Carris Companies Challenges and Successes
on the Road to Employee Ownership and Governance

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Abstract

While many studies on employee ownership have used large data bases this paper is based on a mixed methods longitudinal study from 1996 to 2014 of the Carris Companies' transition from family-owned to employee-owned. This paper focuses primarily on elements of the transition including challenges to firm survival and employee retention/turnover. As an employee owned company, Carris achieved improved results similar to those reported for other employee owned companies. Profits have consistently grown. The company and its stock value have increased. Carris has acquired two companies.

Employees Ownership
Employee Governance

Carris Companies Challenges and Successes on the Road to Employee Ownership and Governance

As the numbers of US employee owners increase,[1] research on employee ownership continues to report company performance improvements and positive outcomes for companies and workers. A recent summary of more than 100 studies representing several countries concluded, "Not only is employee ownership linked to higher company performance on average, but it may also add to worker pay, employment stability, and company survival" (Kruse, 2016). Don Jamison, Executive Director, in addressing the Vermont Employee Ownership Center's 2017 Annual Conference, cited similar outcomes adding: keeping a company rooted in its community, increasing the number of people who build wealth through shared ownership, earning higher incomes, receiving better benefits and much better retirement benefits.[2]

Literature Review

The Carris Companies transition experience, building a culture of ownership (Weltman, Blasi & Kruse 2015), congruent with the findings stated above will be explored throughout this paper in relationship to the company's survival—"an understudied area" (Blasi, Kruse & Weltman 2013) within challenges and employee turnover/retention (Kurtulus, F. A. & Kruze, D. 2017). It deserves to be noted in contrast to 'big picture' research foci using large data bases yielding economic, social and business effects involving profitability, productivity and compensation for employee ownership (Blasi & Kruse 1991; Caramelli, 2011; Carberry, 2011), the Carris longitudinal study (1996-2014) was one of organization change through its transition

[1] "According to data available from the Department of Labor, there were 6,669 ESOPs covering 14.4 million participants and holding close to $1.3 trillion in plan assets as of the end of 2015. A total of 10.8 million participants were active employees, which represents a 2.5% increase in the number of active ESOP participants from 2014." See https://www.nceo.org/articles/esops-by-the-numbers. For additional information re the number of workers in 2018, see https://www.statista.com/statistics/192361/unadjusted-monthly-number-of-full-time-employees-in-the-us/ accessed May, 2018

[2] Vermont Employee Ownership Conference 2017, June 2.

(see Appendix A for relevant selected features of Carris employee ownership and governance) from a family owned to an employee-owned and governed company (Betit, 2005). While employee-owners are shareholders and stakeholders, the Carris transition was marked by Bill Carris' unusual decision to join employee ownership with employee governance[3] (Blasi & Kruse, 1991; Smith, 1985). Employees were participants[4] in designing the Employee Stock Ownership Plan[5] (ESOP), its allocation structure, roll out and implementation. Carris employee owners currently serve on the Board of Directors, on the Corporate Steering Committee and as ESOP Trustees.[6] Voice, representation and learning opportunities continue as essential features for encouraging a Carris culture of employee ownership[7] (Blasi and Kruse, 1991) and governance.

Procedures, policies and educational opportunities for employee and organization development were put in place throughout Carris during the transition. In the *Long Term Plan* written for employees Bill Carris set the stage for employee engagement, commitment and cooperation (Blasi et al 2013; Poutsma, Van Eert and Ligthart 2017):

In a structure where all levels of employees have a voice in the distribution of

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[3] In *Mechanisms of Governance,* O.E. Williamson (E. 1996) notes the importance of the change from the time when those in the field acted "as if institutions could be ignored." (1996. 328). He posits the point of the "firm-as-governance structure" (1996, 356), the need for microanalysis and the study of alternative forms of corporate governance (1996 357).
[4] Bill Carris, as owner, made 2 decisions, the remaining ones were made through consensus.
[5] An ESOP is a deferred benefit plan established within the United States Employee Retirement Income Security Act (ERISA) 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. Distinguishing an ESOP are: legal requirements to invest primarily in securities of the sponsoring employer; the ability to borrow money; and tax advantages. See the National Employee Ownership Center https://www.nceo.org/ for more information.
[6] Carris has provided and continues to provide extensive learning opportunities for fiduciary and role responsibilities and carrying them out.
[7] Blasi and Kruse (1991) expand the idea of representation in governance to shareholder rights.

> wealth[8] and the overall direction of the organization, it follows logically that the common good will come first and that the individual will be the benefactor. Instead of being on opposite sides of the fence, a very powerful organization can evolve where everyone will be pulling in the same direction to accomplish the same goals and common good.... Not only would an organization be much more effective, but those gains resulting from such an effort would be divided up by a smaller group because the owners and workers are now the same people. Thus, the pie gets bigger. (Carris, 1994, 4)[9]

The economic pie getting bigger and more inclusive through employee ownership may well describe the shape and perhaps expectations of American capitalism changing through individual and group efforts as well as social, political and economic changes at the local and wider cultural levels (Carberry, E. J. 2011; Carey, 2004; Freeman, et al 2010; Roche, O. & Shipper, F. 2011; Blasi,. et al 2013; Kurtulus, F. A. & Kruze, D. 2017).

Blasi, Freeman and Kruze (2013) may well be advancing the argument for both employee ownership and governance as they describe how worker citizens shared in profits and ownership within the fishing and whaling industries before the passage of the US Constitution. They joined democratic and economic principles within the nation's early economic identity. In 1792, legislation tied tax reduction to profit sharing as a practical intervention for rebuilding the cod

[8] A basic tenet within the *LTP,* was a tithe of pretax, pre-profit share and pre-ESOP distribution. In 1997, the Carris sites Charitable Giving Committees were formed to give employee owners the experience of distributing the wealth of the corporation. Requests from non-profits are brought to the site Charitable Giving Committee, through site employee-owners, who in several instances also deliver the check. In developing the program, it was recognized that there might be some controversy as to the causes supported. Local committees developed their own guidelines to meet Carris Foundation requirements: the request must be for more than $100 from a recognized 501 charity.

[9] In recognizing and maintaining fiduciary responsibility/accountability of the Board of Directors to its shareholders, Bill Carris' view approached Kaufman and Englander's observation that "corporate governance looks quite different when the firm is considered as a cooperative team to produce new wealth....boards should represent those stakeholders that add value, assume unique risk, and possess strategic information" (2005)

fishing industry which had suffered during the American Revolution. The 1800s saw entrepreneurs and industrialists building great companies and rewarding employees with profit sharing/employee ownership: Pillsbury, Eastman Kodak, Proctor and Gamble among them. This view continues into the present era, shared, among others by Exxon Mobil, General Motors, Ford Motor Company, Microsoft, Apple Computer (Blasi et al, 2013); Kurtulus, F.A. & Kruze, D. 2015).

A "broadly shared prosperity" as basic for a democracy to flourish and thrive seems to have more emphasis within a mix of growing alarm and a renewal of understanding (Kurtulus, F. A. & Kruze, D. 2015). Growing inequality is a human made problem and one that is solvable. Several works point to employee ownership as reducing inequality without diminishing the positive elements in capitalism[10]. Employee ownership encourages options (Kelly, M. 2012; Gates, 2000; Blasi, et al 2013; Kruze, 2016; Alprovitz, 2005).

Carris

In 1980[11], William (Bill) H. Carris had two primary goals in mind when he purchased the company from his father, Henry, the founder of Carris Reels,:

- The company's next owners would be those who made the company and the Carris family successful: its employees.[12] As he was preparing for the transition, to insure their

[10] This has been one of Bill Carris' consistent elevator pitches. As Vermont State Senator, he had many opportunities to promote employee ownership in the context of democracy and capitalism. As the implementation of the *LTP* at Carris clearly demonstrated, political and economic democracy are complementary.

[11] Already in the 1980's when Bill Carris was exploring ways and means to transition ownership to the employees, employee ownership had sufficient interest to have two national organizations supporting the effort (their work continues): The ESOP Association, see http://www.esopassociation.org/ and the National Center for Employee Ownership https://www.nceo.org/

[12] Bill Carris often spoke in conversation and interview of "sweat equity" as capital, giving employees a rightful place at the table for voice and fruit of their work. At times, he would add, "it is a matter of morality—a moral responsibility."

success and to give the company a strong start as employee owned, he set the sale price at 50%[13] of market value.[14]

- The company would have participative management to give everyone voice—this later evolved into the goal for 100% employee governance[15] with employees on the Board of Directors.

Of the two goals, employee governance continues to be the more unusual. Bill Carris tied employee ownership and employee governance with "one person/one vote[16]" (Carris, 1994) in contrast to ESOPs where vote is linked with share amounts. In the *LTP* transition design written for the employees, Bill Carris said

> In a structure where all levels of employees have a voice in the distribution of wealth[17] and the overall direction of the organization, it follows logically that the common good will come first and that the individual will be the benefactor. Instead of being on opposite sides of the fence, a very powerful organization can evolve where everyone will be pulling in the same direction to accomplish the same goals and common good.... Not only would an organization be much more

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[13] As a sign of trust, the free portion was distributed to employees first. The free portion being given first had a range of responses. There were those who understood Bill Carris' motivation and his appreciation while others felt he was naïve or wrong to do so.

[14] Mike Curran email of August 17, 2017: speaking of Bill Carris' gift to the Carris employees, "The importance and generosity of the seller to employee ownership can't be overstated. I suspect a maximized sale price would doom most ESOPs to struggle for a long time before success or the more likely outcome of failure

[15] An important conversation with Professor George C. Lodge during his attendance at the Harvard Executive Program, helped Bill Carris' clarify his goals for 100% employee governance.

[16] In conversations, Bill Carris points to a lifetime in Vermont and representative democracy encouraging his choice of 'one person, one vote.' The traditional Vermont heritage as lived experience has valued both freedom and equality. For additional discussion on these two values, see Betit (1991).

[17] A basic tenet within the *LTP,* was a tithe of pretax, pre-profit share and pre-ESOP distribution. In 1997, the Carris sites Charitable Giving Committees were formed to give employee owners the experience of distributing the wealth of the corporation. Requests from non-profits are brought to the site Charitable Giving Committee, through site employee-owners, who in several instances also deliver the check. In developing the program, it was recognized that there might be some controversy as to the causes supported. Local committees developed their own guidelines to meet Carris Foundation requirements: the request must be for more than $100 from a recognized 501 charity.

effective, but those gains resulting from such an effort would be divided up by a smaller group because the owners and workers are now the same people. Thus, the pie gets bigger. (Carris, 1994, 4)[18]

Carris was put to the test working through difficult decisions for survival requiring good citizenship and cooperation within the vision and stated goals of 100% employee-ownership and employee-governance (Blasi et al 2013; Poutsma et al 2017).

Methodology

The mixed methods longitudinal research of the Carris transition to 100% employee-ownership and 100% employee governance began in February, 1996 and concluded in May 2014 when the company achieved its goal of 100% employee governance (operationally defined from the beginning of the transition as having employees on the Board of Directors). Confidentiality, proprietary information[19] and open access were outlined.

The Carris research was designed to study the organization change transitioning from family to employee ownership. There are few instances of longitudinal mixed methods research available in a whole system/large group transition and few contemporary links and bridges between actual "change" work in the field and the academy (Bartunek, Balogen & Do, 2011).

Qualitative

The qualitative research methods included field study—participant observation and simple observation and notetaking at meetings among others those: involving the Corporate Steering Committee, ownership, decision-making, governance, training in functional skills for

[18] In recognizing and maintaining fiduciary responsibility/accountability of the Board of Directors to its shareholders, Bill Carris approached Kaufman and Englander's observation that "corporate governance looks quite different when the firm is considered as a cooperative team to produce new wealth....boards should represent those stakeholders that add value, assume unique risk, and possess strategic information" (2005)

[19] The Carris is a private company in a highly competitive market. For this paper, copies of information shared with employees on power point slides has removed specific financial data and shown ratio of changes by years. Employees saw the original slides with full specific financial data.

ownership, interviews and ethno-methodology. Regularly scheduled conversations (at least monthly) with Bill Carris about his goals and plans for employee ownership and governance, Mike Curran in his role as Vice President and later CEO and with other managers. Regular attendance at employee-owners training activities, corporate governance meetings, selected ESOP trustees meetings, state of the company meetings (Vermont and Connecticut), strategic planning meetings (first cycle), task force meetings (health insurance), human resources (summit, presentations and information sessions) and others, provided a direct means of working with elements of the transition. No restrictions were placed on access to information or personnel or to materials published.

Interviews took place throughout the study across company employee roles on a regular basis. All sites were visited in the course of the study with interviews, meetings and often photos.

Quantitative

The quantitative study elements included:

- 4 Surveys—all US Carris Reels employees— response rate approached 70% for Study 1 (1996), 3 (1998) and 4 (2007). Study 2 (1996) had a response rate of 41.5%.
- 2 Corporate Steering Surveys—1st 100% response rate and the 2nd 50%.

Ownership at Carris

To recognize their contributions, Bill Carris wanted Carris employees to have full voice in governance as shareholders/owners and not just psychological ownership (Poutsma et al 2017):

> As meaningful as emotional ownership is to the employee, however, **legal ownership** is what gives them their fair share of the fruits of their labors and control over the organization to which they devote so much “blood, sweat

> and tears." True devotion and loyalty to a company seem to be essential attributes of what ownership should be. Morally, such devotion should be complemented with legal ownership (Carris, W, 1994, 4).

Methodically throughout the *LTP*, Bill Carris wove his vision and rationale as a conversation with employees for them to be empowered in the workplace, to have the opportunity to create their own wealth and to have voice in creating the structure for the transition and the 'new company' (Weltman et al 2015, Scherer et al 2010; Poutsma et al, 2017).

> 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. A structure for this to work still needs to be defined. (Carris, W, 1994, 3)

From the beginning, employees engaged with the mission statement, "To improve the quality of life for our growing corporate community." Community in the context of the *LTP* involved Carris and wider community.

Throughout the *LTP*, Bill Carris outlined values, processes and qualities (hard and soft) he thought were required for the transition to be a success for the employees. Profit is mentioned 113 times often from the point of view of employee and corporate well-being[20] (Kurtulus and Kruse 2017):

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[20] The National Center of Employee Ownership has recently published research "Employee Ownership & Economic Well-Being: Household Wealth, Job Stability, and Employment Quality among Employee-Owners Age 28 to 34".... "Among the sampled workers, all ages 28 to 34, workers who are employee-owners have 92% higher median household wealth; 33% higher income from wages; 53% longer median job tenure--relative to workers who are not employee-owners" (NCEO, 2017, 1). see https://www.ownershipeconomy.org/wp-content/uploads/2017/05/employee_ownership_and_economic_wellbeing_2017.pdf accessed June 2017

> Although it may seem inconsistent to focus heavily on profit when my mission is to improve one's quality of life, the fact is that profit actually goes hand in hand with this goal. **Profit is the critical means to achieve our mission**. Without it, **no** organization such as ours can survive. Without profit, the goal cannot survive. (Carris, W. 1994, 17)

Bill Carris often spoke of Carris Reels as being values driven[21] and the *LTP* described the transition to a consensus style, employee ownership/governance participative culture (Pinto 2017) involving experiential bases such as ongoing training, education and communication oriented activities. These were designed to help employees to think and to act as owners, making good and profitable decisions for the company (Poutsma et al 2017). In addition to the many and varied internally oriented activities, there were externally oriented ones. All employees were encouraged to increase personal capacities and to participate in internal and external education opportunities, the goal of full participation from hourly employees as owners (Doucouliagos, 1995) continues. They have "input on longer term initiatives but in daily life, the reels still need to be pounded out the door."[22]

Carris has worked to be a good employer--Bill Carris explained that there could be no rational reason for an employee owned company not to pay as much as it could, within typical business constraints. Carris employees have a solid benefit package with insurances, 401K, their ESOP and a Carris paid retirement plan. They experience profitability through monthly incentives and annual profit sharing (18.6%). Profitability is recognized as important for company well-being and for the company's annual valuation which affects the stock value.

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[21] For another employee owned company that is value driven in the competitive marketplace, see Calo, T. J., Roche, O.; Shipper, F., 2011 "Principled Entrepreneurship And Shared Leadership: The Case of TEOCO (The Employee Owned Company).

[22] Mike Curran email of August 17, 2017.

In surveys and interviews, employees and former employees have been consistent in stating the differences, company ownership made in their lives (Poutsma et al 2017). They note that profitability increases their annual profit sharing checks and the company value increasing gives them more comfort about their retirement (Weltman et al 2015).

Carris: Employee Owned and Governed

In 2017, employing 750 people (200 of these in Mexico and Canada) with over $100 million (US) in sales, Carris[23], headquartered in Proctor, Vermont (US), manufactures, assembles and recycles a variety of wood, plastic and metal reels (bobbins) for steel and wire cable. Manufacturing plants are located in the US (California, Connecticut, North Carolina, Texas, Virginia and Vermont—wood, plastics and tin and bolts), Canada and Mexico. Within a mirror plan Mexico has 100% employee ownership. Carris has seven reel recycling centers (three in the US, three in Canada and one in Mexico).

In 2008, as a new 100% employee-owned company, Carris entered a financial partnership with J. Hamelin Industries, a long-term, high-quality reel manufacturer and recycler in Quebec and Ontario, Canada. In 2015 Carris Reels became 100% owner. Presently, J. Hamelin Industries is not employee-owned. In September 2016, Carris Reels purchased Lone Star Reel Company in Texas. Plans call for that site to become employee owned.

Among the aspects of Carris' unique governance structure is the Corporate Steering Committee[24] (CSC) which meets for three days, twice each year. The group is

[23]For information on Carris, see www.carris.com/
[24] For more information re the unique efforts of the Corporate Steering Committee and its work, see Berry D. & Fitz-Gerald, D., 2017 and Betit, C.G. 2015, 2005, 2002a and 2002b.

comprised of the Chair of the Board/Former Owner[25], Corporate Management, Site Management and Employee Representatives (1 per each site; 1 for each 50 employees within a site). The group decision making style of choice is consensus. ESOP Trustees (2 managers and 3 employees) are internal and attend the CSC Meetings. The CSC directs the ESOP Trustees regarding the selection of the Board of Directors. Two non-executive Carris employees are members of the Board of the Board of Directors and attend CSC meetings.

Corporate Milestones during the Transition and as Employee Owned

The transition to employee-ownership and employee governance occurred concurrently within other changes at Carris Reels. There were many positive corporate milestones achieved and difficult losses. Positive milestones during the transition and as an employee owned company include:

- Becoming an S corporation in 2008
- Paying the ESOP debt in full in 2010
- Reaching the goal of 100% employee governance in 2014 as 2 employees were seated as full voting Members of the Carris Board of Directors
- Continue with internal ESOP Trustees adding 3 years to term and training for the 3 employees who sit as full fiduciaries with CFO and Human Resources Manager
- Increasing valuations every year as a 100% employee owned company (see Silhouette of Stock Value below)
- High profit sharing and monthly productivity bonuses--breaking previous records
- Moving into Mexico
- Surviving 2 national recessions
- Becoming majority employee owners at 65% in 2005

[25] As the company began the purchase of stock, a requirement was that Bill Carris remain Chair of the Board "as long as Bill still held paper." All debt was paid off in 2010 and Bill Carris continues as Chair.

- Purchasing and relocating corporate headquarters in Proctor, Vermont
- Purchasing real estate previously rented from Bill Carris
- Purchasing J. Hamelin Industries in Canada
- Purchasing Groggins Plastics (in VA)
- Purchasing Lone Star Reel (in TX)
- Successful internal succession: 2 CEOs (as the company was approaching 50% employee ownership, Bill Carris stepped down as CEO remaining Chair of the Board:
    - 2005 Michael (Mike) Curran former Vice President (Production and Operations) led the company to 100% employee ownership and through the design for the last steps for 100% employee governance (2 employees on the Board)
    - 2014 David (Dave) Ferraro, former Vice President of Sales became CEO a few months before two employee owners started board service
- Participation and voice of employees with increasing significance in more areas of the company, strategic planning, decision-making, charitable giving, health care insurance, working conditions, safety, ongoing discussion of employee ownership selection process for Corporate Steering Committee, ESOP Trustees, and Board of Directors
- Named 2008 ESOP Company of the Year

Corporate losses during the transition (none have occurred since Carris employees became 50% owners in 2005) included:

- Selling Vermont Tubbs
- Closing Carris Ohio and Killington Wood Products (KWP; the facility remains in use for reel assembly)

- Retrenchment (which the company made gains to reverse as employee owned)

Retention and Turnover in Ownership and Governance

Kurtulus and Kruse cite worker turnover intentions and job satisfaction job as measures of Quality of Life at Work (2017). In the chart below turnover was high in the years of the economic struggles. The reduction may be seen as an effect of employee ownership as it became more embedded in Carris culture.

The number of employees per site pertains as well to the questions from two of the Carris Studies on Quality of Life at Work that address turnover intention from the contexts of working for oneself and looking for another job. Working for oneself may be a more complex issue involving freedom than simply looking for another job. See the second question following the chart.

2007 SA+A = %

4. I really wish I could work for myself.

CT	66.1%
NC	64.7%
MI	55.6%
VA	51.6%
CA	48.0%
VT	45.3%
ALL	54.6%

		SA	**A**	**U**	**D**	**SD**
2007		37.3%	28.8%	15.3%	13.6%	5.1%
1998	CT	40.0	23.8	16.3	10.0	10.0
		38.9%	16.7%	16.7%	22.2%	5.6%
	MI	30.4	17.4	30.4	13.0	8.7
		12.0%	36.0%	28.0%	24.0%	
	CA	36.1	22.2	27.8	11.1	2.8
		15.1%	30.2%	17.9%	21.7%	15.1%
	VT	18.9	26.5	24.3	24.9	5.4
		40.0%	26.0%	22.0%	6.0%	6.0%
	NC	48.5	16.2	14.7	17.6	2.9
	VA	35.5%	16.1%	22.6%	16.1%	9.7%
		27.3%	**27.3%**	**19.4%**	**17.0%**	**9.0%**
	All	27.8	24.5	22.9	18.9	5.8

Carris Turnover History 1994 to 2016

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Count																							
California	35	34	50	53	63	69	65	59	52	51	42	39	48	44	45	41	34	37	39	40	36	42	38
Connecticut	113	107	101	108	102	104	107	82	83	92	96	87	89	83	77	53	63	64	85	89	81	80	77
Michigan/Indiana	29	26	37	40	41	39	38	32	29	28	28	28	29	30	19	18	20	22	21	22	25	33	31
North Carolina	51	70	70	99	89	120	128	84	67	74	85	73	66	62	73	62	58	64	68	62	62	63	57
Vermont	284	282	282	306	269	266	277	233	193	181	187	181	187	195	175	143	157	172	181	168	164	148	147
Virginia						121	67	38	48	41	51	39	44	44	30	28	41	41	36	35	41	34	27
Total	512	519	540	606	564	719	682	528	472	467	489	447	463	458	419	345	373	400	430	416	409	400	377
Terminations																							
California	22	24	28	24	23	20	20	25	14	13	17	14	12	13	4	6	8	3	3	6	7	3	5
Connecticut	41	20	15	24	34	39	37	34	14	17	10	17	12	10	10	23	2	15	13	16	19	23	6
Michigan/Indiana	14	54	39	29	60	26	21	16	15	17	30	3	14	27	10	1	4	2	4	5	7	5	16
North Carolina	37	111	76	82	125	102	67	55	25	13	21	26	20	17	8	13	6	3	5	6	9	5	7
Vermont	99	59	37	61	51	57	111	156	81	41	51	43	44	47	43	32	20	46	50	54	39	33	13
Virginia						166	115	30	39	38	25	14	13	16	20	2	6	4	8	2	2	10	7
Total	213	268	195	220	293	410	371	316	188	139	154	117	115	130	95	77	46	73	83	89	83	79	54
Turns																							
California	64%	70%	56%	45%	37%	29%	31%	42%	27%	25%	40%	36%	25%	30%	9%	15%	24%	8%	8%	15%	19%	7%	13%
Connecticut	36%	19%	15%	22%	33%	38%	35%	42%	17%	18%	10%	20%	13%	12%	13%	43%	3%	23%	15%	18%	23%	29%	8%
Michigan/Indiana	48%	208%	105%	72%	146%	67%	55%	50%	52%	61%	107%	11%	48%	90%	53%	6%	20%	9%	19%	23%	28%	15%	52%
North Carolina	73%	158%	109%	83%	141%	85%	52%	66%	37%	18%	25%	36%	30%	27%	11%	21%	10%	5%	7%	10%	15%	8%	12%
Vermont	35%	21%	13%	20%	19%	21%	40%	67%	42%	23%	27%	24%	24%	24%	25%	22%	13%	27%	28%	32%	24%	22%	9%
Virginia						137%	172%	79%	81%	93%	49%	36%	30%	36%	67%	7%	15%	10%	22%	6%	5%	29%	26%
Total	42%	52%	36%	36%	52%	57%	54%	60%	40%	30%	31%	26%	25%	28%	23%	22%	12%	18%	19%	21%	20%	20%	14%

The responses to looking for another job which will pay more seem roughly in line with Kurtulus and Kruse (2017). In 1998, Carris was beginning its fourth year in the ESOP. At the time of the study in 2007, the company was 65% employee owned.

2007 SA + A = %

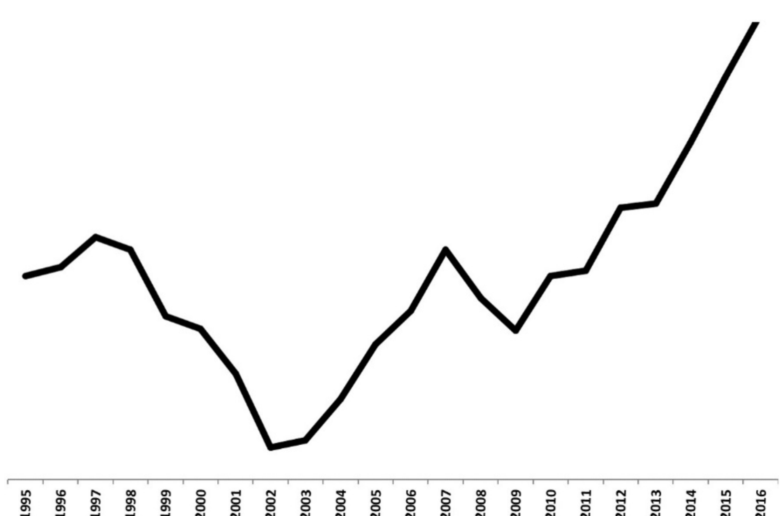
I am looking for another job which will pay more money.

CA	34.6%
CT	32.2%
VA	30.0%
MI	22.3%
VT	19.6%
NC	16.0%
ALL	24.0%

		SA	A	U	D	SD
2007		16.1%	16.1%	30.4%	23.2%	14.3%
1998	CT	8.6	14.8	24.7	29.6	22.2
		16.7%	5.6%	22.2%	27.8%	27.8%
	MI	4.3	13.0	39.1	34.8	8.7
		26.9%	7.7%	30.8%	30.8%	3.8%
	CA	13.5	13.5	16.2	32.4	24.3
		6.5%	13.1%	28.0%	29.9%	22.4%
	VT	10.3	18.4	25.4	31.4	14.6
		4.0%	12.0%	38.0%	28.0%	18.0%
	NC	26.5	10.3	32.4	25.0	5.9
	VA	16.7%	13.3%	20.0%	26.7%	23.3%
		11.5%	**12.5%**	**29.3%**	**27.9%**	**18.8%**
	All	13.0	15.5	26.8	28.3	16.4

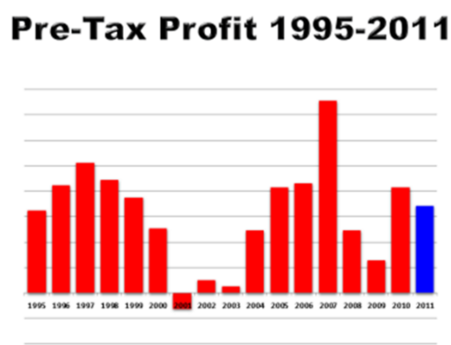
As seen in the Stock Value Silhouette below the value of employees' stock value has increased well since they have become owners of their company.

Stock Value Silhouette from the 1995 (start of the ESOP through 2016)



In 2010, 39 accounts were more than $100,000 and 0 were over $200,000. In 2015, 168 accounts were more than $100,000 and 67 were more than $200,000. In early 2017, it was reported that the 401K provider did a study that showed that 80% of Carris employees are looking good for retirement.

The following chart of Pretax Profits from 1995 to 2011shared with employee owners (their copies included financial information removed here) shows the losses in 2001 and the marginal years of 2002 and 2003 (43.2% employee ownership). The corporate and employee successes in effect to encourage movement to 65% in 2005 and after employee ownership in 2008 may well be a testimony to employee ownership (Blasi et al 2013; Poutsma et al 2017).



Moving through the Hard Times on the Way to Employee Ownership

At the start of 2001 43.2% of the company was employee-owned. The dotcom bust was very serious for Carris and its wire customers. David Fitzgerald CFO reported on the 2000 finances at the CSC meeting noting that Return on Manufacturing (ROMA), net income per employee, and number of employees (40) were down. Mexico, Groggins and KWP had experienced problems and the drop in sales at end of year was not unique to Carris. Vermont Tubbs' mortgage and operating expenses combined with the national economy with the steep decline in demand for high end furniture was putting the whole company at risk.

From the beginning of the economic slide, employees were kept informed of matters affecting the companies. The country as a whole faced recession after 9/11. David Fitz-Gerald put through a special edition newsletter explaining to employees the steps the companies were taking. He noted that downturns such as recessions occur as part of the regular economic cycle—most recently in 1981 and 1991. He said that business could get much worse and the company would be OK.

2002 was a bad year for Carris—ratios were out of line with the financing agreement with the bank. The bank put the companies on notice that action was needed to sell or close Vermont Tubbs and KWP immediately. There was no negotiation. The two companies had to go.

Throughout the next year, in a series of stop and go actions, every effort was made to sell the companies as viable businesses maintaining their full array of employees. At the end of September 2003, the Carris Companies had closed KWP (pallets). Vermont Tubbs (furniture) and the sawmill were sold. By the end of October, Ohio was closed. Its manufacturing moved to Connecticut and Vermont. North Carolina Plastics moved to Virginia. The company's size in sales and number of employee hovered at 1993 levels. Many of the KWP and Vermont Tubbs employees were absorbed at Carris Reels and Carris Plastic in Rutland.

Throughout the downturn the companies maintained commitment to employee ownership and governance while reducing debt levels from a high in 2000 by nearly two-thirds in September of 2003. From the start of the downturn, Carris Reels costs were reduced successfully to maintain profit levels in line with sales and income—the cost containment consultant revised estimates of potential savings by two-thirds. For two years the company suspended contributions to the retirement fund and the ESOP.

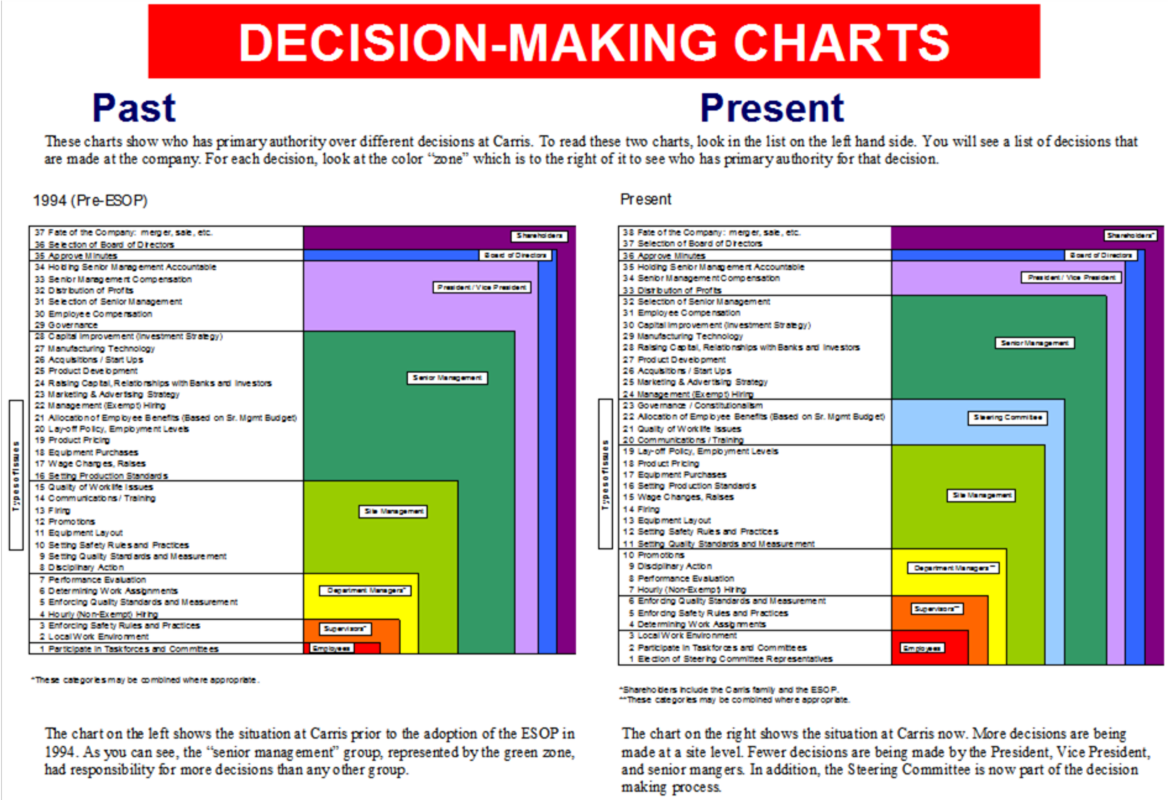
Corporate Management through site visits, e-mail, memoranda, and conversations worked to keep rumors in check and the employees throughout the companies well informed.

. Information Sharing

The State of the Company Meetings, a tradition which preceded the transition to employee-ownership—took on additional dimensions for information sharing during the downturn. These small group meetings held each year, at each of the sites, analyzed the previous year's performance and projected that of the following year.

Ownership and governance transition received special focus. The decision-making model developed by Ownership Associates, put in place through the Corporate Steering Committee Meeting and being implemented throughout the company was reviewed with loci of accountability noted.

Pre-ESOP, the Past and Present[26]



During 2005, discussions went forward on Carris becoming 50% employee owned. Throughout November and early December, the ESOP Trustees, the corporate valuator, and ESOP attorneys met several times to review the purchase of the 15% of stock, which would bring the company for the first time to majority employee-ownership. The transaction, with its legal and financial intricacies, required much discussion and was closed on December 12, 2005, 10 years to the day of the first signing over of stock.

The stocks that brought employees to 50% were distributed in early March 2006. For those not 100% vested, accounts tripled. Those employees with 100% vesting and 10 or more

[26] Used with permission of Ownership Associates For additional information on their work, see http://www.ownershipassociates.com/index.shtm

years of service saw their accounts double. The average account was around $25,000. The additional 15% of stock was to be distributed as the company paid down its financing. Following the transaction, Bill Carris met with all employees at all sites, as he had done before the initial allocation and transaction. He reviewed the transaction from the context of employee-ownership and the transaction's financing, as well as the relationship of the groups involved in governance.

Within a few short years, on January 2, 2008 with great celebration and hope, Carris was 100% employee owned, On May 15, 2014, Carris became 100% employee governed, with provisions for employee voice able to be heard at all levels in the company.

Working Conclusions

The human scale efforts being put forward by Carris are important. The *LTP* spoke of a great deal of trust in the employee-owners and the process of change. Corporately and personally for members of the Carris community, the stakes and investments seemed high; much was risked. Other organizations thinking of bringing employees into the business as shared owners may be greatly helped in knowing what moved and what hindered the processes of the whole system change to 100% employee ownership and governance within Carris.

Moving to employee ownership seems a deliberate choice to create a future out of possibility and the emergent in contrast to the past (Scharmer & Kaufer, 2013). The Carris movement to employee ownership was in no way a happenstance. Bill Carris spent more than a decade writing the *LTP*. The management team had been built, was seasoned and involved. When finances seemed stable and the time right financially, Bill Carris met with small groups of Carris employees. They voted to move forward on employee ownership.

Carris offers a prototype of employee ownership, driven by values and strongly rooted in the interests and realities of the marketplace. As suggested above, the concept of employee ownership is easy enough to understand and multi-faceted enough to act as a container and boundary spanner encouraging the integration of systems and systemic complexities whether economic and political or practical and visionary, values and interests, individual and common good, cooperation and competition, etc. (Betit, C.G. 2015)

As it approaches 25 years, the Carris ESOP offers itself as a prototype for other companies to use to develop their own prototypes to study and to think about their future (Scharmer 2015).

An important finding from the above narrative is that Carris management and employees made ongoing and tremendous effort in meeting the goals for employee ownership and governance as stated in the *LTP*. In spite of the economic downturns, the company completed its transitions. Carris had its most profitable years as an employee owned company and purchased two companies: one in Canada and one in Texas.

Specific thoughts at this point include:

- The amount of effort made at Carris for the changes to employee ownership and governance were unflagging throughout the 18 years of the study.
- Carris management was competent before employee ownership. It was stretched to grow into the new relational and educational requirements for employee ownership and governance as well to weigh impacts differently for the good of the whole. Grow as a group, they did.
- No one in the company foresaw the level of effort needed to make the *LTP* come alive. Management didn't really understand the infrastructure nature of the changes Bill Carris was proposing. He didn't fully see the implications of the gaps in

philosophy and values within his team. Observing the growth and good will involved, nourished the ground of this study.

- The levels of commitment of management and staff to information sharing, open book management, training continue to the present moment.
- Carris had been a very caring climate as a family owned business and this continued during the years of the study. NCEO's (2017) recently published work on the relationship of employee ownership and economic well-being encourages the discussion of the hard and soft in business to join for the good of the whole.
- Carris results are comparable or exceed other ESOPS: long term improvements in profitability and productivity.
- Many promoting employee ownership speak of 'thinking like an owner' without addressing the increasing complexity. For a starting wage hourly employee, thinking like an owner may require a leap and shift in mental logics that need to be addressed in the context of planning for change. That effort is growing out of this study.
- Carris has made continuous efforts to build a body of comparative data for itself and for others to be used as aid to achieve its goals. That work now continues and is in the third year with the NCEO surveys.

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Appendix A

Selected Features of Carris Employee Ownership and Governance

Selected Features of Carris Employee Ownership and Governance:

- In the *Long Term Plan*, Bill Carris wrote about the phrase taped to the bookcase, "to improve the quality of life for our growing corporate community." This became the mission statement for the transition and later that of the company. In reflective discussions, employees spoke about what this phrase meant to them. Over time, the mission became a motivator to those who were committed and provided reassurance to those who wavered and/or who had fear around the transition. The statement took on the role of consensus builder in discussions of how to work through the myriad details of organization life. It provided a centering principle, touchstone for shared identity and a piece of ground within the decision-making structure of the corporation.
- The selling price was 50% of the company's market value with the gift portion transferred to the employees first.
- Following small group meetings with Bill Carris at every site on the *Long Term Plan,* employees voted on Carris' becoming employee owned.
- The *Long Term Plan* Steering Committee working with Deborah Olson, a well-known ESOP, attorney to design the allocation. The Committee made fourteen decisions and Bill Carris made two. Employees voted on their preference of the three formulas.
- The pay range ratio from the lowest paid to the highest paid in any Profit Center should not exceed 1 to 7 ½. The pay range company-wide should not exceed 1 to 10--there may be higher levels of skill at corporate level[27].
- Consensus is the preferred method for decision-making at the CSC Meetings.
- Management was not favored in establishing the ESOP. The salary portion of the allocation was set at $30,000 and adjusted annually since 1995 to reflect cost of living.
- The composition and work of the Carris Corporate Steering Committee (CSC) has been considered a Carris hallmark. For three days, twice a year since September, 1996, corporate management, site management and elected employee representatives have gathered at headquarters. Authority and responsibility for decisions are shared equally in this future oriented group. From the recommendation of the Research Group, a representative from the Board of Directors by role was added. The ESOP Trustees appointed by the CSC sit with voice at the CSC meetings without vote.
  - Research Group developed the CSC Charter, ways of proceeding and implementing change.
  - Developed process and procedures for selecting ESOP Trustees and for putting employees on the Board of Directors.
- 'Open Book' was put into place with the transition--the only non-open book area was payroll. At every CSC meeting those present heard reports from Sales, Human Resources, Safety and Finance. Understanding the financials was a long term focus for the CSC and employees. Leading up to the purchase of stock and the company's real estate, meetings were held to explain the dynamics and consequences of the proposed transactions. Annually, the CFO has put in place fun activities across the corporation to help build comprehension.

[27] This was in effect at the end of 2013. In an interview as Mike Curran was leaving his role as CEO, he indicated that he had highlighted this part of the *LTP* in a conversation with Dave Ferraro. That this continues to be in effect in the most recent review was unofficially confirmed in 2017.