

Case Study: Carris Reels

Vermont-based Carris Reels is an innovator when it comes to pairing employee ownership with significant employee participation in decision-making. Their employee-management committee brings together shop-floor workers and senior management to deliberate over major issues—an uncommon employee involvement technique, even in the most participatory firms. Carris Reels has been recognized by the *Boston Globe*, The ESOP Association, and the National Center for Employee Ownership as a pioneer in the field of employee ownership.

Yet since putting in place an Employee Stock Ownership Plan (ESOP) in 1994, the company has faced significant challenges—challenges shared by many ESOP companies, including:

- heightened expectations, and some confusion, about the changes that employee stock ownership might bring;
- desire to reconcile participation with the bottom line; and
- a perceived need for clarity and efficiency in decision-making processes.

Since early 2001, the Carris Corporation has used the *Frontiers and Boundaries* curriculum to help address these challenges. The employee-management committee worked with Ownership Associates to customize the Decision Zone Charts. A subcommittee completed charts to show the company’s past, present, and several possible versions of the future.

To begin moving toward the participation system they wanted, its North Carolina plant has used *Frontiers and Boundaries* tools to document and improve their decision-making processes in dozens of specific decision areas, and other plants will follow.

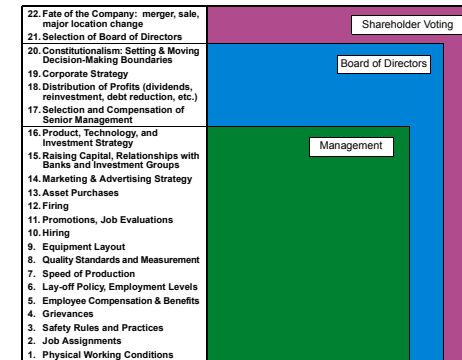
“Everyone appreciates feeling involved and included. And now we have a way to deal systematically with people’s questions and concerns. It’s made a huge difference.”

—Dale Clary, Plant Manager, Carris / North Carolina

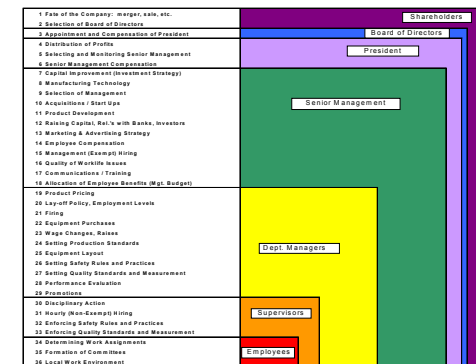
“Frontiers and Boundaries has helped our employees to understand how and why decisions are made, and who is responsible for them. With Frontiers and Boundaries we have put the rights and responsibilities of ownership into action.”

—Karin McGrath, Carris Community of Companies

How do you get from



to



Decision Grids

Companies wishing to build participation systems will make use of Decision Grids. Decision Grids are templates that clarify how categories of decisions should be made. They show who should be involved in different types of decisions, and what form that involvement should take. (For example supervisors may have the authority to make some decisions on their own. For other types of decisions, supervisors simply receive information after a decision has been made. The CEO may retain veto power over some or all decisions.)

The table is a grid titled "Decision Making Grid". It has columns for various decision types: Strategic, Financial, Operational, and others. The rows represent different levels of authority: CEO, Board, Supervisors, and Employees. Each cell in the grid contains a number (1-5) indicating the level of involvement or authority for that decision type at that level. A legend at the top right defines the numbers: 1 (Information only), 2 (Consultation), 3 (Participation), 4 (Participation with approval), and 5 (Decision). A "Veto Power" section at the bottom indicates which decisions require CEO approval.

Rather than being filled out each time a decision is made, Decision Grids serve as guidelines to remind decision makers how to proceed under normal circumstances, and to communicate to employees how they can and should participate. Decision Grids reduce guesswork and mystery in the decision-making process.

The Decision Grids are based on the idea that all decisions, from the most routine local decisions to major changes in strategic direction, move through six steps, and that attention to each step will ensure that decisions are made more effectively, communicated more broadly, and often implemented in less time.

Decision Grids categorize employee involvement into four distinct roles. For example, those involved in the Consulting role are listened to, but do not make the final decision.

Decision Reports

The Decision Report is a *Frontiers and Boundaries* communication device used to share information about a decision, once a decision has been made. At the Carris Corporation, Decision Reports have facilitated communication about corporate decisions from headquarters to individual sites. At right is a blank template.

Decision Reports typically only take ten minutes to fill out, and most companies use them to communicate about decisions at most a few times a month.

The form is titled "Decision Report" and contains several sections for documenting a decision:

- ISSUE:** A decision was made on the following issue: _____
- DATE:** This decision was made on _____
- DECISION:** We decided to... (with checkboxes for: to take no action, to make the decision, to make a decision)
- RESULT:** Based on the decision, the following will happen: _____
- REASON:** This change was made because: _____
- DECISION MAKERS:** This decision was made by: _____
- INFORMATION:** People with the right to be informed about this decision are: _____
- NEXT STEPS:** The decision will be reviewed on _____

Advanced Frontiers and Boundaries

Decision Zone Charts and the rest of Basic *Frontiers and Boundaries* Training provide companies with a strong understanding of participation and defuse some of the common anxieties felt by employees and by managers.

For companies that want to build or improve participative systems, the advanced components of *Frontiers and Boundaries* will provide tools to make the process smooth and ensure that the final result is easy to use. They will also help create a system that satisfies the criteria for a successful participative system. (See box below.)

Companies typically work closely with Ownership Associates as part of a long-term project to design or improve a participation system. The engagement begins with the *Frontiers and Boundaries* material and includes substantial adaptation, planning, and training. Company leaders should be prepared to invest their own time and energy.

The key tools in building participative systems are Decision Grids and Decision Reports. Examples are on the facing page.

Principles of Successful Participation Systems

The system should...

- Promote the Health of the Company
- Respect the Expertise of People with Special Training
- Obey Regulations and Laws
- Emphasize Accountability
- Allow for Speedy Decisions
- Balance Needs for Adaptability and Consistency
- Promote Independent Deliberation
- Have a Clear and Limited Scope

When you talk about employee ownership, employees begin to re-think their expectations about decision-making roles and their own responsibilities.

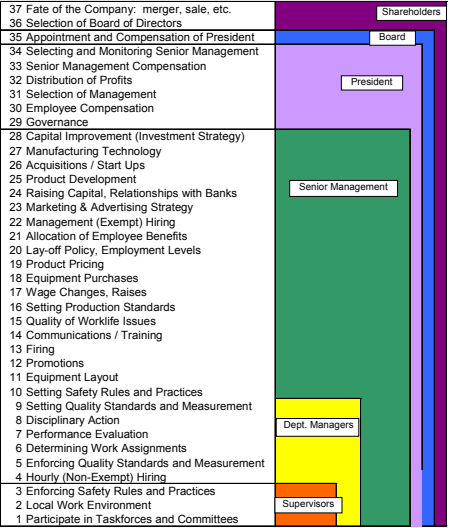
Frontiers and Boundaries helps employee-ownership companies clarify expectations about the scope and meaning of employee involvement in decision making.

Companies may also use the tools in this curriculum to develop management systems that are inclusive, efficient, widely understood, and broadly supported.

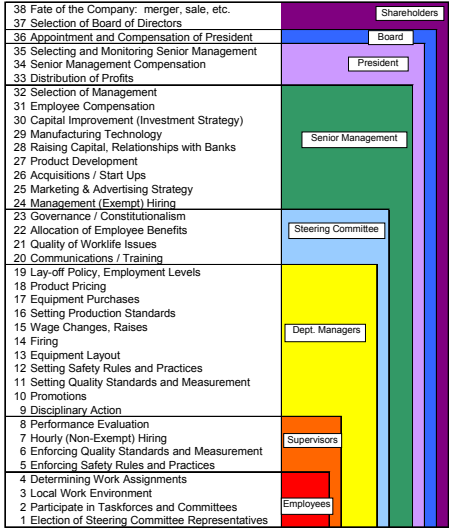
The lines on the Decision Zone Chart can and do move to reflect organizational change and shifting authority. They can also serve to document past practices and plan for desired future developments of the decision-making strategy.

The *Frontiers and Boundaries* Strategic Planning Kit uses group-process technologies that enable a sub-set of employees (for example, managers or a cross-sectional committee) to collectively develop vision charts for planning near-term and long-term change.

The Present



The Future



The Decision Zone Charts above depict the “present” and the imagined “future” at a hypothetical company. As you can see, the zone for senior management shrinks over time as a new steering committee is established and department managers’ role expands. A “zone” for employee decisions is introduced as workforce decision skills improve (at the bottom of the Future chart on the right).

Decision Zone Charts

Decision Zone Charts, included in Basic *Frontiers and Boundaries*, portray the overall organization of authority within a company, drawing lines between zones of responsibility. Decision Zone Charts are a tool to build “good fences” in an organization and to make transparent “who has primary responsibility for what.” In their generic form, the charts illustrate the general concept of organizational boundaries and clarity. Customization brings those concepts home to your own company.

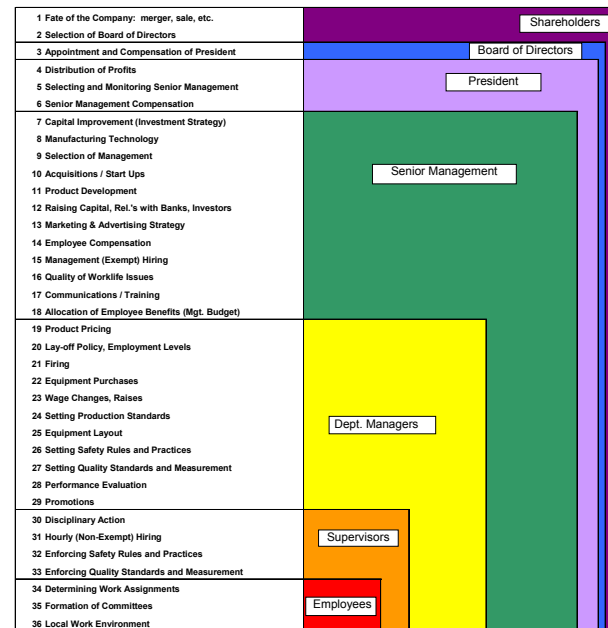
Customizing the Decision Zone Charts means determining the range of decisions that are made at a company, and making universally understood choices about which individual or group has the primary responsibility to make each decision. The charts are an effective way to both plan and communicate these choices.

Understanding the Decision Zone Chart

The list along the left-hand side of this illustration shows types of decisions that are made in many companies, ranging from day-to-day decisions about speed of production, to equipment purchase and marketing strategy, and including major strategic choices like merger, sale and acquisition.

The list is divided into “zones,” where a different individual or group has primary responsibility for making the decisions in each zone.

These charts provide a simple one-page glimpse of a company’s decision making structure. Both the list of decisions and the set of decision makers will change from one company to the next, and the *Frontiers and Boundaries* curriculum provides tested group-process technology to help your company settle on the most appropriate parameters.



Contents of This Booklet

- Steps to a Participative Workplace
- Tools and Support from Ownership Associates
- Excerpts: The Basics of Participation
- Decision Zone Charts
- Advanced Frontiers and Boundaries
- Case Study: Carris Reels

Steps to a Participative Workplace

No overview will capture all that is required to build a successful employee participation system. This “bird’s-eye view” of the process represents the major steps that our clients have found effective.

1. Leadership Commitment

Senior company leadership needs to *define* the goals for participation, determine *parameters* for its development process, and publicly *commit* themselves to employee participation.

2. Prepare Middle Managers

Middle managers need to understand the *definitions* and *goals* of the participation system, to *have a role* in designing certain parts of the system, to learn *new skills*, and to understand the *metrics* by which their role in the adoption of the new system will be measured. They often need *reassurance* about their job security and role in the new system.

3. Prepare the Work Force

The company should address common *misperceptions* about involvement, set realistic *expectations*, give people a sense of the *timeline*, introduce the *concepts* and *skills* they will need, and *invite* them to support the process.

4. First Steps

Depending on the company’s history, the first steps towards the new system could be a new level of information sharing about decisions, a large-group event to address a particular decision, formation of an employee committee, localized team problem solving, etc.

5. Systematize

Companies can build on and solidify the early successes by systematizing roles, procedures, training and principles in support of participative decision-making.

6. Review, Revise, Re-charge

Companies must periodically *review* their decision-making systems to make sure they are meeting company goals. All successful companies face loss of energy, but this “slump” can be harnessed for continued healthy *development* of the system and the *re-charging* of enthusiasm.

provide a clear, compelling, and easily accessible description of their decision-making systems. This Handbook follows a simple guiding principle: *clarity is the best way to confront unrealistic expectations.*

Many employees welcome the chance to learn about the expectations for their roles at the company. Middle managers and supervisors, in particular, are likely to be relieved to see that they will continue to have a role in the company and that employee-ownership will not simply be a way for them to work themselves out of their own jobs.

In fact, both workers and managers require a sense of security before a conversation about participation in decision making can begin. “Psychological safety” implies clarity about the scope of participation and how it will affect each individual’s role in the company. We have found that the greatest barrier to psychological safety is not the magnitude or speed of change, but ambiguity. Reducing ambiguity heads off common pitfalls—and it is also the necessary first step in harnessing the potential power of employee ownership.

Employee Involvement Translates into Performance Results

There is no legal obligation to involve employees: employee-ownership companies can, within the framework of most corporate law, ignore or even actively resist employee desires for involvement. Nonetheless, it has become conventional wisdom in management literature that involving employees in making decisions can make a company more customer-focused, more cost-conscious, and quicker to adapt to changing market conditions, in addition to increasing job satisfaction and employee retention.

In the context of employee-ownership companies, the case for employee involvement is even stronger. The advantages of employee involvement are magnified for employee-ownership companies—involvement taps into the unique power of employees’ expectations about ownership.

One of the key tools we use to channel the power of ownership expectations towards employee involvement is the Decision Zone Chart, described in the next section.

Excerpts: The Basics of Participation

The excerpts below are from the *Frontiers and Boundaries Handbook*. Similar content, in presentation format, is in Basic Frontiers and Boundaries Training for managers.

Ownership is a powerful idea rooted deeply in our history and in the foundations of our economy. For better and for worse, it is an idea that evokes powerful emotions and high expectations. These expectations exist regardless of the content of federal laws and legal documents defining ESOPs and other forms of employee ownership.

The “living definitions” in people’s minds, not legal definitions, directly affect their perceptions of employee-ownership, their motivation, and their enthusiasm. This psychological aspect of ownership is the source of employee-ownership’s potential power, but it also creates vulnerability.

Challenges of Employee-Ownership

In general, expectations have a major effect on organizational performance. Expectations of positive results motivate employees to outperform their peers in non-ownership companies. Alternatively, as a recent study concluded: “*The result of inflated expectations... are significant negative outcomes: turnover (as high as 60%), low satisfaction, and a lack of organizational commitment.*” Many companies fail to meet employees’ expectations about ownership and then find that ownership becomes a disappointment.

On the other hand, *meeting* these expectations may be impossible. One researcher found that employees’ desired level of participation generally exceeds their perceived level of participation. Employees may have concepts of ownership that are more appropriate to direct ownership of a concrete asset, such as a car or a house, than to the complex web of responsibilities in a modern company’s management and governance structure.

Managing Expectations

The challenges in the preceding section have their roots, not in expectations, but in *unrealistic* expectations. The tools in this book are designed to help companies

Ownership Associates helps companies at all stages of building a participative work place. Our tools and services, described on the next pages, will help your company get where it wants to be as quickly and effectively as possible.

Get the right tools for the job.	Basic Frontiers and Boundaries <small>(items 1 to 3, next page)</small>	Frontiers and Boundaries Handbook <small>(item 4, next page)</small>	Advanced Tools <small>(item 5, next page)</small>	Consulting/ Training Delivery <small>(item 6, next page)</small>
1. Leadership Commitment		X		X
2. Prepare Middle Managers	X			X
3. Prepare the Work Force	X			X
4. First Steps		X	X	X
5. Systematize		X	X	X
6. Review, Revise, Re-charge			X	X

Turn the page for an outline of our tools and support services.

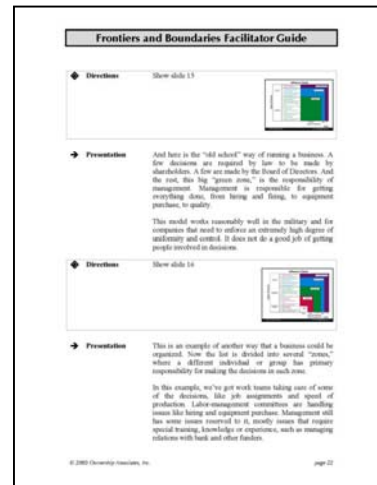
Tools and Support from Ownership Associates

Frontiers and Boundaries: Managing Ownership Expectations is a set of tools and training curricula. Companies choose the mix of services that best meets their needs.

1. Basic *Frontiers and Boundaries* Training (Generic)

This training program introduces participants to the concepts of *Frontiers and Boundaries*, and helps them understand and support realistic expectations of employee-ownership. It covers the Decision Zone Charts and ranges from 30 minutes to two hours. It is available as direct training by Ownership Associates or in a train-the-trainer format.

A Facilitator's Manual is available that includes extensive notes, sample scripts, exercises, and customization options. This package includes complete overheads and handouts and can be adapted for a variety of audiences.



2. Basic *Frontiers and Boundaries* Training (Customized)

The customized version includes everything in the generic program, but will be customized by Ownership Associates for the specific conditions at the client company.

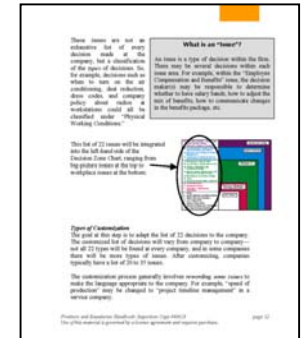
3. *Frontiers and Boundaries* Training for Managers

Training for managers and supervisors about their role in a participative company, building on the concepts of Basic *Frontiers and Boundaries* Training, but covering issues such as cynicism and ownership psychology, and providing greater depth on the concepts and practice of employee participation.

4. *Frontiers and Boundaries Handbook: Mapping Decision-Making Responsibility*

This Handbook is a step-by-step guide to clarifying who does what at employee-ownership companies using Decision Zone Charts. It is designed to help companies create transparency in their decision making systems and communicate the major features of those systems in a readily understandable way.

The Handbook makes understanding, adapting and using the Decision Zone Charts easy with clear definitions, process recommendations, sample meeting agendas, examples from other companies, ideas about avoiding common pitfalls, and more.



5. *Frontiers and Boundaries: Advanced Tools*

The full version of *Frontiers and Boundaries* contains all the materials in 1 to 4 above, as well as everything a company needs to adapt and begin implementing the full set of participation tools, including Zone Charts, Decision Grids and Decision Reports.

6. Consulting / Training Delivery

For clients with budgetary constraints, the resources above are available as stand-alone "do-it-yourself" products. Ownership Associates staff will support all of these products and provide customization, meeting facilitation, strategic advice, or direct delivery of training at client request. Consulting can be on an hourly basis or by retainer.

For more information about *Frontiers and Boundaries*, including additional free background materials and a no-obligation proposal, contact Loren Rodgers at Ownership Associates.



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At Ownership Associates, we believe in employee-ownership and in the value of our products and services. We invite you to visit our website for free articles, background information, tools, and ideas.

Frontiers and Boundaries

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—Karin McGrath, Carris Reels

“Well written, clear, and helpful immediately.”

—Ruffin Slater, General Manager
Weaver Street Market

Contact Ownership Associates to learn about ways *Frontiers and Boundaries* can help your company plan, execute, and communicate employee participation.

INTRODUCTION

Managing Ownership Expectations

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www.ownershipassociates.com

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