

MUSINGS

BY MARJORIE KELLY



Rebels Without A Clue

A company experiment in democratic capitalism hits a wall.

WHO WOULD HAVE THOUGHT GIVING UP POWER and wealth would be so hard? At his \$7 million T-shirt company in Richmond, Virginia, founder Jerry Gordé has been trying to do it for twenty years — by sharing profits, later by creating an Employee Stock Ownership Plan, and most recently by turning his company into a worker-owned cooperative. The wealth is easy to give away. Gordé's given away more than \$1 million. But the power is trickier.

Gordé's one of my all-time favorite business people — more committed than anyone to the idea of democracy in capitalism. Other people float theories, but he's out there on the cutting edge, trying to make it work in reality. And crashing into brick walls.

Take the ESOP, for starters. Vatex started one in 1980, and abandoned it a decade later. "It's not the panacea I thought it was," Gordé said. "If you can't read an income statement and balance sheet, you'll be a lousy capitalist."

Because Vatex was built in an economically disadvantaged area, the people who work there — starting at \$6.50 an hour — are "at the bottom of the food chain." Vatex had to break T-shirts out of twelve-packs into packs of ten, and "when we did that, our packing slips started to be accurate," he said. "We put signs all over the plant, 'Think 10.' That's how basic things are here."

The ESOP structure, perversely, created an incentive to leave — since the law says employees can't cash in unless they retire, or quit. Abandoning the ESOP in 1990, Vatex bought employees out, to the tune of \$750,000. "Out of the 54 who shared in it, I got one thank you," Gordé said. "Only a few kept it in an IRA. Most spent the money."

Undeterred, Gordé decided to give employees both ownership and control, making Vatex a worker-owned cooperative at the end of 1995. Common stock was converted to non-voting preferred stock, and people got one ownership share in the co-op. "That's what creates the democratic structure," he said. Previous employee owners were grandfa-

thered in, and all new workers were invited to qualify. The requirements: work there 15 months, take a training session in the bylaws, and be voted in by 75 percent of members.

Here's a really path-breaking part: The bylaws became the "constitution." "Every right we have as citizens of Vatex is defined there," Gordé said. One bylaw says, for example, that a company goal is to pass through 30 percent of profits to workers.

Another key point: Governance is democratic, while management is not. "You need credible, day-to-day lines of authority," he said. "That doesn't change. That's management." Governance is the "dynamics of organizational process." Workers elect the board of

directors, and the board elects the president and CEO. Committees set up wage scales, the appeals process, and employment policy.

The problem is, most employees aren't buying it. "They think, 'If Jerry has ownership and authority and gives it up, there must be manipulation somewhere,'" he said. "We have what I call Rebels Without a Clue" — constantly rebelling against authority. They don't understand they are the authority.

But Gordé keeps trying. As CEO, he's out of day-to-day management, and can't overrule the president. He's dropped to three days a week (with a cut in pay), and plans to go to two days — trying to show he's not running the place. "But they keep assuming Gordé will put it all together," he said.

Today, the co-op experiment is six months old, still trying to find its feet — and perhaps heading toward an untimely end. An investor group may soon offer to buy out Vatex. If it's put to a vote, Gordé is likely to be the only one voting against it. The buyout would mean quick money, and probably ongoing employment for most. For Gordé, it would mean financial security. And the end of his experiment.

He expects the buyout offer in the next month. So at Vatex, the first really democratic decision might be a vote to sell out the democratic workplace.

Ah yes, that's workplace democracy. ☒

At Vatex, governance is democratic, while management is not. But most employees aren't buying it.

