# The Carris Companies

## Doing the Next Right Thing*

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**Presented in this case is the Carris Companies' movement towards 100% employee shared ownership and governance with an emphasis on and investment in education; focus on 'quality of life'; economic, educational and social accessibility provided by the company for its employees, many of whom are unskilled at the time of initial employment; encouragement of employee wellness; employee involvement in corporate decision-making and philanthropy; companies' increased efforts to reduce waste and energy use and the overall positive effects on the companies' profitability. Internally, the transition wasn't seen as socially responsible or innovative but rather as 'doing the next right thing'. The case makes the point that single company innovations and positive change initiatives with their human scale offer a window on sustainability that seems to be increasingly significant to understand and to replicate. The 100% employee-owned Carris Companies present a new model of socially responsible business and organisational life at a time when increasingly complex expectations demand that 'responsible management' creates wealth, facilitates economic security, and sustains physical and social environments within a local community and global context—all with increased consciousness and awareness of impact.**

- **Employee-ownership**
- **Governance**
- **Sustainability**
- **Participation**
- **Social responsibility**
- **Decision-making**
- **Corporate citizenship**
- **Positive**
- **Organisational change**

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THE FIRST ITEM ON THE 11 SEPTEMBER 2007 AGENDA FOR THE CARRIS Companies Corporate Steering Committee (CSC) meeting was an overview of the meeting at 8:00 a.m. for the nine employee representatives[1] with the CEO, Mike Curran. He opened by saying that the transition expected in January 2008 to 100% employee ownership was the primary focus of discussion at this CSC meeting and a 'huge thing' for the company. 'Don't expect yourselves to understand it. You are going to have a lot of questions and I want you to ask them.' He went on to explain that it was really important for the members of the CSC to understand 'to do a good job of explaining the transaction' that was good for employees, the company and the Carris family. 'How we got here is important.' He went on to describe how the company valuator would make clear the company valuation process and that it was important for the representatives to ask questions. 'That is your primary job at this meeting. Bill Carris [Chair of the Board of Directors], and I will meet with you after the meeting to review the actions and to go over any remaining questions.'

At the end of the third day of the CSC meeting, Mike Curran again, this time with Bill Carris, sat down with the employee representatives. Energies seemed really high. Mike Curran asked the representatives what they still wanted to know about. Several responded at the same time. One of those from Vermont[2] said, 'It seemed as though all of our questions were answered during the meeting.'

Mike Curran pointed out that a lot of work by a lot of people had gone into preparing for the meeting. Bill Carris told them, 'You have asked a lot of good questions. We wanted full participation. You were clear and you spoke up.' The representative from Connecticut said that the meeting was different from what he had expected. 'I am proud to have been here and I am ecstatic that it was this.'

The discussion then moved from the transaction that would lead to 100% employee ownership to the discussion that was expected to take place at the March 2008 CSC meeting. The following comments are from that discussion:

> Bill Carris: You can reach for what you want. When you go to back to the decision grids,[3] it is full circle—board, senior management. The board can have a variety of responsibilities. The most important is to hire and fire the CEO. When you get right down to it, the whole thing goes right back to the top. OK, as the Corporate Steering Committee, how do you see this working? You can have a tight or broad board. There is a lot here and it will get more complicated. There are shareholders' decisions, board decisions and management decisions. No one here would want to take on Dave Fitz-Gerald's job as CFO. We need professional management. Mike Curran or someone else needs to be CEO here. Management needs education and decision-making skills.
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> Mike Curran: We refuse to make a presentation on what we think the CSC should be doing. If it doesn't decide, it will do the same thing in five years as it is doing now.
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> Representative 1 Rutland: Every time I am shocked that there is not more discussion.
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> Representative 2 Rutland: I don't think we are saying enough.
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> Mike Curran: Yes, it is scary.

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1 The Carris Corporate Steering Committee comprises corporate and site management and a representative for every 50 employees elected by the site group represented.

2 The names of corporate and site management are used in the case.

3 Working with Ownership Associates (www.ownershipassociates.com [accessed 10 February 2008]), the Carris Companies developed grids for standard business decisions showing (as roles rather than as individuals): who can 'alert' when a decision is needed; who is responsible for managing the process for a given decision; who is consulted during the process; who is responsible/accountable for making the decision; who is informed of it; who can veto it and the time when the decision will be evaluated. Betit (2002a, b, 2007) describes the Carris Companies' decision-making process and its role in the development of the Carris employee governance process.

Bill Carris: It is pretty overwhelming. I knew it would take it more time. There are traps here. You just don't put it on the board. Have to figure out for yourselves what you want.

Representative 3 Rutland: Who wants to give up control to let it go?

Representative 1 Rutland: We have opportunity to get control and we seem scared.

Mike Curran: You have to put sweat equity into it. Start tossing ideas and there are potholes and wrong roads.

Bill Carris: Not to get too philosophical—power corrupts. Most companies pay as little as possible.[4] Both Mike and I bite our tongues from time to time at meetings when we hear of participation that we call parties and balloons because people don't really get to make the tough decisions.

Representative from North Carolina: Yes, it is hard to take responsibility.

Bill Carris: Hopefully we are at size to make things work . . .

Mike Curran: I am concerned as to the way things work. Over the telephone, you can't see how someone reacts. Let me back-track. Sometimes, it doesn't work on the phone. The better way to explain this is in person as we have done—that the valuator was here at the meeting and has shown us how the company value will go up next year . . .

Bill Carris: This is what made the absolute sense for the company to go 100% employee-owned at the end of December 2007.[5]

Representative 2 Rutland: Yes, with some things like health insurance and this, there is no need to wait.

Mike Curran: There are times when you have to think about what you want and vote your conscience. When we started down the road of the ESOP [employee stock ownership plan], one speaker said, don't waste your time on the small percentage of cynics.

The discussion continued in its free-flowing style. On the way out, one of the representatives commented to another, 'Just think: here we were, just the "reps" with Bill and Mike talking about business.'

The 100% employee-owned Carris Companies provide a new model of socially responsible business and organisational life from a number of perspectives at a time when increasingly complex expectations demand that 'responsible management' (Waddock and Bodwell 2007) creates wealth, facilitates economic security, and sustains physical and social environments within a local community and global context—all with increased consciousness and awareness of impact. When done well, such transcendent transformation is experienced as care, respect, efficiency and effectiveness in the evolutionary sense involving developmental systemic processes supporting continuity and sustainability (versus revolutionary change). Looking at 'the historical phenomenon of cultural evolution through the lens of integral philosophy' suggests that 'what can be expected next' involves predictable changes in values and world-view 'through the interpenetration of increasing problems and newly perceived opportunities' (S. McIntosh 2007).[6] In daily life changing perspectives are often seen emerging from the human scale—in this case from a single company's innovations to achieve its vision and mis-

4 Among the areas of employee ownership that Bill Carris frequently emphasises are its responsibilities and rewards—tangible and emotional.
5 The transaction took place on 2 January 2008.
6 Authors contributing to integral thought who are perhaps better known include Ken Wilber and Don Beck.

sion of 100% employee governance[7] and 100% employee ownership as 'doing the next right thing'.

Given that such positive change initiatives taken over time may well portend the potential for paradigmatic and larger-scale shifts, it becomes increasingly important that we study, understand and perhaps even replicate them.[8]

## Company and transition background

### Leadership

In 1951, Henry Miller Carris founded Carris Reels, Inc. in Rutland, Vermont, to manufacture plywood reels for steel and wire cable. He had two employees. With the exception of a few years away for education and military duty, William H. (Bill) Carris lived in the Rutland, Vermont, area and, with his wife, Barbara (Tracy) Carris, raised their four children. Vermont, during Bill Carris's adolescence in the 1950s, was predominantly agricultural with a strong sense of stability, egalitarianism, independence, fiscal conservatism, fair play and social concern (Bryan and McLaughry 1989). These were also the Carris family values that Bill Carris brought forward when he took over from his father as CEO of the Carris Companies in 1980.

Bill Carris grew up in the company, working in many capacities to learn reel manufacturing. In addition to this depth of experience, he had clearly defined strategies for growth and professionalisation of management. Like his father, Bill Carris believed in the importance of the individual and in community service.

Early in his tenure as a supervisor working for his father, Bill Carris recognised that long-term employees often displayed more concern about the company and its success than did some members of the Carris family. Influenced by his parents, his life and work experience, and knowing that his children had other interests, Bill Carris looked for ways to bring employees into the business. Well aware of the fact that many companies promoted emotional ownership, he wanted to transfer actual ownership of his company to the Carris employees.[9] In the mid-1980s[10] Bill Carris began working on what became known as the 'Long Term Plan' (LTP). He saw his plan for selling the company as a natural outgrowth of his commitment to Carris employees as well as a way to give back to the community.

Effective from 1 January 2005, in preparation for the employees owning more than 50% of the company, the board of directors appointed for the first time an employee-

7 Governance is of worldwide concern. Recently, the UN Global Compact, the Swiss government and the International Finance Corporation published *Who Cares Wins: New Frontiers in Emerging Markets Investment*, presenting the views and perspectives of more than 70 investment professionals who gathered on 5 July 2007 in Geneva for the third annual *Who Cares Wins* conference. It was noted that, in the short term, the importance of social and governance issues tends to be underestimated. See www.unglobalcompact.org/NewsAndEvents/news_archives/2007_10_29b.html (accessed 15 April 2008).

8 For concrete, specific and often well-known examples tracing change from micro to macro, see Quinn 1996 and 2000.

9 As owner, Bill Carris had the option to sell the company with the risk that a corporate buyer would move operations offshore. One of the strategic lessons of this case from the Carris Companies experience is that a discounted sale to employees can be a win–win and sustainable alternative for everyone.

10 During this period, another well-known Vermont company, Ben & Jerry's, was in its early childhood. In 2008, close to 40 Vermont-based companies were at least partially employee-owned. For additional information, see The Vermont Employee Ownership Center website, www.veoc.org (accessed 15 April 2008).

owner president/CEO, who was not a member of the Carris family, Mike Curran.[11] Bill Carris continued as board chair.

## Doing the next right thing

In an age of sound bite and public relations, the Carris Companies often acted in ways that seemed uncharacteristically humble and publicity-shy. The many and wide-ranging corporate efforts—whether focused in the workplace, on customer relations, toward and/or within the transition—were not seen internally as socially responsible or even innovative but rather as 'doing the next right thing'.[12] The phrase seemed to be one of Bill Carris's favoured ways of levelling the playing field for colleagues and employees—as well as an encouragement and confidence builder to keep going. He suggested that one can never be satisfied with the status quo—there are always elements to be improved, new areas to address. Over time, the phrase became institutionalised when managers and employees throughout the company made it their own—weaving it into the fabric of daily organisational life.

The effectiveness of such an embedded approach towards social responsibility appears supported in 'The Sustainability Value Formula' recently issued by Arthur D. Little Inc. (2007). Firms with integrity were seen as 'fulfilling . . . stated business principles as an integral part of . . . decision making rather than managing' corporate social responsibility 'as an additional business activity'. Integrity and innovation were seen by the firms as the 'way we do business' (Arthur D. Little Inc. 2007: 6). Further, integrity and telling the truth were found to be among the characteristics aligned within working towards social responsibility and corporate reputation. What may be innovative within the Carris Companies is the demonstration that this approach can work in all areas of management simultaneously even without formal analytical tools. It corroborates Waddock's (2006) point regarding the importance of giving an ongoing role to praxis in corporate citizenship. Freeman's advice seems congruent with 'doing the next right thing'. He says it is not 'about perfect performance and final results; it is about serious commitment and continuous improvement'. He notes that 'Getting labor and human rights, environmental and sustainability issues right might not seem like rocket science to everyone—but they are in many ways the terrestrial equivalent' (Freeman 2006).

Working to get these elements right is reflected in the Carris Companies' efforts towards 100% employee ownership and governance. The serious commitment and continuous improvement in the ongoing effort to bring together such diverse considerations provide the central point of this case. The 'next right thing' demonstrates the integrative power of applying principles to concrete daily decisions without any intermediary formal decision tool. Carris Companies' leadership and Long Term Plan encourage and allow the integration of diverse goals ranging from profitability to corporate responsibility and the ongoing commitment to building the managerial capacity of employees and to teaching them the business.

11 When Mike Curran became CEO, it was the second time that he succeeded Bill Carris. They had started working together in the mid-1970s. Mike Curran became production manager when Bill Carris bought the company from his father and then became vice president in 1986. While Bill Carris brings enormous capacities as a gifted, visionary leader with the additional quality of enormous patience for the working-through process with its chaos and messiness, Mike Curran's leadership throughout the years has strengthened manufacturing, management structures and facilitated implementation of the LTP (Long Term Plan).

12 When asked, Bill Carris wasn't sure of the root or when he first began to use this statement. Others say it is a well-worn phrase in common usage by AA (Alcoholics Anonymous) and other groups. At the Carris Companies, it appears in the Long Term Plan steering committee minutes.

## The Long Term Plan: the Carris succession vision

In 1984, in his own way of 'doing the next right thing', Bill Carris began writing his succession vision for his company—100% employee ownership and governance. Entitling it the Long Term Plan, he shared it broadly over the next ten years with Carris management, consultants and other experts asking for discussion and feedback. He noted somewhat dismissively that, while many companies spoke highly of employee contributions, most promoted 'emotional' rather than actual ownership with its involvement in key decisions and wealth distribution, among other things.

## The elements in place for the transition

In 1994, with critical elements in place, it was time to begin the transition. Management was well experienced. The company's national expansion had done well—the company was growing and profitable. A way of implementing employee ownership that was good for the employees, the company and its larger communities was in place. To ensure that the effort would be sustainable and to encourage employees to prosper and grow the company, Bill Carris had decided to discount the sale price of the company and to build confidence in the transaction—he would take the risk of giving that stock first to the employees.

## Involving the employees

With much in readiness, sharing the vision for 100% employee ownership and governance[13] with employees was 'doing the next right thing'. Employees throughout the company received a copy of the Long Term Plan. On the very first page, in the memorandum to employees, Bill Carris stated that there were no models for the highly participative employee-owned and -governed company that he was hoping to co-create with them[14]—achieving the far-reaching goals would require their help. He invited them to participate fully to their level of comfort in the process.

Bill Carris met informally with employees in small groups at each of the sites. Acknowledging that he was not one for mission statements, he noted that the words that he had taped for years on his bookcase, 'to improve the quality of life for our growing corporate community', had taken on that role within the LTP. Within the document he explained 'community' would continue to be defined broadly in the Carris Companies to include not only those directly involved in the work of the firm but also the communities where they were located. This LTP mission phrase was later adopted as the corporate mission.

In sharing his vision for the transfer of ownership (risks, rewards) and governance (voice, vote, rights and responsibilities) to the employees, Bill Carris stressed equality, fairness, capital investment in its multiple forms, profitability and equity. He noted that, while the physically demanding hard work that was done would not change, it was his goal that employee-owners would receive a larger stake from the success of the company.

An employee vote at the end of the year affirmed the new corporate direction. The following year (1995) the transition implementation began in earnest.

13 In 1993 and 2005, the number of total ESOPs (defined later in this case) in the US was the same: 9,225; in 2007, there were 9,650 ESOPs; the number of ESOP participants from 1993 to 2005 increased by 2,550,000 to 10,150,000. In 2007, there were 10,500,000. For additional information, see www.nceo.org/library/eo_stat.html (accessed 10 August 2007).

14 In 1995, the Carris Companies were alone on record seeking to implement 100% employee governance.

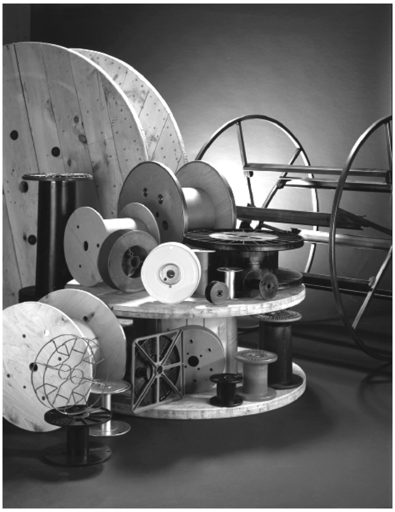

***Figure 1*** SAMPLE OF REELS MANUFACTURED BY THE CARRIS COMPANIES

Photo credit: Carris Reels. Reproduced with permission

See www.carris.com (accessed 15 April 2008) for additional information on the firm and its products.

## Implementing the transition

### Governance prototype used to design Carris shared ownership

The Long Term Plan (LTP) steering committee convened in early 1995 to set up the elements of the shared ownership design of choice—the Carris Employee Stock Ownership Plan (ESOP).[15] Consensus was established as the LTP steering committee's decision-making process. The lawyers and consultants involved noted how unusual from their experience it was to see a CEO/owner create such an open process. Bill Carris spoke often of the need for trust in the relationships, understandings and shared meanings being developed. He encouraged meetings to be held without his being there; he participated as needed in the deliberative meetings.

Bill Carris as owner and CEO made only 2 of the 18 legally required decisions: the one person/one vote provision[16] for voting within the ESOP and the gift-giving requirement of 7.5% of pre-tax profits[17] to the Carris (corporate) Foundation. The remaining deci-

15 An ESOP is a form of worker stock ownership (30% minimum to qualify) and deferred benefit plan recognised within the United States legal code. While other forms of employee ownership such as cooperatives are possible within the US, Carris research suggested that the tax benefits for the corporation among other ESOP elements enhanced its attractiveness as a vehicle for employee ownership and succession (see Lawrence 1997).

16 One person/one vote is considered both a root and an outgrowth of egalitarian US Jeffersonian democracy. It is a fundamental value within the traditional Vermont town meeting ethos. For a full description see Bryan and McLaughry 1989. Within employee-owned corporations, voting by shareholders is often according to the percentage of stock owned.

17 One of the first ways by which the company shared the 'experience' of ownership with employees was through the site gift-giving committees. Until the company became 100% employee-owned, the 7.5% of pre-tax profit was distributed by proportion of shared ownership (with Bill Carris) on a per capita basis to each site. Employees could request funds over US$100 for a 501c3 (not for profit and recognised by the US tax code). Through the committees, employees allocated Carris Foundation funds.

sions, including recommendations for the allocation provisions,[18] were made by the management and employee members of the committee. When committee members questioned their knowledge and expertise, Bill Carris reassured them by suggesting that they 'just do the next right thing'.

## The corporate steering committee: employee governance

In September 1996, the Long Term Plan steering committee was succeeded by the corporate steering committee (CSC) comprising corporate and site management and an elected representative[19] for every 50 employees.[20] The CSC meetings, chaired by Karin McGrath, Human Resources Director, continued to be held at corporate headquarters in Rutland, Vermont, twice each year with task forces and subcommittees active between convened meetings.

In the context of 'doing the next right thing', elected representatives to the CSC began to be paid in 2006 in recognition of the additional responsibilities and requirements of the role. They are members of the site strategic planning groups, meet with employees to set the CSC meeting agendas and report back to employees regarding discussions and actions. The CSC was directly involved in the transition and governance discussions. For complex issues, voting affirmed the consensus-driven process.

Early in the life of the corporate steering committee, it was decided that three of the five ESOP trustees should come from that body and be 'self-selected' from the CSC, remaining as trustees as long as they remained in good standing as CSC members. Two managers: the chief financial officer and director of human services are ESOP trustees by virtue of their roles. The specific function of the trustees was to ensure that the ESOP performed in the best interests of all participants. They were responsible for selecting the valuator of the company, for reviewing the valuation report, and for accepting the valuation of the company, on which stock value was based. They sought and carried out participant voting instructions and brought forward participant questions and issues. Trustees hired and supervised the ESOP record keeper. They dealt with participant eligibility, distribution matters, and interpreted language when it was vague.

## Company challenges 2000–2003

The financial successes of the company in 1995 and 2007 belie the difficulties the firm experienced as it fought for its life during the combined recession and downturn in the telecommunications industry at the turn of the century. Communicating frequently with employee-owners, management was required by the bank to bring the company back to 1993 levels through a series of adjustments: some practical such as reducing debt and others very painful such as selling one of the companies and closing a plant[21] in September 2003.

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18 Three proposals for allocating stock were put forward by the LTP steering committee to employee vote. A subsequent revision was also voted by employees. The Carris ESOP was designed not to favour management and to be non-hierarchical. The original formula capped salaries at US$30,000 to be adjusted annually for the cost of living. At the end of 2006, this was US$39,800—at the end of 2007, US$41,430. Originally, 30% of the annual allocation was evenly divided among all eligible employees; 20% was based on seniority; and 50 % was based on salary up to the capped maximum. That formula was designed to reward those who had built the value of the company. The 1998 revision called for 10% to be based on longevity and 90% on salary, up to the annual capped maximum.

19 Representatives served for three-year terms and could be re-elected.

20 In 2007, there was discussion to be continued in March 2008 about whether one representative for every 50 employees provides enough representation.

21 Pressure from its financial institution led corporate management to make the decision to close the plant as a last resort after several efforts to maintain the business or sell it failed. Employees were helped to gain employment and received cheques for their portion of employee ownership.

During a candid discussion during the CSC meeting in September 2003, Bill Carris reviewed the risks to survival during the three worst years in the firm's history. He spoke to everyone's concern about all of the people involved and the efforts made for them. Maintaining the goal of employee ownership and governance, everyone had pulled together in the short range and diverted energy 'to staying alive'. The approach had been a strength-based one. The firm had applied its historical knowledge of its core reel business and was now moving forward with renewed energies.

At the end of 2003, showing its adaptability from its changing circumstances, the firm had the most profitable year in its corporate history and, since then, has broken those records annually. This success seems to prove the business case for employee ownership within the company and supports its continuing efforts for 100% employee governance.

The company's overall performance has belied the many areas in the larger context where, in current market realities, it could be considered to be swimming upstream—the lack of skill of its people at hire, its product lines and its highly price-competitive environment.

## State of the company in 2007

In 2007, the Carris Companies had 550 employees (average age 42; longevity in the company 11 years; many unskilled at hire; 30% of the employees are Hispanic who speak English as a second language) to manufacture reels in five locations in the US and one in Mexico (to serve local customers).[22] There were nine assembly and five recycling centres within the US. Sales approached US$100 million. Carris historically has not been a highly technological company—reels, known in parts of the world as 'bobbins' or 'wire drums' are conceptually simple products. For some reels, the profit margin per reel is less than the price of a first-class US postal stamp.[23]

In its efforts to 'do the next right thing', Carris built its reputation on product quality, customer service, competitive pricing and integrity. It thrived in spite of a highly price-sensitive environment at home and abroad—during a period when manufacturing was becoming less and less of an economic force in the US. The company went on record early in the transition saying that its goal was not to pay as little but as much as it could—it made good on that in wages, bonuses, incentives and profit-sharing. Throughout its 50-plus years of corporate history, the benefit package was by US standards a rich one including company-contributed retirement, leave and insurances such as healthcare, life and short- and long-term disability.

## The Carris transition: a bold new model for business and organisational life

The Carris Companies concluded the transition to employee ownership at the beginning of 2008.[24] As indicated at the beginning of this case, a great deal of time during the September 2007 CSC meeting involved education and discussions around the finan-

22 Because there was no provision for a comparable employee ownership structure for employee-owners in Mexico, the Carris Companies established a parallel plan effective when the firm became 100% employee-owned in January 2008.

23 In 2008, a first-class stamp cost 41 cents.

24 The first stock distribution was 10% in March 1996 (for the company value December 1995) with another 10% distributed in 1997. In 1997, the CSC slowed the distribution of stock because of per person limits within the US tax code. For the next four years, distributions were at 5.8%. In December 2005, the remaining 6.8% of the stock was distributed to reach the 50% mark for the discounted sale price: 15% were purchased. On 2 January 2008, with the purchase of the remaining 35% of the stock, employee ownership of the Carris Companies reached 100%.

cial implications of the final transaction involving the firm, the ESOP and the Carris family. Mike Curran, CEO, held an informal hour-long session with the nine elected representatives prior to the meeting encouraging them to speak their minds and to ask questions—noting that it was in fact their primary role to understand as much as possible about what was happening and how it was happening before making the recommendations and decisions. Throughout the meeting, Karin McGrath, the chair, requested questions, indications of understanding, agreement or misgivings. After the full meeting adjourned, Mike Curran and Bill Carris met for over an hour with the representatives to review basic elements of the transactions, the company valuation and so on.

### Next steps

'Doing the next right thing' involves the next steps towards 100% employee governance on the agenda for the CSC meeting in March 2008. A subcommittee was formed to complete work on the strategic plan for the CSC—an important planning component for the group which will ultimately be involved in the restructuring of the corporate board of directors to include employee and outside expert representation.

## Methodology

This case draws from a longitudinal study which has used a variety of qualitative research methods including action research, field study, interview and ethno methodology in the study of the transition of the Carris Companies to 100% employee ownership and 100% employee governance. The research began in 1996 and will continue through at least 2008. The change coordinator provided scheduling information involving meetings, training activities and other efforts moving forward to increase participation and those employee skills foundational to employer ownership and governance. Primarily, this paper drew on: regularly scheduled conversations (at least monthly) with Bill Carris about his goals and plans for employee ownership and governance; conversations with managers (including the new president named in 2005) on Carris Companies' operations. These provided continuity and suggested additional indicators for tracking corporate change; and interviews and meeting notes over the study year period. Regular attendance at employee-owners' training activities, corporate governance meetings, ESOP trustees meetings, state-of-the-company meetings (Vermont and Connecticut), strategic planning meetings (first cycle), task force meetings (health insurance), human resource (summit, presentations and information sessions), etc. provided a direct means of working with elements of the transition. From its outset, Bill Carris provided an open environment for the research process. No restrictions were placed on access to information or personnel or to materials published.

## Discussion case perspectives

In 'doing the next right thing', the firm continued to develop with the aim of making sustainable its unique form and level of economic[25] and political democracy—100% employee ownership and governance. In essence, it seems *The Capitalist Manifesto*,

25 See Williamson 2005. On page 23, Schweickart states 'Replacing authoritarian production with democratic production . . . is the first component of what I call "Economic Democracy".'

Louis Kelso's description of employee ownership as a change of the 'partly capitalistic and partly labouristic economy to a well-balanced and completely capitalistic economy', with its democratic foundations, can be considered at face value as socially responsible (Kelso and Adler 1958: 252). Its ideas to offset the requirement of the mass-production economy for consumption to maintain a high standard of living supports though it predates current emphases on sustainability. In 1973, through Kelso's efforts to promote populism, Senator Russell Long introduced ESOP legislation with tax incentives.

Jeff Gates (1998) joined employee ownership with participation. Using 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).

The Carris Companies are taking a risk with 100% employee ownership and governance. It seems such bold attempts are necessary to close the bifurcation in ideological resolve pointed to by Robert Dahl (1985) and Dee Hock (1999) among others in consideration of positive social transformative change enhancing quality of life.[26] The Carris approach—within its commitment to and framework for professional and expert management—further reflects the role of business as change agent as foreseen by Harmon and Hormann (1990) and expands the view of organisational possibility outlined by Cooperrider and Sekerka (2003: 223):

> Organizations reflect our deepest assumptions about humanity . . . Our view . . . is that they are alive with the capacity to create connections. Given this postulation, organizational development is a process where living human systems extend, differentiate, and create mutually enriching relationships, creating alignments of strength from the local level expanding to the whole. The more extended these intimacies grow, through sharing and amplifications of strengths, virtues, resources, and creative capacities, the more developed the organizing becomes.

Bill Carris offered a similar observation within the Long Term Plan:

> 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 organization, 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 utilized. The most effective organizations 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 (Carris 1994: 7).

The need to take full advantage of opportunities to learn and to act within the values and competences inherent in the corporation reflects the kind of evolutionary development pointed to at the beginning of this case. Taking these into account 'provides a sound basis for grounding our expectations of business, and how strategy can be conceived and developed' in order 'to address the aspirations and challenges' for improvement (Zadek 2001).

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26 See a recent report on the United Nations Global Compact efforts in this regard: www.unglobalcompact.org (accessed 14 August 2006).

While full discussion of the changes made from 1995 to 2007 is beyond the scope of this case study, it is important to recognise selected key human-scale and transformatively innovative and sustainable positive contributions which may be replicable as these were put forward by the Carris Companies 'doing the next right thing' during their transition:

- Focus on 'quality of life' by providing economic, educational and social accessibility for its employees, many of whom are hired unskilled,[27] and involving them in ongoing site meetings, educational experiences, site safety and giving committees for the quality of life needs of the site and larger community. Employees are encouraged to grow and learn as much as possible. The site giving committees meet to review applications for grants through the Carris Foundation (corporate philanthropy). The importance of these 'lived' experiences to the development of employees should not be underemphasised. Senge *et al*. (2005: 14) suggest the 'core capacity needed to access the field of the future is presence . . . [through] collectively cultivating the capacity to shift . . . resulting in dramatic change'
- Employee participation in the transparent and accountable decision-making process.[28] There is shared responsibility in all facets of corporate performance. Employees (and management) know who makes which types of decision and how they can impact them. Decision reports inform them of the rationale and outcome for a given decision-making process and when each decision will be reviewed. The first iteration of the process completed in 2005 made transparent the decision-making efforts in effect; beginning that year, corporate and site governance committees began to develop their 'ideal' decision-making structures to reflect the company goal of having decisions made at the most basic level possible. Malcolm McIntosh (2007) offers an interesting discussion of how creating new inclusive structures for power and decisions has the potential to increase interdependencies and the overall capacities for the levels concerned. This approach towards greater democracy in the workplace at Carris has increased the importance of management in terms of transparency and areas of accountability as well as empowering employees to participate in the decision-making, planning and evaluation processes
- The company often uses a lower-grade wood and plastic than might be expected and has developed ways of doing so efficiently and effectively. Both plastic and wood reels are recycled. Reduce, re-use, wear out and recycle seem to be the modern efforts towards sustainability. They are also old New England values which the Carris Companies know well and have practised for over 50 years
- At face value, employee ownership is a sustainable and socially responsible strategy. The Carris Companies are rooted in their locales in sustainable relationships across all functional and social levels—hiring, buying, selling, transporting, philanthropy, and so on

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27 One of the major commitments made to employees in the LTP was to teach them the business so that they could make good decisions for their own future. A recent example involves the CSC meeting in September 2007. The committee was given extensive information on the calculations of valuing the company including companies compared, ratios, etc. Tuition for outside workshops and courses are reimbursed. Within the company, a wide variety of offerings can be found. Among others there are those specifically involving the ESOP and employee ownership, workplace safety, wellness, literacy training, English as a second language, communication, collaboration building, goal setting, listening and supervision.

28 To read a full description of the origin of this transparent and accountable process see Betit 2002a. Corporate decision reports and site reports are posted—for 2006 there were 106 reports filed and at the end of August, 105 reports had been filed for 2007.

- Efforts at full disclosure in information and communication processes—including state-of-the-company meetings, report sessions following the corporate steering meetings, monthly meetings with elected representatives, reports on the strategic planning meetings, newsletter and quarterly reports. Over the past 12 years, the nature of the information, its quality, quantity and form has vastly expanded. As they learn the business, employees are more sophisticated about the firm's multiple bottom lines and they ask more questions of management, their representatives and each other. Each corporate manager has ongoing meetings with local sites and employees
- The encouragement of employee wellness—safety in the workplace and overall health—is seen as educational and contributing to quality of life from two perspectives: the well-being of the employee and of the company (from savings). To maintain improvement in wellness and safety, incentives and education move through Carris concurrently. Discussed at the September 2007 CSC meeting was the 'culture' of health. Safety education began prior to the transition and has increasingly fine-tuned its goals. It became an important vehicle for encouraging employee participation and educating employees as to individual impact. The wellness programme began in 2006 with the newest component in 2007: a new screening programme conducted by a third-party company; 495 people were screened. Of these, 281 participants were privately and confidentially[29] referred to a physician for follow-up: 138 were at high risk of heart attack over the next ten years; 239 were considered to have conditions that adversely affected quality of life at work and home—of these 13 were liver disease, 11 diabetes, 25 hyperlipidaemia (high cholesterol and/or other lipids) and two prostate cancer. Wellness classes online and in person were mounted. Newsletters encouraging wellness behaviours were sent home on a regular basis
- The companies' efforts to reduce waste and energy use. The company traditionally has used or sold its own waste for heat and other uses. Several innovations are moving forward such as demand response, variable speed transformers and redesigns for ventilation. Employees are learning the concepts of full sustainability as these apply to their own work life and the overall positive effects on the company's profitability. If the experience with other innovations holds, it can be anticipated that the learnings from work will be incorporated at home
- Steve Sabourin, Site Manager, Carris Connecticut, indicated that engineers are reviewing full production with the goal of saving materials and energy:

  > We know there is energy and money to be saved. We negotiated the same rate for electricity for five years. Connecticut buys electricity from Canada. We participate in the demand response programme with our providers. We shed a minimum of 150 kilowatts when asked to shut down part of our operation. In the summer we participated in shutdowns for things like air conditioning demand and repairs on hydroelectric equipment by utilities. We were able to plan ahead of time. On a given day, we use 850 kilowatts. Our cheque could be 1–4 thousand dollars (US) for a given month of demand response. We will look at the programme annually. We are actually shedding 1% of usage with almost 2% of costs saved. We shut down at points of highest cost. Currently, we spend $350,000 a year in electricity. We are purchasing a variable-speed compressor to save electricity—we have a large compressor during the day using 90–100% of its capacity. When we are running part of plant or shift, we may be paying to run it at 100%. The variable compressor can run as we need it. There is an incentive from the power company—after incentive the payback

29 The corporation receives only summary data, not individual diagnoses.

> is 1–4 years—$28,000 dollars. After we put this in, we will look at another incentive programme—compressive audit—looking for air leaks. Costs for every $^1/_8$th-inch hole are over $3,000/year for electricity. Currently we are also looking at ventilation. We are installing equipment after enclosing the planer rooms to save on heat while providing needed air. We continue to utilise our wood waste (mix of sawdust and woodchips) to heat the plant at an estimated saving of US$10–20 thousand per year selling any excess to other uses. We delay turning on our heating furnace a couple weeks with buy in from the employee owners at the site. We did a decision report on the decisions and potential savings.[30]

In the most basic way, by 'doing the next right thing' the Carris Companies are working towards sustainability for the broader community, the firm and its employee-owners as they participate directly in the transition. As the companies prosper, employee-owners will not only have more money during their work lives and at retirement with more options for nutrition, education, goods, services, etc., they will be able to apply the participatory learning they have engaged in directly.

## Conclusion

The perspectives offered in the Carris Companies case of a bold new model of business and organisational life—100% employee shared ownership and governance—point towards the developmental systemic processes supporting continuity and sustainability. 'Sustainable development demands innovation . . . applied through communication, the involvement of interested parties and a growing drive toward more universal equity' (Holliday *et al.* 2002: 195). This case demonstrates such sustainable development with innovation nurtured through communication and the involvement of interested parties. Employee ownership is by its nature equity producing on a number of levels and, together with employee governance, points towards positive efforts for greater democracy. The transcendent transformation within the Carris Companies is being experienced as care, respect, efficiency and effectiveness in the evolutionary and developmental sense.

While the work of Polanyi (1944) in *The Great Transformation* seems to be looking backward as he addresses the duality within the challenges of the Industrial Revolution—offering expansion of opportunities and increasing strain on social relationships and institutions—there are contemporary pundits, among them Malcolm McIntosh, who point to our current era as exhibiting similar characteristics within a growing awareness of fragile ecological, social and cultural systems. McIntosh (2007) notes strongly the need for sustainable enterprise that can reconcile two pressing issues: 'the need for resourceful, innovative and creative communities that reward enterprise and the imperative for all enterprise to be environmentally light-footed and socially responsible'. The Carris Companies provide an example of such a sustainable enterprise in practice.

In addition, employees are involved in the company transition and are being changed in the process. The Carris Companies' unique and significant efforts towards decision-making, wellness, energy use and so on, occurring in a manufacturing environment, are intended to convey praxis rather than perfection; Bill Carris, for example, always emphasises the nature of the hard physical work involved in making reels. Manufacturing practice directly impacts resources: human, natural, economic and social. The Carris Companies, even as they continue to make changes, speak of them as 'imperfect and incomplete'. The firm is human in scale and it is hoped that this case has provided

30 Telephone conversation with Steve Sabourin, 27 July 2007.

some replicable dimensions for inspiration, direction, possibility, benchmarks and expanded vision from the company's efforts to realise its vision and mission by 'doing the next right thing'.[31]

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31 PR Newswire ran the following in May 2008. '13 May 2008: Carris Reels, a 100% employee owned company located in Rutland, Vermont, has been selected by The ESOP Association as the 2008 ESOP Company of the Year. The award was presented at the Association's 31st Annual Conference in Washington, DC . . . One of the unique characteristics of Carris Reels is the company's Steering Committee which goes beyond the basic functions of most ESOP committees and takes responsibility for allocations of benefits, quality of work–life issues, communications, training, and governance. The Committee meets twice a year to review financial information and hear operational updates from all departments. The Committee is made up of both management and corporate employees who serve three-year terms . . . The Committee has invested time to evolve all three at Carris Reels. "Carris Reels is an example of the value and potential that employee ownership can bring to company," said J. Michael Keeling, President of The ESOP Association. "The employee owners of Carris Reels strive to make their company stronger each day and it shows in the work they do and in the value they place on the individuals who make up their company" ' (sev.prnewswire.com/machinery/20080513/DC2146413052008-1.html [accessed June 2008]).

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