

C H A P T E R 3

**ESOP
Committee
Development**

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An ESOP committee that successfully encourages and shapes the form of ownership and related communication down and up the company management ladder can greatly encourage employee involvement, increase understanding of employees' attitudes toward ownership, contribute to a healthy ownership culture and can contribute to the creation of a high performance work organization. The research is clear that the creation of a culture of ownership within employee-owned companies is positively correlated with company success.

The purpose of this chapter is to help companies with ESOP committees make them more effective; for companies that have not yet attempted to create a committee structure, this chapter provides tips to help avoid some common pitfalls. Companies that have already started down the committee path will find ways to “diagnose” the current condition of their committees and find some ideas that might increase their effectiveness.

As has been mentioned before and described in chapter 1, the term ESOP committee can include a range of different types of committees. Some ESOP committees are the trustees for the ESOP. This means they hold a fiduciary, legal responsibility to run the ESOP in a fair and consistent manner according to the law. Other ESOP committees are expected to lead culture change within the organization. In this situation, the committee is charged with monitoring and improving employee morale and performance. Still other ESOP committees are responsible only for planning activities, events, and employee communications that regard employee ownership.

Each committee will develop in its own way according to the interests of the members and the formal responsibility and authority delegated to it. Each will also pass through a series of generally predictable stages of internal development. This chapter will focus on the development of the ESOP committee. It will articulate some early concerns as well as the challenges that must be met in each developmental stage. It will also include some

suggestions to help the group through the challenges so that the ESOP committee can contribute to company success.

The fundamental assumption of this chapter is that the ideal committee is one in which all participants understand and embrace the group's mission, feel safe as a group, demonstrate a high level of trust in one another and respect for one another's expertise, and exhibit a high level of productivity.¹ Such productivity is more difficult to measure in ESOP committees than in production-oriented work teams. Thus it is important for the committee to create "goals," defined as short-term, realistically achievable results of their work together.

Types of Committees

ESOP Trustee Committees

ESOP fiduciary committees share a legal responsibility to run the ESOP. This responsibility often forces rapid initial growth and clarifies the group's responsibilities. Often, these committees demonstrate few of the symptoms of committee development. However, each group is likely to experience some of the common stages spelled out below.

Formal or informal training is often a fundamental part of the preparation of fiduciary committees. This "training" sometimes occurs during the process of establishing the ESOP. During that process, the committee members learn about the rules and federal regulations that allow for the creation of the ESOP. The committee becomes familiar with the legal limitations of their control and decision-making discretion.

The formal need to make decisions about ESOP design rapidly forces the group into a highly productive stage. When the ESOP fiduciary committee has not been involved in establishing the ESOP, formal training is critical so the committee members fully understand the implications of their decisions, legal limitations, requirements of their decision-making process and note-taking needs. For legal reasons, it is particularly important for these committees to maintain careful notes of the decisions made and reasons for those decisions.

Since ESOP fiduciary committees often undergo formal or informal training with the attorneys who establish the ESOP, and since the scope of their decision-making is clear from the start, they often bypass many of the

stages of committee development described below. The stages of group development will still take place, but the stages are likely to be expressed in more subtle ways.

ESOP Communication Committees

A cultural change-oriented committee is likely to be responsible for encouraging and fostering a strong sense of “ownership” among company employees and assisting in building increased productivity and profitability. Some ESOP communications committees are responsible only for planning events, notices, newsletters, and other forms of communication. Both of these types of committees can make a significant contribution to building an ownership culture and adding to company success.

A good ESOP communications committee can expand communication throughout the organization. Of particular importance in these efforts is the ability of an effective communications committee to enhance management’s understanding of employees’ perceptions of the meaning of ownership. In short, an effective ESOP communications committee helps managers understand what employees *really* think, rather than what the managers *think* employees think. Decreased misperceptions in this area are positively correlated with employees’ self-identification as owners.²

The specific success of the ESOP committee is often correlated with the extent to which its mission and existence are embedded in a company-wide cultural change effort. When the group is part of a larger change in the surrounding social organization, its likelihood of success and of high productivity is increased, as is the likelihood of overall improvements in financial performance of the organization.³ Such a range of concurrent efforts at cultural changes are a common feature among many high performance organizations.⁴

Early Issues

Advisory or Activist?

ESOP communications committees are often set up by management to help increase the effectiveness and credibility of ESOP communication. The committee is created primarily to advise management about how to communicate the ESOP and the concept of ownership more effectively to employees.

This goal is a valid one, but it must be recognized at the start that this “advisory” responsibility is inherently a form of “upward communication.” A common struggle is the extent to which members are also responsible for two-way communication. Should the committee focus exclusively on helping management communicate effectively with employee owners (an advisory role) or will the committee also express the concerns and frustrations of employee owners to management and recommend changes (an activist role)? There are two main questions the committee is likely to struggle with:

- Is this committee also responsible for telling management about problems such as employee cynicism?
- Is this to be the primary means through which the employee-owners will communicate their concerns and expectations to management?

The committee’s struggle with its “advisory” and “activist” roles is inevitable and needs to be directly addressed if the committee is to understand its mission and develop effectively. ESOP companies that have effective two-way communication and initiate meaningful employee participation have employees who more strongly identify themselves as owners⁵ and exhibit more features of high performance organizations.⁶ An ESOP committee that recognizes this responsibility for two-way communication can be an important component of such companies.

Leadership and Facilitation

In any group, the role of leader and facilitator can be critical to its development and success. Leadership in an ESOP committee is likely to develop over time and change as the goals and current projects of the group change. It is advisable, however, to have a competent and consistent facilitator who can assist the group’s development and encourage both involvement and productivity. While a formal leader *can* act as facilitator, these two responsibilities are often incompatible and it takes a very well trained individual to perform both functions simultaneously.

A good facilitator will help the committee grow through its natural stages and insure that each member is included in discussions and decisions. The facilitator must allow the committee to develop in its own directions

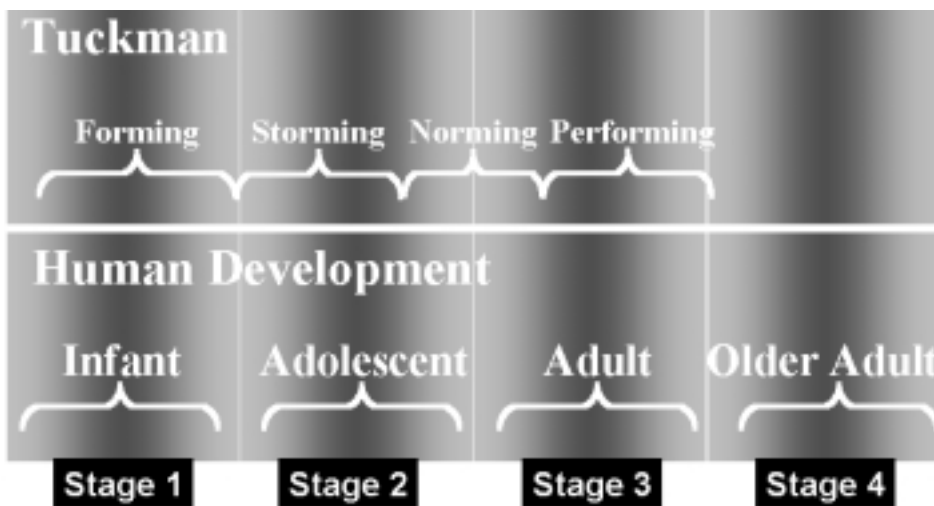
and not force the process or take control or responsibility for results from the group. It is, after all, the committee that will be responsible for implementation and evaluation of its projects. The facilitator must be sure not to undermine that critical sense of responsibility. If he or she makes this common mistake, a sense of dependency is likely to develop, constraining the group’s effectiveness.⁷

Development Process

The process of group and committee development has been the subject of much study. A number of theoretical constructs have been created by noted researchers to describe the process of group development. In this chapter, we will simply refer to them as stages 1 through 4. The stages described below share some common ground with B.W. Tuckman’s familiar “forming, storming, norming, performing” format,⁸ and it will be referred to throughout. Another common analogy is to the process of human development.⁹ It too will be referred to throughout. It is important to point out, however, when using this analogy that the reference to “infancy” is not a statement about the maturity of the group members, only the development of the group as a whole.

While each committee will develop in its own way, some common patterns and pitfalls are easy to identify.

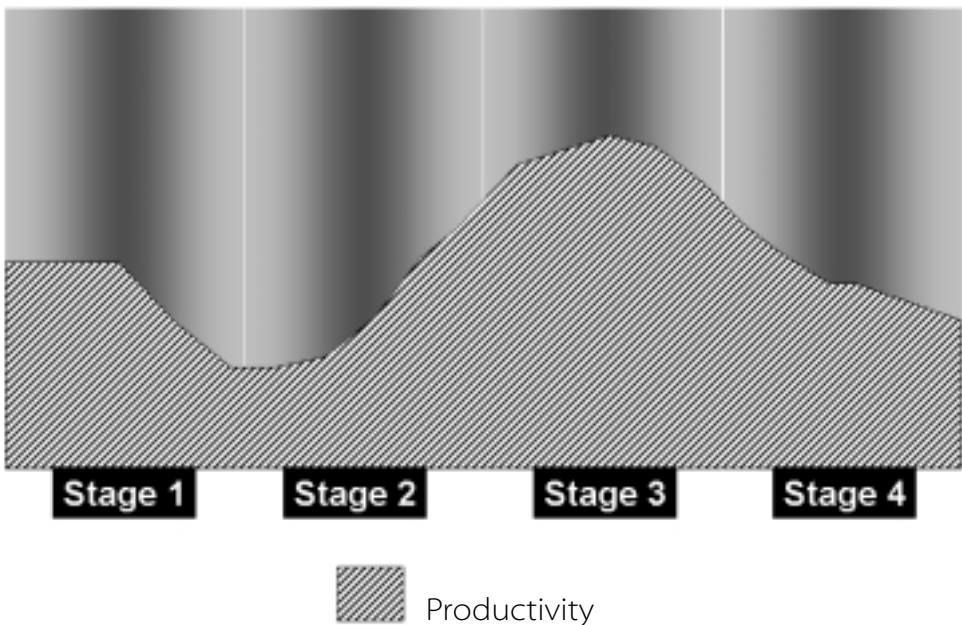
Development Models



Introduction to Development

Most committees begin in stage 1. In the human development analogy, this is the “infancy” stage. Primary influence over the committee’s behavior (its “locus of control”) is external, and the members are developing their own positions and roles in the committee. Thus, their focus of concern is internal, within the committee. This stage is the “forming” stage in Tuckman’s model. Regardless of the model used for comparison, this is often a moderately productive stage. As the group develops its own independence and identity, it will develop into Stage 2, an “adolescent” stage in which the committee will struggle with internal issues of power and control, begin to explore its boundaries, and develop energy and ideas about the many possibilities for its future and that of the company. In Tuckman’s model, this is the uncomfortable “storming” stage. Committees in stage 2 are unlikely to get much “productive” work done regarding their goals and mission.

As the committee matures, it will grow comfortable with its limitations and focus more clearly on a few realistic objectives. As the power issues and struggles settle down, the group enters the “norming” stage in the Tuckman model. Since it is a transitional phase, we have not chosen to give it its own stage in this model. In the human development analogy, the



“norming” stage is the time during which the individual is becoming an adult and at different times behaves “adult-like” and at others “adolescent-like.” Eventually, the committee spends more time in its most productive stage 3, the “adult” stage, or “performing” stage according to Tuckman. Stage 3 is the most productive stage of the group’s development. Unfortunately, it does not last forever. Over time, many committees lose their earlier energy and creativity, and move into stage 4, an “older adult” stage in which they often resist change and lose their appetite for new challenges, or they regress to earlier stages.

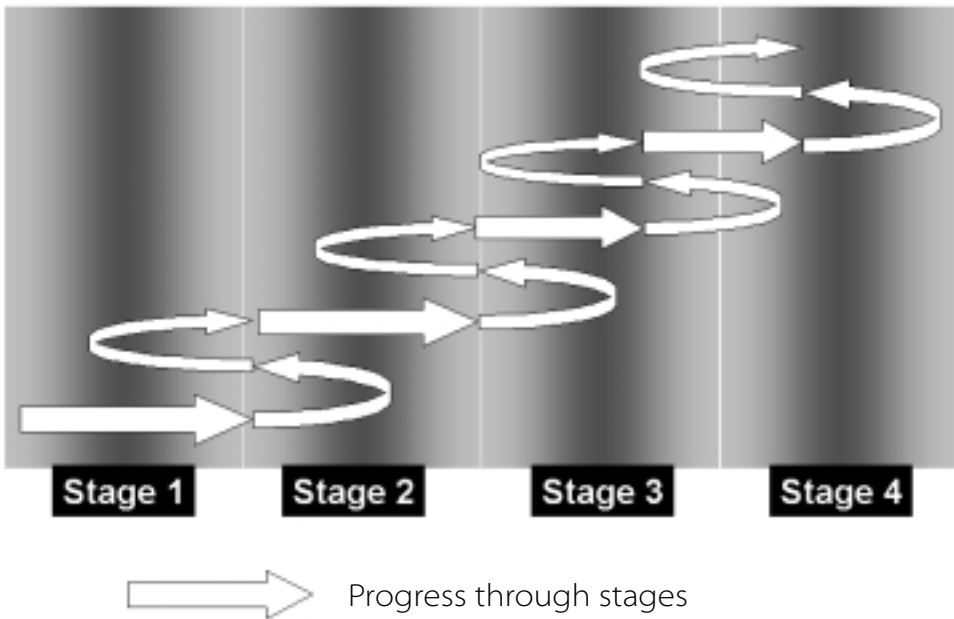
A succinct summary of the Tuckman model of group development appeared in an issue of *Training and Development*:

“In the forming stage, new groups may have high morale even before they start to address the task at hand. In the storming stage, there may be competition for roles and there may be recognition of performance shortcomings that cause discomfort among team members. In the norming stage, teams establish some roles and procedural standards as they begin to accomplish their tasks. In the final stage, performing, both morale and competence are high as teams begin to achieve the performance levels expected.”¹⁰

While these models and stages help us understand what is happening in the group, it should be noted that none of the stages has a clear line separating one from the other, and “progress” through the stages is not likely to be linear and direct. (See chart on next page.) Most ESOP committees take a few steps forward then at least one back. Often, the “regression” and repeating of an earlier stage will help build trust and confidence, leading to greater cohesion and trust among members, thus even greater productivity, later on.

A Few Tips to Keep in Mind

The committee will go through these common stages at its own speed. The process needs to be accepted, if the committee is to meet its long-term objectives.



Sustain Energy. The most important tip to keep in mind throughout the process is to sustain energy. Energy can be expressed in positive and negative ways. Often in stages 1 and 2, this energy is expressed negatively, as conflict or frustration. While these emotions are often difficult to deal with, they express energy that needs to be embraced. If negative energy is suppressed, it can turn to apathy, which is the downfall of many committees. If the committee members didn't care, they wouldn't get upset, thus it is important to maintain the energy and commitment, while trying to focus the energy in more positive directions.

Let It Grow. The second tip to keep in mind is that the committee must develop its own identity, informal rules, decision-making process and confidence. This means that outsiders, the team leader, the facilitator, or the convener of the group, must let the committee grow on its own and take responsibility for its own projects. Excessive intervention is a common pitfall mentioned below. While well intentioned, such intervention can prevent the committee from developing a sense of responsibility for projects and ideas it pursues. The result is excessive dependency on outsiders, which will prevent the committee from forming properly and will keep it in the early stages of development, preventing any real accomplishments. "Unwittingly, you can

become the group's internal expert, coach, change agent, manager of internal difficulties and so forth. The more you respond in those ways, the more the group will look to you to handle those tasks. The more you take on, the less likely that the team will gain the skills it needs,"¹¹ in the words of one practitioner.

Keep It Focused. ESOP committee discussions can grow in a wide range of directions. Many of these discussions can be highly productive, especially in the earlier stages of development. However, it is often useful to keep the overall goals and mission of the committee in the forefront of each member's mind. While the facilitator or leader can do this regularly, one simple, effective way is to place it at the top or bottom of every printed agenda or meeting notes page. This is especially effective if the ESOP committee keeps careful notes (as is recommended). This is another opportunity to subtly remind members of the overall mission of the group and keep it focused. Some ESOP companies have, thanks to modern word-processing programs, special "letterhead" for the ESOP committee on which appears the stated mission. Again, this is a simple way to remind the members, and the entire company, of the ESOP committees' importance and mission.

With that as background, we now turn to a detailed description of the various stages of committee development.

Stage 1

The initial stage of group development is stage 1, infancy or the "forming" stage. In this stage the group often demonstrates an external "locus of control." The committee seldom initiates action on its own, but relies on outsiders to recommend action. Further, the "focus of concern" is primarily internal. The team members are more concerned about their personal reasons for membership on the committee and its reasons for existence. Members tend to be polite to each other, seek similarities and establish safe patterns of interaction.¹² They also need to develop confidence in each other so they are willing to give up some of their independence and "overcome their natural reluctance to trust their fate to others."¹³

The forming stage in Tuckman's model also describes a group that is seeking a common reason for being together. "They typically wonder 'How do I fit here?' 'What's expected of me?' They may think that if they speak out they're misbehaving, so they don't express their feelings—they don't rock

the boat. They look to the facilitator for guidance and assistance.”¹⁴

ESOP committees are often created when managers recognize that they alone cannot fully meet the challenge of building an effective ownership culture. To enjoy the benefits of effective employee ownership, the company—and its management team—needs to better understand the workforce and its perceived relationship with the company. Thus a committee is formed to help management better understand how employees feel about the company and ownership. It needs to be acknowledged that this purpose is *both* advisory and activist. In stage 1, the committee will inevitably struggle with its specific mission, and the extent to which it is responsible to be an “activist” organization advocating employee concerns and interests to management.

Often, the first responsibility of the committee is to help plan an announcement or training program that will introduce employees to the ESOP. This common first task is indicative of stage 1 committee development. The primary influence on committee behavior is the manager who wants to devise a presentation internally or hire outside professionals to plan and/or deliver the program.

In stage 1, since the committee’s “locus of control” is external, the manager who seeks their advice on how to make the program more effective is, in fact, running the committee. Committee members, unsure of their responsibilities and influence, tentatively respond to questions and keep many of their personal opinions to themselves.

The personal insecurity of committee members can be exacerbated when they have been appointed or selected by management to serve on the committee. They may fear that they will be removed from it if they express strong opinions that conflict with the manager(s) who created the committee and selected them to serve on it. Thus, while group members may respond to the questions about the program presented, their primary concern is internal: “How am I supposed to act and react?” without jeopardizing my personal position on the committee.

Further, in stage 1, group members are learning to relate to one another in a new context. For many non-managerial employees, the committee setting is new and uncomfortable. While many of the committee members may be acquainted with each other, they do not know what to expect from each other in this new context. Stage 1 is where the group members discover

their common purpose and concerns. Members begin to identify themselves as a group and start to work out the internal power structure and subgroup identities as members find allies with common concerns and interests.

Pitfalls

Excessive Intervention. In the infancy stage, since the group's focus is internal, it is likely that "productivity," as measured externally, will be low. Often, in order to encourage a common sense of accomplishment, the manager or group that created the committee will make recommendations and suggestions. These suggestions often lead to short-term achievements, which can build a sense of pride and accomplishment in the group. However, while the motivation is good, and the results may be positive in the short term, such recommendations and suggestions can be counterproductive with regard to the team.

The ESOP committee needs to get through stage 1 and grow on its own. Intervention from outsiders can short-change the group development process, and contribute to a sense of dependence in the group.¹⁵ In the long term, dependence on an outsider is likely to dampen committee motivation, and limit the sense of individual responsibility for the committee's success. Such dependency undermines the group process and prevents the committee from getting started.

The group needs to work out its own relationships. A good facilitator must maintain group rules and let the group members work out interpersonal issues and find their new roles within the group.

Unclear Goals. In stage 1, committee members seek common goals. Members often seek the reason they are together. When the goals and mission of the group are unclear, it is likely to founder. It is often helpful for the creator of the ESOP committee to clarify the long-term mission of the committee and how it fits into the company's long-term goals. Once the mission is clear, the group can begin to create its own short-term goals. In the process, the group will find common goals and have external topics to discuss productively while they work out their interpersonal issues and roles. Often, it is extremely productive for a stage 1 committee to clarify concrete short-term goals based on the overall mission.¹⁶ Such goals can be a highly productive way to encourage the group to "come together" behind useful goals and can

be a catalyst to development through stage 1, as well as establish a framework for future work together. Jon Katzenback explains the power of this function clearly: “Transforming broad directives into specific and measurable performance goals is the surest first step for a team trying to shape a purpose meaningful to its members.”¹⁷

Unclear Membership Selection Process. Stage 1 is when ESOP committee members struggle to define the group and themselves within it. Insecurity abounds when the committee members do not understand how or why they were selected for it. It is exacerbated when it is unclear how or why they can be removed or replaced. If members don’t know what brought them to the committee, they also don’t know what can lead to their removal. ESOP committee membership is often perceived as a privilege and implies authority and trust. Nobody wants to have that privilege revoked, but without a transparent selection process, members are likely to feel insecure and fail to invest their full energy and commitment into the committee.

Unclear Rules. Since stage 1 is the first step, and the members are defining themselves within the group, it is critical that the ground rules be clear and carefully maintained (preferably by a competent facilitator). If the ground rules are not clear to all of the committee members, it is likely that trust will be undermined, and fear will grow. Such fear inhibits members from fully participating in the committee which causes two negative outcomes: first, the group loses the valuable insight and energy of one or more of its members; second, since some members do not participate fully in the process, they do not feel personally responsible for the outcome, which will undermine the implementation of any project undertaken by the committee.

Suggestions

Plan Appropriate Preparation or Training. Often, stage 1 can be shortened through well-planned group activities, training, and meetings. These meetings need to include the chance for members to get to know each other informally and share concrete information about how they are expected to work together. Familiarity among members is extremely useful in fostering rapid growth of cooperative attitudes and efforts.¹⁸ Often ESOP committee training provides the opportunity to “break the ice” and allows members to

learn about each other in a new context. Further, it is an opportunity to give the group some of the tools that will help it in future stages. Examples of effective training include: effective communication methods; ground rules for committee meetings; problem solving and decision making processes; and tools to generate and evaluate ideas, and to seek root causes of problems and generate possible solutions.

Stage 2

Stage 2 is often the most difficult and uncomfortable stage in group development. It is the adolescent stage. ESOP committee members have developed a sense of their common purpose and their personal position in the group. Further, they have begun to unify around the common mission and goals and have begun to form the internal relationships that build trust and respect. Unfortunately, now that committee members feel well grounded they move past the polite stage and begin to struggle for power. The power struggle is both an expression of personal needs for control, and a hashing out of genuine differences. In the struggle for power, internal alliances will begin to develop and these sub-groups will struggle for prominence.

In Tuckman's model, stage 2 is called the "storming" stage. Members begin to challenge each other and battle for influence.¹⁹ While this stage is often uncomfortable and difficult, it is critical to development of an effective team; members learn important lessons for future decision-making.

The struggle for prominence and power is often exhibited in arguments over which of the goals to pursue first. In stage 1, the committee has likely developed a series of goals which all agree are important. However, individuals and sub-groups will disagree over which goals are most important.

The conflict that grows out of these struggles is important for the group to experience. It may be uncomfortable, and appear unproductive, but it is an important stage in group development and needs to be worked through. Further, the way in which these early conflicts are managed will become the pattern for the future.

Pitfalls

Excessive Intervention. When serious conflict emerges in any group, facilitators or leaders are often tempted to step in. While this is an understandable

desire, it will prevent the group from working through this difficult stage and will contribute to a pattern of dependence. The pattern of calling in the authority figure who created the group to work out or mediate the conflict will inhibit group development and undermine the committee members' sense of personal responsibility for the group.²⁰

Unclear Rules. The group rules and boundaries become even more important in the adolescent or storming stage of development. As personal disagreements emerge, the rules will be challenged. Just as adolescent people push the boundaries, so will the individual group members and the group itself. At this point, the internal ground rules need to be clear and the committee's authority (and its limits) must also be carefully defined and maintained.

Unknown Process. Many groups struggle in stage 2 to work out how they will make decisions and move forward. Often some struggles can be eased if the committee understands and accepts a common decision-making and group-process model. For example: Will the group make decisions based on a majority vote, or is broader consensus required? When ESOP committees are properly trained and understand a process for defining their objectives, generating ideas, discussing alternatives and reaching a common decision, they are more likely to develop a commonly accepted process. The content of the decision-making process is less important than that all members accept it.

Splinters and Schisms. When stage 2 is cut short either by excessive intervention, or because serious conflict has caused members to withdraw, individuals and groups may "check out" and refuse to productively participate in the committee. The danger here is two fold: first, unless the individual is brought back into the group, it cannot move beyond the adolescent stage; second, splinter groups and schisms may appear. When these groups emerge they are extremely capable of undermining the committee's effectiveness. After all, the individuals chosen for the ESOP committee carry credibility and informal (or formal) authority with their peers. If they are not fully "on board" or are actively undermining the efforts of the committee, at least partial failure is inevitable.

Suggestions

Bear with It! Stage 2 is often the most difficult for people, groups in general, and ESOP committees specifically. Again, it is critical to keep everyone involved and active, without preventing or avoiding disagreements that must be worked out. The facilitator needs to be aware of two important points in stage 2: first, the difficulty of this stage is necessary for the group to work through; second, the capacity for conflict will differ in each group member. Therefore, without dampening the disagreement, it is important to keep conflict to a level at which everyone (or nearly everyone) feels only a little uncomfortable. While group members can be “brought back in” if they withdraw at this point, on some level the group will regress when this happens and have to go through the adolescent stage again. Training in group development can help committee members understand what is happening and realize that the conflict is necessary and natural—not a sign that the group is a failure.

Stage 3

Stage 3 is the “adult” stage in the human development model, and the “performing” stage in Tuckman’s model. The group’s development from stage 1 into stage 2 is clearly discernable—serious conflict will emerge. The progress from stage 2 to stage 3 is less clear and often quite fuzzy. Just as older adolescent people sometimes act as adults, and other times act as adolescents, so too will the committee. Tuckman includes a stage between stage 2 and stage 3 called “norming.” The norming stage is when team members grow comfortable with their common rules and boundaries. The power struggles are largely worked through and the members, now comfortable in their roles within the committee, begin to settle into the real work at hand.

Stage 3 of group development is where the most productive work will get done. The committee’s locus of control is now internal (in contrast to stage 1)—they initiate their own ideas, activities and projects. Meanwhile, the committee’s focus of concern is external (also in contrast to stage 1). The committee’s focus is on the mission and goals of the committee and the company overall. The group has clarified its own informal rules (within the formal boundaries originally established) and members have internalized them. The committee has also defined its decision-making process (around the framework originally presented in training) and participants have ac-

cepted it as the way things will work. Stage 3 begins as the group grows more comfortable with its new self-imposed rules and gets down to real work on the mission and goals. Interpersonal issues are (mostly) worked out—committee members have learned how to work together and disagree without causing division or emotional injury.

As the group moves more securely into stage 3, their productivity and success will lead to increased enthusiasm and pride. Thus members will feel more responsible for the work of the committee and for the success of the decisions and programs it implements. Stage 3 is where the group exhibits high levels of mutual trust and respect for one another, truly embraces the goals, and pursues them with energy and vigor. High levels of trust are most evident when the group is brainstorming new ideas—high trust exists when the brainstorming is fast and furious, ideas are blurted out, recorded, and built upon one another, leading to impressive creativity and energy.

Stage 3 is where most participants wish the group could be all the time. Unfortunately, it is impossible for the group to arrive here unless it has first experienced the other stages of development. ESOP committees are also likely to regress partially to the adolescent stage from time to time. When new members join, groups often regress to stage 2, and possibly stage 1 if the reason for the new member's inclusion is not clear. Finally, regression to stage 1 is almost inevitable if a committee member is removed or replaced, unless the reasons for this removal are transparent, credible, and well understood by the group as a whole.

This common experience may seem frustrating, but is, in fact a good sign. Each time the group grows through the difficult stage 2, the trust and confidence of the members will grow. In fact, some of the most productive ESOP committees demonstrate constant, fluid shifts between stage 2 and stage 3. With each shift, group cohesion grows and the discomfort of stage 2 seems to inspire greater energy and creativity in stage 3.

Pitfalls

Forcing the Group to the Adult Stage. We all wish the group could always stay in stage 3 as this is where the committee achieves success and a genuine esprit-de-corps. However, it is nearly inevitable that the group will move tentatively back and forth into the adult stage and back to the adolescent stage. In time, it will grow to spend more time in the adult stage, until most

of its time is spent there. The group must arrive at the adult stage on its own and “forced” progress into the adult stage is likely to splinter the group, lead to dependence on the facilitator or leader,²¹ or cause a number of members to withdraw.

Changes in the Committee Members. Committee members are likely to change over time. Some members’ professional responsibilities will change, making it impossible for them to continue, and making inclusion of others valuable. Each new member creates a new group in some respects, and the group will likely regress to stage 2 until the new members’ position in the group is clarified (formally and informally). Often, a number of personnel changes occur simultaneously. These major changes take the group back a stage or two. Unless the group is allowed the time to process these changes, it will feel “forced into adulthood” leading to the problems mentioned above.

Lack of Support and Resources. When the ESOP committee reaches stage 3, its needs for external support and resources are likely to increase. Members will seek additional information from within the company or outside, and time to work on new projects. This positive energy is extremely valuable and needs to be encouraged. Therefore, the committee members are likely to need additional assistance, resources, and time to work on committee projects. If these resources are not forthcoming, the members will become frustrated and lose energy. Now that they have become truly productive, enthusiasm for committee projects builds. Unless there is adequate external support for those efforts, the committee will feel abandoned and useless.

Unfortunately, the committee’s needs may go beyond the resources that can be allocated to it. Therefore, it is important to maintain appropriate boundaries for the resources they can use. In order to reduce the frustration at this stage, it is helpful to explain early on, perhaps in stage 1 or the initial training, the extent of the resources to which the committee will have access. These resources include the time of management, leader and/or facilitator, financial resources, and time allowed for committee work, inside and outside of committee meetings. If these boundaries are clear at the outset, the committee’s expectations will be realistic, and their energy will be focused on projects within its resources.

Suggestions

Maintain Appropriate Boundaries with regard to resources made available to the committee. In stage 3, the group becomes productive and positively energetic. The energy is good, but can become unfocused with too many projects going on at the same time. If “new” boundaries on resources are imposed at this stage and some projects are not supported from the outside, the reasonable boundaries will seem arbitrary to the committee members and they are likely to become frustrated, disappointed, and disillusioned with the process. As a result, the group will probably slide back a stage or two since members will question the purpose of the committee and their role in it.

Support Committee Projects Equally, within the resources available, even if you’re sure they won’t work. If committee projects meet selective support from the management team, frustration, disappointment and disillusionment will grow, causing regression. In addition, many projects that have been unsuccessful in the past as “management initiatives” may be more successful if it is the ESOP committee that designs and implements them. Finally, failure is a good learning experience for the committee. They will learn (as most people do) more lessons from failure than success.

Share Past Experiences. Often, the ESOP committee will come up with ideas that have been tried before. When this happens, give the committee a chance to learn from the past experiences. Simply giving a manager time to talk with the committee can help the group identify possible problems in their plan and deal with unforeseen difficulties. The goal is to provide the committee with all of the resources possible to succeed, including management experience and expertise, but allow them to fail, if that is what happens. The phrase “that didn’t work last time we tried it either” is of little solace to the ESOP committee as it tries to learn from a failure.

Make Use of Subcommittees and Task Forces. Often subcommittees and task forces can be helpful in stage 3. After a project has been identified a subgroup of the committee, perhaps including non-committee members, can be created to implement the project. While subcommittees can cause schisms in stages 1 and 2, they can be highly productive in stage 3. The subcommittee or task force should have a clear goal and recommended process for at-

taining that goal, and a specific time-line or “life expectancy” so that once the goal is attained, the subcommittee or task force ceases to exist. The limited time will create a sense of urgency to accomplish its goal within the time constraints imposed upon it by the overall committee and will encourage this subgroup through the stages of development quickly. Some examples of such subcommittees are “ESOP Month” celebration committees, “ESOP newsletter design” committees, and event planning committees.

Subcommittees and task forces can also be created to research and report back to the overall committee. An example of such a committee is one responsible to explore and report on the publications and training programs available to ESOP companies, or the cost of printing new company “employee ownership” t-shirts. It is important that these types of committees have strong credibility with the rest of the overall ESOP committee if their report and recommendations are to have influence. Often, members of subcommittees will have specific technical expertise helpful for the individual project, but not necessary in the ESOP committee overall.

Stage 4

Stage 4 is the “older adult” stage in the human development model, and often called the “transforming” stage by those who use Tuckman’s model. Many ESOP committees enter stage 4 after they have tried some ideas and found limited success. The lack of success can be due to a failure of the committee to plan, lack of support from management, or unrealistic expectations. Regardless of the cause, stage 4 is common.

Stage 4 occurs when the initial energy of stage 3 falters and the committee loses its focus. In some ways, this stage looks similar to stage 1. Members wonder why they are there and about the purpose of the committee. The committee is likely to become a “rubber stamp” for management ideas (like it was in stage 1), making only nominal suggestions and changes to management initiatives. Once again, the focus of concern of the committee has become internal, while the locus of control—the instigation for new ideas and projects is external.

Pitfalls

Change It. Often, the first reaction is to “change” the committee by bringing in new members. This may be productive and helpful, but it also may send a

message to the remaining committee members that “you’ve failed so we’re replacing you.” Such a message is very likely to cause regression to the adolescent or infant stage, but the committee will lack the hope for future productivity. What the committee really needs at this point is an opportunity for success—even if it is a small, incremental success. The importance of clearly defined, realistic, achievable goals is paramount to avoid rapid development into the older adult stage. “Teamwork requires an act of faith from team members and top management”²² according to J.R. Katzenbach and D.K. Smith, authors of *The Discipline of Teams*. Thus rapid changes in membership can be destructive to the cohesion developed through the previous stages of development.

Another means to define incremental successes is regular employee attitude surveys. Such surveys can be simple or complex, internal or administered by outsiders, but the changing results over time will provide the committee an opportunity to declare minor victories, receive formal input on issues that deserve more time and energy, and will help generate new ideas for projects to pursue.

Jump Start. Another common reaction is to jump start the committee by “giving” it a project to work on. While this approach can successfully focus the committee on a new project, it can also drain it of its independence and energy. Whether the idea will refocus energy or drain it depends on the extent to which the idea is suggested or the project is *proposed* or *imposed*. To be successful, the committee must feel responsible for the selection of the idea and its implementation. If someone outside the committee proposes a project, the committee may not feel responsible for the project or its success. The committee must embrace the idea, then design and run it on its own. This way, the committee will feel responsible for the project and its success.

Suggestions

Make Sure that the Goals Are Realistic. Encourage the ESOP committee to break down major projects into smaller steps. These individual steps are an opportunity to declare victory and celebrate success. Success breeds energy and enthusiasm!

Encourage Careful Evaluation of projects implemented. Celebrate success and

dissect failures. Failure is instructive, if the committee intentionally identifies the areas and causes of failure. When specific causes of failure are identified, the experience becomes productive and potentially positive, rather than simply a disappointment that will drain enthusiasm and energy. ESOP committee successes (even small ones) need to be celebrated in a positive and general way.

When an ESOP committee has entered stage 4, it can often be reinvigorated into stage 3 of high productivity with a successful project. This may be either a new project or an idea that has surfaced in the past but has been forgotten, thus it is valuable to keep careful notes of ideas and projects as they progress, and as they are prioritized. A project or program once abandoned for lack of resources can often provide the group with a new idea to pursue. Thanks to the insight and lessons learned, the committee can pursue this project with more knowledge, experience and often with new enthusiasm.

Provide More Information. The lack of energy and focus in stage 4 can often be overcome with new and important information. One *extremely useful* set of information can be provided by employee attitude surveys. Surveys can be simple or complex, designed and implemented internally or by outside service providers (See Loren Rodgers, Chris Mackin, “How Well Is Ownership Working?” Foundation for Enterprise Development Newsletter, Jan 1998 http://www.fed.org/leading_companies/jan98/ownership.html). But the information provided will likely challenge the stage 4 ESOP committee to find new solutions, ideas, and projects to meet the concerns exhibited in the survey results. Additional information can be financial information about the company; the marketplace in which the company operates; or statistics about employee injury, turnover, and absenteeism rates. Each of these topics can reinvigorate new ideas in the committee about how to improve morale.

Conclusion

ESOP committees can contribute to company success in a range of ways. They can help management understand what employees think about ownership and the company. This alone is an invaluable feature of good committees, is strongly correlated with a high level of “ownership identity” among

employees,²³ and is a significant component of high performance organizations.²⁴ Yet ESOP committees will not always be highly productive.

As each committee develops in its own way, through some rather predictable stages, it can grow into a highly productive force for organizational change. Through attentiveness to the stage of development a given committee is in, management can lend a more timely and useful hand in helping ESOP committees achieve progress and productivity. For committee members, an understanding of this developmental model can create a context to help understand current dilemmas. Awareness of these stages can reduce a sense of isolation and offer a preview of a future that should be more productive than the challenges of the present.

Research has shown, and the anecdotal experience of the authors and other practitioners who work with ESOP companies suggest, that an ESOP committee can be instrumental in organizational change. A well-formed, diverse committee that includes members from all levels and divisions of an organization can provide invaluable assistance to any effort to embrace and create a “culture of ownership” at ESOP companies. ESOP companies that have built a culture of ownership have, in nearly every major study, been shown to out-perform their competitors who do not pursue such a culture, or lack meaningful employee ownership. The evidence is clear; a major challenge for ESOP companies is to create committees able to make important contributions to company success.

Endnotes

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