

Building organizational social capital through employee ownership and participation in decision making

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Breaking down the terminology: Organizational social capital

Capital: investment that people make in order to get returns

Human capital: (coined in 60's by Gary Becker) it is important to invest in human development

Social capital: (term used by Robert Putnam, author of *Bowling Alone*) communities that are tight knit are healthier than ones that are not.

Organizational social capital: social relationships within organizations that promote higher levels of productivity

Slide Two: Organizational Social Capital

Organizational identity: how strongly people identify as part of the group

Interpersonal trust: trust among co-workers, between co-workers and managers. Trust is a social lubricant. When people trust each other, things go smoother and are more efficient.

Organizational commitment: how strongly do people believe in the organization's goals.

Feelings of reciprocity: how likely am I to return a favor to someone who helps me out.

Question: union cab guy: in order to keep everything on a level playing field, nobody ever gets any favors because they create an uneven playing field.

Answer: in this case, reciprocity is more about helping someone out due to a sense of obligation.

Strengths of ties: are co-workers close friends, or are they more like acquaintances?

Slide 3: Chart that breaks down effects of ownership and participation

Organizational democracy=employee ownership and participation in decision making
Survey measured 5 ESOPS and 5 traditionally owned companies. He tried to match up the size and industry of ESOPS and traditional companies as close as possible.

Both kinds of companies (combined data):

Ownership positively affects organization identity, organizational commitment, and reciprocity.

Participation positively affects tie strength, and trust between co-workers

Just ESOPS

Ownership positively affects same criteria, but even stronger

Participation positively affects all criteria except reciprocity between co-workers

New Orleans food co-op question: Does ownership moderate the effects of participation?
What does the group think?

Union cab: anybody can participate, ownership allows participation to whatever degree you want

Robert: There is a consistency of values in employee-owned companies. Difficult to prove because his study was quantitative, not qualitative.

Intentional community man: why no positive reciprocity between co-workers?

-Robert: didn't show up on the data

Union cab: what kind of ESOPs did you study?

-Robert: most of the ESOPs took ownership seriously. Weren't just employee-owned by name

Slide 5: Graph

ESOPs: more participation, more org commitment. Pretty much a straight line
trad-owned companies: more of a hill-shaped curve. Strange because org commitment is very low for ppl who participate the most, and the least, and higher when ppl participate in the middle range

Robert skips the rest of the graphs, wants to talk more about participation

Slide 9: more advantages of participation

inclusiveness:

long island building co-op guy: "less management"

more ideas: not necessarily good ideas, but ideas nonetheless. Relates to previous work experience.

better implementation: spend a lot of time making decisions, but easier to implement because people know about why the decision has been made, and are more behind it and willing to implement it

UConn: Democratic participation has been shown to be more efficient. Reference to *Freedom is an endless meeting* by Francesca Polletta

Austin recycling: committee structure eliminates getting bogged down in details

Union cab: board and managers do exist, but membership can eliminate them at any time. Day-to-day decisions are delegated to managers, longer term ones are dealt with and delegated by board. People tend to be afraid of time-consuming decisions, but he isn't.

Graph of what kind of decision-making procedure should be used in different cases:

Involvement

high

Consensus

Input as group

Input as indiv

Decide/announce

Low

Buy-in:

low

high

Wages man: agrees with union cab about levels of diff decisions and delegation.
Not everyone needs to be involved in every tiny decision

Union: Their organization splits up governmental issues and operational issues

Robert: if a decision doesn't affect everyone, not everyone needs to be involved

Maine guy: how do you deal with resentment when certain decisions are delegated that they don't believe should be delegated

Union cab: quorum=20%. Can petition to have a meeting at any time if you get 20% to sign a petition, and during this meeting members can reverse management decisions. In reality, the workplace has a lot of social interaction and managers have good relationships with employees. This cultural element takes care of management issues without having to resort to the pre-established policy.

Slide 11:

One ESOP (Carris wheels) has come up with a diagram that outlines which decisions should be delegated to which groups.

Slide 13:

Record of a specific decision that was made by the ESOP

Issue

Date

Decision

Reason

Decision makers

Information

Useful to make decisions clear

Long island builder: would be too much for small groups

Robert: perhaps, but might be nice to institute policies like this before the organization grows

Union cab: board uses charts/forms like this

Robert: structure must gel with history and org culture and values. He prefers to go into companies and have workers come up with their own structures that work for them

Slide 14: types of participatory structures

Meetings and groups agenda setting

Team-based management

Problem-solving groups

Job-level decisions

Suggestion box*

“open door policy”*

*=not very participatory, a lot of times, these policies are just to make it seem like the company is participatory. They can be useful, though, in some cases

Slide 15: individual skills required for effective participation

Interpersonal Communication Skills: people think it is communication is easy, but it isn't always

Union cab: there have been fistfights during meetings... laughter

Robert: organizations with a multicultural composition make it even more difficult

Ability to work in teams

Financial knowledge: open financial books, if people understand what's going on in the back of the business, they can make decisions more effectively.

New Orleans food-co-op: paid a lot of money for consultants. Certain people want to implement the reports that the consultants have come up with, but they don't want to share the documents with members because it's "valuable information" that's going to be used in the business plan.

Austin recycling: "that's gate keeping"

Robert: understands the concern of the board to not share documents with membership, but there could maybe be more transparency

Union cab: when they bought a new building, board couldn't share any information about the amount with the membership. Had to vote to allow them to spend money without letting the membership know how much.

Robert: there is a cultural tendency to not talk about money. Need to be able to assess how much risk is involved in being financially transparent. Shows importance of making everyone aware of how financial issues work, because if you're going to share numbers, people need to understand what these numbers mean.

Critical thinking skills

Hernandez: how can we employ this?

Robert: critical thinking is a skill that allows you to triangulate, to test/challenge assumptions, to be empowered to ask questions, to question authority.

Florida rest co-op guy: It is important to make the decision-making process that goes on in your head clear to the group when you share your ideas with them.

Austin recycling co-op: train metaphor: you're on the train, but nobody even knows that we're buying tickets

Josh from Webhall: criticizes Robert's statement about "not being able to teach critical thinking skills." This seems like a screening process.

Robert: it is kind of like a screening process. You need to make expectations clear about participation from the beginning. Self-selection will weed people out. Peer pressure will make people go along with the participatory culture. Suggests working towards participatory culture in steps instead of all at once. Constantly evaluate where you are. Difficult because you get caught up in day-to-day. Surveys give a sense of a benchmark. Surveys are good because they're anonymous. It is wise to have an outsider come in and organize the survey to ensure anonymity. Survey is a good start to the conversation, useful to point out what you need to work on.

Trixie: we're trying to implement positions within the co-op to gauge where people are in terms of skills and orientations.

Union cab: because of the democratic workplace, people come to know each other's strengths. Curious about how to find people with skills to start a co-op and not get too bogged down.

UConn: I don't think you should weed out people based on lack of skills. We need to empower people. How, aside from hand-holding can this sense of empowerment can be cultivated?

Wages: Wages started with a core group of 7-10 women. It was hard in beginning, because they were Latina women whose families may not have been supportive. The families feared that the co-op would be something to take advantage of them because they have to put in a lot of time and some money. Wages needed to build up trust and show that it's a serious organization. Training is a main component of their model. There is a permanent training process, which includes a financial learning process (learn how to read budgets). Once they start earning money, they see the benefits of working in a co-op. Wages is not looking for specific skills, but more for an ability to believe in something that does not yet exist. Now they are starting to train leaders who will take over training skills to train new members.

Union cab: The articles of incorporation of our coop give a rough sketch of the coop's structure. What is Wages' legal structure?

Wages: wages' legal model is LLC (limited liability company). Start with skeleton, and build bylaws/operational agreement from there. Have some support from lawyers to set up ground rules. Recruit through community meetings, bring current socios to these gatherings. Builds trust in organization, makes ppl believe that it is possible to make the co-op.

Conclusion:

Workplaces with a high level of participation, commitment, and trust is more efficient, more hardworking, and a generally more pleasant place to be.