Stakeholder Responsibility

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About the Journal of Corporate Citizenship

THE JOURNAL OF CORPORATE CITIZENSHIP (JCC) is a multidisciplinary peer-reviewed journal that focuses on integrating theory about corporate citizenship with management practice. It provides a forum in which the tensions and practical realities of making corporate citizenship real can be addressed in a reader-friendly, yet conceptually and empirically rigorous format.

JCC aims to publish *the best ideas integrating the theory and practice of corporate citizenship in a format that is readable, accessible, engaging, interesting and useful* for readers in its already wide audience in business, consultancy, government, NGOs and academia. It encourages practical, theoretically sound, and (when relevant) empirically rigorous manuscripts that address real-world implications of corporate citizenship in global and local contexts. Topics related to corporate citizenship can include (but are not limited to): corporate responsibility, stakeholder relationships, public policy, sustainability and environment, human and labour rights/issues, governance, accountability and transparency, globalisation, small and medium-sized enterprises (SMEs) as well as multinational firms, ethics, measurement, and specific issues related to corporate citizenship, such as diversity, poverty, education, information, trust, supply chain management, and problematic or constructive corporate/human behaviours and practices.

In addition to articles linking the theory and practice of corporate citizenship, JCC also encourages innovative or creative submissions (for peer review). Innovative submissions can highlight issues of corporate citizenship from a critical perspective, enhance practical or conceptual understanding of corporate citizenship, or provide new insights or alternative perspectives on the realities of corporate citizenship in today's world. Innovative submissions might include: critical perspectives and controversies, photography, essays, poetry, drama, reflections, and other innovations that help bring corporate citizenship to life for management practitioners and academics alike.

JCC welcomes contributions from researchers and practitioners involved in any of the areas mentioned above. Manuscripts should be written so that they are comprehensible to an intelligent reader, avoiding jargon, formulas and extensive methodological treatises wherever possible. They should use examples and illustrations to highlight the ideas, concepts and practical implications of the ideas being presented. Theory is important and necessary; but theory—with the empirical research and conceptual work that supports theory—needs to be balanced by integration into practices to stand the tests of time and usefulness. JCC aims to be the premier journal to publish articles on corporate citizenship that accomplish this integration of theory and practice. We want the journal to be read as much by executives leading corporate citizenship as it is by academics seeking sound research and scholarship.

JCC appears quarterly and the contents of each issue include: editorials; peer-reviewed papers by leading writers; a global digest of key initiatives and developments from the previous quarter; reviews; case studies; think-pieces; and an agenda of conferences and meetings. A new feature is the 'Turning Points' section. Turning Points are commentaries, controversies, new ideas, essays and insights that we hope will be provocative and engaging, raise the important issues of the day and provide observations on what is too new yet to be the subject of empirical and theoretical studies. JCC continues to produce occasional issues dedicated to a single theme. These have included 'Corporate Transparency, Accountability and Governance' and 'The UN Global Compact'; forthcoming special issues will focus on, among others, 'Corporate Social Responsibility in Asia'.

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The Journal of Corporate Citizenship Issue 6 focuses on 'Stakeholder Responsibility'. It was guest-edited by Jörg Andriof, Sandra Waddock, Sandra Sutherland-Rahman and Bryan Husted.

More details and full table of contents can be found at http://www.greenleaf-publishing.com/jcc/jcc6.htm. Free PDF downloads of the Introduction, and the article 'Stakeholder Responsibilities: Lessons for Managers' by Duane Windsor, Rice University, USA are also available.

Carris Companies' Practice
of Employee Governance *

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Distinguishing the Carris Companies' transition to 100% employee ownership was its more unusual movement towards 100% employee governance. In 2001, employees shared 43.2% corporate ownership within an Employee Stock Ownership Plan (ESOP). An ESOP is a form of worker ownership and deferred benefit plan recognised within the United States legal code. William H. (Bill) Carris, visionary CEO of this privately held company, described in his *Long Term Plan* (1994) unique goals that he had for corporate governance and the transfer of ownership, rights and responsibilities to the employees—in effect instituting the practice of governance. 'Taking a practice-based stakeholder view . . . significantly alters the approach to the firm and its responsibilities, broadening the understanding of those to whom a firm is accountable. It moves the conversation . . . toward the quality and nature of the relationships that companies develop with stakeholders and the assessment of the impacts of corporate activities on those stakeholders' (Waddock 2002: 9). This paper examines the Carris Companies' practice of governance and the process used to prepare stakeholder citizens for their changing roles and relationships.

- ● Employee ownership
- ● Employee governance
- ● Employee rights and responsibilities
- ● ESOP (Employee Stock Ownership Plan)
- ● Stakeholder relationships
- ● Corporate citizenship

An independent researcher, Cecile G. Betit, PhD, East Wallingford, VT, has been studying the transition to employee ownership at the Carris Companies since 1996.

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W RITTEN BY CARRIS COMPANIES' OWNER AND VISIONARY CEO, WILLIAM (BILL) H. Carris, *The Long Term Plan* (*LTP*; Carris 1994) described a change process designed to integrate employees into corporate governance and transfer ownership rights to employees through an Employee Stock Ownership Plan (ESOP).[1] This form of worker ownership (30% minimum to qualify) and deferred benefit plan is recognised within the United States legal code. Approximately 10,000 ESOPs operate within the United States.

> Technically, an ESOP is a deferred benefit plan in which a company purchases shares of its own stock and places them in trust for its employees who may claim their shares or sell them back to the company when they quit or retire (Lawrence 1997: 198).

The Carris design for the transfer of ownership and citizen stakeholder rights and responsibilities included unique features:

▶ The discounted sale price to transfer 100% ownership of the privately held family firm

▶ The one-person one-vote provision within the ESOP

▶ The commitment to teach employees the business

▶ 100% employee governance

The practice of governance, within the company's transfer of ownership provided an engagement model of a particular stakeholder group—the employees—during a time of structural change. This direction, pursued boldly within the Carris Companies, with their human scale, multiple products and national reach, has implications for those interested in employee ownership, systemic change to increase employee participation and/or new forms of corporate governance encouraging full exercise of corporate citizenship rights.

Following a brief description of the methodology employed within this paper, background information is provided on the Carris Companies. Changing stakeholder relationships highlighted in the segment on employee ownership provide a foundation for understanding the transitional process within the firm and, specifically, its practice of governance.

> Taking a practice-based stakeholder view of the corporation significantly alters the approach to the firm and its responsibilities, broadening the understanding of those to whom a firm is accountable. It moves the conversation directly toward the quality and nature of the relationships that companies develop with stakeholders and the assessment of the impacts of corporate activities on those stakeholders (Waddock 2002: 9).

Processes to increase participation and to prepare stakeholder citizens for changing roles and relationships focus the discussion of the Carris six-year effort to move governance deep into its infrastructure—a practice involving all stakeholder citizens. Illustrations of the practice (not as completed efforts) are provided as examples of the work of the Corporate Steering Committee (CSC) and the North Carolina Governance Committee.

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1 (a) Employee Stock Ownership Plan (ESOP): Bill Carris in the *LTP* explained to employees that the 'first step in transferring ownership is to create a new organisation, . . . *The Carris Employee Stock Ownership Plan*. The Plan will have a trustee and an ESOP committee.' (b) Qualification to be an ESOP is 30% of employee ownership.

Methodology

The study of the transitions at the Carris Companies began in 1996. This paper drew primarily from conversations, interviews and meeting notes over a five-year period. Conversations with Bill Carris about his goals and plans for the ESOP and corporate governance were routinely scheduled. The change co-ordinator provided information about training activities and other efforts to increase employee skills and participation in the ESOP. Conversations with managers provided background on company operations and suggested additional indicators for tracking corporate change. Regular attendance at the following provided a direct means of keeping abreast of the changes:

▶ Employee-owner training activities; small-group workgroup meetings

▶ State-of-the-company meetings (Vermont and Connecticut)

▶ CSC, Corporate Governance, North Carolina Governance, Strategic Planning, Task Force Meetings

▶ Human resource presentations and information sessions

From its onset, Bill Carris provided an open environment for the research process. No restrictions were placed on access to information or personnel or to materials published.

The next section offers a brief description of the company, its structure, its products and locations.

The Carris Companies

Henry Carris: founder

In 1951, when Henry Miller Carris opened Carris Reels Inc., a manufacturer of plywood reels (for steel and wire cable), he had two employees. (This start-up was celebrated with a large family-style 50th anniversary celebration on 9 June 2001 in Centre Rutland, Vermont.) Henry, born into an Iowan farm family, had his first experience of Vermont as a summer camp counsellor. Later, managing a workshop for disabled veterans in Irvington, New York, he learned manufacturing fundamentals. Following his marriage to Helen (Huntington), a native Vermonter, he sharpened his understanding during several experiences with wood manufacturing in Vermont prior to starting his own company in Rutland. The company made money. Its growth was steady.

Bill Carris: CEO

The Vermont way of life, during Bill Carris's 1950s childhood in Rutland, was predominantly agricultural with a strong sense of stability, egalitarianism, independence, fiscal conservatism, fair play and social concern (Bryan and McLaughry 1989; Moats 2001). These were also the Carris family values Bill Carris brought forward when he took over from his father as CEO in 1980. A few years older than the company, he had grown up with it, learning reel manufacturing. In addition to this depth of experience, he had clearly defined strategies for growth through start-ups, acquisitions and professionalisation of management.

In December 2000, 43.2% of the company was employee-owned. Sales exceeded US$120 million—an increase of 570% from 1980. Assets increased 940% during this period. Starting pay was US$7.00 per hour with the average for the 1,106 employees

Figure 1 SOME EXAMPLES OF CARRIS REELS
Photo credit: Marilyn Dalick

US$9.05. The hourly benefit rate averaged US$3.44 (38.0%). In addition to the ESOP and profit-sharing, employee benefits included company-paid: insurance (health, short-term disability and life); 4% of wages contributed to the 401K retirement plan; and sick and vacation leave time. During its first five years, the Carris ESOP contribution averaged about 11% of pay with the national average as reported in the *Employee Ownership Report* at 8% (NCEO 1998: 3). Following the employee vote on Health Care Task Force recommendations (the origins of which are described below), in January 2001, employees started to pay US$5.00 each week for health insurance. Bill Carris formed the Carris Financial Corporation[2] (CFC) which in 2001 had subsidiaries and product lines as shown in Table 1.

The companies avoided status differentiation. At most sites, workers, supervisors and managers reflected the flat organisation. Larger sites had production managers in place. Corporate management travelled as needed from Vermont. No one, including Bill Carris, had a personal secretary and everyone was on a first-name basis. Calls were not screened. Doors were open. There was no executive suite, no reserved parking places and no executive washrooms. Small offices held standard furniture, computer, filing cabinets and an extra chair. No visible symbols of power or rank distinguished executives from other employee-owners. On the manufacturing floor, they were indistinguishable from other workers.

The 2001 economic downturn affected the firm. In *The Real News* (formerly *The Reel News*), David Fitzgerald, CFO, explained to citizen stakeholders that the economy was a

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2 For additional information, see www.carris.com.

Subsidiary	Products/services
Carris Reels	Plywood, nailed-wood, plastic, hardboard, wood-metal and metal reels for wire and cable industry
Vermont Tubbs	High-quality home furnishings, beds and case goods
Killington Wood Products	Pallets
Carris Plastics and Groggins	Plastic, using custom moulding and extrusion processes
Carris Speciality Products	Product development: originally wood; since 2000, plastics
Carris Foundation	Corporate gifts processed for non-profit and other community organisations

Table 1 CARRIS FINANCIAL CORPORATION (CFC) SUBSIDIARIES AND PRODUCTS

cause for concern rather than worry: downturns such as recessions occur as part of the regular economic cycle, most recently in 1981 and 1991. He noted that business could get much worse and the company would still be strong (Fitzgerald 2001: 2). Table 2 lists the locations and work of the Carris Companies.

In 2000, conditions encouraged Carris de Mexico's start-up for plastics sales in Mexico. An assembly operation followed a customer to Brazil in 2001. International sites were not part of the ESOP; employee ownership recognised within locales may be implemented in the future.

Changing stakeholder relationships

Employee ownership

'Stakeholder', within this paper, is defined as 'any group or individual who can affect or is affected by the achievement of the organisation's objectives' (Freeman 1984: 46). Clarkson placed stakeholder relationship within the context of the fundamental corporate purpose:

> The economic and social purpose of the corporation is to create and distribute increased wealth and value to all its primary stakeholder groups, without favouring one group at the expense of others. Wealth and value are not defined only in terms of increased share price, dividends, or profits (Clarkson 1995: 92).

Employee ownership provides an example of boundary-spanning capacity for stakeholders (Waddock 2002: 76) and brings changing stakeholder relationships forward for consideration.

In *The Capitalist Manifesto,* Louis Kelso's vision of employee ownership as change of the 'partly capitalistic and partly labouristic economy to a well-balanced and completely capitalistic economy' has democratic foundations (Kelso and Adler 1958: 252). In this view, employee ownership not only changes stakeholder citizenship relationships, but it offsets the requirement of the mass-production economy for consumption to maintain a high standard of living. In 1973, through Kelso's efforts to promote populism, Senator Russell Long introduced ESOP legislation with tax incentives. Employees owning their

	Full manufacturing	Assembly only	Multi-handicapped	Corporate (C) International sales (X)
Brandon, Forestdale, Centre and West Rutland, VT	✗			
Madera, CA; Enfield, CT; Brookville, OH (1997) Fincastle, VA (July 1999); Statesville, NC	✗			
Kingman and Phoenix, AZ; Santa Maria, CA; New Carlisle, IN; Galien, MI		✗		
Contract sites: Martin Luther Homes, Nebraska (with Lucent Technologies sheltered workshops); Alabama, 2 facilities		✗	✗	
Contract sites: Mantua, OH; Watsonville, PA		✗		
Brazil (2001)		✗		✗
Rutland, VT, corporate offices				C
Monterrey, Mexico (2000)	✗			✗
Tacoma, WA				✗

Note: purchase dates after the beginning of the ESOP

Table 2 CARRIS COMPANIES FACILITIES

companies were seen as an offset for deficiencies within the US economic system (Rockefeller III 1973).

Three decades later, Jeff Gates outlined the dilemma as 'fashioning a social contract that can channel financial capital's return-seeking properties in a way that balances financial with other goals—social, fiscal, political, cultural, environmental'. *The Ownership Solution* offers a 'people-based, feedback-intensive, self-organised, self-designed system' (Gates 1998: 292-93), thus joining employee ownership with participation of its stakeholder citizens.

For improvement in productivity, employee participation must accompany employee ownership. Multi-faceted approaches (Blasi 1990; Smith 1992) similar to those encouraged in the LTP seemed to be most effective. For example, Marens *et al.* found that ESOPs 'can be a useful mechanism for building a stakeholder relationship'. That usefulness might be in 'anchoring participation programs in a tangible and credible manner' (Marens *et al.* 1999: 73). Employing meta-analysis (a statistical technique to distil a single estimate from several studies) of 43 studies, Doucouliagos estimated the 'average correlation between productivity and various forms of participation'. He found that:

> profit sharing, worker ownership and worker participation in decision making are all positively associated with productivity. All the observed correlations are stronger among labour-managed firms (firms owned and controlled by workers) than among participatory capitalist firms (firms adopting one or more participation schemes involving employees, such as ESOPs or quality circles) (Doucouliagos 1995: 58).

Discussed below are efforts to practise governance—shifting stakeholder citizenship rights and responsibilities to Carris employees—beyond those within a traditional ESOP.

Influences on Bill Carris and the *LTP*

Though born into an affluent family, Bill Carris believed the American ideals of the right to life, liberty and the pursuit of happiness included 'a right to share wealth, to manage our daily work and to ultimately be in control of our lives' (Carris 1994: 7). Knowing that many companies promoted emotional ownership, he wanted actual ownership for Carris employees.

In addition to influences provided by his family, life and work experience, Bill Carris prepared to lead the transition. He examined other companies' best practices, attended Harvard Business School's Program for Executives and participated with other Carris corporate managers in workshops on employee ownership, corporate change and group process. Bill Carris was moved by the long-term financial success of the Basque (Pyrenees) Mondragon Co-operatives and their emphasis on collaboration, friendship, principles, consensus and profit as means of serving the common good (Mollner 1991).

Experience with Alcoholics Anonymous[3] and Quaker (Society of Friends) practices enhanced Bill Carris's skills and provided practical, experiential bases for processing group change. Extended discussions with Carris management, consultants and others from whom feedback was requested helped to frame the discussion and to develop implementation processes.

In 1994, with seasoned management and workers in place, good market conditions, and stable margins on product, Bill Carris felt confident that this was the time to initiate employee ownership and employee governance. The *LTP*'s (Carris 1994) publication and the subsequent movement towards its implementation followed a consensus[4] built within corporate management around its main principles: traditional corporate concerns for production, pragmatism and profitability within the context of stakeholder relationships, ethics and values. These placed the Carris Companies in good company. In *Built to Last,* Collins and Porras noted that visionary companies 'pursue a cluster of objectives, of which making money is only one—and not necessarily the primary one' (Collins and Porras 1994: 8).

The *LTP*'s cover memorandum established its context, invited participation of stakeholder citizens and noted the unknowns ahead:

> This document is my idea for the future of Carris Reels, Inc. and its affiliates. In it I attempt to describe the model for an *employee-owned* and *governed* company. The corporate community I have described does not exist today nor has it ever existed. The change from a privately held company to an employee-owned and governed organisation is a break with tradition, but it is also a departure from a system, which rewards but a few, to one in which the rewards are enjoyed by many . . . I am searching for the working mechanism to make an ideal concept such as this a reality here, at our company, and I need your help (Carris 1994: i [emphasis original]).

The radical shift in scope and depth Bill Carris envisioned could be seen within the governance effort to increase stakeholder citizen responsibility; 'to give voice' to employee-owners in the 'distribution of wealth and the overall direction of the organisation' (Carris 1994: 3). The *LTP* outlined rewards and risks of running the business.

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3 Bill Carris references Alcoholics Anonymous (AA) frequently in conversations regarding individual transformation, group process and organisational structure. He has attended 12-step meetings for over 20 years and notes, as do Fisher *et al.* (2000: 191), the fundamental equality within AA's membership. They point out the union of AA's foundational stability, transformational disequilibrium and the perception of its members that participation helps them to transform their lives. These three characteristics are those of a foundational community of inquiry.

4 Though well beyond the discussion within this paper, one might make the point that decision-making by consensus reflects a shifting in stakeholder citizenship responsibilities from the owner to the larger group.

Strategic directions

'Teaching employees the business' denoted how Bill Carris saw his role changing to a leader/mentor relationship to ensure employee success in the shift of stakeholder citizenship rights and responsibilities. Sharing business know-how required transparency and understandings of how things work. This conveyed openness and 'ongoing regard' (Kegan and Lahey 2001: 185) for employees as well as respect. Respect 'creates symmetry, empathy, and connections in all kinds of relationships . . . commonly seen as unequal' (Lightfoot 1999: 9).

Respect, equality and fairness are values found throughout the *LTP*. Employee ownership was joined to 'a new style of corporate governance, one characterised by community, trust and inclusiveness'. Neal notes the role of respect and root of equality in such behaviour. 'The effort to develop openness to the other . . . is one which we make toward those whose dignity as persons we respect but which we deny to those we treat as objects' (Neal 1997: 18). The Carris mission statement extends the discussion of the practice of governance and stakeholder citizenship rights and responsibilities into the idea of the corporate community.

Mission statement

The words taped to Bill Carris's bookcase as he wrote the *LTP*, 'to improve the quality of life for our growing corporate community', became, through CSC action, the corporate mission—joining internal and external communities as stakeholders:

> As we, a community of companies, are united in our business and common interests toward the common good, so too should our dedication and concern encompass the outside community—those towns or districts where we live—(the general public) and thereby society as a whole (Carris 1994: 2).

Workplace community includes: shared vision, common values, empowerment, responsibility-sharing, education, growth and development (Naylor *et al.* 1996: 42-43)—qualities of corporate citizenship (Waddock 2002: 202). Defined as 'a partnership of free people committed to the care and nurturing of each other's mind, body, heart and soul through participatory means' (Naylor *et al.* 1996: 42), workplace community with stakeholder citizen partnership as a business strategy has certain requirements. Those at every level have a part in defining vision and values; can say no to a course of action; share accountability; and can be honest—thereby maintaining contact without abdication of responsibility (Block 1993: 29-30).

Bill Carris had been influenced by AT&T executive Robert K. Greenleaf's writings on the leader as servant (1977). Peter Senge endorsed the concept of servant leadership as 'providing the enabling conditions for people to lead the most enriching lives they can' (1990: 140). Depree defines such leadership as liberating individuals to do what is expected of them in the most human way possible (1989). In commenting on this, Senge states: 'One of the deepest desires underlying shared vision is the desire to be connected, to a larger purpose and to one another' (1990: 230). Providing opportunities for connection and giving voice grounded the Carris practice of governance and shifting stakeholder citizen responsibility.

Bill Carris's metaphor of a pebble in a pool suggests the impact of actions and the interconnections of stakeholder relationships. At the June 2001 50th anniversary celebration, Rutland's Mayor, John Cassarino, spoke to the ways Carris Companies exercised good citizenship, responding directly to meet individual and community needs. This is reflective of a corporate citizenship 'concerned with ideas of connectivity through understanding the way our local and global communities and environments interrelate' (McIntosh *et al.* 1998: 35).

Leipziger extends ideas of connectivity, relationship and interrelationship to her definition of an interested party: 'an individual or group concerned with or affected by the social performance of the company'. Clearly, interested parties are also ' "stakeholders", as they have a stake in the company'; her listing of possible stakeholders is broad and exhaustive moving across local and societal groups (Leipziger 2001: 94). Harmon and Hormann (1990) see companies becoming connective links as business principles become the language and know-how of the world. Severyn Bruyn placed the Carris effort into this larger context—as a case to demonstrate the kind of entrepreneurial thinking in 'civil society' that 'could signal an advanced phase of freedom, democracy and justice' (2000: 104).

At Carris, the individual is not lost in the idea of shared ownership. It is one of the paradoxes of group life that:

> The only way for a group to become a group is for its members to express their individuality and to work on developing it as fully as possible and that the only way for individuals to become more fully individualised is for them to accept and develop more fully their connections to the group (Smith and Berg 1987: 99).

The *LTP* linked individual development with participation and the common good. In terms of reward, Bill Carris noted when 'workers and owners are the same people . . . the pie gets bigger' (Carris 1994: 6). For those trained in the typical analysis of the market economy with its ideas of scarcity and competitiveness, such paradoxical thinking may be offputting. Staying with the idea opens the possibility of one's work serving the common good. In a sense, this returns us to the discussion of boundary-spanning functions of employee ownership and the views of Gates, Kelso and Rockefeller. In this context, one may think of Senge's description of the hologram: 'Each shares responsibility for the whole, not just for his piece . . . Each represents the whole image from a different point of view' (Senge 1990: 212). This thought can be linked directly to the ideas of participation and stakeholder citizenship within this paper: 'We cannot truly participate in the whole of which we are a part, unless, we take responsibility for it' (Skolimowski 1994: 152).

Shifting perception slightly, one can also think of each individual as a whole who, in joining a group, becomes part of another whole. Ken Wilber defines these as holons: 'wholes that are parts of other wholes' (1995: 40).

Within the organisational context of this paper, this brief exploration of holograms and holons is intended to broaden the discussion and move it to another level to incorporate interrelationship, interdependence and diffused responsibility as these relate to Carris Companies' efforts to practise their corporate governance.

Underpinnings of Carris corporate governance

Governance refers to the 'pervasive power, purpose and wealth of an organization' in contrast to management which is more 'defined, objective and neutral' (Block 1993: 6). The balance between management and governance can be seen within the *LTP*:

> The company needs to be managed by professionally trained people . . . the key to effective management is a clear hierarchy . . . equality must be primary, and hierarchy secondary . . . if the goals and values are clear and fair, management style is given much more importance than it deserves . . . if everyone's interests are directed toward the same goal (profitability) and if we work at it, power and control will be diminishing issues as the organisation evolves (Carris 1994: 18-19).

His corporate governance model, Bill Carris explained, could offset the management practice of corporate monarchies developing too many ways to keep the 'profit pie . . . paid to workers as small as the market for jobs will allow' (Carris 1994: 4). Concepts of

return on investment for the firm included much more than financial capital. Within the movement toward employee ownership and governance, longevity became 'sweat equity'—thus a factor in accruing financial reward and having voice in the corporate future.

Corporate governance

Establishing the practice

Waddock distinguishes organisational stakeholders in terms of relationship and responsibility, noting a claim may be primary or secondary (Waddock 2002: 11). Collins and Porras speak to the role of experimentation: 'trial, error, opportunism, and quite literally—accident' for successful companies (1994: 9). Waddock, as noted above, suggested the advantages of taking a practice-based stakeholder view, in the sense of speaking directly in conversation—putting forward the questions rather than having formulae for all exigencies (2002: 12).

Though structured differently, the *German Code of Corporate Governance* adds another dimension of practice—the need to live it—within daily and ordinary experience:

> Rules of governance must be actually lived. A culture of open discussion in the Management Board and Supervisory Board as well as between the organs is a decision success factor of corporate governance. Rules for corporate governance can then only develop positive effects if they are practised in earnest. Particular importance is thereby attached to active participation of all members of organs in the intended processes of information and decision. By establishing and supporting a culture of open discussion in and between the boards, it may be ensured that the tasks of management and supervision are fulfilled in a well-founded manner and after exploiting the expertise of all officers (Berlin Initiative Group 2000: 39).[5]

Waddock places this activity in the firm's operations and 'lived set of principles':

> Companies . . . are responsible for monitoring the outcomes and impacts of their activities, and developing a 'lived' set of policies, procedures, and programs—practices—that help them achieve their vision and values as the following definition illustrates: Good corporate citizens articulate and live up to clear positive visions and core values, by treating well through operating policies and practices the entire range of stakeholders who have risked their capital in, have an interest in, or are linked to the firm through its primary and secondary impacts (Waddock 2001: 40).

This discussion extends the one concerning holons and holograms. Together these show dimensions and patterns of change within stakeholder relationships at the core of the Carris six-year effort to move governance deep into its infrastructure. Bill Carris framed this aspect of stakeholder citizen rights and responsibilities in a very practical way:

> In a structure where all levels of employees have a voice in the distribution of wealth and the overall direction of the organisation and see it as a vehicle to help them personally develop, they should be very interested in keeping the organisation healthy (Carris 1994: 3).

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5 Employee representatives are members of the supervisory board. There is also the principle of codetermination within the *German Code*, which has a minimum of five workers on a worker's council at every plant.

A first step: sharing the *LTP* with employees

In employee meetings, the *LTP* (December 1994) was reviewed carefully. An employee vote affirmed the corporate future. Discussions began concerning stakeholder and citizenship relationships—personal rights and benefits balanced by personal engagement in meeting responsibilities to the common good within the ownership culture (see Table 3).

Bill Carris with the change co-ordinator visited the sites to outline the work ahead: the creation of an ESOP advisory committee to design the ESOP and its allocation formula.

Table 3 A CARRIS COMPANIES TRANSPARENCY, SPRING 1995

Rights and benefits	Responsibilities
▶ Potential payback from stock ownership	▶ Work efficiently and up to full potential
▶ Board representation	▶ Actively pursue participation programmes
▶ Voting on key ownership decisions	▶ Create company vision
▶ Participatory decision-making	▶ Participate in company policy decisions
▶ Relative job security: no sale of business	▶ See the whole and act for the common good
▶ Creates community: inclusion of all	
▶ Open access to financial statements and other key information	

Ownership culture

The LTP steering committee

In the memorandum, 28 April 1995, to the newly formed ESOP Advisory Committee, in anticipation of that group's meeting in May, Attorney Deborah Olson described committee roles (see Box 1), noting the uniqueness of the Carris LTP Committee. Two roles were of specific interest at this stage of the process. Their descriptions were excerpted from the memorandum:

> The ESOP Advisory Committee reviews issues that arise in drafting an ESOP and potential changes in corporate governance and either approves, disapproves or proposes modifications to the corporate articles, bylaws, ESOP plan and trust; which it believes accommodate the needs of the employees, the Company and the IRS. They are advisors and do not have the final authority or the responsibility of trustees who serve as fiduciaries.
>
> The *Long Term Plan* Committee is the keeper of the flame. It is the general oversight body for this whole process. Its job is to ensure that throughout the details of ESOP creation and of running the business we keep in mind the overall *Long Term Plan* goals. Its job is to consider the long-term implications of actions being proposed and/or taken by the Company or any of the above named bodies driving the process off course, its job is to steer it back on target. I know of no companies who have such a committee. So the Seller and the ESOP Advisory Committee must ask themselves: Who will serve as the *Long Term Plan* Committee? How will it be chosen? Who will have the power to change the *Long Term Plan*? (Olson 1995: 2, 5)

At the May meeting, the functions of the ESOP Advisory Committee were joined with those of the now renamed LTP Steering Committee (LTPSC). The LTPSC, comprised of three senior managers and 13 employee representatives, was formed to design the ESOP.

ATTORNEY DEBORAH GROBAN OLSON,* CAPITAL OWNERSHIP GROUP CHAIR, HAS specialised in employee ownership and equity compensation plans since 1981. The following extends the understanding of the ESOP structure and offers dimensions on shifting corporate stakeholder citizenship responsibility to employee-owners.

ESOP trustees

Small group of Carris employees who take on the chief responsibility of protecting the interests of the ESOP participants. They take on fiduciary responsibilities defined in ERISA . . . They will handle the voting on all pass through issues, in a manner which protects the privacy of the participants. They will use their discretion to vote on those shareholder matters (if any) not passed through to the participants. They will hire the ESOP evaluation consultants. They will hire and supervise the ESOP record-keeper. They will deal with participant eligibility and distribution. They will interpret plan language when it is vague.

Corporate board of directors

These will be elected by all the shareholders . . . The composition of the board of directors [in the ESOP structure] . . . has not yet been decided . . . While the interests of the ESOP participants (represented by the ESOP trustees) and the shareholders (represented by the board of directors) may often be the same, they are not identical and may, at times, conflict.

Seller

In a company where a family is selling over a period of years to an ESOP that is intended ultimately to own 100% of the company, the seller has a complex role. He is leading a group that will ultimately replace him. He has to remove himself and his financial stake in the company in a manner which is fair to both his family and the ESOP.

He has to remove himself as leader in a time and manner that both he and the employees can accept. His job is to pass on leadership knowledge, skills and authority to others. His challenge is that in so doing, he loses the freedom of action he has exercised for many years, which has been successful for the company. No one wants the change in leadership to impede the company's flexibility or competitiveness. Yet group ownership by definition requires more group decision-making than individual ownership does, and is usually more cumbersome. Therefore serious thought must go into how decisions such as the purchase of companies will be handled as the company becomes majority employee-owned. These are the types of questions that the Long Term Planning Committee, . . . the ESOP Advisory Committee might tackle. The process of letting go is difficult for everyone. It can be made easier if: all the necessary parties are very conscious that it needs to be done; the mechanisms for shifting of control are discussed and clearly defined by everyone involved, so that important tasks do not fall through the cracks; the parties necessary for these discussions include, the seller, senior management and the board of directors. The Communication Centrals and Participation Program will be very important to this process as well. They will at least need to disseminate information that leadership tasks are changing hands. To the extent that these tasks go beyond senior management, they may also be involved in determining how these new tasks are handled.

Information Centrals/Participation Program

Currently, the Information Centrals provide a means for employees to ask and receive answers to questions about the ESOP process and the developments concerning implementation of the *Long Term Plan*. The company would like the Information Centrals to become a full employee participation program, created and organised by the employees. They were started as Information Centrals to allow each work group to create a participation system that is meaningful to its members. As participation bodies are formed in the workplace, representatives from those groups will meet periodically to determine ways in which participation concepts and methods may be shared at other locations or levels of the company. This may involve visiting or studying participation systems at other companies to get ideas.

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Box 1 COMMITTEE ROLES, AS DESCRIBED BY DEBORAH OLSON
Source: Olson 1995: 2-5

This dramatic shift in stakeholder citizen responsibility was shared throughout the corporation within the meeting report (a long-standing corporate practice). Had this kind of enterprise-level thinking-through followed precedent, Bill Carris or Mike Curran (Carris vice president) would have led the discussion with senior management. In the LTPSC, they participated. The change co-ordinator chaired the meetings. When asked their rationale for having the LTPSC design the ESOP, they responded similarly. 'The employees needed to start somewhere. The design of the ESOP was as good a place as any' as a means to prepare employees for the changing stakeholder relationships under way.

Of the 18 major decisions to be made, Bill Carris made two:

▶ The corporate tithe would continue at 10% of profits (to which the discounted sale price of the company was tied).

▶ A one-person one-vote structure[6] (rather than percentage of stock owned) to foster equality and fairness

The other 16 decisions structuring the ESOP were made by the LTPSC. Consensus decision-making reflected the shifting stakeholder citizen relationship with its emphasis on equality. Four ESOP allocation formulae, designed to be non-hierarchical,[7] were put to a vote. Employee citizens, with one vote each, chose a plan. In May 1997, the ESOP Company of the Year announcement noted the Carris Companies ESOP plan was the only one ever so designed (Horwedal 1997: 1).[8]

In the meeting records, the level of trust among those participating stands out. When obstacles emerged or consequences of actions could not be foreseen, such as the discounted price tax issue, Bill Carris encouraged everyone to 'do the next right thing'. Trust and participation remained priorities. Trust was emphasised in the LTP as an ethical and personal value. 'Trust is important enough to warrant working on it from both a formal, organizational level, (i.e., classes, workshops, etc.) as well as on a personal basis' (Carris 1994: 11). Trust was seen as key for engaging participation for shifting stakeholder citizen relationships. 'Trust is the willingness to assume risk; behavioral trust is the assuming of risk' (Mayer *et al.* 1995: 724). Bill Carris knew that most employees trusted him; the design of the transfer reflected his trust in them. For the employee-owners not comfortable with risk, he shaped ways to build trust and increase confidence. This organisational 'commitment with integrity' (Waddock 2002: 172) exemplified 'inspiring people' to contribute to something 'bigger than oneself' and to the common good.

The LTPSC consensus derived one elected representative for every 50 employees with a three-year term elected by local sites. Participation is tied to the success of ESOPs (Marens *et al.* 1999). This fair and predictable representation within the firm's practice

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6 One-person one-vote is also the structure within the Mondragon Co-operatives.

7 Full vesting takes seven years. The original formula called for 30% of the annual allocation to be evenly divided among all eligible employees; 20% was based on seniority; and 50% was based on salary up to a maximum of US$30,000 (adjusted annually for inflation). This was designed to reward those who had built the value of the company. During 1998, it became apparent that the formula was not supporting current company initiatives—it was not rewarding newer employees or contributing to retention efforts at a time when the companies were growing and hiring heavily. To resolve this dilemma, at its September 1998 meeting, the Corporate Steering Committee put forward revision plans for company vote. The voted allocation formula bases 90% on salary up to the US$30,000 maximum (in 2000: US$34,280 following the annual adjustments), and 10% on longevity. The change maintained the Carris ESOP's commitment to all employee-owners in an even-handed approach that contrasts sharply with compensation plans designed primarily to reward senior management.

8 Bill Carris was not present to receive the award. Mark Horwedel, a Carris employee from the Rutland Mill, wrote of his experience for *The Reel News*. Carris employees named in the paper are senior or site management or they have published a public article.

of governance was a tangible example of the intent to share stakeholder citizen responsibility with employees. In the *LTP*, the importance of employee participation to sound corporate functioning is outlined:

> Companies that take advantage of the intelligence and ideas of all their employees will be much more successful than those that rely on a few people to lead. In conventional companies, it is up to the leaders (managers) to both generate the information needed to make changes and then to come up with the ideas for making improvements. The process may involve moving information up and down several layers of the organisation, slowing the process of decision-making considerably. Companies can no longer afford to be so limited. Employees are the best and most timely source of information, so this power should be utilised. The most effective organisations are those that strive to find ways to generate and process this knowledge in practical, efficient ways. This will happen when employees are owners and we move away from 'monarch-type' leadership to where everyone *participates* in decision-making. A structure for this to work still needs to be defined . . . The winners of the next decade will be those companies who have more people processing more information and making decisions faster. These will be the companies that stay ahead of the market (Carris 1994: 5, 7 [emphasis original]).

To move the cultural change forward and deeper into the organisation, the September LTPSC and semi-annual managers' meetings were scheduled concurrently at corporate headquarters—September 11, 12, 13, 1996. Professor Emeritus Louis B. Barnes (Harvard Business School) gave a workshop on trust and facilitated part of the meeting. Consensus provided a dramatic outcome. The LTPSC joined with the management group (senior and site managers) to form the new Corporate Steering Committee (CSC). This was the second time in the practice of governance that two stakeholder groups changed their relationship (see the origins of the LTPSC). This change increased not only the span of the work but also the boundaries of relationships to do the work (for boundary-spanning functions, see Waddock 2002: 14).

CSC meetings

Second meeting: 23–24 January 1997
CSC members, recognising the shifting stakeholder citizen relationships under way, took the following actions:

▶ Adopted the mission statement with community principles, corporate purpose and company goal for prominent posting at every location

▶ Noted that the statements reflected the process of change to employee ownership and governance within a balance between stakeholder citizenship rights and responsibilities and the individual group

Third meeting: 14–15 May 1997
Discussion involved the shift in stakeholder citizenship responsibilities from management to the CSC:

▶ The CSC learned that the Carris Companies were the recipients of the ESOP Association's Annual Award and the ESOP design by the LTPSC was one factor making it unique.

▶ The question was raised, 'What does it mean for employee-owners to own 20% of the company?'

▶ Stakeholder questions were brought to the corporate level. These involved hiring practices, avoiding waste and the meaning of representation on the CSC.

▶ The CSC recognised that the stock transfer rate needed to be slowed because of per-person limits within the federal tax code. Long-term employees' retirement and ESOP benefits were being placed into excess benefits. 401K contributions were returned.

▶ Grants and gifts distribution involved site employee committees.[9] Bill Carris affirmed that distribution of the wealth of the corporation was basic to ownership.

▶ Decision-making strategies including consensus were discussed.

Fourth Meeting: 10–11 September 1997

At the September 1997 meeting, Gregory Zlevor[10] worked with the CSC:

▶ To develop decision-making procedures for polling, voting and consensus

▶ A system was developed for agenda flows for CSC meetings. Each work group could provide input as well feedback to an agenda being brought forward to the CSC. Criteria were established to review the agenda at the start of every CSC meeting to allow for items affecting a given site to be removed. This system in conjunction with the CSC representation structure provided every employee with voice for input and for feedback within the practice of governance.

Bill Carris proposed an incentive compensation programme which consensus encouraged to be mounted in locations where measures were in place (January 1998).

1998–99 meetings

The process of agenda-building and feedback to employees matured the practice of governance within the CSC. Matters affecting stakeholder citizens within the company began to come forward within the agenda-building process—many of these at first related to human resources/personnel functions:

▶ Compensation: research delegated to a committee

▶ Increasing participation

▶ Vermont Tubbs relocated to a new facility

▶ Purchases of a reel company and of a plastics company

▶ Initiative into Mexico

▶ Healthcare administrator/representative presented costs and options. Extended discussion to reduce costs for the self-insured healthcare insurance plan. At a later

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9 A tenet within the LTP that did not receive universal acceptance was the goal for a tithe of 10% (currently at 7.5%) of profits to be given to non-profit organisations outside the company. Some felt the percentage was too high while others felt such gifts should be tied to activities that benefited employees more directly. Requests for Carris Foundation donations and grants had traditionally been made directly to Bill Carris and some continue to go directly to him. In early 1996, reflecting the increasing portion of employee ownership and as a means of involving all levels of the Carris Companies, a formula was developed to allocate to each site a per capita ratio of 3.75% of annual profits. Each site formed a Charitable Giving Committee comprised of employee-owner representatives. Requests from non-profits are brought to the site Charitable Giving Committee, through site employee-owners, who in several instances also deliver the cheque. In developing the programme, it was recognised there might be some controversy about the causes supported. Local committees developed their own guidelines to meet Carris Foundation requirements, which are minimal: the request must be for more than US$100 from a recognised 501 charity. Corporate does not approve the requests—it takes care of the paperwork.

10 Greg Zlevor is founder of Westwood International, a consulting firm dedicated to process consulting and cultural change.

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meeting, it was decided to form a task force to research the matter and to develop recommendations for CSC deliberation.

▶ Noted was growing interest in the corporate and site reports. Participants saw these as directly related to the idea of 'teaching employees the business'. Many questions were raised about the strategic planning process and production.

▶ Information was made available regarding the change of company banks, international sales and the work of the compensation committee.

▶ Bill Carris put forward the question, 'At what point should the company have an employee on the board of directors?' The extended discussion on employees' roles led to a consensus that the practice of governance should move forward more quickly to involve employees in decision-making.

2000 meetings: defining ownership rights, responsibilities, risk and rewards

During the Health Care Insurance Task Force's work, it was noted that the level of employee involvement indicated how the firm was changing—practising governance. Prior to the formation of the Task Force, Bill Carris, Mike Curran and Karin McGrath (human resources manager/change co-ordinator) would have worked on the changes. During 1999 and 2000, the human resources department expanded its personnel to support corporate growth and to facilitate change. The increased staff was seen as basic to increasing employee participation and direct involvement in the cultural and corporate changes under way in the process of becoming employee-owned and -governed. Human resources took on a leadership role in working with employees to frame the changes being undertaken and 'making meaning' for training and participative activities.

One of the ways that the firm brought the practice of governance into everyday life as a 'community of practice' (Stewart 1997: 91) was through the introduction of 'Lean Manufacturing'[11] to selected areas in the companies. This effort joined participation to manufacturing productivity, the 'common work'. 'Lean' was an implementation of the strategy to 'teach employees the business'.

The 2000 CSC meetings reflected dynamic change in stakeholder relationship. By year-end, a new compensation plan was rolled out, surveys concerning ownership culture were conducted and analysed, and most of the employees in the Carris Companies had participated in a workshop presented by Ownership Associates (OA).[12] All of this had been done under the CSC's delegated authority.

In the following segment the excerpts from the OA workshops at CSC meetings reflect changes in stakeholder citizen relationship. In 'Building an Ownership Culture' OA noted the importance of balance in implementing ownership values. For example, organisational life deals with rights and responsibilities (i.e. between membership and people issues), while economic life deals with risks and rewards (business and money

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11 Lean Manufacturing, the programme initiated by Toyota, was developed at the University of Kentucky. An essential component is management's role in mobilising and pulling together the intellectual resources of all employees within the pull of serving the customer.

12 Ownership Associates is an international consulting firm providing a range of services to corporations interested in broadening ownership and workplace participation opportunities for employees. It specialises in the design and implementation of education and training programmes concerned with ownership, participation and financial basics for employees, as well as in organisational development and corporate culture change initiatives. Chris Mackin, Loren Rodgers and Adria Scharf are working with Karin McGrath (Carris) on the decision-making governance model Frontiers and Boundaries. For additional information see www.ownershipassociates.com. Correspondence can be addressed to Ownership Associates, Inc., 6 University Road, Harvard Square, Cambridge, MA 02138, USA; Tel: +1 617 868-4600; e-mail: oa@ownershipassociates.com.

issues). The OA PowerPoint presentation used scales of justice to show balance between rights and responsibilities, and risks and rewards:

Organisational (social)

Rights	Scale	Responsibilities
Voice	Social	Recognising expertise
Influence	Fairness	Commitment

Economic (business)

Risks	Scale	Rewards
Innovation	Economic	Fair bonus
Investment	Fairness	Economic

As rights areas increase, more responsibility needs to be expressed in the areas of: decision-making, information and learning, organisational fairness, accountability, work, pay and entrepreneurship. Each employee-owner is responsible for learning and being accountable. 'You have the rights to have the rewards of ownership; there is some risk—your retirement is tied up in the company.'

Figure 2 illustrates the need for balance in stakeholder relationships. Clarkson's observation about not favouring one group is very apropos here (1995: 92). Note the effect of management and employee-owners' attempts to 'having their cake and eat it, too' by excluding either rights (management excludes) and responsibilities (employee-owners exclude).

Figure 2 THE CONTINENTAL DIVIDE: FROM NOTES AND THE OA POWERPOINT SLIDE

How do these ideas appear in the real world of companies trying to do this stuff?				
	RIGHTS	**RESPONSIBILITIES**	**RISKS**	**REWARDS**
1. Management	—	+	+	—
Continental divide in the discussion of ownership				
2. Employee	+	—	—	+

1 = act like an owner—sit down and be quiet
2 = treat me like an owner and like an employee

OA recognised that, while there was a need to keep the scale balanced, some 'potholes' required continual attention. These four problem areas, if unavoidable, needed to be counterbalanced to keep ownership culture in balance.

Heavy	Ownership type
Rights	Referendum
Rewards	Plundering
Risks	Scrooge
Responsibilities	Paternalistic

Chris Mackin said

> Moving to employee ownership is an attempt to create a richer environment than that in which people are living. They need to have that taken seriously. The plant manager has more responsibility and training—he can't be successful unless he engages the mind and heart of shop floor people. The goal here: decision-making is to have a clear structure that is transparent to all involved.

He presented a generic influence allocation chart (IAC; see Fig. 3 for a Carris chart) noting the nature of roles with 22 generic organisational decisions. Bill Carris said:

> Over the next few years we have to do the constitutional stuff. This group will be the drafter for the constitution—this committee will make those decisions just as the LTPSC made the decisions for the ESOP. Here is the template (the IAC) of the way to go about it. We would like to have people involved in it. It is important that we recognise this and ultimately how these decisions are made. The summation sometimes after the CSC meeting is blurt and duck. This template can change this. I think each individual site will have its way of doing this—coaching basketball vs. track team. Before this committee gets to 60 to 70 we need a constitution as to how it will run. I want to get people involved. We may need over the next few months to establish our own 22 items . . . This is a great learning process. We need to start learning our role.

This practice of governance seeks to make transparent how decisions are made within the company so that every individual knows the rights and responsibilities within the process at every step of the way.

Frontiers and boundaries by OA: September 2000 and March 2001

Bill Carris pointed out:

> This is the first real step toward codifying how decisions are brought to this group and from this group. This will ultimately say how we are going to do things. This is about governance. When we are satisfied with this then we can go to the sites with it. We are experimenting with all of this, developing a model. This is a different project than most businesses go through. The constitution metaphor is an important one. We want as much consensus as possible.

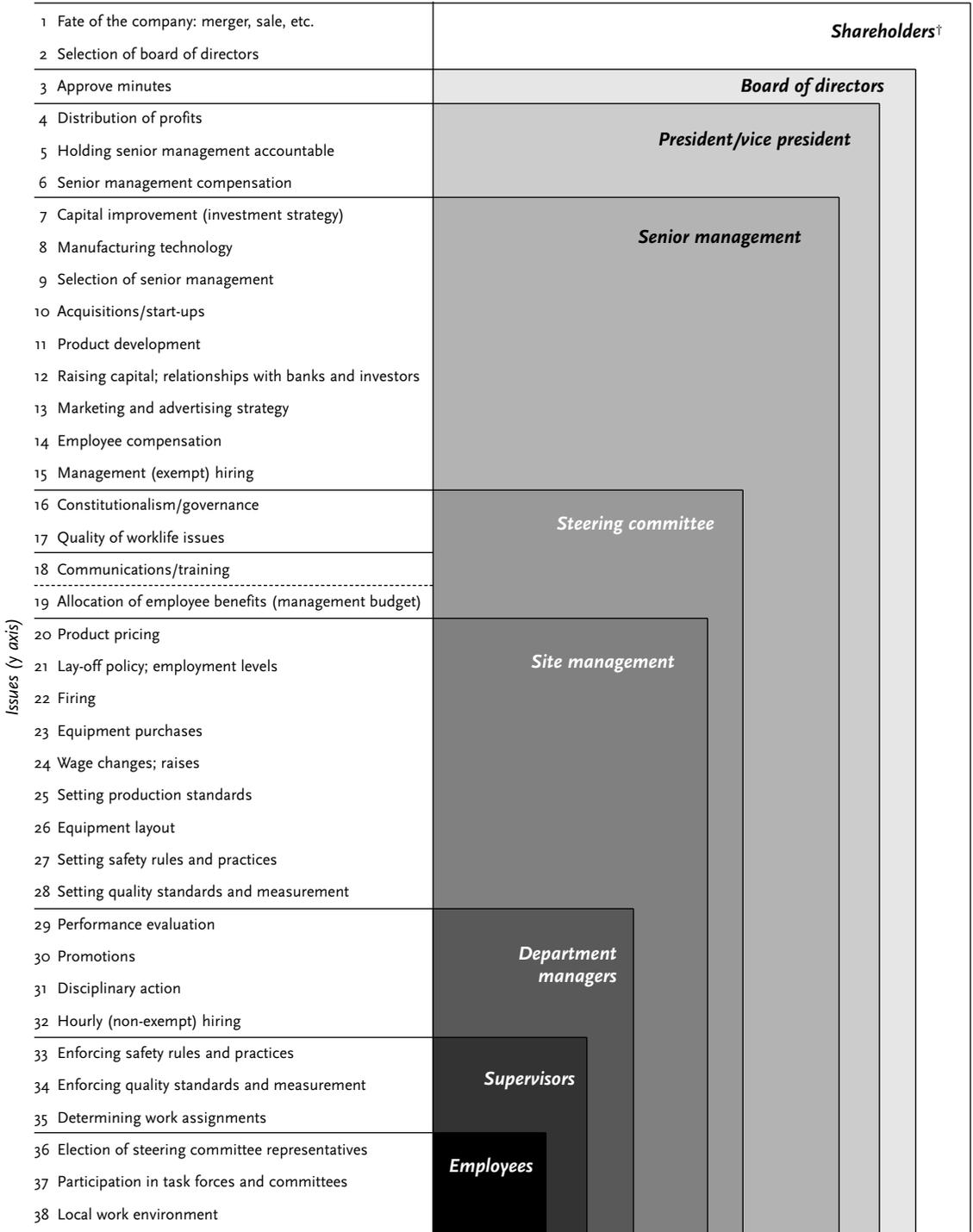Chris Mackin presented this frame for the conversation:

> Ownership implies power held by one person. How does a company owned by more than one person work? If Carris workers are like other workers and ownership means we have say, what is it that we have a say over?

A standard list of 22 corporate decisions and the manner in which they are allocated in most companies was posted. Board of directors and management, employee participation and work teams were added and the decisions resorted (Fig. 3 is a Carris version with 38 decisions).

> Groups like this as standing committees might make some decisions, and there may be some task forces for specific issues . . . The more general point is how do you make ownership real? You need to get specific about what decisions are. The people you think might be most threatened by such are management. When they look at the whole picture, they say, wouldn't that make life easier. I wouldn't have to do housekeeping or people management. What this speaks to is one of the problems with speaking emotionally and rhetorically. Ownership is such an unspecific idea. Managers need a zone of safety. This model tries to make clear where the boundaries are; how ownership expectations can be managed. If I know that marketing is a green zone decision and my call, I am more comfortable in getting input. One of the challenges in creating an employee-owned company is making clear where the fences are . . . Setting and moving constitutional boundaries gets to this point. The constitutionality needs rules that are possible to change. It can't be easy but it has to be possible.

THE PRESENT AT CCC*

Primary authority (z axis)

Issues (y axis)

1 Fate of the company: merger, sale, etc.
2 Selection of board of directors

Shareholders†

3 Approve minutes

Board of directors

4 Distribution of profits
5 Holding senior management accountable
6 Senior management compensation

President/vice president

7 Capital improvement (investment strategy)
8 Manufacturing technology
9 Selection of senior management
10 Acquisitions/start-ups
11 Product development
12 Raising capital; relationships with banks and investors
13 Marketing and advertising strategy
14 Employee compensation
15 Management (exempt) hiring

Senior management

16 Constitutionalism/governance
17 Quality of worklife issues
18 Communications/training
19 Allocation of employee benefits (management budget)

Steering committee

20 Product pricing
21 Lay-off policy; employment levels
22 Firing
23 Equipment purchases
24 Wage changes; raises
25 Setting production standards
26 Equipment layout
27 Setting safety rules and practices
28 Setting quality standards and measurement

Site management

29 Performance evaluation
30 Promotions
31 Disciplinary action
32 Hourly (non-exempt) hiring

Department managers

33 Enforcing safety rules and practices
34 Enforcing quality standards and measurement
35 Determining work assignments

Supervisors

36 Election of steering committee representatives
37 Participation in task forces and committees
38 Local work environment

Employees

* CCC stands for the Carris Community of Companies—an internal name

† Shareholders include the Carris family and the ESOP.

Figure 3 CARRIS CORPORATE INFLUENCE ALLOCATION CHART
DEVELOPED AT THE MARCH 2001 CSC MEETING

The decision at the end of the September meeting was made to go forward. At the beginning of the March 2001 CSC Meeting, Karin McGrath provided a status report on the work done on governance in between CSC meetings:

> In preparation for this week's meeting, there was a meeting last week of the February Task Force with Ownership Associates. CSC representatives, Mike Curran, Bill Carris and I worked with OA to come up with a provisional influence allocation chart similar to the one that we looked at during the last CSC meeting. The Task Force took a look at OA's generic chart, and developed two charts: pre-ESOP and a present one for decision-making. The CSC will look at them in the next few days. We have a goal to set up a Corporate Governance Task Force and we have some suggestions as to how to do that . . . Bill Carris, Mike Curran and I will also be part of it. The Governance Task Force will be responsible to work with the site that we have already picked as a pilot site to work through the influence allocation chart from a local point of view. North Carolina has a lot of history within the company. Dale Clary, the manager has been in place since the site's beginning. There are some obstacles for the site to work through in developing the chart. It is a bilingual site and it is among our larger sites. We felt it would be easier than OH, which had volunteered to be a pilot site. We thought Dwight Harder site manager in California might have volunteered. OA will work with North Carolina in the development of its site influence allocation chart. There will be charts to outline the day to day decisions to be made corporately and at the site. The (Corporate) Governance Task Force will work with the CSC to develop a constitution over the next few years.

Bill Carris added:

> This influence allocation chart will tell us who has the authority for most of the decisions. We've been asked about the hows of decision-making a great deal over the past few years. The chart will give us more structure than we have had. It should make life simpler and clearer for people.

Over the next few hours, issues were discussed as well as where decisions concerning them should be made. The context involved changing stakeholder citizenship rights and responsibilities in the Carris Companies. After one year, every employee becomes a shareholder (though unvested for seven years). Figure 3 was developed during the meeting to reflect the present decision-making structure within the Carris Companies. Each shade reflects a different group of decision-makers. The numbered items are issues to be addressed within most organisations and these were specifically addressed at the CSC meeting.

In addition to work on the present, Bill Carris looked at the near-term and future decision-making within the company. Of great interest was Bill Carris's segment involving employees (the black segment)—it was larger than that of the CSC. The shift in ownership responsibilities from Bill Carris to the employee became real in the conversation. At the Governance Committee Meeting in August 2001, Bill Carris noted that he would be very willing to survey the employees to see where they would like to see decisions made. He offered to work with OA to ensure that the 38 items were valid items for the Carris Companies.

As an example of how this might work at the local level in contrast to corporate level is presented for Carris North Carolina in Figure 4. This work was in process and incomplete as presented in this paper. The North Carolina Governance Committee was a prototype group to work through items considered specific to a local site. Members of the committee were drawn from all areas of the site. Doing the IAC and the supporting discussion for each of the items generated intense interest on the part of the members of the Governance Committee.

This group also offered suggestions to make the process smoother. There was awareness on the part of the employee-owners that they were engaged in conversations that most workers never approach in a lifetime of work. This may be a significant aspect of the practice of corporate governance as responsibilities shift from Bill Carris to the

PRIMARY RESPONSIBILITY FOR MAKING DECISIONS

20 Employment levels and lay-off policy	*Site management*
21 Product pricing	
22 Equipment purchases	
23 Setting production standards	
24 Band changes above level 5	
25 Termination of employment	
26 Equipment layout	
27 Setting safety rules and practices	
28 Setting quality standards and measurement	
29 Disciplinary action	*Site management and supervision*
30 Hourly (non-exempt) hiring	
31 Performance evaluation	*Supervision*
32 Band changes below level 6	
33 Enforcing quality standards and measurement	
34 Enforcing safety rules and practices	
35 Determining work assignments	
36 Local work environment	
37 Participation in task forces and committees	*Employees*
38 Election of steering committee representatives	

Figure 4 NORTH CAROLINA GOVERNANCE COMMITTEE INFLUENCE ALLOCATION CHART, SPRING 2001

employees—as stakeholder-citizens. The employees were directly involved in the practice of governance. They were laying the groundwork for the system that will show everyone who makes a decision and they were responding to Bill Carris's invitation to be as involved as they want to be.

Conclusions

At the time of writing of this paper, William H. (Bill) Carris's vision of his company as 100% employee-owned within an ESOP structure and 100% governed, was a work in process—a practice rather than a completed work. The Carris approach, with 100% employee governance, is unique. Deborah Olson and Organizational Ownership Associates, well-known consultants in the field of employee ownership, attested to this fact to the Long-Term and Corporate Steering Committees.

Examples of the dimensions of the practice for changing stakeholder citizen relationships have been described. Among these were the Carris Companies' employee-owners' involvement in designing their own ESOP, distributing the wealth of their corporation, establishing the parameters for their healthcare insurance and—their current work— establishing the structure for their future governance and decision-making. The Carris six-year effort to move governance deep into the infrastructure as a practice reflects constancy and attention in involving stakeholder citizens from throughout the corporation.

Within the CSC, management and elected representatives deliberate as colleagues for the common good. Equality and fairness, as essential values at the foundation of the corporate effort, are connected closely to the desire for transparency in decision-making. A goal is to have the stakeholder citizens understand their own rights and responsibilities and how decision-making works in the corporation. Profit-making as a goal within the firm has not been diminished by this effort. It has become another way to serve the common good.

The practice of governance led to increasing employee involvement. As employees were encouraged to be part of the building of a CSC agenda, the immediate results may have been a higher number of agenda items skewed in favour of those directly involving human resources and personnel-related matters than might be expected later in the process. Until the parameters for the decision-making structure were fully in place, there were gaps and unknowns that needed to be resolved among management and employee-owners as to process and procedures. Distinctions between management and governance were not always clear. Implementing the practice of governance was a time-consuming, interactive activity For managers accustomed to making decisions quickly, there were points in the process when the practice of governance was perceived as more hindrance than help. As employees were involved in making decisions—for example, on healthcare insurance—it was recognised that more explanation and discussion were required beforehand but there was less justification and misunderstanding after the decision.

For CSC representatives, the shift in stakeholder relationships with management was directly experienced at CSC meetings—they worked together for the common good. As comfort grew, there was more willingness to ask questions, confront and co-operate. As representatives and site managers travelled together to meetings, they noted how understandings were transferred and trust and relationships grew.

As shown throughout the paper, taking a practice-based stakeholder view 'moves the conversation . . . toward the quality and nature of the relationships that companies develop with stakeholders and the assessment of the impacts of corporate activities on those stakeholders' (Waddock 2002: 9). This paper examined the Carris Companies' practice of governance and the multifaceted process used to prepare the stakeholder citizens for their changing roles and relationships as shared owners. While it was too early in the process to assess impacts, the path of travel was clear.

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