

Vermont Employee Ownership Center Opening Remarks
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Last year I noted that Governor Douglas and I don't always agree. Now I need to tell you that the members of the Board of VEOC and I don't always agree. For good or ill they made me president of this Board and that provides me with an opportunity to present some ideas in this and other forums.

Those of you who know me are aware that I sometimes speak from left field both figuratively and literally. I'm not speaking for VEOC. I am speaking as someone who's been involved in the employee-ownership movement for many years and who thinks that there are many ideas that we need to hear and we need to discuss. So, here are some.

This is a unique time for employee-owned companies, or is it? The economic recession affects all companies. Employee-owned companies are not immune to the gyrations of the world economy. We suffer when orders decline, we suffer when we don't have customers for our service, and we suffer when our product line doesn't sell. We confront these declines the same as equity owned companies do.

I hope you don't mind if I refer to equity owned companies as "straight companies" during the rest of this talk.

If we're the same are we also different. If we're different in which ways are we different? Are we different in **important** ways?

We are different.

It is often true that the market value of companies that become employee-owned is greater than the value placed on them by ESOP valuers. The market will often pay more for a company than an ESOP will. This means that the equity owners believe that it is better for them and more beneficial for their employees to make the company employee-owned. That makes us different.

We are generally more grounded in our communities. We live and work there and we own the businesses there. We hire from our communities and we contribute to our communities. Straight companies do those things also but the data show that we do it more and we do it better.

We are happier at our work than our counterparts at straight companies. Harvard Business School saw this in King Arthur Flour. They thought the enthusiasm of the King Arthur Flour worker-owners important enough that they emphasized it in a video study they did.

We are different. But are we different enough?

Last January, at the winter meeting of the Vermont Business Roundtable I attended a workshop titled "Managing in Hard Times". The discussion leader spoke about the importance of making the lay-off process humane. He spoke about the importance of making the lay-off process as transparent as possible; of decisions being as unbiased as possible and the importance of there not being a perception of heavy handed favoritism; of the possible negative affects on morale caused by poorly planned and poorly executed lay-offs. The emphasis of the discussion is that they are better and worse ways for the owners and/or managers of companies to handle employee lay-offs. The decisions on whom, what where and when are still in the hands of those who own and/or those who manage.

Do employee-owned companies handle lay-offs differently than straight companies? Some do. At Chroma the Board of Directors is exclusively composed of employee-owners. The four remaining founder are members and three others are elected by shareholders.

Some coops make their decisions by one-person-one vote. Some have councils of employees. Some have more traditional management structures. The question of how do the employee-owners of our companies influence decisions is a vital question, especially in hard times.

In a recent article in Tikkun Magazine Loyola University Philosophy Professor David Schweikart argues for direct democratic governance:

"Let's imagine a world in which most large enterprises are run democratically. They are communities-not properties to be bought or sold or "relocated" to lower-wage parts of the country or globe. When you join a firm, you get to vote for representatives who will serve on a Workers Council that serves the same function that a Board of Directors (representing shareholders) serves in a modern corporation: selecting top management, setting the terms of employment, and approving major business decisions. "

I don't completely agree with Prof. Schweikart. I don't believe that direct democracy is the best way to run a company. I hope to argue with him in the not-to-distant-future at a conference (hopefully sponsored by VEOC) on economic democracy.

I do think that we need to ask ourselves who speaks for our employee-owners and if the avenue for those voices is adequate and fair and expresses the needs as the employee-owners see them, not necessarily as we, the leaders in our companies, do. Are the needs of management the same as the needs of workers. I **like** to **think** sobut I'm **not** right.

Again I ask the question "Are we different enough?" I humbly suggest we might not be.

But instead of elaborating on why I think we might not be different enough I present the following questions for you to ponder:

- 1) Are the employee-owners of our companies represented in important decisions that affect their work-lives?
- 2) Do you think they should be?
- 3) Is there a role of trade unions in employee-owned companies? There are many employee-owned companies in other states which are both employee-owned and union represented. What's their experience? Some companies don't allow management to be employee-owners. Isn't that an interesting twist?
- 4) Can trade unions be partners with management in the healthy relationship between management and the other employee-owners?
- 5) Should we look to other formats, similar to Prof. Schweikart's ideas?

My own company, Chroma Technology, is going through a governance evaluation and development process. Recently the Governance Committee met with the Board of Directors to report their progress to date. During the discussion on the role of the Board and the role of the CEO one of my founder colleagues – a close friend – told me that if we concentrated authority too much the employees might want to organize a union. I told him not to worry because my friend and fellow VEOC Board member George Clain is President of Local 300 of the International Brotherhood of Electrical Workers and he's been at the ready for years in the event that Chroma employees want to entertain union representation.

In closing I wish to point out that there are other differences that we should have from straight companies. There are those who say that the purpose of business is business and that the pursuit of the bottom line should not be interfered with by taxes or regulations. Our commitment to our employee-owners, our commitment to sharing equity and our commitment to our community should send a message that we are different because as companies and as people we **are** our brothers and sisters keepers, we do have a responsibility to our neighbors, we do care about the common good. We must because that really why we're employee-owned.