by "propertizing" their power. "All the ministries now want to be called business concerns."

Dr. Keremetsky's analysis is supplemented by John Logue's case studies of two Soviet employee-leased enterprises -- Taxi Fleet Moscow and Golitsyno Polymer Construction Materials -- which provide concrete illustrations of how Soviet employee-owned firms work.

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