

WE THE OWNERS

EMPLOYEES EXPANDING THE AMERICAN DREAM

LESSON PLAN: VOLUME 2

WE THE OWNERS: EMPLOYEES EXPANDING THE AMERICAN DREAM: A GUIDE FOR PROFESSORS ON OWNERSHIP CULTURE: HIGHLIGHTS OF THE FILM AND QUESTIONS

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1. **What is an Owner?** At end of the film, *We the Owners*, founders and employees describe what it means to be an owner. Owners are said to have a higher level of responsibility and accountability, care about employees, and take risks along with receiving rewards.
 - a. What does employee ownership mean to you?
 - b. What do you think changes when an employee becomes an owner?

2. **Open Book Management:** Michael Miller, 37 years old and a single parent, delivers New Belgium beer throughout the Fort Collins region. He started out in the tasting room, and is now out meeting customers. Michael treats his job “like it is my own business”.
 - a. What are your views of the conventional level of financial information shared with front-line employees?
 - b. What financial information about the company and departments do you think would most help employees see how they fit in and understand their impact?
 - c. Who should be responsible for sharing information and addressing questions?
 - d. Doug Miller, a forklift driver, describes buying a house. Why do you think having open book management changed his ability to buy the house?

3. **Expansion:** New Belgium Brewery (NBB) is expanding for the first time by building another brewery. It is planned for Asheville, North Carolina. There is discussion about the culture of this new operation.
 - a. How would you define the NBB company culture?
 - b. What would you try to re-create at the new facility? What would you let develop on its own?

4. **Layoffs:** Kim Jordan describes how NBB proceeded with layoffs in the early 2000’s. She said she would do it differently next time. At 55 years old and older, Gary Dick and 21 employees of a large brewer were laid off. In the late 2000’s, Gary joined NBB and describes how he is treated differently than his prior employer.
 - a. How did you feel about Gary’s experience given early retirement? What about NBB attracted him, and what about him attracted NBB?
 - b. What would be the key changes to make if NBB faced another tough financial situation and layoffs were considered?

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- c. What are your views of how Kim and Gary's story reflect current business practice and why?
 - d. When employees retire or leave the company, their direct holdings are typically sold back to the company. Discuss how this is done and whether there are downsides.
- 5. Recruitment:** The co-founders of Namaste Solar, Blake Jones and Ray Tuomey, are on their second careers. They know what it is like to work hard and not have the rewards (and risks) of that hard work. They created Namaste Solar as a cooperative so employees share the full entrepreneurial experience of having a stake in the business and a voice in its direction. Kevin Baird is in the 12-month candidacy period and must decide whether he wants to be an owner. The existing co-owners vote whether he can be invited to be a co-owner.
- a. What do you think about the full participation of other employees in hiring decisions?
 - b. What would be the benefit or downside of allowing all employees to become employees sooner than 12 months or later than 12 months?
 - c. What are the qualities that you would look for in hiring if employees were to be owners? Would that be any different if an employee was not owner?
 - d. If someone doesn't want to be an owner, but otherwise is a good fit for the company, what would you do?
 - e. At DPR Construction, not all employees or union craftsmen are owners. For example, union employees have a form of profit sharing. How would you treat the employees without ownership differently, if at all, from those who are owners through the phantom stock plan?
- 6. Succession Planning:** In the early '90s, Doug Woods, co-founder of DPR Construction, wanted to create an open and innovative company in the construction industry, a type of construction company that didn't exist at the time. The founders of DPR Construction found inspiration from Silicon Valley cultures, specifically Hewlett-Packard, where no one had titles or offices. Now, Doug and his fellow founders want to establish DPR's next generation of leaders so that the company continues with the same values and high standards even after the founders are not involved in the business.
- a. What are the investments that they are making to ensure the next generation shares the same purpose and values as the founders?
 - b. What companies have done this well? What are examples of companies that have not successfully transitioned leadership from their founders?
- 7. Compensation:** DPR Construction focuses on performance-based bonuses so bonuses levels or rates are not equal among employees. The compensation practices are different for NBB and Namaste Solar, and a range of approaches to these

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differences can be found in employee-owned companies. At NBB, employees receive shares in the ESOP based on tenure. Most employee-owned companies have less of a differential between executive compensation and the median (or lowest level) compensation than publicly-held conventional companies. Cooperatives are generally even more focused on keeping this differential low, and in many cases, senior management would receive no more than 5 to 7 times the compensation of the lowest paid employee.

- a. Discuss the differences between fair and equal compensation.
- b. How would you design compensation for a company in a competitive industry that needs to attract and motivate the best talent?
- c. How might entitlement set in? How would you deal with it?
- d. Doug Miller of DPR says that the only information not shared openly with all employees is about salaries and bonuses. When Namaste Solar started, all compensation information was disclosed to employees. Would you want to know what every other employee makes in the company where you work and where you have a stake? How would you feel about your salary and bonus being known by other employees? Discuss the impacts of sharing compensation information and alternatives (such as, bands or limited access).

8. **Stakeholder Orientation:** The film argues that a stakeholder orientation drives longer-term vision and that such an orientation results in better decisions and outcomes than a shareholder-primacy orientation. Blake Jones of Namaste Solar states that they view everything as inter-connected, and thus decisions need to consider all stakeholders. Namaste Solar and NBB are both legally incorporated as a “benefits corporation,” a new legal alternative to the traditional corporation that must put shareholder value in first place. DPR Construction includes objectives for the community and the environment into their company vision and project-level priorities.

- a. If a company intends to be socially responsible, what are ways that employee ownership could possibly be part of that mission?
- b. How does employee-ownership fit into your vision of a society that creates more great jobs while addressing living wages and income inequality.
- c. Do you think that employee ownership (including cooperative forms of employee ownership) and unions can co-exist?
- d. What is different about today’s business climate that would allow a stakeholder orientation to emerge?

9. **Innovation:** NBB has received awards for brewing innovation--both for its products and its process. Namaste Solar has been acknowledged as an innovator in the clean technology field as well as a top innovator in its implementation of employee ownership. DPR has a self-described mission to lead innovation in the commercial construction industry. It has received numerous recognitions within its industry for its innovation leadership.

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- a. How might being an owner increase the willingness and/or the ability of a worker to think innovatively?
- b. How might employee ownership limit or enhance the processes of innovation in a firm (e.g., discovery, development, business creation and commercialization)?
- c. How do you think employee ownership fits with the perception that entrepreneurs are heroic figures?

USEFUL RESOURCES

Additional discussion topics on equity sharing and participative decision making can be found in company cases and in the Lesson Plan: Volume 1 by Professor Joseph Blasi, Rutgers' School of Labor Relations and Management. See <http://www.wetheowners.com/resources.html> For a recent study examining research on employee ownership and corporate culture, see *The Citizen's Share: Putting Ownership Back into Democracy*, by Joseph Blasi, Richard Freeman, and Douglas Kruse. New Haven: Yale University Press, forthcoming November 2013.

DEFINITIONS

B CORPS: B Corps are certified by the non-profit B Lab, located in New York, New York, in order to meet rigorous standards of social and environmental performance, accountability, and transparency. As of mid-2013, more than 750 U.S companies have received this certification.

(Adapted from <http://www.bcorporation.net/what-are-b-corps>)

BENEFIT CORPORATIONS: Benefit Corporations are a new class of corporation that 1) creates a material positive impact on society and the environment; 2) expands fiduciary duty to require consideration of non-financial interests when making decisions; and 3) reports on its overall social and environmental performance using recognized third party standards.

(Adapted from <http://benefitcorp.net>)

OPEN BOOK MANAGEMENT: Definitions of open-book management vary, but it is generally accepted to include the following components:

- Sharing the income statement and balance sheet with most employees;
 - Sharing other data with employees (such as productivity and plant utilization/quality data);
 - Encouraging employees to use the information in their daily work;
 - Training employees to understand financial numbers; and
- sharing the financial results through a gain-sharing program.

(Adapted from <http://www.nceo.org/articles/open-book-management>)



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STAKEHOLDER ORIENTATION: Noted stakeholder management expert R. Edward Freeman of the Darden Graduate School of Business Administration at the University of Virginia gives this definition of the stakeholder orientation:

“Every business creates, and sometimes destroys, value for customers, suppliers, employees, communities and financiers. The idea that business is about maximizing profits for shareholders is outdated and doesn’t work very well, as the recent global financial crisis has taught us. The 21st Century is one of “Managing for Stakeholders.” The task of executives is to create as much value as possible for stakeholders without resorting to tradeoffs. Great companies endure because they manage to get stakeholder interests aligned in the same direction.”

(Adapted from: <http://redwardfreeman.com/stakeholder-management/>)

UNION CO-OPS: In 2009, the United Steelworkers (USW) and the Ohio Employee Ownership Center began a dialog with the Mondragon Corporation, one of the world’s largest federation of worker cooperatives, about how the successful Mondragon model of employee-owned cooperatives, in the Basque Region of Spain, could apply to the U.S. Mondragon was founded in 1956 and, as of 2013, includes more than 250 enterprises, many of them cooperatives, with more than 80,000 employees, and annual sales of more than 18 billion dollars.

(Adapted from [http://www.usw.org/our union/co-ops](http://www.usw.org/our_union/co-ops); <http://www.mondragon-corporation.com/language/en-US/ENG.aspx>)