

Case History

Distributed Leadership Changes Everything in a Manufacturing Company



[Photo](#) courtesy Once Again Nut Butter

Background

[Once Again Nut Butter](#) (OANB) is a 100% employee-owned food manufacturing company with 80 employee-owners, an employee stock ownership plan (ESOP), and annual revenue of \$50 million. Located in rural Nunda, New York, the company makes nut and seed butters that are sold in stores throughout the United States. Between 2011 and 2014, the company saw double-digit growth in annual revenue, sometimes growing as much as 40% annually. In that same time period, the number of employees doubled from 30 to 60.

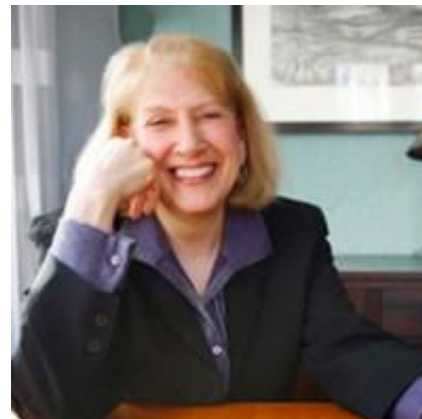
Issue

Yet there was dissatisfaction among the employee-owners. Because they were owners, they expected to have a voice in company decisions. Without a transparent structure for doing so, however, that was in name only. The result was disappointment, frustration, and anger when things went wrong. People would point the finger at each other to assign blame, rather than cooperating to find solutions. Something needed to change.

Here is one example: In 2012-13, OANB made a decision to build a new peanut butter facility. The decision was controversial within the company, and some employee-owners wanted a company-wide vote. There was even a meeting of all employee-owners, with the board present, to discuss this. It ended up being a board decision, with input from employees, and the new facility opened in 2016. The controversy over the decision — and who should make it — was one of the motivating factors to clarify the decision-making system.

Solution

The Board of Directors, with three employee-owners and three external members, set up a Governance Committee in 2014. The Governance Committee included several board members chosen by the board, including the board chair (an external member); the General Manager of OANB; and two other employee-owners. A meeting of all employee-owners used a consent-based sociocratic election process to select those two people for the Governance Committee. The company brought us (The Sociocracy Consulting Group) in to lead that election process. We then trained the Governance Committee in sociocratic meeting processes, so that each member would have a voice at their meetings and the Committee could make decisions by consent.



Deborah Groban Olson, Board Chair

The Governance Committee developed a decision matrix to clarify which individual, committee, or group would make which decisions. They grouped the types of decisions into four categories — financial, personnel, operations, and corporate organization/governance. For each type of decision, they determined (a) who was the decision-maker, (b) from whom the decision-maker must seek input, and (c) who, if anyone, must ratify the decision. The decision matrix includes detailed examples of many of the types of decisions. An Employee Owners Manual Committee now reviews the decision matrix annually. The Board of Directors and some of the committees and groups use rounds and consent decision-making, common practices from the Sociocratic Circle-organization Method (SCM), in their meetings. In addition, each committee or circle now has a charter, clearly laying out its domain of decision-making, consistent with the domains defined in the decision matrix.

Results



*Robert Gelser,
President and General Manager*

The new decision-making system has improved communication at all levels of the company. The result has been that people throughout the company are involved in making decisions, and it is clear to everyone who does what. Everyone understands their roles in making decisions.

The change in culture has been palpable — even when the Governance Committee was just beginning its work, since people knew they would have a voice. Finger-pointing subsided, and people started collaborating to find solutions when there were difficulties.

For Robert Gelser, President and General Manager, the decision matrix has changed confusion to clarity about who makes what decisions. Rather than controversial issues bogging people down, as happened in the past, people move past the difficulties. Employee relations are vastly improved.

Now even if people disagree with a decision, they know a process has been followed. In the past, when people were caught up in disagreement about one issue, they often polarized on other issues as well. That polarization is rare now.

Here are some potentially controversial topics that now have defined paths for decisions about them:

1. Review of offers to purchase the company or a majority interest in it: There used to be no clear criteria for whether to engage in discussions with a party making an offer. There now is a threshold of a defined percentage of the company value. If the party meets that threshold, the General Manager would take it to the board.
2. Capital expenditures for manufacturing equipment: This can be controversial, because a favorable return on investment from updating equipment requires successful marketing and sales efforts. The General Manager has created a formal process for all to have budget input. The manager(s) of a department(s) that wants new equipment appoints a Project Committee. The General Manager, with input from the Project Committee, has authority to decide budget changes under \$50K. For over \$50K the Board must decide.
3. Facility expansions such as leasing a warehouse or building a new facility (see the example of the peanut butter building mentioned above): The process now is that the General Manager proposes changes. The board makes the decision, and must include a unanimous vote of all the employee board members. Current employees have input at company meetings.
4. Change salary min/max ratio: OANB currently observes a 4:1 compensation ratio of highest to lowest paid employees. To change this ratio, the General Manager drafts a formula statement for review and comment by all employee-owners and by the Employee Owners Manual Committee. The Board then decides by majority vote. A majority of the employee-owner board members must approve it as well.

The company is now expanding its training program, both for new and for experienced employee-owners, so people know the decision-making system is there and how to use it. According to Gelser, "Education and advertising are key."

From 2015 to 2019, growth of OANB's annual revenue has been between 4 and 6% annually. That is reduced from earlier years, due to more competitors entering the market. This reduction makes it all the more imperative for the employee-owners to work together rather than letting disputes siphon their energies.

Here are two examples of culture change in the company, one from the perspective of the General Manager, the other from a Production Supervisor:

- The company recently decided to eliminate two staff positions, the first time they have done that since 2007. Because they had followed the decision-making system to which everyone had agreed, Gelser could explain at one of the regular company-wide

meetings why and how the decision was made. Gelser said, “It was a tough meeting. Yet I even received a couple of compliments afterward on my presentation — that was a rarity!”

- A Production Supervisor was one of the people chosen at the all-company meeting to be on the Governance Committee. In meetings, she often needed time to gather her thoughts and give her opinion. In a round, everyone has a chance in turn to speak without interruption, so it is easier for everyone to speak and also to listen to others’ ideas. When it was someone’s turn to speak, the group could wait for them to say their piece. This supervisor then always had something really insightful to offer. In addition to everyone else getting the benefit of her thinking, this had a profound effect on her. She sometimes used to get upset when people disagreed with her in a discussion. After practicing rounds, she was able to listen to another person’s opinion and give her own calmly and confidently and without the emotional stress.

OANB has not implemented the full SCM. They have adopted some of the practices and find them useful. It is gratifying to me to see how much benefit they have reaped from those practices.

The culture at OANB has indeed changed, and definitely for the better.